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Namibia Social Protection Floor Assessment



Namibia

Republic of Namibia

Report to the Government

Namibia Social Protection Floor Assessment Report

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and

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Foreword

The Namibia National Social Protection Floor Assessment report is the result of collaboration between the Government of Namibia and the ILO. Drawing on the Social Protection Expenditure and Performance Review (SPER) and Social Budget methodologies, the report responds to objectives set in the Decent Work Country Programme of Namibia (2010–2014), which defined in its Priority 2b, Outcome 6, that the Government of Namibia, in collaboration with workers and employers, shall '*improve the knowledge and information base on the coverage and performance of their social security system*'. Secondly, the report responds to the request for a comprehensive review of social protection programmes by the Parliament of Namibia.

Thus, the objectives of the report are: 1) to improve the knowledge and information base on the coverage and performance of social protection in Namibia, focusing particularly on the SPF guarantees; and 2) to build the capacity of constituents in identifying reform priorities in the field of social protection. The latter is done by applying a social budget planning tool, providing simulations of future social protection expenditures, and establishing a nationwide social dialogue.

In effect, the analysis is the outcome of year-long consultations and feedback in the context of a National Consultative Working Group (NCWG) under the leadership of Ministry of Labour and Social Welfare (MoLSW), also including the Social Security Commission (SSC), the Ministry of Health and Social Services (MoHSS), Ministry of Gender Equality and Child Welfare (MoGECW), Ministry of Veterans Affairs (MoVA), the Ministry of Finance (MoF), the Planning Commission, the Namibia Statistics Agency (NSA), the Namibian Employers Federation (NEF), the Trade Union Congress of Namibia (TUCNA), and the National Union of Namibian Workers (NUNW). Over the duration of the exercise, the NCWG held four workshops, with the final one being held on 28 February 2014. The NCWG offered a platform and an opportunity for Namibian institutions and actors to learn from each other, and helped build consensus on key aspects of Namibia's social protection system. Looking at the social protection system as a whole allows Namibia to move forward in a strategic and concerted way.

By providing an inventory of existing social protection schemes in Namibia, including overall social protection accounts, the report sets the foundations for the establishment of a national social protection-focused M&E system in Namibia. This allows timely feedback to be delivered to policy decision makers and forms the basis for a culture of continuous evidence-based national dialogue on the future of social protection in Namibia.

Mr. George Simataa

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Abbreviations

AEA	Agricultural Employers Association
APF	Accident Pension Fund
AU	African Union
BTP	Build Together Programme
CPI	Consumer Price Index
DF	Development Fund (of the SSC)
DHS	Demographic Health Survey
ECD	Early Childhood Development
ESNP	Employment Safety Net Programme
ESSPROS	European System of Social Protection Statistics
ETSIP	Education and Training Sector Improvement Programme
GDP	Gross Domestic Product
GIPF	Government Institutions Pension Fund
ILO	International Labour Organization
IMF	International Monetary Fund
ISCs	Industry Skills Councils
LFPR	Labour Force Participation Rate
M&E	Monitoring and Evaluation
MoGECW	Ministry of Gender Equality and Child Welfare
MoHSS	Ministry of Health and Social Services
MoLSW	Ministry of Labour and Social Welfare
MoE	Ministry of Education
MoF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
MVA	Motor Vehicle Accident (Fund)
NAMFISA	Namibia Financial Services Authority
NARF	Namibia Agricultural Retirement Fund

NCWG	National Consultative Working Group
NDC	Namibia Development Corporation
NDP	National Development Plan
NEF	Namibia Employers Federation
NEP	National Employment Policy
NHE	National Housing Enterprise
NHIES	National Household Income and Expenditure Survey
NLFS	Namibia Labour Force Survey
NSA	Namibia Statistics Agency
NSFAF	Namibia Students Financial Assistance Fund
NSFP	Namibian School Feeding Programme
NUNW	National Union of Namibian Workers
NTA	Namibia Training Authority
NYC	National Youth Council
NYCS	Namibia Youth Credit Scheme
OAP	Old Age Pension
OPM	Office of the Prime Minister
OPML	Oxford Policy Management Ltd
OVC	Orphans and Vulnerable Children
PSEMAS	Public Service Employee Medical Aid Scheme
SACC	Standards, Assessment and Certification Council
SAS	Social Assistance System
SMEs	Small and Medium-size Enterprises
SSC	Social Security Commission
SSC – ECF	Social Security Commission – Employees Compensation Fund
SSC – MSD	Social Security Commission – Maternity, Sickness and Death Fund
SPER	Social Protection Expenditure and Performance Review
TIPEEG	Targeted Intervention Programme for Employment and Economic Growth

TUCNA	Trade Union Congress of Namibia
VET	Vocational Education and Training
VTC	Vocational Training Centre

Glossary

Decent work:	Refers to opportunities for work that is productive, safe and delivers a meaningful income, security in the workplace and social protection for families, as well as better prospects for personal development and social integration, freedom of expression and association to organise and participate in the decision making, and equality of opportunity and treatment for all women and men.
Economically active:	All persons within the working-age group of 15 years of age and above with the exception of those persons defined as economically inactive (NSA definition).
Economically inactive:	All persons below 15 years of age and all persons over 15 years of age who are not available for work since they are full-time learners or students, homemakers (people involved only in unpaid household duties), ill, disabled or retired (NSA definition).
Employed:	All persons within the economically active population who have worked for at least one hour over the reference period for pay (remuneration), profit or family gain.
Employment rate:	The proportion of the working-age population that is employed.
Labour force:	All persons who constitute the working-age population aged 15 years and above and are economically active. The labour force consists of both employed and unemployed persons.
Labour force participation rate (also referred to as the economic activity rate):	The proportion of the economically active population in a given working-age population group.
Old age dependency ratio:	The ratio of older dependents (people aged 65 and above) to the working-age population (those aged 15–64).
Poverty incidence:	The proportion of individuals who live in households below the poverty line.
Poverty gap:	The average shortfall of the total population from the poverty line. This measure captures the mean aggregate income or consumption shortfall relative to the poverty line across the whole population. It is obtained by adding up all the shortfalls of the poor (considering the non-poor as having a shortfall of zero) and dividing the total by the population. Put differently, it gives the total resources needed to bring all the poor to the level of the poverty line (divided by the number of individuals in the population).

Severity of poverty ('squared' poverty gap):	This takes into account not only the distance separating the poor from the poverty line (the poverty gap) but also the inequality among the poor. That is, a higher weight is placed on those households further away from the poverty line. As for the poverty gap measure, limitations apply to some non-monetary indicators.
Total dependency ratio:	The ratio of all dependents (people older than 64 and younger than 15) to the working-age population (those aged 15–64).
Unemployed (strict):	All persons within the economically active population who are without work, are available for work and are actively seeking work.
Unemployed (broad):	All persons within the economically active population or working age group who are without work and available for work, irrespective of whether or not they are actively seeking work.
Unemployment rate:	Unemployed persons (strict or broad) expressed as a percentage of the total number of persons in the labour force.

Executive summary

This report sets out the socio-economic context and trajectory in Namibia, describes the components and performance of its social protection system (including its impact on poverty and inequality) and on the basis of the evidence makes recommendations for improvement of the social protection system.

Socioeconomic developments and the need for social protection

- Since its independence in 1990, Namibia has made steady progress and is ranked as an upper middle-income country. Growth has been steady over the last two decades and poverty has declined in the official estimates from 69.3% in 1993/94 to 28.7% in 2009/10. Sound economic and fiscal management has led to the ability to withstand international crises. Nonetheless, inequality and unemployment remain high in Namibia, which in 2013 led to the International Monetary Fund (IMF) warning that 'Namibia's economic growth prospects are … clouded by socioeconomic challenges of high unemployment, poverty and inequality'.
- Namibia has a high unemployment rate (33.8% in the 2009/10 National Household Income and Expenditure Survey (NHIES) or 27.4% in the 2012 Namibia Labour Force Survey (NLFS)) and the problem disproportionately affects women and the youth.
- A large proportion of employed persons are informal workers, mainly in subsistence agriculture.
- In addition to persistent inequality and unemployment, poverty levels remain high for certain parts of the population and certain regions of the country. More than a third of all children (34%) remain poor (measured at a very modest poverty line of US$ 1.25 per day) and in some regions, child poverty is well above 40%. Such child poverty is detrimental to the accumulation of human capital and has an impact on long-term growth prospects.
- While more than half (52.4%) of all poor individuals are children, those who are either underemployed or unemployed make up about 19.2% of all poor and the employed 16%.
- Namibia also has a very high inequality rate (with a Gini coefficient of 0.597 in 2009/10).
- Therefore, from a number of perspectives (including those focused on human rights and the country's growth prospects), it is important for Namibia to address child poverty, unemployment and inequality as a matter of urgency.

The current social protection system: shape, coverage and impact

- Compared to the rest of sub-Saharan Africa, and indeed large parts of the developing world, Namibia has a comprehensive social protection system (both in terms of risks covered and types of schemes) that plays a critical role in its economy and society.
- The social protection system in Namibia consists of social assistance, social insurance and occupational and private pension provision:
    - Social assistance consists largely of a universal benefit for the elderly and disabled, a war veterans' subvention and a number of grants to parents of children under certain limited conditions (such as the need for fostering, disability and one parent being unable to contribute to maintenance of a child for certain reasons).
    - Social insurance consists of two schemes run by the SSC (the Maternity, Sick Leave and Death Benefit Fund – MSD – and the Employees Compensation Fund – ECF) and the Motor Vehicle Accident (MVA) Fund (Accident Insurance).

- Occupational and private retirement funds, health insurance funds and medical aid schemes catering for the upper end of the labour market and regulated by the Namibian Financial Services Authority (NAMFISA).

- In addition, the government and agencies fund a number of schemes aimed at poverty alleviation, job creation and promoting tertiary education.
- In 2010/11 (the last year for which comprehensive and representative data are available), social protection benefit expenditure comprised NAD 5.4 billion or 6.6% of GDP. Poverty alleviation and other special schemes added nearly another billion to social protection expenditure.
    - Private and occupational funds for retirement and medical costs made up about 66% of benefit expenditure, followed by social assistance (30% of the total) and then social insurance (nearly 5% of social protection expenditure).
    - More than half of the benefits go to the elderly, disabled and survivors (55.5%), about 25% to medical scheme benefits and 4.7% to families and children.
    - Financing is through returns on investment (47% of total scheme revenue in 2010/11), employer and employee contributions (38%), and general government revenue (12.6%).
- Key reforms since independence include:
    - The universalisation of the state old age pension (OAP), equalisation of benefit levels, and a strong expansion of access to the various benefits, especially child grants, through the expansion of the administrative reach of both MoLSW and MoGECW.
    - The establishment of the SSC and building it as a strong organisation. The MVA Fund has also been turned around into a more efficient and proactive entity.
    - Recently, efforts to enhance the oversight of retirement funds and medical schemes though reviews of legislation and institutions, as well as the reform of NAMFISA.
- The impact of the Namibian social assistance system overall is positive and it is estimated that in 2009/10 it reduced headcount poverty on the higher poverty line by more than 30%, and severe poverty by an even bigger proportion.
- In spite of the relative comprehensiveness of the Namibian system, key gaps exist in its social assistance system:
    - Firstly, there is no general support for poor households and children. As a result, the system of child grants is inequitable as well as badly targeted and does not do enough to ensure the future of Namibia's vulnerable children and the country's growth prospects. The impact of the social assistance system on poverty would have been much greater had there been general support for poor households and children.
    - Secondly, there are no mechanisms for supporting the unemployed. This is the case for both formal workers (there is no contributory unemployment scheme) and informal workers (who typically are not included in contributory systems). Youth unemployment is particularly high and negatively affects the country's long-term growth prospects.
- The contributory retirement system is essentially voluntary, with no mandatory state system in place, leading to low replacement rates, under-provision and high costs.
    - Sickness, disability, employment injury and maternity benefits are available, only for those formally employed. However, informal workers, workers in small workplaces and the self-employed are likely to be excluded.
    - Retirement benefits are also available through occupational and private options for those who are in formal employment. Once again informal workers, the self-employed

and those working for smaller employees are likely to be unable to afford market-driven pensions.
  - Currently, neither formal nor informal workers have access to a contributory system that provides unemployment benefits.

Key points on administrative performance and governance

- Namibia has an extensive social protection system, managing client applications, records and payments for more than 15% of the population. For this purpose there is a significant legal framework and a range of institutions, from public sector departments to public agencies and private sector firms. There is extensive interaction or partnerships between public organisations (mostly state departments but also agencies) and private agencies (including payment agents, banks and NamPost) to deliver services.
- An overall evaluation framework, indicator set and data are not available to rigorously assess the performance of the administrative system and its components. This assessment focuses on inputs, key processes and assessments of cost and efficiency.
- The establishment and expansion of an extensive system of social grants and a network of social insurance and other occupational and private schemes, all working fairly smoothly in a relatively poor country with a large land mass and low population densities, is a significant achievement and provides a strong base for the future development of social protection.
- Pointers to the need to improve systems are the high administrative costs (especially in the social insurance and private and occupational funds), elementary client interaction facilities in the social assistance departments, and avoidable costs to citizens due to fragmentation of responsibility between different departments leading to duplication of activities in government. There are staffing challenges in relevant government departments and most public sector departments and agencies struggle to find efficient ICT solutions. Human resources development plans (also through appropriate training) are limited. Moreover, the facilities are quite unevenly distributed between the social assistance and social insurance schemes.
- Key aspects that need to be addressed are:
  - In certain areas, a clarification and necessary updating of legal mandates and rules. For instance, the funeral benefit does not have a legal mandate and when social grant increases are decided, they are not gazetted in terms of the relevant legislation. This provides a basis for uncertainty, and further complicates the communication to beneficiaries.
  - Responsibilities for client database management and maintenance are effectively spread among different ministries with a resulting risk of lack of coherence. The study recommends one purpose-designed entity to take responsibility for the centralised registry and social protection database.
  - Service delivery to clients (e.g. information, registration and record management) is currently quite fragmented (three ministries are responsible for social insurance and two for social insurance entities) and there are a large number of relatively small retirement and medical schemes. There are three options to remove fragmentation in social protection service delivery and reduce costs to the client. These options will rely as far as is possible on the centralised social protection registry. Client interaction would then be either through: (1) a decentralised option where all client interaction is the responsibility of local government; or (2) one purpose-designed entity that takes responsibility for coordinating social protection-related interactions with clients. If a

decentralised option is preferred, it is still necessary to provide increased uniformity and harmonised operations as well as regulations for service delivery across different departments and regions. A third alternative, which can be seen as a good foundation for a longer term adoption of either option 1 or 2, is to have a leaner national-level entity, possibly also operating the centralised social protection registry so as to provide uniform information and communication, standards and support for service delivery at the local level, although not being directly in charge of local social workers.

Recommendations

Social protection data and information systems

- Reform of social protection systems is a complex issue and needs to be based on the best information, including socioeconomic and fiscal information (determining the need for social protection and the affordability and sustainability of schemes) and information about the shape and scope of the social protection system and its impact.
- A key conclusion of this study is that, while considerable information is available about social protection schemes in Namibia, there is no overall evaluation framework determining what information is needed on different schemes that ensures the information can be compared. Furthermore, there is no routine compilation and dissemination of data on the comprehensive social protection system and no regular assessment of the evidence on the extent and impact of the system, as well as its unmet needs.

Establishing a Social Protection Floor and improving the coverage of contributory social protection

- It is recommended that Namibia should implement a system of child (or family) benefits and a number of options are set out to structure such benefits e.g. the phased abolishment of the current maintenance grants and special maintenance grants for children and the progressive/gradual introduction of a new universal grant (Child Grant) to children aged 0–17 years.
- In addition, proposals are made for an Employment Safety Net Programme (ESNP), which is a community-based public works scheme that can offer a maximum of two days (16 hours) of work per week to those who are unemployed or underemployed.
- It is also recommended that the OAP remain as a universal benefit and that the Attendant's Allowance be operationalised.
- Such a comprehensive SPF (Package 1) will cost 3.2% of GDP in 2020, a figure comparable to social assistance expenditure in countries like South Africa but lower than that in Mauritius, Malawi, Ethiopia or Lesotho.
- Although the package is well within the ability of Namibia as a country to finance, government will have to assess how best to raise extra revenue, in order to prevent a deterioration in the primary balance, and a rise in the public debt.
- The package could contribute to virtually eradicating extreme poverty, which would fall by 14 percentage points from the pre-transfer level of 15.3%, and to a remarkable reduction in the extreme poverty gap and severity by respectively 3.9 and 1.6 percentage points.
- Furthermore, while the current social assistance system has had no statistically significant impact on inequality, the proposed comprehensive SPF package could result in a reduction of the Gini inequality index of almost 7.4 points from the 59.7 estimated in the 2009/10 NHIES.

- On the contributory side, in line with previous recommendations, efforts should be intensified to establish mandatory retirement and medical scheme provision, with a state option being provided for each of these through the SSC.

Social protection governance and oversight

- Responsibility for social protection is fragmented between a range of providers and regulators. A first set of recommendations of this study therefore relates to issues of governance.
- While other options could be possible, the study suggests the formulation of a social protection strategy and a monitoring and evaluation (M&E) framework. This report provides comprehensive background information that would be helpful for the formulation of such a strategy and for the definition of a comprehensive evaluation and indicator framework with a supporting information system. The M&E framework will contribute to greater availability of data and facilitate regular assessment of the existing evidence. Responsibility for coordinating such a process and eventual publications could be mandated to the Central Statistical Agency, but responsibility and accountability for analysis and communication of the evidence must also be allocated.
- Moreover, the study recommends that the coordination of social protection be done by a single oversight and advisory body. In this regard, an overseeing Social Protection Council may be needed, as well as a Ministry of Social Protection and a dedicated or more strongly resourced social protection regulator.

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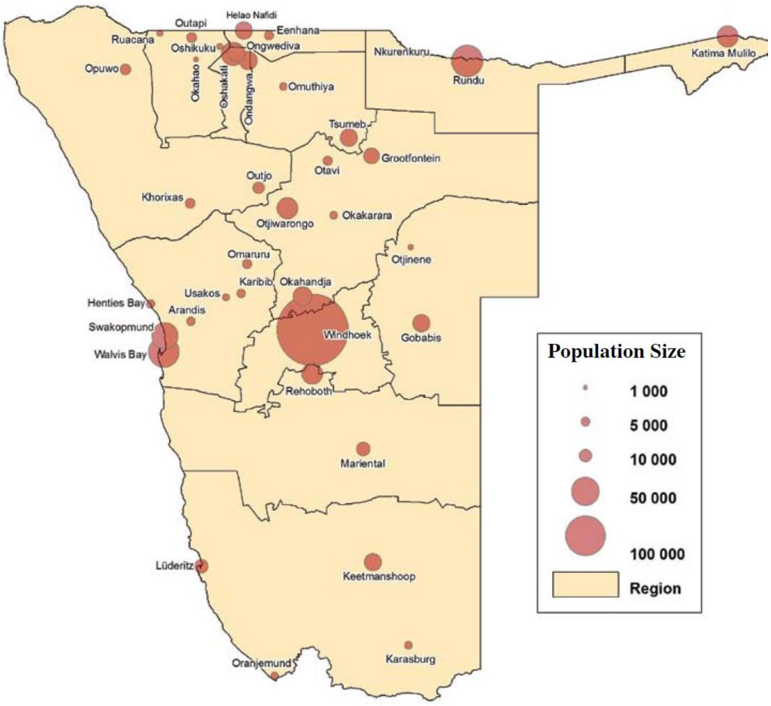
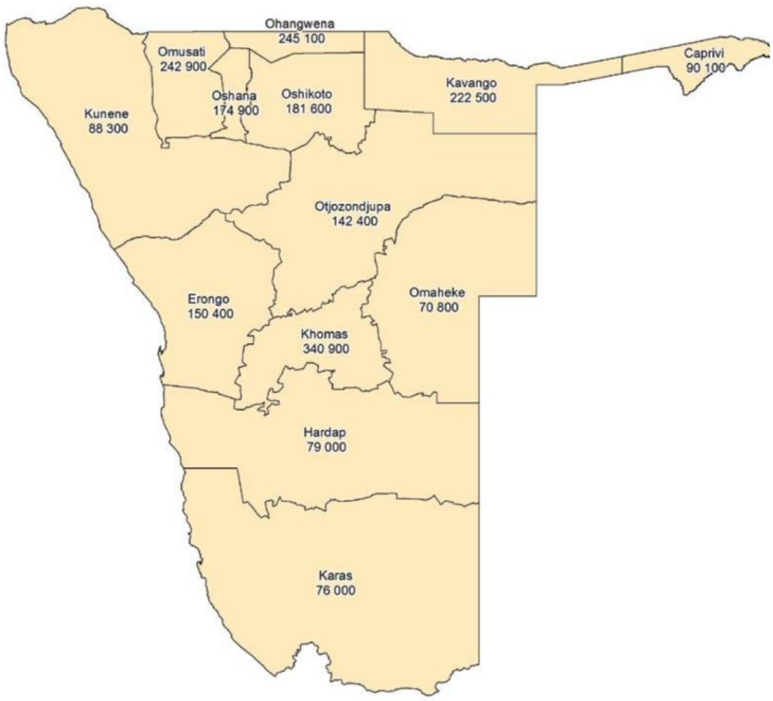
Namibia's population by municipalities and major towns



Namibia's population by administrative regions



Source: 2011 Census

1 Introduction

1.1 Background

Globally, there is growing consensus among policy-makers that social protection programmes play a crucial role in the fight against poverty and inequality (Grosh et al., 2008; Levine et al., 2011; Republic of Kenya, 2012). The past decade in particular has seen more and more developing countries begin to focus on the role of social protection in reducing poverty and in edging them closer to meeting their Millennium Development Goals (Levine et al, 2011). The African Union (AU), the ILO and other international bodies have all encouraged the development of comprehensive social protection systems, especially in sub-Saharan Africa where progress toward the global poverty goals has been slower.

In line with the ILO's Recommendation 202 on SPFs,[1] the AU's Social Policy Framework[2] [3] commits governments to progressively realising a minimum package of basic social protection that covers essential health care and income security for children, informal workers, the unemployed, the elderly, and people with disabilities. Even before the endorsement of the Social Policy Framework, the AU had already been calling on member states to make social transfers 'a more utilised policy option', to integrate costed programmes into national budgets and development plans, and share information and experiences across countries (African Union, 2006:2).

From a social protection perspective, Namibia's developmental story is unique. It is one of only a few middle-income countries in sub-Saharan Africa and, unlike most other African countries, it has a relatively long history of providing income support (cash transfers) to needy population groups. Currently, Namibia provides tax-funded (non-contributory) cash transfers to the elderly, war veterans, disabled persons and various categories of vulnerable children. Furthermore, the Namibian government's social protection interventions are not limited to cash transfers and also include, among others, housing and living expenses allowances for vulnerable groups, food-for-work programmes, bursaries, vocational training and free access to basic education and primary health care.

The role of government in promoting and maintaining the welfare of Namibians is clearly articulated in Article 95 of the Constitution of the Republic of Namibia, which states that:

> *The State shall actively promote and maintain the welfare of the people by adopting inter alia, policies aimed at the assurance that senior citizens are entitled to and do receive a regular pension, adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities.*

Aside from tax-funded cash transfers (or social grants/assistance), Namibia also has contributory systems (or social insurance), where, in order to benefit, one either has to make a direct contribution to the fund/scheme or be a dependent of such a contributor. The major

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[1] International Labour Conference (2012a). Recommendation 202: Recommendation concerning national floors of social protection. Geneva: ILO.

[2] See http://sa.au.int/en/content/social-policy-framework-africa.

[3] The Social Policy Framework, which was endorsed by all African heads of state in 2009, states that social protection includes 'social security measures and furthering income security; and also the pursuit of an integrated policy approach that has a strong developmental focus, such as job creation...' See http://sa.au.int/en/content/social-policy-framework-africa

social insurance schemes are the SCC – ECF, the SCC – MSD, and the MVA Fund.[4] In addition to these state schemes, Namibia also has a well-developed occupational and private retirement and medical scheme system.

While social protection interventions have had a positive impact on reducing poverty and vulnerability in the country (see Levine et al., 2011; NSA, 2012[5]), Namibia still has extensive poverty, very high inequality and a high unemployment rate, especially among the youth. Although much progress has been made, Namibia still falls short of some of its developmental targets as set out in by the Millennium Development Goals, the Ouagadougou declaration, Namibia's Vision 2030 and the country's main policy document, the National Development Plan[6] (NDP4[7]). In view of these challenges and in recognition of the potential for improvement, MoLSW made a request to the ILO for assistance to undertake an analysis and review of the social protection systems presently in place.

1.2 Objective and methodology

The Namibia Social Protection Floor Assessment report is based on the Social Protection Expenditure and Performance Review (SPER) and Social Budget methodologies. The ILO sets out the objectives of SPERs as follows:

> *The SPER is a diagnostic tool developed by ILO that aims to establish a comprehensive overview of a country's social protection system. It comprises an assessment of the country's demographic, economic, and labour market context, and of the main social protection schemes in terms of coverage, expenditure, and benefit levels. The main objective of the exercise is to assess social protection systems' financing, to identify coverage gaps, and to discuss policy issues for consideration by national policy makers.*[8]

The main objectives of this assessment are therefore specifically:

- to identify the scope and extent of social protection coverage in Namibia (i.e. both in terms of risks and needs and in terms of persons covered under each category of risk and need), as well as existing gaps in coverage (risks and needs not covered or insufficiently covered and number of people not covered[9]);

[4] A full description of Namibia's social protection landscape and the scope of this report is provided in the sections that follow.

[5] See the NSA's 2012 *Child Poverty in Namibia* report.

[6] As discussed in the next chapter, the NDP acknowledges the role of social protection in reducing poverty and also makes the strengthening of the country's system one of the government's aims.

[7] Ministry of Labour and Social Welfare (2013). Speech by Honourable Doreen Sioka, Minister of Labour and Social Welfare at the occasion of the Launching of the Social Expenditure Review Project, 22 May 2013.

[8] ILO Web Site: www.ilo.org/secsoc/areas-of-work/statistical-knowledge-base/WCMS_206081/lang--en/index.htm and SPER Methodological Document: http://www.ilo.org/legacy/english/protection/secsoc/downloads/spersmet.pdf

[9] Legal as well as practical coverage considerations will be measured and analysed in regard to the most recent figures concerning the composition of the labour force, the dispensation in terms of the different acts regulating non-contributory social protection, and the Social Security Act and its effective implementation.

- to assess the social protection system from a rights-based perspective, focusing on its legal framework foundation;
- to analyse the effectiveness and performance (i.e. adequacy of benefits and social impact[10]) of the existing social protection schemes;[11]
- to establish the social accounts in terms of annual expenditure and financing levels and structures (i.e. the composition of the 'income' of the social protection sector from different sources, such as social security contributions/general taxation, financing at different levels of the general government, private financing, domestic versus foreign financing, etc.[12]);
- to assess the administrative performance of the existing social protection schemes (i.e. the effectiveness and efficiency of the current benefit/service delivery processes) and the overall coherence, governance and efficiency of the system as a whole;
- to assess the social protection system's accountability framework and the existence of institutional grievance mechanisms from a right-based based perspective; and
- to assess the existing social protection M&E frameworks.

The assessment was made keeping in mind the new ILO legal instrument on social protection, the R202 – Social Protection Floors Recommendation, 202 (R202),[13] its principles (I.3) and guidelines. In particular, the recommendation stresses the complementarity of the new international legal instrument with the Social Security (Minimum Standards) Convention, 1952 (No. 102) by emphasising that 'when building comprehensive social security systems … members should aim to achieve the range and levels of benefits set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102), or in other ILO Social Security Conventions and Recommendations setting out more advanced standards'.

This exercise also contributes to the monitoring of SPFs in light of Section IV of the recommendation with a view to encourage the institutionalisation of an M&E framework for social protection in Namibia.

In further agreement with R202, the ILO approach lends considerable weight to the review not only being a technical exercise but entailing a national dialogue about the system and its potential, involving tripartite participation with representative organisations of employers and workers, as well as consultation with other relevant and representative organisations. To this end, a national consultative working group was set up under the leadership of MoLSW, which comprised representatives of MoLSW, MoHSS, MoGCW, MoVA, MoF, NPC, NSA, NEF, TUCNA and NUNW. The group met four times throughout all phases of the investigation including the inception period, the inventory of social protection in Namibia, assessment of policy alternatives and the validation of the report.

[10] In terms of impact on poverty, inequality

[11] Coverage will be analysed both in terms of the proportion of the relevant population covered and in terms of the levels/quality of coverage (replacement rates etc.). Generally, the focus should be on revealing the vulnerable groups which are not covered or whose coverage is not sufficient to alleviate or prevent poverty.

[12] Expenditure is measured both as a proportion of GDP and (in the case of public expenditure) as a proportion of the overall general government expenditure.

[13] See www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202

The exercise was divided into four components:

- Inception and social protection inventory: development of framework for analysis, gathering data on the socioeconomic context and information about the social protection system and the carrying out of an initial assessment (inventory) and identification of areas for improvement.
- Detailed analysis of the socioeconomic situation, profiles of vulnerable groups and the impact that the current social grant system has had on poverty and inequality. This analysis also suggests possible options for reform and improvement of the system.
- Social protection expenditure and revenue review, also incorporating further analysis of the administrative structures and institutional arrangements delivering social protection benefits. This analysis suggests possible options for reform and improvement of the system.
- Simulation of the cost and impact of selected social protection options.

1.3 Scope

Social protection benefits can be seen as a sub-component of 'social benefits', defined in the System of National Accounts (SNA)[14] 2008 as:

> *… current transfers received by households to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances* (SNA, 2008 par 8.17).

Social protection benefits are therefore normally identified as being all interventions from public or private bodies aimed at relieving households and individuals of the burden of a defined set of risks or needs,[15] [16] [17] provided that there is (see European Commission, 2008):

[14] The System of National Accounts is in use worldwide as a methodological basis for the compilation of national accounts, the accounting system for national production, distribution and accumulation.

[15] ILO (2011) World Social Security Report: 'The extended operational definition of social security that is relevant for the analysis in this report thus comprises ten elements: (1) medical care; (2) income support in the form of cash sickness benefits; (3) protection in disability, including income support but also medical care, rehabilitation and long term care – income support invalidity benefit; (4) protection in old age, including income support and long-term care – income support old age benefit; (5) protection of survivors in case of death of a family member ("breadwinner") – income support benefit; (6) protection in maternity, including medical care and income support maternity benefit; (7) protection in "responsibility for the maintenance of children", including the provision in kind to, or in respect of, children, of "food, clothing, housing, holidays or domestic help" and of cash income support family benefits; (8) protection in unemployment, including income support in the form of unemployment benefits, and also other labour market policies promoting employment, income support benefits and income support and other labour market policies;(9) protection in case of employment injury: medical care, rehabilitation and income support in the form of sickness, invalidity or survivors' benefit; (10) general protection against poverty and social exclusion through social assistance that provides protection to all residents without sufficient other means of income from work and not covered (or not covered sufficiently) by social security branches listed above.'

[16] ILO (2011): 'The AfDB distinguishes five categories of programmes: social insurance, social assistance, labour market programmes, child protection and micro-area-based programmes.'

[17] Devereux 2010: 'Comprehensive social protection systems comprise several components, including: (1) social assistance, (2) social insurance, 3) developmental mechanisms that simultaneously "protect and promote" livelihoods (public works?) and (4) 'transformative' measures that promote social inclusion and social justice (labour market regulation?).'

1. no individual arrangement involved. In other words, the interventions have to be made through 'collectively organised schemes by government and/or collective agreements'; and
2. no simultaneous reciprocal arrangement.

All schemes that are 'solely based on individual arrangements or where simultaneous reciprocal agreements exist are not regarded as social protection' (Scholz et al., 2000).

However, where states have been slow to provide social or collective solutions, the private sector has often stepped in, particularly in developing countries, to provide responses to the common risks and social needs that individuals face. As a result, many of these private systems (such as retirement and medical schemes in Namibia and South Africa), which have very little of a public character (except for extensive state regulation of the system and in many instances subsidisation through the tax system), essentially provide social protection services.

Although these private sector systems provide for social protection needs they are quite often (or mostly) imperfect as social security mechanisms as they encompass very limited social solidarity or redistributive objectives, and regulation is often inadequate, leading to an absence of value for money for consumers.[18] Some of the private sector systems in Namibia, such as private pension and life assurance funds, must nevertheless also be considered for inclusion. Such inclusion is often made difficult because of the large number of funds and inadequate aggregation of reliable data by regulators. While the social protection review will focus mostly on general government institutions it will also include some schemes provided by the financial corporate sector. These include pension and provident funds and medical schemes.[19]

In addition to the main social assistance, social insurance and private insurance (including medical schemes) and occupational schemes outlined in Chapter 3, this report also discusses 'other' social expenditures, interventions and schemes such as the Namibian School Feeding Programme (NSFP), the Namibia Students Financial Assistance Fund (NSFAF) and the school fee abolishment. These are interventions that the government has put in place to complement and supplement more conventional social expenditure such as that on education.

Furthermore, the report looks at labour market type interventions such as interventions under MoLSW's employment services department and the Development Fund (DF) of the SSC, MoGECW's employment and entrepreneurship initiatives, food-for-work programmes, the targeted Intervention Programme for Employment and Economic Growth (TIPEEG) and the Namibia Development Corporation (NDC).

In terms of housing, the report presents data on the National Housing Enterprise (NHE), the Build Together Programme (BTP) and housing subsidies. Other interventions covered include the Namibia Agricultural Retirement Fund (NARF), the OPM – Emergency Management Unit, the Ministry of Agriculture, Water and Forestry's Farmer's Relief Programme and the San community programmes. With regards to these 'other' social expenditure, interventions and schemes, either the lack of consistent data or the small size of the scheme (in terms of expenditure or population covered) make it difficult to review them at the same level of detail and rigour as is done for the main social protection schemes.

[18] For the South African case, see Rusconi (2004) and National Treasury (2005).

[19] For relevant definitions and classifications, albeit for the South African case, see South African Reserve Bank (2005). A similar classification guide could not be found for Namibia. Long-term insurance has been defined as covering 'a fairly diverse range of insurance products, including life, disability, dread disease, income protection policies, endowments, retirement annuity funds, living annuities and compulsory annuities'. See http://www.insurance123.co.za/long-term/

Table 1.1 Main social protection schemes at a glance

Name of programme	Funding type	No. of beneficiaries / claims paid; members	Expenditure, '000 NAD as at 2011/12	Implementing agency
Child grants: Maintenance, Special Maintenance, Foster care grant, Place of safety	Tax-funded	146,249 as at 03/2013; NA	326,341	MoGECW
Funeral benefit	Tax-funded	Approx. 20,000 for 2011/12; ---NA--	43,782	MoLSW
Basic/OAP and Disability pension	Tax-funded	170,319 as at 03/2013; -----NA	952,250	MoLSW
Veterans' subvention	Tax-funded	24,682 for 2012/13;	1,162,101	MoVA
Medical expenses	Contributory	8,167; 23,869 employers for 2009/10	7,051	SSC – ECF
Compensation claims	Contributory	1,271; 23,869 employers for 2009/10	1,376	SSC – ECF
Capital pensions – APF	Contributory	------ ; 23,869 employers for 2009/10	4,693	SSC – ECF
Pensions – APF	Contributory	649 for 2011/12; 23,869 employers for 2009/10	4,408	SSC – ECF
Maternity	Contributory	17,483; 348,141 employees & 37,585 employers for 2009/10	102,674	SSC – MSD
Sick Leave	Contributory	4,513; 348,141 employees & 37,585 employers for 2009/10	16,869	SSC – MSD
Death	Contributory	2,128; 348,141 employees & 37,585 employers for 2009/10	7,575	SSC – MSD
Retirement / Disability	Contributory	1,719; 348,141 employees & 37,585 employers for 2009/10	11,329	SSC – MSD
Compensation payments	Contributory	Total claims were at 133,893	41,807	MVA Fund
Hospital and medical fees	Contributory	for 2010/11 for all MVA benefits	72,867	MVA Fund
Medical management	Contributory		1,834	MVA Fund
Pension benefits	Contributory	98,304 contributors in 2011/12	642,822	Government Institutions Pension Fund (GIPF)
Lump sum on retirement	Contributory	98,304 contributors in 2011/12	226,342	GIPF
Death benefits	Contributory	98,304 contributors in 2011/12	7,593	GIPF
Withdrawal benefits	Contributory	98,304 contributors in 2011/12	373,646	GIPF
Funeral benefits	Contributory	98,304 contributors in 2011/12	3,754	GIPF
Private pensions	Contributory	37,948; 251,741 contributors in 2012	1,336,214	Private Pensions
Medical schemes	Contributory	1,057,830 claims in 2009;	1,440,207	Medical Schemes

Sources: NAMFISA, SSC, MVA, GIPF various annual reports, MoLSW, MoVA, MoGECW administrative data and reports

1.3.2 Exclusions

While the assessment is very comprehensive, it does not include in detail a number of schemes and debates that are central to the reform of the country's social protection sector. These exclusions were necessary as there are separate in-depth review and investigative exercises currently being carried out by different members of the NCWG.

For instance, the MoHSS and the SSC are working together to explore how Namibia can attain Universal Health Coverage, for which social health insurance is a component. Furthermore, the SSC is mandated by an Act of Parliament to establish the National Medical Benefit Fund and the National Pension Fund. As such, the SSC has the responsibility for research on the viability of establishing these social insurance schemes.

1.4 The structure of the report

The report begins with three chapters outlining Namibia's socioeconomic context (chapters 2, 3 and 4). These are followed by Chapter 5, where an inventory of Namibia's social protection system is presented. This chapter presents a scheme by scheme discussion of Namibia's social protection schemes' legal framework, expenditure, funding, coverage and gaps.

Chapter 6 looks at other social expenditures such the NSFP and NSFAF. This is followed by a chapter (7) which presents an assessment of Namibia's social assistance system, beginning with an analysis of what household data tells us about the coverage of vulnerable groups as well as quantifying the impact that the system has had on poverty and inequality. This leads to Chapter 8 where different policy alternatives to refine and/or expand the social assistance system are proposed. The financial costs of these policies as well as their impact on poverty and inequality are presented in Chapter 9. Chapter 10 presents an analysis of the administrative performance of the social protection system. Finally, Chapter 11 presents overall conclusions and makes recommendations for how the system as a whole can be improved.

2 Macroeconomic and demographic outlook

Chapter overview

Economy and macroeconomic management

- Namibia is a middle-income country with a robust economy that looks to carry on its recovery path, with growth underpinned by the construction, livestock and crop farming, manufacturing and mining sectors.
- The current fiscal policy framework aims to reduce government debt and ensure macroeconomic balance. One of its three pillars is the use of '*moderate but targeted expenditure expansion aimed at strengthening inclusive economic growth and safe-guarding long-term macroeconomic stability and sustainability of fiscal outcomes*'.
- The reduction of poverty and social inclusion is high on the government's agenda and the NDP4 recommends, among other measures, the strengthening and expansion of the social protection system.

Demographic context

- Namibia's population (2.1 million) is predominantly youthful (30% aged 18–34 and 15% aged 18–24) and rural (57%) despite increased labour market-driven rural-to-urban migration. Furthermore, the workforce is likely to be increasingly youthful in the foreseeable future.
- In the long term the declining fertility rates will lead to an ageing of the population, and the steadily increasing old age dependency ratio will continue to rise. However, because there will be a greater decline in the child dependency ratio, the total dependency ratio will fall.
- Namibia's low population density (2.6 persons per km^2) makes the equitable and cost-effective delivery of benefits and services a challenge.
- Although Namibia generally has a good civil registry with most (92%) Namibians possessing birth certificates, there are regional disparities with regions such as Kavango lagging behind.
- With an average household size of four, most Namibians live in multi-generational households where any social benefit to one person will likely be shared.

2.1 Introduction

Namibia is an upper middle-income country[20] located on the western side of Southern Africa that shares borders with Angola, Zambia, Zimbabwe, Botswana, South Africa and the Atlantic Ocean.

The country has a high cultural diversity with the population of about 2.1 million,[21] which is made up of 13 ethnic groups with as many as 30 different Bantu, Khoisan and Indo-European spoken languages (Maho, 1998). With a total surface area of 824,269 sq. km, Namibia has one of the lowest average population densities in the world (United Nations, 2004). However, large parts of the country are too dry for human settlement, owing to low and highly variable rainfall.

The current development challenges are due to a host of complex factors, of which its recent colonial and apartheid past is a prominent one. Other factors include its unique geo-physical features and recent demographic changes. Namibia was known as the German colony of South West Africa from 1884 until the end of the First World War when it came under the administration of the South African government. During the time Namibia was under South African administration, the policies of the apartheid government resulted in skewed development and created massive racially biased inequality.

The small white settler population of European descent controlled the economy and political order with the black majority living in abject poverty (Tapscott, 1993). For instance, by 1989 a small settler community and even smaller emerging black elite made up 5% of the population but accounted for 71% of GDP (van der Berg et al., 2009). At the same time, the bottom 55% of the population accounted for 3% of GDP (United Nations, 1989, reported in UNICEF, 1991).[22]

Namibia is one of the youngest independent countries in sub-Saharan Africa after having attained that status in 1990. The Constitution of Namibia provides for a democratic multi-party system in which executive power is shared between the President and Cabinet. Namibia generally outperforms most of sub-Saharan Africa in terms of political stability, political rights and civil liberties (Ibrahim Index of African Governance, 2013; AfDB, 2009).

2.2 Economy

2.2.1 Economy

With a per capita income of about US$ 5,800 (current prices), Namibia is a middle- income country.[23] While the structure of Namibia's economy has slowly transformed since independence,[24] with manufacturing becoming increasingly important (accounting for about

[20] See http://data.worldbank.org/country/namibia

[21] Namibia has a fairly young population where 7% are over 60, 43% between 20 and 59, 11% between 14 and 19 and 27% between 5 and 14 (2011 Census).

[22] As described in the next sections, according to recent statistics, Namibia has a Gini coefficient of 0.58 (NDP4, 2012).

[23] Namibia has a GDP per capita that is four times the average for sub-Saharan Africa (World Bank, 2009), but it is the extreme inequality that makes measures of average income especially deceptive.

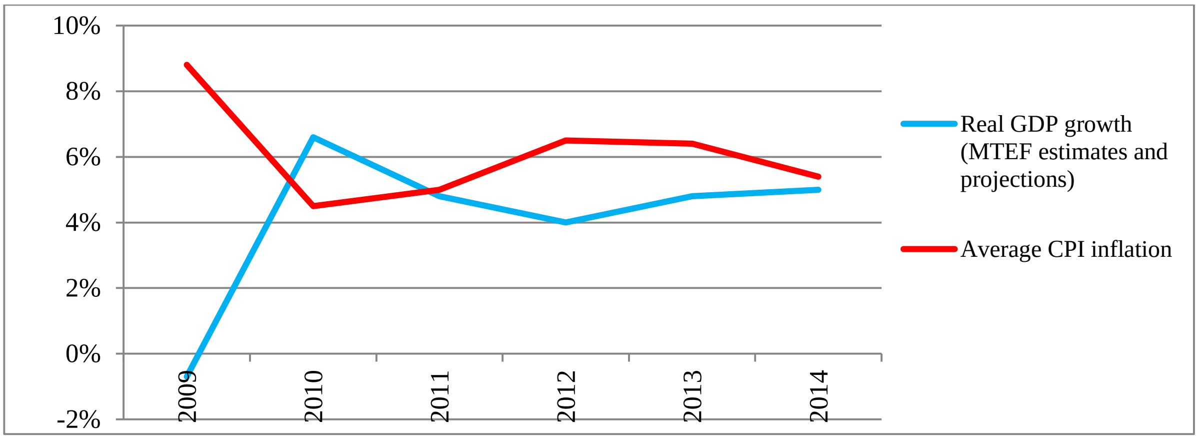
[24] For example, the shares of the primary and tertiary sectors in GDP declined from 26.3% to 23.4% and 49.0% to 48.5% respectively during the period 1990–2007, while that of the secondary sector increased from 15.8% to 20.4% during the same period. Manufacturing's share in GDP increased from 11.5% in 1990 to 14.3% in 2007.

14% of GDP), mining continues to be a very key sector, contributing about 13% to GDP and providing nearly half of the country's exports. Diamonds are Namibia's most significant mineral resource, accounting for 70% of total mineral exports (AfDB, 2012). However, the mining sector is not labour intensive and so employs less than 3% of the labour force. The sector is also mainly extractive, with little beneficiation or linkages with the other economic sectors.

Economic growth has also been supported by developments in the other export-oriented primary sectors. Agriculture, forestry and fishing account for 11.4% of GDP. The agricultural sector in Namibia is characterised by low productivity owing to many reasons, including the dry climate. Despite the fact that 80% of the rural population depends on agricultural activities, the sector's contribution to GDP is only about 6%. The public sector is the biggest employer in Namibia and, within the tertiary sector, government services contribute 19.4% to GDP (AfDB, 2012).

Owing to the country's historical links with South Africa, the Namibian economy is greatly intertwined with South Africa, with which 80% of its trade is conducted (the majority of Namibia's imports originate from South Africa and the bulk of its exports are also sent to the same market). As a result, Namibia has been attempting to diversify its trading partners.

Figure 2.1 Namibia actual and projected CPI and real GDP growth, 2009–2014



Source: NSA (2009–2012), BoN (2013–2014) and MoF (2013)[25]

Although it has generally been on an upward trajectory, Namibia's economy has seen many ups and downs. In the late 1990s and early 2000s it experienced sluggish growth[26] owing to environmental factors such as drought. However, the period between 2003 and 2007 saw impressive growth, at an average 6.0%,[27] due to increased revenue from diamonds, the opening of a new zinc mine and refinery and increased uranium mining. The Namibian economy is now rebounding after slumping between 2007 and 2010 primarily due to the global economic crisis.

[25] NSA and BoN estimates and projections in the December 2013 BoN Economic Outlook Update: Quarterly Economic Update (January, 2014): 2013 Fiscal Policy Framework. See www.mof.gov.na/documents/57508/107404/2013++Fiscal+Policy+Framework.pdf/8f079ef4-72db-4f08-a177-86ad1b6057bb?version=1.0 and www.mof.gov.na/documents/57482/62134/Finanace+Quartely+Economic+update+Jan+2014.pdf/96f88d50-a5b8-40fd-8088-511f447b4b61

[26] Growth fell short of the national development plan target of 5% per annum.

[27] At the time, the population growth rate was at 2.5% annually.

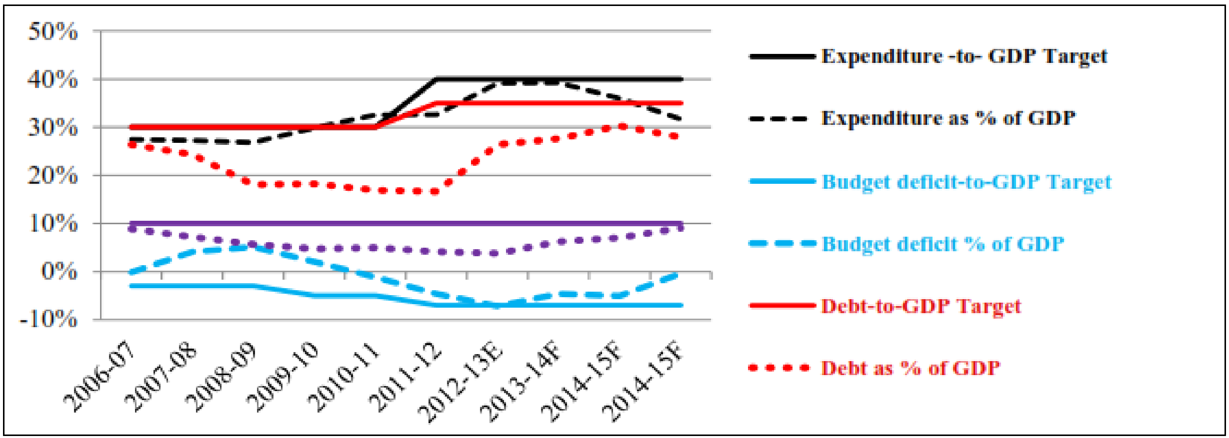
The economy began rebounding in 2010 on the back of new copper operations and the recovery in global diamond and uranium prices. In 2011 the economy slowed down with a GDP growth rate of 4.8%, down from 6.6% in 2010, and reflecting modest performances in mining and agricultural activities. 2012 had even more moderate growth at about 4.0%, although 2013 registered improvement with a growth rate of 4.8%.[28] Over the 2013/14–2015/16 Medium Term Expenditure Framework (MTEF), growth is expected to be subdued, as the global economy slowly recovers from the recent global economic crisis. Driven by growth in construction, livestock and crop farming, manufacturing and mining, GDP growth is projected to continue at an average rate of 4.4% over the period 2013/14 to 2015/16 (MoF, 2013).

Some of the effects of the global economic crisis were increases in global oil and food prices. These led to imported inflation, which has since eased as seen by the general decline in the inflation rate from about 11.9% in July 2008[29] to about 5.9% in July 2013 (NSA, 2013). According to the latest (December 2013) BoN Economic Outlook Update, the average inflation (Consumer Price Index: CPI) rate came down from about 8.8% in 2009 to about 6.4% in 2013. The downward trend is expected to continue into the future, with inflation projected to average 5.4% in 2014.

2.2.2 Macroeconomic management

Since 1995, macroeconomic policy has been conducted in terms of the MTEF and the government has impressively managed to maintain macroeconomic stability. However, in the period after the global financial crises, Namibia's budget deficit (as a percentage of GDP) has steadily increased, owing largely to the adaptation of a more expansionary fiscal policy stance aimed at cushioning the economy from external shocks and addressing domestic structural[30] challenges (MoF, 2013). Figure 2.2 shows a graph of Namibia's actual and projected fiscal targets for the period 2006/7 to 2014/15.

Figure 2.2 Namibia: actual and projected developments in fiscal targets, 2006/07–2014/15



Source: MoF (2013)

[28] Quarterly Economic Update (January, 2014): 2013 Fiscal Policy Framework.

[29] This was owing to the surge in global oil and food prices.

[30] An example of this is the establishment of the TIPEEG as a medium-term measure to create jobs and develop strategic economic infrastructure.

The expansionary fiscal policy stance was reinforced in 2011/12 by the introduction of the TIPEEG and increases in public sector wages. The result of this was an increase in the fiscal deficit from about 5.8% of GDP in 2010/11 to 8.5%[31] of GDP in 2011/12 (IMF, 2013).[32] During the same period, the overall public debt increased significantly from 16.3% to 26.5%.

According to the MoF, the 2012/13–2014/15 MTEF marked the start of a fiscal consolidation programme aiming to reduce the budget deficit to an estimated 2.8% in 2012/13 (which, according to the 2013/14–2015/16 MTEF, was achieved) and 4.1% by 2014/15. Similarly, the adopted stance had a prime objective of stabilising public debt at about 30% of GDP in the medium term (MoF, 2013).

The 2012/13–2014/15 MTEF fiscal policy had three pillars;

- '*maintaining the direction of fiscal consolidation, with moderate but targeted expenditure expansion aimed at strengthening inclusive economic growth and safe-guarding long-term macroeconomic stability and sustainability of fiscal outcomes.*[33]

- *stabilizing growth in public debt by utilizing a policy mix of expenditure management, revenue mobilisation and enhancing internal efficiency*.

- *strengthening efficiency in tax administration and revenue collection to support revenue growth in the medium-term and beyond*' (MoF, 2013).

The 2013/14–2015/16 MTEF reinforces this view and makes it clear that government will focus on consolidating economic growth, infrastructure development, job creation, welfare improvement and equitable wealth distribution, procurement and concessions in the income tax regime.

2.3 National strategic objectives

The government's development agenda is guided by the NDPs, the broader strategic aims of which are derived from Vision 2030. From the time of the first NDP in 1995 to NDP3 in 2007/08, the number of goals in the plans increased from four to 21. Of these 21 goals, four were the same as those in NDP1 and NDP2, namely, tackling income inequality, high economic growth, increased employment, and poverty reduction. In recognition of the importance of prioritisation, the NDP4 concentrates on fewer goals, namely faster and sustainable economic growth, the creation of employment opportunities, and a reduction in income inequality. The NDP4 adds to these a focus on the execution of development strategies as well as M&E development (NDP4, 2012). In order to deliver on these goals, the NDP4 establishes 'basic enablers' and 'economic priorities'. More specifically, it identifies the following basic enablers: institutional environment, education and skills, health, extreme poverty and public infrastructure. The four economic priorities in the NDP4 are logistics, tourism, manufacturing and agriculture.

With regard to poverty and social inclusion, the NDP4 establishes a three-pronged strategy toward attaining the desired outcome (Desired Outcome 4: DO4). The three elements of the

[31] The MoF's MTEF report puts this at 7.1% of GDP.

[32] Furthermore, the fiscal deficit (excluding the cyclical component of SACU revenues) increased from 2.5% in 2010/11 to about 6.3% in 2011/12.

[33] The first pillar aims to give support national development priorities and retain a sound latitude of fiscal buffer as a contingency measure in the event that growth remains subdued as a result of global or domestic shocks (MoF, 2013).

strategy are the strengthening and expansion of the social protection system, the increase of household food security and increased support to research into the root causes of poverty so as to address the causes rather than the symptoms. With regard to the strengthening and expansion of the social protection system,[34] the NDP4 emphasises, among other things, the inclusion of all children in extreme poverty in the current social assistance system and the simplifying of bureaucratic procedures, including means testing.

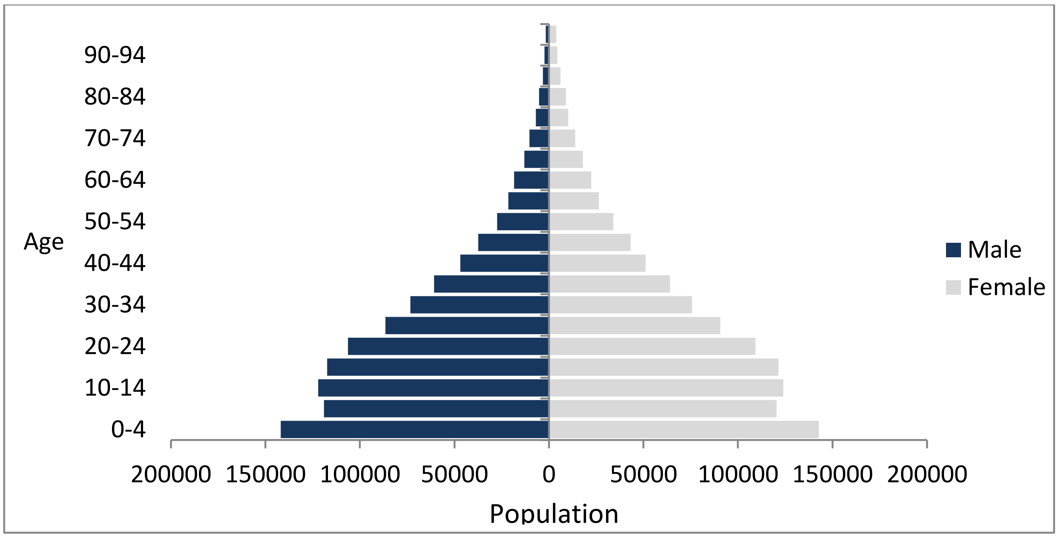
Furthermore, the introduction to the NDP4 notes that the effectiveness of the current social grants would be greatly enhanced by adjusting them regularly to preserve their real value, and hence the standard of living of beneficiaries. Finally, the NDP4 stresses the importance of cash transfers in reducing food insecurity, especially among subsistence farmers, and encourages strategies to supplement cash transfers with interventions to increase subsistence farmers' productivity and reduce vulnerability to climatic conditions (Republic of Namibia, 2012).

2.4 Demographic context

2.4.1 Introduction

Namibia's population pyramid illustrates the age and gender structure of the Namibian population according to the most recent national census (2011).

Figure 2.3 Namibia population pyramid (2011)



Source: 2011 National Census (NSA, 2012)

The population pyramid shows that Namibia's population is predominantly youthful, as is indicated by the significant tapering in the population numbers in age bands above 29 years. The pyramid also narrows in age bands below 10 years (up to age 4), which illustrates that, until recently, fertility rates had been gradually declining. The decline in fertility rates is outlined in the Namibia Demographic and Health survey, where it was observed that fertility rates declined from 5.4 children per woman in the early 1990s to 3.6 children per woman in 2005 to 2007 (MoHSS, 2008). The official 2011 Census report also points to a decline in total fertility rates from 4.1 in 2001 to 3.6 in 2011.[35] The population pyramid also

[34] NDP4 proposes the establishment of a kinship grant and the expediting of civil registration processes and other measures.

[35] Total fertility rates are higher in rural areas at 4.3 compared to urban areas (3.0)

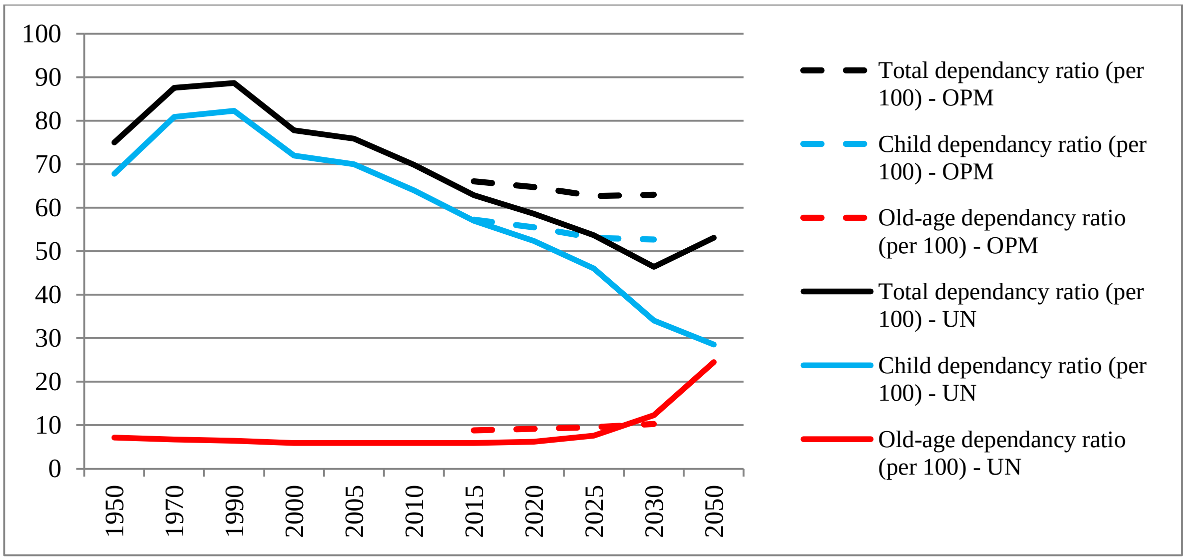
illustrates the high mortality rates in Namibia, as well as the fact that the share of females is slightly larger than that of males.[36]

2.4.2 Population projections

As new population projections based on the latest census (2011) are not yet available, views on how Namibia's demographics will change over time are largely based on the 2001 Census.

The youthful structure of Namibia's population means that the country has a low old age dependency ratio (old age dependency ratio of 8.8 per 100 according to the 2011 Census). According to UN population projections, Namibia's declining fertility rates will to lead to an increase in the old age dependency ratios in the long term. For instance, the old age dependency ratio will go up from 5.9 per 100 in 2015 and 7.6 per 100 in 2025 to 24.5 in 2050. Conversely, the child dependency ratio will fall from 57 per 100 in 2015 and 46.1 per 100 in 2025 to 28.6 per 100 in 2050.

Figure 2.4 Age dependency ratios up to 2050



Source: Authors' population projections based on the 2011 Census data and demographic parameters from the Demographic Health Survey (DHS) 2006/07 report. These are represented by the dashed lines. The solid lines are from the United Nations (UN) Department of Economic and Social Affairs/Population Division, based on the 2001 Census. *World Population Prospects: The 2012 Revision, Volume II: Demographic Profiles.*

In the next decade, the decrease in the child dependency ratio is projected to be greater than the rise in the old age dependency ratio, thus leading to a decline in the total dependency ratio. However, beyond 2030 the rise in the old age dependency ratio is projected to be greater, thereby pushing the total dependency ratio up. These trends bode well for a cautious expansion of social protection provisions in the medium run, which can be sustained in the long run, provided there is (among other factors) adequate economic growth and labour absorption.

2.4.3 Population by region

According to the latest Census data, most people in Namibia live in rural areas (57%). The other 43% who live in urban areas are concentrated in Khomas (36% of the total urban

[36] There are 94 men for every 100 women.

population), followed by Erongo (15% of the total urban population). The urban population grew by 49.7% and rural population shrank by 1.4% between 2001 and 2011, indicating the high rates of rural-to-urban migration (NSA, 2012). Labour market-driven rural-to-urban migration is a longstanding feature of Namibia and Khomas, the region where Windhoek is situated, has naturally been the main destination of rural migrants[37] seeking opportunities for decent work.

Figure 2.5 Rio Tinto's Rossing uranium mine in Erongo

Source: www.riotinto.com/energy/rossing-2186.aspx. Rossing is the world's longest-running open pit uranium mine and it is one of the biggest employers in Erongo

More recently, there has been increased migration into Erongo, the resource-rich (mining, fisheries, etc.) western region that hosts Swakopmund and Walvis Bay. Erongo hosts a number of big mining operations including the famous Rossing uranium mine (see Figure 2.5) which is one of the biggest employers in the region. Between 2001 and 2011, Erongo had the highest population increase of 40.1%, followed by Khomas with 36.7%. In addition, Omaheke is the region that registered the lowest population increase at 4.7%, which is not surprising as the data shows lower population increases in other central northern regions such as Otjozondjupa (6.3%).

2.4.4 Population density

In the delivery of social services, one demographic characteristic of great importance is population density. This is because, in areas where population density is low and people spread out, it often costs more (for the service provider and the beneficiary) to deliver services or benefits. Namibia has a relatively low population density. According to the latest census data, the population density (i.e. number of people per square kilometre) of Namibia has grown over the years from 1.7 in 1991 to 2.2 in 2001 and 2.6 in 2011 (compared to Botswana's 3.5, South Africa's 43, Zambia's 44 or Zimbabwe's 33). Furthermore, there are great regional disparities. While Karas and Hardap are the least densely populated at 0.5 and 0.7 respectively, Ohangwena (22.9) and Oshana (20.4) have relatively high population densities (NSA, 2012).

2.4.5 Citizenship and birth registration

Namibia's civil registration system is one of the essential public services that have a great bearing on the quality and efficiency of the delivery of social benefits. The 2011 Census reveals that most (92%) Namibians possess birth certificates. Kavango is the only region that

[37] When looking at the rural versus urban population pyramids (in the 2011 Census), it is also interesting to note that urban areas have a large proportion of working-age people (between 15 and 59 years of age) and a smaller proportion of the elderly compared to rural areas (NSA, 2012). While the proportion of the elderly living in rural areas is 9.1%, the figure is around half of that for urban areas (4.3%).

reported fewer than 90% of people with birth certificates. While Kavango had 78% of the population with birth certificates, regions such as Karas and Hardap had much higher numbers at 97.8% and 97% respectively (NSA, 2011).

A topical issue in Namibia has been that of the strain that foreign nationals might put on public service delivery. In the 2011 Census, 96.8% of those enumerated were Namibian citizens. Of the 3% who were not, Angolan nationals made up the biggest proportion (although the latest figures show a decline from the 2001 Census) (NSA, 2012). The end of the civil war in Angola and potential acquisition of Namibian citizenship by Angolans has led to the decline in the proportion of foreign nationals who are Angolan from 42.8% in 2001 to 28.9% in 2011. The second biggest groups are Zambians and South Africans, who make up 11.2% and 8.6% respectively of all foreign Nationals in Namibia (NSA, 2012).

2.4.6 Household size and structure

Two interesting statistics for social policy-makers are the size and composition of households, since most social benefits paid to any household member are likely to be shared within the household.[38] According the 2011 Census, on average, a Namibian household consists of four persons (4.4).

2.4.7 Household composition

Table 2.1 Household composition

	Urban		Rural		Total	
	Number	%	Number	%	Number	%
Household composition						
with only head or head with spouse	41,741	22.1	38,966	15.7	80,707	18.5
with 1 child, no relatives/non-relatives	17,290	9.1	14,687	5.9	31,977	7.3
with 2+ children, no relatives/non relatives	30,282	16.0	35,068	14.2	65,351	15.0
with relatives including children	90,951	48.1	148,766	60.0	239,717	54.9
with non-relatives	8,718	4.6	10,326	4.2	19,044	4.4
Total	**188,981**	**100.0**	**247,813**	**100.0**	**436,795**	**100.0**

Source: NHIES main report (NSA, 2012)

In terms of household composition, the data from the latest NHIES (see Table 2.1) show that most households are likely to be multi-generational, with only 18.5% of households being made up of single persons or couples. Most (54.9%) households accommodate relatives and children. A similar picture is revealed by the 2011 Census, where almost two-thirds (63.8%)[39] of all household members reported being direct relatives of the household head (NSA, 2012).[40]

[38] It is highly probably that any benefit paid to such households is likely to have a cross-subsidisation effect (across generations and individual circumstances).

[39] Sons and daughters of the household head make up about 27.6% of all relationships (NSA, 2012).

[40] In addition, the 2011 Census data show that the majority of Namibian households (56.2%) are headed by men and male-headed households predominate in most regions except for Ohangwena, Omusati and Oshana, where more than half of households are headed by women.

2.4.8 Children and orphanhood

In most societies, orphans are typically more vulnerable[41] than other children (Grosh et al., 2008). In recognition of this fact, the government of Namibia currently has a number of interventions aimed at improving the plight of orphaned children. In 2011, 13% of all children had lost a parent while an additional 2.7% had lost both. The problem is worse in rural areas, where 14% of children are single orphans (and 3% double orphans) versus 11% in urban areas (2% double orphans). One out of six children in the northern regions of Ohangwena, Omusati and Oshana were single orphans, with lower proportions in Caprivi/Zambezi (14%) and Kavango (13.3%) (NSA, 2012).

The 2011 Census shows that about 7,671 households (1.7% of all households) are headed by children. This statistic is important given the government's commitment to the eradication of child poverty and practices such as child labour. Child-headed households are more prevalent in rural areas (2.1%) than in urban areas and in regions such as Kunene (2.8%) and Ohangwena (2.7%).

According to the same data, at least 13% of children aged 0–4 years old were attending Early Childhood Development (ECD)[42] services. While attendance rates were low in Omaheke, Kunene and Hardap at about 7%, they are much higher in Erongo (24.2%) and Khomas (22.9%). The data also reveal that 80% of children aged between 5 and 14 years were enrolled in school. The highest enrolment rate was for children aged 9 years, where 88% of boys and 86% of girls were attending school. Furthermore, more girls than boys (up to age 18) were in school. In terms of primary school enrolment (7–13 year olds) Kunene had the lowest enrolment rate (57%), while Karas, Omusati and Oshana had enrolment rates of up to 91%.

Based on the data on population density and urbanisation, it appears as if enrolment rates are likely to be lower in regions that are both rural and less densely populated. For instance, Kunene is one of the least urbanised (26.4% urban) and least densely populated (0.7 persons per square kilometre) regions in Namibia. While Karas has the lowest population density (0.5 persons per square kilometre) in Namibia, the fact that it is relatively urban (54% urban) means that there is better access to schools than in Kunene. Conversely, although Omusati is predominantly rural (94% rural), its relatively high population density (9.2 persons per square kilometre) means access to schools can be expected to be better than that in Kunene.

[41] The poverty profiles of vulnerable children are discussed in the chapter on social inclusion.

[42] These include day care, crèche, kindergarten and pre-primary school.

Figure 2.6 Child cattle herder in the Caprivi/Zambezi region

Source: www.barefoot-namibia.com/people.html

2.4.9 Disability and inability to work

In Namibia, about 4.7%[43] of the population live with disabilities and the proportion is higher in rural areas (5.7%) than in urban areas (3.3%). There are also some regional disparities, with Oshikoto and Omusati having the highest statistics at 7% and 6% respectively while Erongo had the lowest (2.5%) (NSA, 2012).[44] However, about 42% of all persons with disability also have difficulty engaging in any learning and/or economic activity. This is more severe in rural (45.5%) versus urban areas (34%).

2.5 Conclusions

Economy and macroeconomic management

While Namibia's economy is robust and continues to grow, any expansion or improvements to the current social protection system will have to be made after considering the fiscal sustainability of such policies. That said, the government has made the reduction of poverty and social inclusion two of its key priorities, with the strengthening and expansion of the social

[43] 98,413 people reported being disabled. 4.7% of females were disabled, while the figure was 4.8% for males. In the Census, disability is defined as a long-term physical, psychological or mental condition that limits a person from carrying out everyday activities at home, work or school.

[44] Out of the total number of persons with disabilities, persons with physical impairment of the lower limbs made up the biggest proportion (22.6%), followed by those with visual impairment (17.4%). Urban and rural areas had fairly comparable proportions of the number of persons with physical impairment of the lower limbs.

protection system and the increase of household food security being stated as possible ways to achieve this.

Demographic context

Young, predominantly rural population: Namibia's population is not only relatively small but is predominantly youthful and characterised by increased labour market-driven rural-to-urban migration. This means that any interventions to address problems such as unemployment should be targeted at the youth, especially those in marginalised/rural regions.

Potential for a young, growing workforce: Namibia's demographics show that a large portion of the labour force is young and the labour force will grow as large cohorts in the younger age bands enter the workforce. Assuming Namibia continues to make strides in its fight against unemployment, pension funds will assume demographic characteristics similar to the labour force and so have a young and growing membership base. This means that the growing young membership will subsidise the older persons in medical schemes since they will have lower medical claim costs, and this might lead to the lowering of future contribution rates. Furthermore, a growing membership will result in a larger risk pool, which will in turn provide greater stabilisation of claims experience over time. On the flip side, a growing membership base will put pressure on the administrative and management systems of schemes going forward.

Low dependency ratio: The low dependency ratio means that there is a low proportion of very young and very old persons relative to those in the working-age group. This implies that the average number of dependants in private pension funds is relatively low (see Chapter 4). The low dependency ratio also bodes well for the social grant system as a relatively bigger working-age population is currently being taxed to finance payments to a smaller cohort (children and the elderly). However, in the long run, reviews of the social protection system will have to be carried out in order to ensure that it remains sustainable in the face of rising dependency ratios.

Declining fertility rates: All in all, in the short term, Namibia's social security schemes should benefit from the current demographic structure. Eventually, however, the declining fertility rate will lead to an ageing of the population, as evidenced by the projected increase of the old age dependency ratio from 5.9 per 100 in 2015 and 7.6 per 100 in 2025 to 24.5 in 2050. Nonetheless, the child dependency ratio will decline, thereby resulting in a falling total dependency ratio.

Low population density: The country's low population density will continue to make the goal of delivering benefits and services in an equitable and cost-efficient way a challenging endeavour.

Citizenship and birth registration: Although Namibia generally has a good civil registry, with most (92%) Namibians possessing birth certificates, there are regional disparities, with regions such as Kavango lagging behind.

Household composition: With an average household size of four, most Namibians live in multi-generational households were any social benefit paid will likely be shared and thus benefit more than one individual.

3 Employment, household income and expenditure

Chapter overview

Employment

- Namibia has a high broad unemployment rate of around 30% (depending on the data source). Unemployment (broad) is worse in rural areas (37.7% versus an urban rate of 29.7%), among women (38.5% versus a male rate of 28.8%) and among youth (65.9% for the 15–19 age group and 54.2% for the 20–24 age group).
- The Labour Force Participation Rates (LFPRs) range from 52% in Omusati[45] to 81% in Erongo, and in all regions except for Oshikoto and Kavango the rate of participation is higher for males than for females (2009/10 NHIES).
- Most employed persons are private sector paid employees (48.4%: 2009/10 NHIES) and second to this group are subsistence farmers (18.6%). The biggest employer in Namibia is the agriculture, forestry and fisheries industry (29% of all employed persons: NHIES).
- In Namibia, as in many African countries, underemployment is an issue and there are many underemployed individuals who eke out very small earnings (including in-kind) from small plots of land and livestock (especially in the northern areas of the country).

Informality of employment

- Although almost 60% of those employed can be seen as being in informal employment, the majority of paid employees are in formal jobs. Own-account workers and subsistence farmers without employees have the highest rates of informality.
- On average, earnings are lowest in the informal sector and 65% of informal, private sector employees have monthly earnings lower than the construction and mining sector-negotiated minimum wage.

Household income and expenditure

- Salaries/wages are the main source of income for nearly half (49.2%) of all households in Namibia. Subsistence farming is the second biggest income source for households and is the main source of income for 23% of all households. This represents a decline from 38% in 1993/94 and 29% in 2003/04.
- Average consumption per capita in rural areas is only a third (N$7 841) of that in urban areas (N$23 592). Further, consumption per capita is 55 % lower in female headed households.

[45] The NLFS shows a similar trend, with the LFPR being substantially higher in Erongo (77.2%), Kunene (76.7%) and Otjozondjupa (77.8%). Furthermore, unlike the NHIES, Oshana and Omusati also have higher LFPRs among females than males.

3.1 Introduction

Post 1990, the new government faced a labour market that was ethnically segmented in terms of access to decent work opportunities and earnings. Migrant labour remains a key characteristic: traditionally, males from northern regions migrated to the commercial centre of Windhoek as well as the mining areas and coastal, fishing regions. Apartheid-era pass-laws and restrictive labour contracts ensured that the white-dominated mining and farming industries had enough labour, bought at a very low rate (Levine et al., 2009). Access to higher paying jobs and industries was restricted to the white minority. Despite great economic success in the post-independence period, unemployment still remains one of the country's main challenges.

Three recent data sources (the 2009/10 NHIES, the 2011 Census and the 2012 NLFS) are drawn on here, and where possible compared. However, estimates from the surveys are not always directly comparable. In the case of the labour force survey, it is important to note that results from the recent NLFS may not be directly comparable to past labour force surveys as the definitions (of unemployment) and methodologies used in the different surveys are not identical.[46]

3.2 Economically active population

Table 3.1 Economic activity

	NHIES (2009/10)		Census (2011)		NLFS (2012)	
	Number	**%**	**Number**	**%**	**Number**	**%**
Total population	2,066,398	100.0	2,113,077	100.0	2,085,927	100
Minus Children under 15 years	**768,557**	**37.2**	**788,843**	**37.3**	**770,265**	**36.9**
Adults 15 years of age and above	1,297,840	62.8	1,324,234	62.7	1,315,662	63.1
- Economically inactive	374,171	28.8	379,370	28.6	403,013	30.6
- Activity not specified	5,219	0.4	97,449	7.4	44,381	3.4
- Economically active labour force	918,450	70.8	847,415	64.0	868,268	65.9
Employed	608,003	66.2	534,912	63.1	630,094	72.4
Unemployed (broad)	310,447	33.8[47]	312,503	36.9	238,174	27.4

Source: 2009/10 NHIES, 2011 National Census, 2012 NLFS[48]

The table above shows that, according to the NHIES, 70.8% (NLFS: 65.9%) of the population aged 15 years and above fall in the economically active group, which forms the labour force.[49]

[46] See NLFS (2012) for a more detailed discussion on survey methodology.

[47] According to the strict definition, the unemployment rate was 22.1% according to the NHIES and 16.7% according to the 2012 NFLS.

[48] While it would have been ideal to base all the analysis of employment on the NLFS, it is only the income and expenditure survey that allows us to investigate the interplay between poverty, inequality and employment status. However, periodic comparisons are made between the 2009/10 NHIES, the 2011 Census and the 2012 NLFS. One downside to using the NHIES for analysis of employment is that the questions asked do not allow us to tease out details about the nature of employment such as the existence of an employment contract, etc. These would allow for a more nuanced view on the formality of employment.

[49] According to the NHIES, those who are economically inactive fall into the following groups: students (52.0%), housewives/homemakers (6.4%) and those who are retired, too old or too young to work, disabled or have other family responsibilities (41.6%).

The overall LFPR[50] of 70.8% masks gender and regional disparities (see Annex A). For instance, while urban areas had a LFPR of 76% for females and 81% for males, in rural areas the corresponding rates were 63% and 68% respectively (NSA, 2010). The LFPRs range from 52% in Omusati to 81% in Erongo and, in all regions except for Oshikoto and Kavango, the rate of participation is higher for male than for females.

Namibia has a high unemployment rate. The 2009/10 NHIES estimates the broadly defined unemployment rate at 33.8% and the strictly (narrowly) defined unemployment rate at 21% (the ILO standard definition). More on the unemployment rate is discussed the sub-section that follows.

3.2.2 Unemployment

According to the 2009/10 NHIES, unemployment is more prevalent in rural areas (37.7%) than in urban areas (29.7%). Furthermore, Namibia's unemployment problem has a regional dimension – with Ohangwena having the highest unemployment rate (61.1%) and the rate being lowest in Oshikoto (22.2%).[51] There are also gender disparities with regard to unemployment in Namibia. Overall, the male unemployment rate is lower (28.8%) than the female unemployment rate (38.5%). The trend holds true for all regions except for Kavango.

Youth unemployment is one of the critical problems in Namibia. Unemployment is highest in the 15–19 age group, where the unemployment rate (broad definition) is at 65.9%. The next most vulnerable group is the 20–24 age group, with an unemployment rate of 54.2%. There are also gender disparities, and the unemployment rate is higher for females in all age bands except for the 60–64 age group.

3.2.3 Structure and nature of employment in Namibia

The 2009/10 NHIES provides data on the reasons why unemployed people are not working. Out of a total of 310,447 unemployed persons, 86% were unemployed because they could not find suitable work or any job whatsoever while 6% were in school and 4% were homemakers/housewives. Only 0.5% of the unemployed reported that they were not in working (in the last seven days) owing to the seasonality of their employment. The picture is not significantly different for unemployed youths (aged 15 to 34 years), as 87% of them are not at work because they cannot find work, 8% were in school and 2% were homemakers/housewives.[52]

[50] The LFPR is the ratio between the labour force and the overall size of their cohort (national population of the same age range).

[51] The picture is slightly different for the later surveys, where the 2011 Census has the Kavango region as having the highest unemployment rate (44.6%) and Erongo the lowest (22%). According to the 2012 NLFS the unemployment rate is highest in Ohangwena (34.6%) and lowest in Karas (23.9%). Refer to Annex A.

[52] For all these cases, respondents confirmed that they would have worked if they had been offered employment.

Table 3.2 Characteristics of employment

Employment status	NHIES (2009/10)		Census (2011)		NLFS (2012)[53]	
	Number	%	Number	%	Number	%
As an employee	388,233	63.9	353,349	66.1	396,891	63.0
- Paid employee for a private employer	294,011	48.4	233,884	43.7	291,773	46.3
- Paid employee for government or state enterprise	94,222	15.5	119,465	22.3	105,118	16.7
As an employer or self-employed	89,439	14.7	45,464	8.5	94,838	15.0
- An employer	4,285	0.7	28,301	5.3	25,932	4.1
- A self-employed or own-account worker	85,154	14.0	17,163	3.2	68,906	10.9
In subsistence farming activities	113,073	18.6	122,671	22.9	99,469	15.8
Unpaid family worker	15,310	2.5	10,075	1.9	37,879	6.0
Not stated	1,949	0.3	3,353	0.6	1,016	0.2
Total	**608,004**	**100**	**534,912**	**100**	**630,094**	**100**

Source: NSA, Census, NLFS and NHIES main reports (NSA, 2010: 2011: 2012) and authors' calculations

The table above shows what the latest income and expenditure, census and labour force national surveys tell us about different employment statuses. As already mentioned, these surveys use different methodology (and were implemented at different times) and so the figures are not always directly comparable. The percentage of all persons employed that work as employees ranges from 63% as estimated by the NLFS to 64% and 66% as estimated by the 2009/10 NHIES and 2011 Census respectively. All surveys show that this status in employment is more common for males (69.4%for the NLFS) than females (56% for the NLFS).[54] Furthermore, all surveys reveal that there are significantly more paid workers employed by the private sector than by government (including parastatals).[55]

The next significant type of employment status is subsistence farming. According to the NLFS, this accounted for 15.8% of all employed persons. The estimate is even larger according to the income and expenditure survey (18.6%) and the Census (22.9%).[56] In all surveys and unlike for paid employment, females dominate the subsistence agricultural sector. According to the NLFS, 19.6% of all employed females worked in the subsistence agricultural sector as opposed to 12.3% for males.

53 For the 2012 NLFS, employment status was grouped as follows: (i) Subsistence farmers with and without employers (subsistence farmers); (ii) employees including those that work in the agriculture sector; and (iii) unpaid employees including those unpaid family members in subsistence farming.

54 See the Annex for a breakdown by gender.

55 For instance, according to the 2012 NLFS, the private sector employed 46% of the total number employed, while 17% are employed by the public sector. In the different surveys, numerators and respondents may have misinterpreted what employers count as parastatals, resulting in the total number of employees being comparable across the surveys although the split between private and government/parastatals is slightly different.

56 There is variation between the three surveys with respect to estimates of 'subsistence farmers' versus 'own-account workers' and that between 'employer' and 'own-account worker'.

The 2012 data reveal more employers and own-account workers in rural areas. In fact, only 40% of rural employed persons were employees (and 48% employers/own-account workers) versus 81% in urban areas.

Underemployment

In Namibia, as in many African countries, the conventional concepts of unemployment that were established based on industrial societies fail to apply neatly. The Namibian labour market has been seen as being characterised less by a dichotomy of employment versus unemployment than by a continuum whereby at one extreme people are fully employed, mainly in government and the small formal sector, while at the other extreme they have no employment or source of earned income at all (Scott, 1994). The majority of the population lies in between, and can be seen as underemployed individuals who eke out very small earnings (including in-kind) from small plots of land and livestock (especially in the northern areas of the country).

Figure 3.1 Subsistence farmers in the Kunene basin

Source:www.kunenerak.org/en/people/people+and+environment/livelihoods/Livelihoods+Agriculture/Rainfed+Crop+Production.aspx

Typically, relatively few of those classified as employed in subsistence farming or with small businesses describe themselves as such in household surveys. Working a few hours per week on their small plots, guarding goats, or selling the occasional pot of beer is not considered by them as employment, especially given that the earnings, in cash or kind, are minimal. The problem in Namibia then, as elsewhere, is how to measure underemployment (Scott, 1994).

Box 3.1 Standards for measuring underemployment

While the criterion recommended by the ILO is to measure 'visible' underemployment as time spent in gainful activity (the number of hours as compared with a standard period on full employment), 'invisible' underemployment is assessed using criteria such as income earned from the activity or the extent to which education or skills are underutilised. Nonetheless, the ILO does recognise that accurate measurement of underemployment in surveys is rarely feasible. Aside from the challenges posed by seasonality (which can be overcome by spreading the survey over a full calendar year), respondents find it difficult to divide their time between farm and personal activity. Further, time spent in 'gainful' pastoral activities is always difficult to assess, e.g. a woman can watch goats, feed her child, weave a basket, and talk to her neighbours, all at the same time.

Source: Scott, 1994

Using the 2009/10 NHIES, one can explore the levels of underemployment by adopting a fairly simple approach. An individual is classified as underemployed if they are a domestic worker/self-employed/subsistence farmer who works less than 25[57] hours per week.

Moreover, an individual is classified as unemployed if at the time of enumeration (2009/10 NHIES) they responded as being available for work (in the survey reference period) and not currently engaged in any work activity. Using this approach, there were 536,752 employed and 381,698 underemployed/unemployed persons in 2009/10 (versus the conventional 608,003 employed and 310,447 unemployed). Relaxing the cap for time spent working from 25 to 20 hours a week gives an employment figure of 548,855 and combined underemployment/unemployment of 369,595.

Occupation and industry

The 2009/10 NHIES, 2011 Census and the 2012 NLFS all give some insights into the composition of the labour force in terms of occupations. For instance, according to the Census, skilled agricultural/fishery workers made up the biggest occupation group (26.4%) followed by elementary occupations[58] (16.4%), service workers (13.7%) and craft and related workers (12.1%). Although there are no gender differences for the three biggest groups, craft and related trade workers are predominantly male (18.9% versus 3.7% for females). The same survey shows that more women work as professionals and technicians and associate professionals than men.[59]

All three latest national household surveys reveal that the biggest employer in Namibia is the agriculture, forestry and fisheries industry. The NHIES and Census both estimate that this industry employs 29% of all employed persons while the NLFS puts the figure at 27%. Depending on which survey one looks at, the next biggest employer is the real estate, renting and business activities at 12% according to the NHIES or cross-cutting administration and support services according to the Census. The NLFS has the second and third biggest

[57] According to the 1982 international definition, all persons are considered as employed who spent at least one hour in gainful activity during a specified reference period. In actual practice, the minimum varies in different countries (Scott, 1994).

[58] This category includes labourers and unskilled occupations.

[59] The NHIES shows a slightly different picture, with the largest occupation group being elementary occupations (25%) followed by skilled agricultural and fishery workers (23%), which is a group comprised of slightly more women than men.

employers as the wholesale and retail trade industry (12%) and private households[60] (11%). The same survey also shows that mining, quarrying manufacturing and construction account for about 20.1% of all employed males versus 4.8% of female workers in those sectors. The same trend is also echoed in the other two surveys. On the other hand, education, financial insurance, accommodation and catering (food) services are dominated by women.

Employment and educational attainment

The 2012 NFLS findings show a positive correlation between education and employment. Those with tertiary education, certificate and diploma as well as teacher training recorded an unemployment rate of less than 10%. The NLFS shows that secondary education is the most common category of educational attainment among the employed. This is true especially for junior secondary education, where about 29.7% of males and 34.6% of females in employment have at least this level of education. Second to junior secondary education is senior secondary, which accounts for 23.6% of males and 22.6% of females.[61] In general, employed females tend to have a higher level of education than employed males and 9.7% of employed females and 9.4% of employed males have post-secondary schooling.[62] In line with this observation, a higher proportion (12.8%) of employed males than employed females (10.2%) has no formal schooling.

3.3 Informality of employment

Historically, Namibia has been seen as having a lower rate of informality of employment than other comparable countries. For instance, a comparison of the size of informal employment in different African countries and Namibia[63] (based on the 2008 NLFS) paints an interesting picture. While informal employment accounted for more than 80% (of total employment) in many African countries, it is very low in northern African countries (37.3% in Morocco), and even lower in Mauritius (16.6%) and Namibia (21.7%[64]) (ILO, 2012).

However, as a point of departure, it is important to establish that the concept of ‘informality’ is not one that is clearly defined. The notion of informality has undergone a series of changes since it was first conceptualised as the ‘traditional sector’ in the 1950s and then defined as the ‘informal sector’ in the 1970s. Over time, the concept of informality has expanded further to come to include forms of informal or ‘unprotected’ employment in formal enterprises (leading to the broader concept of the ‘informal economy’, to be distinguished from the narrower, ‘informal sector’).

[60] This category mainly consists of domestic workers.

[61] The 2011 Census shows that 42% of employed people completed their secondary education.

[62] The 2011 Census also shows that, while 44% and 11% of women had completed secondary and tertiary education respectively, the figures stood at 41.5% and 9% for men.

[63] See International Labour Organization (2012).

[64] This is based on the 2008 NLFS.

Figure 3.2 Small-scale, self-employed women in their shop in Katutura

Source: http://suomiafrica.org/work-and-dreams-fuel-namibian-growth.html

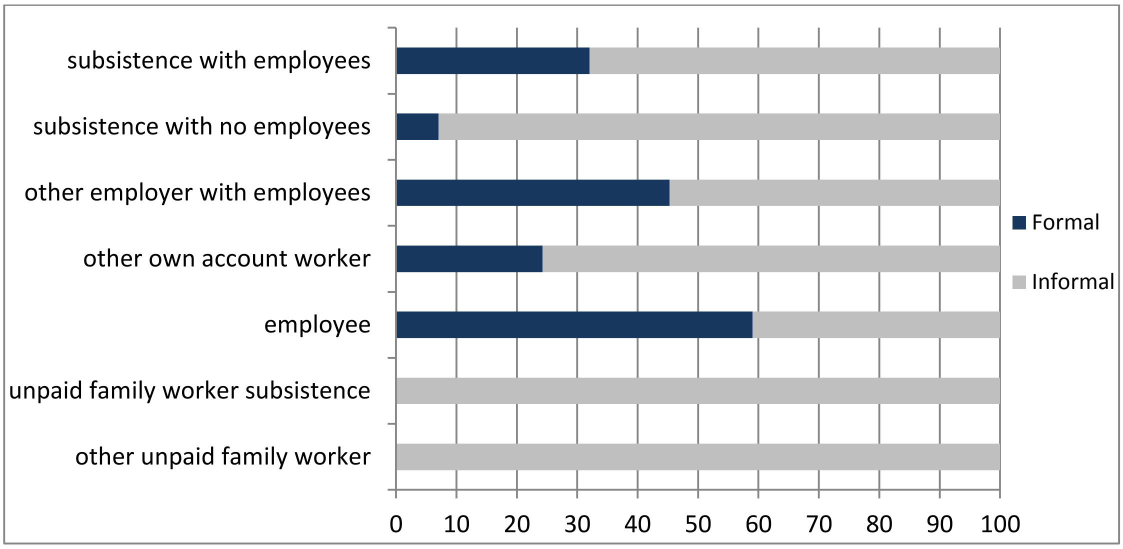
Namibia's labour force surveys can be used to explore different definitions of the informal sector and so a more nuanced picture of informal employment can be obtained.[65] Following Budlender (2008), who undertook a study of informal employment in Namibia on the basis of the 2008 NLFS, employers and own-account workers can be classified as 'informal' if the enterprise was not registered as a company and did not keep detailed formal accounts. Furthermore, employees can be classified as informal if they indicated that their employer did not pay social contributions, such as toward a pension, on their behalf. All unpaid family workers can also be classified as informal.[66] Using these classifications, one can start to get a sense of what the latest NLFS tells us about the informality of employment in Namibia. Figure 3.3 shows the formal/informal distribution for each of the statuses in employment provided in the data[67]. However as the Statistician General cautioned, '*movements in the labour force indicators from previous periods should not be attributed to specific policy interventions during the review period as the methodologies employed between previous surveys and the current survey are not consistent*' (Steytler, 2013).

[65] According to the Statistician General, the differences include the fact that the 2008 survey had a high sampling error, which was lowered in the 2012 survey by increasing the sample by 65%. Furthermore, the number of questions was increased from two to nine in the 2012 survey. See http://allafrica.com/stories/201304130122.html

[66] Informality can also be assessed using a combination of the enterprise-based definition and a definition focused on characteristics of employment (with formal employment defined by the presence of an employment contract or both paid leave and pension contributions, following Budlender (2008) (often referred to as the WIEGO definition)).

[67] Note that all unpaid family workers were reclassified as informal.

Figure 3.3 Employment by detailed status in employment and informality



	Subsistence With Employees	Subsistence No Employees	Other Employer	Other Own Account	Other Employee	Unpaid Family Subsist	Unpaid Family Other
Formal	1,294	6,716	11,748	17,314	234,299	-	-
Informal	2,745	88,715	14,184	54,017	162,592	21,217	15,025

Source: Authors' calculations on the NLFS (2012)

Overall, according to the 2012 NLFS, 57% of those employed can be classified as being in informal employment (versus 48% in Budlender, 2008; LaRRI, 2011). However, the majority of paid employees are in formal jobs (59%). This is about the same level (58%) of formality as reported by Budlender (2008). In terms of employers, the story is mixed. Own-account workers and subsistence farmers without employees have the highest rates of informality at 76% and 93% respectively. This represents a decline in the level of informality for both categories compared to the 2008 figures of 85% and 95% respectively. In terms of subsistence farmers with paid employees as well as other employers with paid employees there has been increasing informality in the 2012 rates, rising to 68% and 55% respectively in comparison to earlier rates of 32% and 25% respectively.[68]

The latest NLFS data show little difference between the proportion of male and female employed who are informal. 51% of all informally employed persons are female, yet a lower proportion (44%) of all formally employed persons are female. Most employed females are paid employees (56%) and employers/own-account workers, with the rest being contributing family workers; 61% of female paid employees are formal versus 14% of female employers/own-account workers. Males are disproportionately employed as paid employees (70% of total employed males) than employers or own-account workers (26%), and while 58% of male paid employees are formal 23% of male employers/own-account workers are, a figure nearly double that for females.

[68] The differences in the figures for overall informality between our estimates and those from Budlender (2008) could be driven by this *increase in the informality* of subsistence work or by the technical differences between the two surveys.

The data also show that 78% of rural employment is informal, compared to 59% of urban employment. Of those employed as paid employees in rural areas, 60% are informal while 88% of rural employers/own-account workers are informal.[69]

3.3.2 Quality of employment

The 2012 NLFS also allows us to explore the earnings dimension of informality. Generally, the expectation would be that paid employees are more formalised than employers and own-account workers and that formal jobs pay relatively more. The data tell us that more than half of all paid employees reported monthly earnings below NAD 3,000. This observation is driven primarily by earnings for those in informal employment. While 51% and 23% of all informal paid employees reported earnings below NAD 1,000 and between NAD 1,000 and NAD 2,000 respectively, nearly half of formally employed paid workers reported earnings of more than NAD 4,000 per month.

A good standard by which these earnings could have been measured is a statutory minimum wage; however, Namibia does not have a statutory minimum wage. Instead, wages are agreed upon directly with the employer through collective bargaining or other means of negotiating a fair living wage. For example, the mining, construction, security and agricultural sectors set basic levels of pay through collective bargaining. According to a number of media sources,[70] the Agricultural Employers Association (AEA) currently has an agreement for a minimum wage set at NAD 3.44 per hour or NAD 670 per month (at full employment). However, the full package also includes a minimum monthly food allowance of NAD 345. This gives a minimum monthly package of NAD 1,015. Similarly, the Construction Industries Federation and the Metal and Allied Namibian Workers Union have an agreement for a minimum wage of NAD 11.11 per hour or NAD 2,164 per month (at full employment).

Table 3.3 Employees: monthly earnings by type of employer and formality (%)

Earnings brackets (NAD)	Government / parastatal		Private		Household		TOTAL
	Formal	**Informal**	**Formal**	**Informal**	**Formal**	**Informal**	
0 or unknown	3.3	11.1	2	4.5	1	2.8	3.1
< 1,000	0.6	17.4	6.9	35.1	42.6	76.4	24.7
1,000–1,999	6.8	21.7	23.5	30.2	41.5	15.4	20.2
2,000–2,999	11.2	13.5	16.5	12.8	8.7	3	11.7
3,000–3,999	9.1	8.2	10.7	6.2	1.9	1.3	7.3
4,000 +	68.9	28	40.5	11.3	4.1	1.1	32.8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Authors' calculations on the NLFS (2012)

Table 3.3 shows quite clearly that formally employed persons, especially those in the public sector, earn more than other categories of paid employees. This is significant given that this sector accounts as a whole (formal and informal) for almost 17% of total employment. Almost 70% of all formally employed government workers reported average monthly earnings above NAD 4,000 (nearly double the minimum wage for mining and construction workers). Earnings

[69] When looking at informality of employment by sector, it is unsurprising that the government/ parastatal and private sectors are primarily formalised while households' work is not, reflecting the fact much of household sector employment is subsistence farming and unpaid family work.

[70] See, for example, www.namibiansun.com/business/new-minimum-wages-for-construction-industry.57161 and http://allafrica.com/stories/201308161527.html

prospects are also good in private sector formal employment, where about 40% of workers reported monthly earnings above NAD 4,000. This is also interesting since paid employment in the private sector accounts for 46% of total employment.

The table also shows that about 25% of all employees have monthly earnings lower than the minimum wage as set for agricultural workers. The figure goes up to about 45% when measured against the minimum wage for construction and mining workers. According to the analysis shown in Table 3.3, 65% of informal, private sector employees have monthly earnings lower than the construction and mining sector minimum wage versus 30% for formal, private sector employees.

A comparison which is quite telling of the extent of earnings inequality in Namibia is that between the earnings of informal workers in Namibia with those in Kenya, a country with a per capita income that is one-seventh that of Namibia. While 42% of the informal sector in Kenya earns less than KES 6,000 per month (US$ 70) (see Njuguna, 2012), 44% of Namibian workers in informal employment earn less than NAD 600 per month, which is roughly equivalent to US$ 69 (see Budlender, 2011).

Earnings for employers and own-account workers

According to Budlender (2008),[71] there are greater earnings inequalities within the employer and own-account categories than among employees. This is because the lower quartile earnings brackets for employers and own-account workers are smaller than those for employees, while the top brackets are at higher levels than for employees. Moreover, as is the case with paid employees, there are significant differences between formal and informal self-employed worker earnings. In 2008, only 8% of formal self-employed workers reported earnings between NAD 1 and NAD 799 per month, while the figure was 66% for informal self-employed workers. In addition, 56% of formal employers and own-account workers earned NAD 6,000 or more, versus only 6% of informal employers and own-account workers.

3.4 Household income[72] and consumption[73]

3.4.1 Income levels and sources

According to the NHIES, the average annual income per household is NAD 68,878, which translates to a per capita income of NAD 14,559. Furthermore, salaries/wages are the main source of income for nearly half (49.2%) of all households in Namibia. These are primarily households where the household head has at least the primary school level of education. Subsistence farming is the second biggest income source for households and is the main source of income for 23% of all households. This represents a decline from 38% in 1993/94 and 29% in 2003/04. About 11% and 8.9% of households count pensions and business income as their main source of income respectively.

[71] According to the 2012 NLFS data, only 2,449 out of 3,629 employers reported their monthly incomes and out of these 641 reported having had no income. Even if we consider only half of those reporting zero income as having misrepresented their true income, then the response rate to the income question is about 59%. Because of this it may be more prudent to look back to what the past analyses of the 2008 survey revealed in this vein.

[72] It is important to note that these are reported levels of income and consumption.

[73] This is derived from the NSA, which declares that, '*A Household Income and Expenditure Survey is the sole source of information on expenditure, consumption and income patterns of households, which is used to calculate poverty and income distribution indicators.'* See 2010 NHIS main report.

There are interesting regional differences in terms of where households get their income. First, there is a sizeable gap between urban and rural areas and while 40% of rural households count subsistence farming as their main source of income, the figure is much lower for urban households (1%). Conversely, salaries/wages are the main source of income for 75% of urban households but only 30% of rural households.

Subsistence farming provides much lower incomes than salaries/wages, as is evidenced by the relatively higher proportions (about 37%) of households in the first three income deciles that reported subsistence farming as the main source of income. From the fourth to the tenth deciles, higher proportions of households reported salaries and wages as their main source of income.

3.4.2 Consumption

According to the NHIES, the average annual consumption per household is NAD 65,348, while the consumption per capita is NAD 13,813. Following on from the regional differences in household income, disparities in consumption also exist. Average consumption per capita in rural areas is only a third (NAD 7,841) of that in urban areas (NAD 23,592).[74] Gender disparities are also pronounced as the average consumption per capita for male-headed households is NAD 17,237 versus NAD 9,462 for households headed by females.[75] This means that consumption per capita is 55% lower in female-headed households.

Table 3.4 Average monthly per capita expenditures in 1993/4, 2003/4 and 2009/10

	1993/94	2003/04	2009/10
Nominal prices			
Average per capita expenditures	187.76	659.32	1,151.11
Average adult equivalent expenditures	214.68	741.52	1,288.07
Constant 2009/10 prices			
Average per capita expenditures	486.47	949.50	1,151.11
Average adult equivalent expenditures	556.21	1,067.88	1,288.07

Source: NSA (2012)

Namibia has recorded a significant increase in adult equivalent[76] consumption expenditure over a period spanning nearly two decades. Nominal, monthly average adult equivalent expenditures increased six-fold between 1993/94 and 2009/10.[77] Between 2003/04 and 2009/10, the increase was about 74%. In real terms, the increase was smaller and real monthly adult equivalent expenditure increased by 137% between 1993/94 and 2009/10In the chapter that follows, a discussion of the trends in Namibia's poverty rates is presented.

[74] In fact, annual consumption is much higher in urban areas, as is evidenced by the fact that, while rural areas account for 57% of all households in the country, they only account for 35% of total consumption.

[75] Female-headed households constitute 42% of all households, but they only consume 30% of total consumption.

[76] Per capita expenditure can be adjusted using the notion of adult equivalents. To compute the number of adult equivalents, a weight of 0.5 was given to children under the age of 6 years, a weight of 0.75 was assigned to children between 6 and 15 years of age, and a weight of 1 was given to all members 16 years and over.

[77] Real per capita expenditures also increased, reflecting the improvement in living standards.

3.5 Conclusions

Youth unemployment: One of Namibia's glaring challenges is the problem of youth unemployment. Any solutions to this problem will have to factor in the fact that these unemployed youths are located mainly in rural, under-developed areas. LFPRs are highest in Erongo (home to Swakopmund and Welvis Bay) and Khomas (home to Windhoek).

Underemployment: Many rural, employed individuals in Namibia can be seen as being underemployed as they are primarily engaged in work on small plots of land and (or) livestock raring which earn them very small earnings.

Informality of employment: Even those in employment are still vulnerable. This is because most have informal, low-wage employment, mainly in the agriculture, forestry and fisheries industries. This essentially means that most of Namibia's employed probably cannot be accommodated by formal contributory social protection interventions or schemes.

Household income sources: Salaries/wages are the main source of income for nearly half of all households in Namibia. In addition, subsistence farming is the second biggest income source for households and is the main source of income for 23% of all households.

Household consumption: There are severe rural-urban disparities regarding household consumption and average consumption per capita in rural areas is only a third of that in urban areas. There are also differences by gender of the household head as consumption per capita is 55 % lower in female headed household.

4 Poverty and inequality

Chapter overview

Poverty and vulnerability

- Namibia has seen a consistent downward trend in poverty rates since 1993/94 and poverty incidence was at 28.7% according to the 2009/10 NHIES, representing a 9.0 percentage point decrease from 2003/04. This decline was largely a result of direct improvement in the wellbeing of people in rural and urban areas (-8.11 percentage points) rather than rural-to-urban migration.
- Rural poverty itself was responsible for about 89% of the decline in total poverty.
- Individuals are more likely to be poor if they live in rural areas, female-headed households, households headed by persons with no formal education, and households relying on pensions and income from subsistence farming.
- While 28.7% of the entire population lives in poor households, the proportion of children living in a poor household (child poverty) stands at 34%. 52% of all poor individuals in Namibia are children, further signifying the urgency of the country's child poverty problem.
- Out of a total of 593,753 individuals (28.7% of the total population) who can be classified as poor, 19.26% are either unemployed or underemployed while 16.2% are employed.
- Overall, while 30.6% of Namibia's elderly are poor,[78] about 16.0% are severely poor. Moreover, poverty rates are especially high in households headed by the elderly. While 39.8% of households headed by persons aged 65 and older are poor, the figure for households headed by persons aged 60 and older is 34.1%.
- Most employed poor are in subsistence farming activities (44.9% of all employed poor).
- 64.4% of all poor underemployed/unemployed people are youths aged between 18 and 34 years. Of this group, 57.1% are females and 74.8% live in rural areas.
- The data show that most employed (adjusted) poor are in subsistence farming activities (35.3% of all employed poor).

Inequality

- Namibia has high levels of inequality, with a Gini Coefficient of 0.597 in 2009/10. However, the Gini Coefficient has fallen from 0.701 in 1993/04 to 0.603 in 2003/04, and then further to 0.597 in 2009/10.

[78] This is the definition of the elderly used in this analysis.

4.1 Introduction

Since independence, Namibia has made significant progress in the fight against poverty[79]. As shown in Table 4.1, according to the latest NHIES in 2009/10 about 28.7% of the population were classified as poor. This is nine percentage points lower than in 2003/04 and 41 percentage points lower than in 1993/94, signalling a 17-year downward trend (NSA, 2012).

Table 4.1 Poverty rates in Namibia (percentage of people not households)

Population	Periods			Differences		
	A:1993/94	B:2003/04	C:2009/10	B-A	C-B	C-A
Poverty (upper bound poverty line)[80]						
Poverty Incidence (i.e. headcount)	69.3	37.7	28.7	-31.5	-9.0	-40.5
Poverty gap	37.3	12.9	8.8	-24.9	-4.0	-28.9
Poverty severity	24.4	6.1	3.9	-18.7	-2.2	-20.5
Severe Poverty (lower bound poverty line)[81]						
Poverty Incidence (i.e. headcount)	58.9	21.9	15.3	-37.0	-6.6	-43.6
Poverty gap	28.1	6.6	4.2	-21.5	-2.4	-24.0
Poverty severity	16.8	2.9	1.7	-13.9	-1.2	-15.1

Source: NSA Poverty Dynamics Report (2012).

The table also shows that in 2009/10 the poverty gap[82] was estimated at 8.8%, down from 37.7% in 1993/94. Similarly, the severity of poverty declined from 24.4% in 1993/94 to 3.9% in 2009/10. Moreover, Table 4.1 shows that severe poverty indicators (incidence, gap and severity according to the lower bound poverty line) also showed massive improvements over the 17-year period (NSA, 2012).

Rural versus urban

Poverty remains significantly higher in rural areas, as about 27%[83] of households (37.4% of people) in rural areas are poor compared to 9.5% (14.6% of people) in urban areas (NSA,

[79] This section looks at consumption-based poverty measures. For a more comprehensive look at other measures of deprivation, including access to essential services, please refer to the 2009/10 NHIES or the 2011 Census report of 2012.

[80] The upper bound poverty line was set at approximately NAD 377.96 (per adult equivalent) per month in 2009/10.

[81] The lower bound poverty line was set at approximately NAD 277.54 (per adult equivalent) per month in 2009/10.

[82] 'The poverty gap is a measure that captures consumption shortfall relative to the poverty line across the whole population. It could also be defined as the minimum amount of resources needed to eradicate poverty' (NSA, 2012). The poverty incidence is a measure of the proportion of individuals who live in households below the upper bound poverty line set at NAD 377.96 per adult equivalent monthly consumption. Poverty severity measures the proportion of individuals who live in households below the lower bound poverty line set at NAD 277.54 per adult equivalent monthly consumption

[83] When we look at individuals in poor households, we see that about 37.4% of people in rural areas are poor (i.e. live in poor households), compared to 14.6% in urban areas. The incidence of 'severely poor' is also high in rural areas, where 20.4% of the people were found to be severely poor compared to 7% in urban areas. The regional disparities are also apparent and the highest incidence of poverty

2012). These estimates are from the 2009/10 NHIES. According to the 1993/94 and 2003/04 NHIES main reports, household urban poverty rates stood at 39.0% and 17.0% respectively. On the other hand, rural poverty rates stood at 81.6% and 48.7%. From these estimates, it is clear that the reduction in the number of people living in poor households between 1993/94 and 2009/10 was greater in rural (a 44.2 percentage point decline) than in urban areas (a 24.3 percentage point decline). Similarly, between 2003/04 and 2009/10 the reduction in the number of people living in poor households was greater in rural (an 11.3 percentage point decline) than in urban areas (a 2.4 percentage point decline).

The NSA's 2012 *Poverty Dynamics in Namibia* report presents an attempt at decomposing the decline in poverty into changes in the demographic shares of different population groups and direct changes in the poverty rates of the different groups. For instance, one can look at the overall decline in poverty between 2003/04 and 2009/10 (9.0 percentage points) and ask how much of the decline was a result of a decrease in the share of the rural (versus urban) population and how much of the total decline was a result of direct improvement in the wellbeing of people within the rural population group (or urban population group).

The report estimates that the increase in urbanisation that happened between 2003/04 and 2009/10 had a minimal effect on the overall change in total poverty rates. The total 9.0 percentage point decline in poverty from 2003/04 to 2009/10 was largely a result of direct improvement in the wellbeing of people in both rural and urban areas (-8.11 percentage points). According to the analysis, the reduction in rural poverty played the key role, as rural poverty itself was responsible for about 89% of the decline in total poverty. Overall, the demographic effect was estimated at only -0.89 percentage points (out of a total -9.0 percentage points).

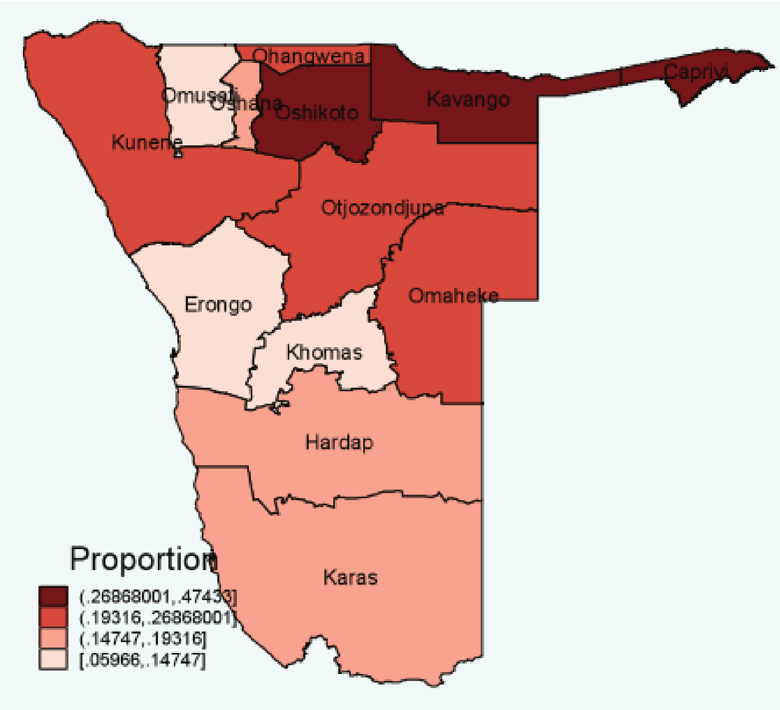
Regional disparities

There are still regional disparities and the highest incidence of poverty is found in the Kavango region, where 43% of the households (55.2% of people) are poor and 24% are severely poor. Erongo region has the lowest incidence of poverty with 5% of the households (7.1% of people) being classified as poor and 2% severely poor (NSA, 2012). When one considers that Kavango, Ohangwena, Oshikoto, Caprivi/Zambezi and Oshana were the poorest regions in 2003/4, it is evident that the regional poverty profile of Namibia has not changed much in the years since then.[84]

is found in the Kavango region, where 55% of the people are poor and 34.6% are severely poor. Erongo region has the lowest incidence of poverty with 7.1% of people poor and 2.9% severely poor.

[84] However, Ohangwena is no longer in one of the top three poorest regions.

Figure 4.1 Map of poverty in Namibia

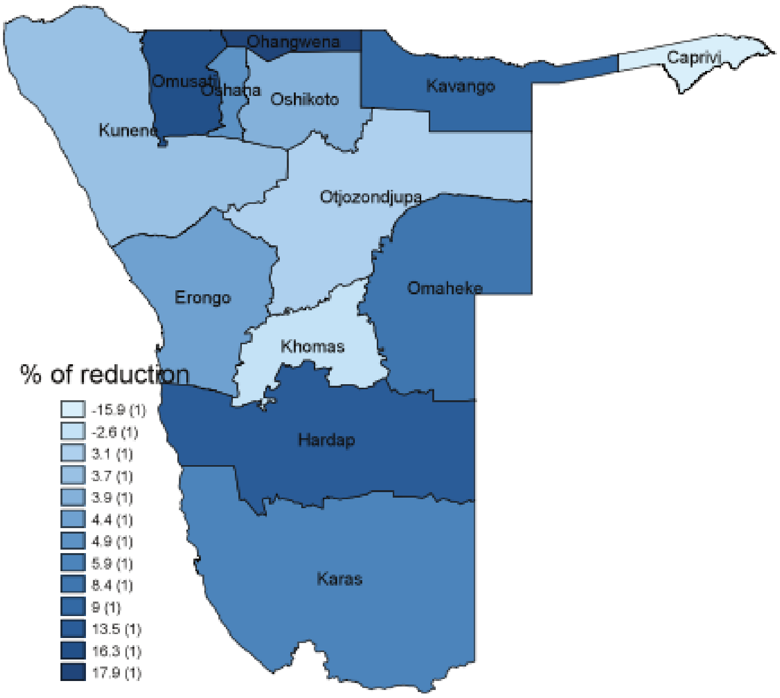


Source: 2009/10 NHIES Main report (Numbers in brackets represent proportions in decimal points)

According to the NHIES, between 1993/94 and 2009/10 Oshana, Omusati and Ohangwena recorded the biggest drops in poverty, with a decline in individual poverty rates of 62.2, 60.0 and 59.1 percentage points respectively.[85] Khomas and Kavango made the least progress with declines of 16.1 and 21.2 percentage points each. Between 2003/04 and 20009/10, the reduction in the number of people living in poor households was greater in rural areas (an 11.3 percentage point decline) than in urban areas (a 2.4 percentage point decline, albeit not statistically significant). In addition, Ohangwena, Omusati and Hardap recorded the biggest drops in poverty, with a decline in individual poverty rates of 25.5, 19.3 and 16.0 percentage points respectively. Otjozondjupa and Oshikoto made the least progress with declines of 5.2 percentage points each (although not statistically significant) and both Caprivi/Zambezi and Khomas recorded increases of 13.7 and 2.6 percentage points (not statistically significant) respectively.

[85] The biggest drops in severe poverty were in Ohangwena, Hardap, Kunene and Kavango.

Figure 4.2 Poverty reduction, by region



Source: 2009/10 NHIES Main report

The NSA's 2012 *Poverty Dynamics* report reveals that, although there were regional demographic (migration) changes between 2003/04 and 2009/10, these changes had a cumulative effect of decreasing total poverty by just 0.46 percentage points while the rest of the decline (8.54 percentage points) was due to a direct improvement in the wellbeing of individuals in each of the regions. While Kavango, Khomas and Erongo had net increases in population, all the other regions registered decreases. Furthermore, the decrease in poverty in Ohangwena and Omusati explains 36% and 27% of the total (national) decrease in poverty, while the increase in poverty in Caprivi/Zambezi and Khomas slowed the decline in total poverty by 0.7 and 0.4 percentage points respectively (NSA, 2012).

4.2 Poverty and household characteristics

4.2.1 Age and gender of household head

According to the 2009/10 NHIES, poverty incidence is higher among female-headed households (22%) than among male-headed households (18%) (NSA, 2012). The gap is bigger when one looks at the proportion of individuals in poor households headed by females (32.2%) versus males (26.2%). The average incomes in the households headed by women are also much lower than the incomes of households headed by men. With nearly half of households in Namibia being headed by women and unemployment being higher among women, these households remain in a poverty trap. Other factors exacerbating the situation include the lack of or inadequate access to social services and their poor quality and the lack of or inadequate assets such as livestock and productive land.[86]

[86] As about 80% of the rural population are engaged in agricultural activities, most of whom are subsistence farmers, recurrent droughts have meant that at least half of the food consumed in Namibia is imported (AfDB, 2012).

When looking at poverty rates by the age of the household head, the recent NHIES reveals that incidence of poverty is lower for households headed by persons between the ages of 16 and 34 years than for those with household heads over 35 years. Moreover, between 2003/4 and 2009/10 poverty reduced by more than 11 percentage points for households headed by those aged 50 and over, possibly as a result of the government's expansion of the state OAP. During the same period, poverty among households headed by 16–20 year olds declined by 10.4 percentage points (not statistically significant), compared to a smaller reduction for households headed by 21–24 year olds (8.5 percentage points) and 25–29 year olds (7.8 percentage points[87]).

While Namibia had fewer younger and fewer older heads of households in the 2009/10 NHIES, this demographic change had a limited effect on the total reduction in poverty. The NSA analysis shows that 58% of the reduction in poverty is attributable to direct improvement in the wellbeing of individuals in households headed by persons aged 60 and older. However, it is also true that households headed by individuals aged 60 and over make up the biggest share of the population (22% in both 2003/04 and 2009/10).

4.2.2 Education level of household heads

The incidence of poverty is higher among households headed by someone with no formal education (45.8%) or only primary education (34.9% of all people). Households headed by someone with tertiary education have the lowest poverty incidence (0.6%). A comparison of the 2009/10 NHIES and its predecessor shows that more households where the head had no formal education or just primary education moved out of poverty than those with heads who had more advanced education.

Table 4.2 Poverty incidence by educational attainment

	2003/04	2009/10	Difference
Educational attainment of HH head			
No formal education	60.90	45.80	-15.1 ***
Primary education	44.60	34.30	-10.3 ***
Secondary education	18.60	16.60	-2.0
Tertiary education	1.70	0.60	-1.1
National	37.70	28.70	-9.0 ***

Source: NSA (2012). *p<0.10, **p<0.05, ***p<0.01

Another interesting finding is that, even though there has been a decline in the share of those with no formal education and primary education between 2003/04 and 2009/10, the effect of this demographic change is very small (-0.83 percentage points out of the total 9.0 percentage point decline). Within each of the groups[88] in question (i.e. households headed by persons with different levels of education), wellbeing has improved significantly and the reduction (in poverty) among those in households headed by a person without formal education was responsible for about 50% of the total reduction in poverty. This is a crucial finding since the proportion of such households is smaller (26% in 2009/10) than households headed by a person with primary education (31% in 2009/10) and those households headed by a person with secondary education (37% in 2009/10).

[87] These latter two reductions are statistically significant.

[88] These 'groups' are the share of individuals whose household head attained no formal education, primary education, secondary education and tertiary education.

4.2.3 Poverty by main household income sources

While unemployment is undoubtedly a cause for concern in the fight against poverty, it is important to highlight the poverty profile of all vulnerable Namibians, including those who do have jobs or other income sources. The 2009/10 NHIES shows that poverty is less intense among individuals living in households whose main source of income comes from salaries and wages (15.7%) and that poverty appears to disproportionately affect individuals living in households relying on pensions (43.5%), subsistence farming (39.4%), and a household business (24.5%) as the main source of income.[89] This suggests that in as much as in-work poverty remains an important concern, there is widespread vulnerability among those households relying on subsistence farming who are not fully included in the cash economy.

Table 4.3 Poverty incidence and gap by income source

	Poverty (individuals)			Poverty gap		
	2003/04	**2009/10**	**Difference**	**2003/04**	**2009/10**	**Difference**
Main income sources						
Salaries and wages	19.5	15.7	-3.8 ***	6.6	4.7	-16.8 ***
Subsistence farming	48.3	39.4	-8.9 ***	14.6	11.5	-36.4 ***
Pension	65.3	43.5	-21.8 ***	24.6	14.1	-37.9 ***
Household business	32.2	24.5	-7.6 **	11.7	6.7	-28.5 **
Other income source	50.5	40.2	-10.3 ***	22.5	15.3	-27.3 ***
Namibia	**37.7**	**28.7**	**-9.0 *** **	**12.9**	**8.8**	**-28.9 *** **

Source: NSA (2012). *p<0.10, **p<0.05, ***p<0.01

As previously noted, it is households whose main source of income is pensions that have seen the most dramatic climb out of poverty. The NSA's 2012 *Poverty Dynamics* report also reveals that between 2003/04 and 2009/10 there was an increase in the proportion of households whose main source of income is pensions. This change contributed to a decline in poverty of about one percentage point. Furthermore, there was a decline in the proportion of households whose main source of income is from subsistence farming, and this change contributed to a decline in poverty of about three percentage points.

Overall, increases in wellbeing within each of the different groups of households (by main source of income) contributed to 92% of the total reduction of 9.0 percentage points observed between 2003/04 and 2009/10. Furthermore, two-thirds of the poverty reduction is attributable to improvement in the wellbeing of subsistence farmers and pensioners. This is not entirely surprising as these two groups make up more than three-quarters of the total population.

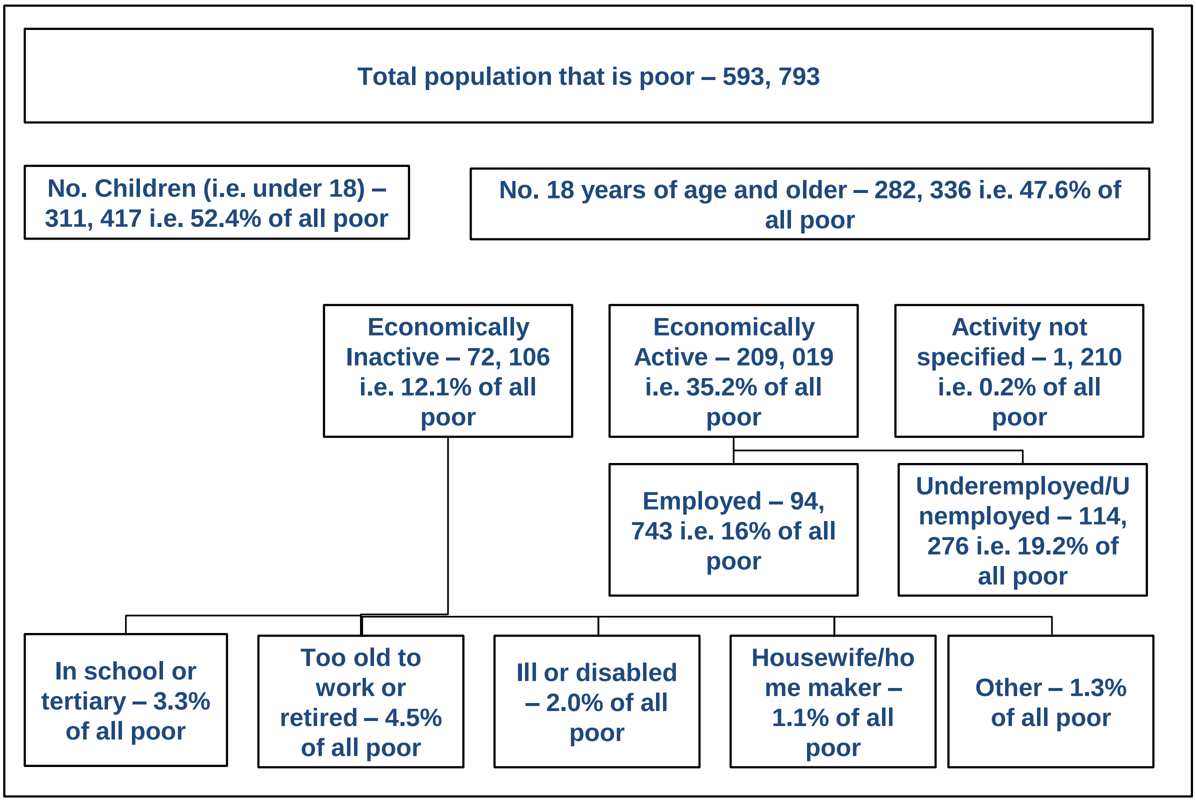
The next subsection presents an analysis of poverty in Namibia based on individuals' characteristics such as age and employment status.

[89] While it would have been informative to look at the poverty rates for those employed in different types of informal work, the NHIES does not ask the questions that would help us assess the degree of formality of employment.

4.3 The poverty profiles of different population groups

As noted in Section 4.1, according to the latest NHIES in 2009/10 about 28.7% of the population were classified as poor. These 593,753 (2009/10 NHIES estimate) poor individuals can be further disaggregated into the following main categories: children (under 15 years of age) and adults (see Figure 4.3).

Figure 4.3 Breakdown of Namibia's poor



Source: Authors' calculations on the 2009/10 NHIES

According to the NHIES, more than half (52.4%) of all poor individuals are children. This identifies children as a clear group of vulnerable persons that needs special attention.

Figure 4.4 Children sharing food in Haukungwe

Source: http://allafrica.com/stories/201310030215.html

The rest of the poor population are adults (aged 18 and over) who are either economically active or not. Overall, second to children, the biggest category of the poor is the underemployed/unemployed, making up about 19.2% of all of Namibia's poor population. The problem of the employed poor is reflected in the finding that 12.1% of the poor are employed, mainly in the informal sector (subsistence agriculture, etc.).

The next sub-sections take a closer look at these groups of vulnerable persons (i.e. children, underemployed/unemployed, and the employed poor), as well as the elderly,[90] in order to better understand their poverty profiles. In this subsection, the 2009/10 NHIES is used to explore poverty profiles of individuals using the definition of underemployment[91] presented in earlier subsections.

4.3.2 Child poverty

Since most households in Namibia have at least one child, household poverty status has a direct impact on child poverty. Almost 70% of households have at least one child younger than 18 years old, and the poverty rate for households with children[92] is 26.2% while the national poverty rate is 19.5% (in the case of severe poverty, 13.0% compared to a national average of 9.6%). From the perspective of individuals, while 28.7% of the entire population lives in poor households, the proportion of children living in a poor household (child poverty) stands at 34%.

The NSA report on child poverty shows that the majority of poor children live in households:

- With young children (54.4% of poor children are aged 1–4 years);
- With four or more children (67.5% of poor children are in such households);
- Without orphans (58.3% of poor children);
- With carers that are married or in a consensual union (55.7% of poor children);
- With one or more working adults (45.7% of poor children);
- In which the female caregiver has at least secondary education (56.6% of poor children are in households where the females aged 16–59 have at least secondary education);
- That speak Oshiwambo or Rukavango (68% of poor children); and
- That are in Kavango, Caprivi/Zambezi or Oshikoto (child poverty is highest in these regions at 59.5% in Kavango, 53.2% in Kaprivi and 48.7% in Oshikoto).

Table 4.4 shows that the pattern of child poverty closely follows that of overall poverty in Namibia, with Caprivi/Zambezi, Kavango and Oshikoto being the poorest regions.

[90] Although the disabled are a key vulnerable group, the data limitations already described prevent us from carrying out further analysis of the poverty profile of this group.

[91] An individual is classified as underemployed if they work are a domestic worker, self-employed or subsistence farmers who work less than 25 hours per week. Further, an individual is classified as unemployed if at the time of enumeration (2009/10 NHIES) they responded as being available for work (in the last week), and not currently engaged in any work activity.

[92] In other words, there are about 80,000 poor households containing children and about 40,000 severely poor households containing children.

Table 4.4 Poverty in Namibia (2009/10 NHIES)

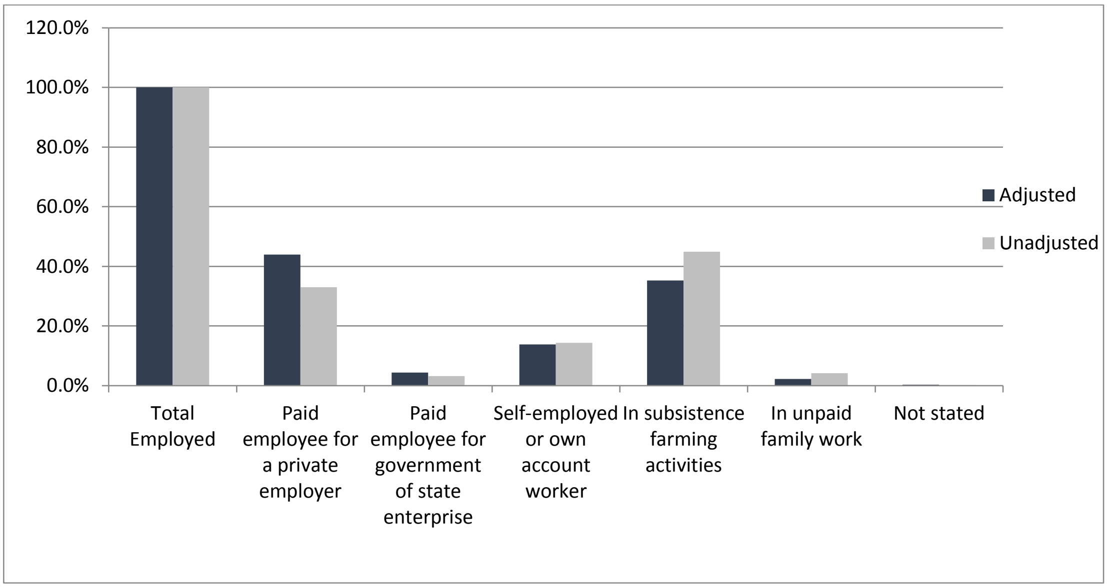
	Severe Poverty (individuals)		Poverty (individuals)	
Age group	**All ages**	**Children**	**All ages**	**Children**
Namibia	**15.3**	**18.3**	**28.7**	**34.0**
Caprivi/Zambezi	35.2	37.9	50.2	53.2
Erongo	2.9	3.8	7.1	9.8
Hardap	15.1	17.8	26.0	31.3
Karas	16.8	22.4	26.8	34.8
Kavango	34.6	37.4	55.2	59.5
Khomas	4.0	5.7	10.7	14.4
Kunene	15.9	19.1	30.2	35.8
Ohangwena	11.9	12.3	30.1	30.4
Omaheke	19.0	21.7	31.1	37.0
Omusati	7.3	8.0	19.1	22.1
Oshana	7.2	8.5	19.4	22.6
Oshikoto	21.8	24.5	44.2	48.7
Otjozondjupa	22.2	27.5	33.7	39.7
Urban	7.0	9.4	14.6	18.6
Rural	20.4	22.4	37.4	41.1

Source: NSA Child Poverty report (2012)

4.3.3 Poverty among the employed[93]

Using the latest NHIES and focusing on the employment statuses of individuals, a breakdown of Namibia's employed poor (aged 18 and older) is shown in Figure 4.5. The data show that most employed (adjusted for underemployment as explained in Section 3.2.3) poor are in subsistence farming activities (35.3% of all employed poor). This contrasts with an estimate of 44.9% when the numbers are not adjusted for underemployment.

Figure 4.5 Breakdown of Namibia's employed poor by employment status



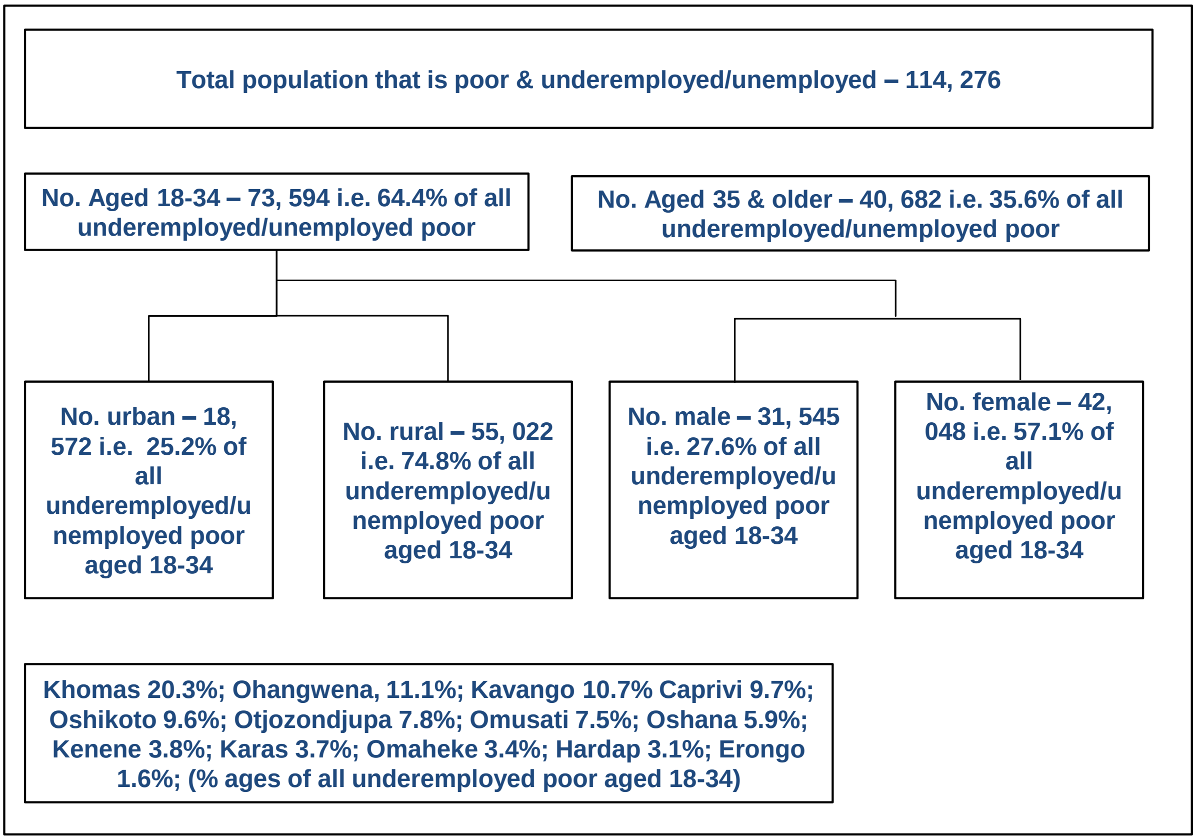
Source: Authors' calculations on the 2009/10 NHIES

93 This is using the adjusted definition where the underemployed are not seen as being 'employed'.

According to the NHIES, 17.6% of employed (adjusted) persons are poor and poverty incidence is highest among those in subsistence farming activites (46.2%) and among unpaid family workers (24.8%). Given the income profile of those in susbsitence farming (see Chapter 3), and the fact that their employment is predominantly informal, these findings are not surprising. Also expected is the finding that a smaller proportion of public service/parastal employees are poor (4.4%).

4.3.4 Underemployment/unemployment and poverty

Figure 4.6 Breakdown of Namibia's poor, underemployed/unemployed population



Source: Authors' calculations on the 2009/10 NHIES

At about 3.1 percentage points above the national average poverty incidence rate, it is thus clear that the underemployed/unemployed are worse off than the national average. A breakdown of the poor and underemployed/unemployed group is especially telling. According to the 2009/10 NHIES, 64.4% of all poor underemployed/unemployed people are youths aged between 18 and 34 years. Of this group, 57.1% are females and 74.8% live in rural areas. The result is also expected to be reflected by regional differences in poverty rates among unemployed youths across the country.

Analysis of the 2010 NHEIS shows that most of the underemployed/unemployed poor youths (aged 18 to 34 years) are from Khomas (20.3%), Ohangwena (13.1%), Kavango (10.7%), Caprivi/Zambezi (9.7%) and Oshikoto (9.6.%)[94].

Table 4.5 shows that the incidence of poverty is higher among underemployed/unemployed youths in Caprivi/Zambezi (52.0%), Oshikoto (49.2%), Kavango (49.0%) and Otjozondjupa (37.8%). In Erongo, proportionately fewer unemployed youths are poor (8.0%) and since this region is also more urbanised (87% urban) than most other regions, this finding is not surprising.

Box 4.1 Youth unemployment, poverty and targeting

The analysis presented in this section reveals a challenge that policy-makers are faced with when looking at the question of unemployment and underemployment in Namibia. On the one hand, it is not obvious that social protection policies are justified in focusing only on underemployed/unemployed youths. Is the fact that they make up 64.4% of Namibia's poor enough of a justification? How about the other 35.6%? One justification could be that investing in the youth is investing in Namibia's future. Policy-makers may want to get the youth into the 'system' before it is too late and they end up facing long-term unemployment. Another reason could be that, in order to reduce costs, interventions could be targeted by focusing only on youth (another option is to target regions or set the benefit low enough that only those who really need it will apply).

The case for targeting youth only can also be made stronger if one if one looks at unemployment only, without considering the underemployed. The picture changes when one takes this view. For instance, according to the 2009/10 NHIES, 74.5% of all poor unemployed people are youths aged between 15 and 34 years. This includes persons aged 15–17, so as to capture youths who are not in school and have had to enter the labour market for one reason of another.

Erongo has also been a major recipient of rural-to-urban migration driven by better job prospects in resource-based industries such as mining and fisheries, etc. Similarly, Khomas, where Windhoek is located, has a relatively low incidence of poverty among underemployed/unemployed youths. That said, because it has a higher youth population than most regions, 9% of all poor underemployed/unemployed people in Namibia live there.

[94] According to the latest NHIES in 2009/10 about 28.7% of the population were classified as poor. This is nine percentage points lower than in 2003/04 and 41 percentage points lower than in 1993/94, signalling a 17-year downward trend (NSA, 2012). Poverty rates are also significantly higher in rural areas, as about 27% of households (37.4% of people) in rural areas are poor compared to 9.5% (14.6% of people) in urban areas (NSA, 2012). The highest incidence of poverty is found in the Kavango region, where 43% of the households (55.2% of people) are poor and 24% are severely poor. Erongo region has the lowest incidence of poverty with 5% of the households (7.1% of people) being classified as poor and 2% severely poor (NSA, 2012). When one

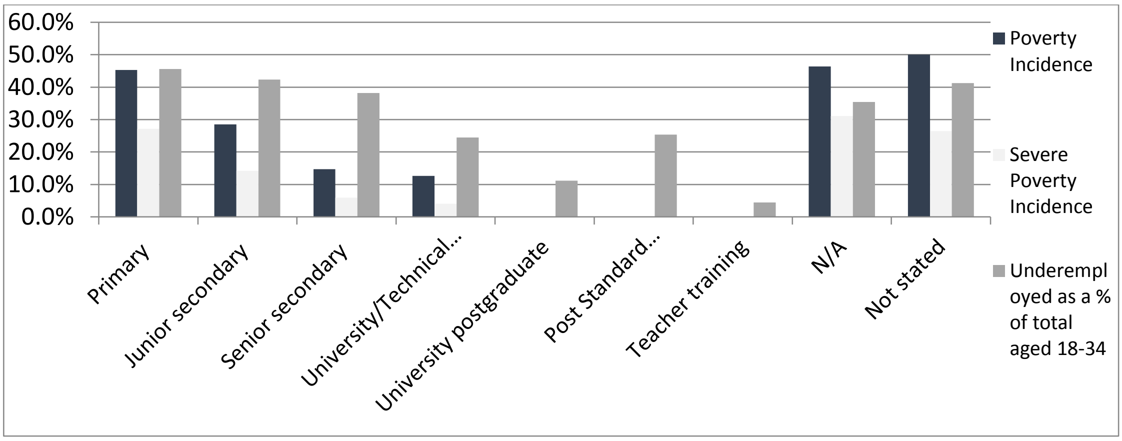
Table 4.5 Poverty incidence by region – underemployed/unemployed aged 18 to 34 years

Region	Poor	Severely poor	Total underemployed/ unemployed youths (18–34)	
	%	%	Number	%
Caprivi/Zambezi	52.0%	35.1%	13,716	5.63%
Erongo	8.0%	3.5%	14,272	5.86%
Hardap	28.8%	17.0%	7,814	3.21%
Karas	29.5%	20.7%	9,150	3.75%
Kavango	49.0%	30.8%	30,448	12.49%
Khomas	16.7%	5.7%	47,014	19.29%
Kunene	38.0%	22.6%	7,407	3.04%
Ohangwena	34.3%	13.7%	28,071	11.52%
Omaheke	34.9%	23.8%	7,152	2.93%
Omusati	20.7%	10.9%	26,697	10.95%
Oshana	19.3%	7.1%	22,465	9.22%
Oshikoto	49.2%	26.2%	14,396	5.91%
Otjozondjupa	37.8%	23.8%	15,130	6.21%

Source: Authors' calculations on the 2009/10 NHIES

In thinking about the role of social protection policy in improving the welfare of the youth, it is important to prioritise these regions and equally important is the need to tailor interventions to each of the regions' specific characteristics. More on this is presented in chapters 5 and 6.

Figure 4.7 Poverty incidence by highest level of education completed – unemployed aged 18 to 34 years



Source: Authors' calculations on the 2009/10 NHIES. The survey data do not allow for the further examination of the *Not applicable (N/A)* and *Not stated* categories. However, it is reasonable to assume that a sizeable proportion of these have no education at all.

Unemployed youths are also more likely to be poor if they have low levels of education. Figure 4.7 shows that about 45.3% of unemployed youths who studied only up to primary school level live in extreme poverty.

4.3.5 Poverty among the elderly

Overall, while 30.6% of Namibia's elderly aged 60 and over are poor,[95] about 16.0% are severely poor.

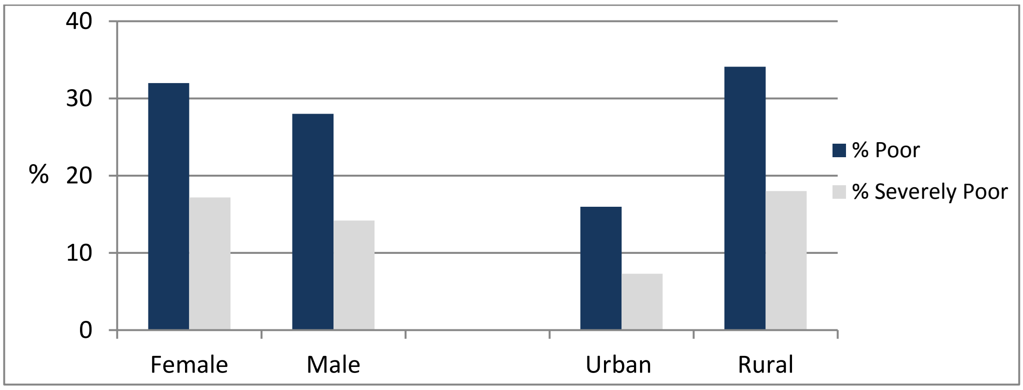
Table 4.6 Poverty incidence among the elderly

	Poverty		Severe poverty		Total elderly	
	Non-poor	Poor	Non-poor	Poor	Number	%
60+	69.4%	30.6%	84.0%	16.0%	143,489	100.0%
65+	68.5%	31.5%	84.0%	16.0%	104,440	100.0%

Source: Authors' calculations on the 2009/10 NHIES

At only about 1.9 percentage points above the national average poverty incidence rate, it might seem that the elderly are no worse off than national average.[96] However, poor elderly people tend to support other family members and relatives. According to the NSA's 2012 *Poverty Dynamics* report, poverty rates are highest in households headed by the elderly. While 39.8% of households headed by persons aged 65 and older are classified as poor, the figure is second highest among those headed by persons aged 60 and older (34.1%).

Figure 4.8 Poverty incidence by gender and location – elderly (i.e. aged 60 and over)



Source: Authors' calculations on the 2009/10 NHIES

According to the 2009/10 NHIES, the elderly (aged 60 and over) are disproportionately located in rural areas (80.7%). There are also more elderly females (59.1%) than males. Both poverty rates are slightly higher for elderly females (32% for poverty and 17.2% for severe poverty) than for their male counterparts. However, there are larger differences between the poverty status of the elderly in rural areas (34.1% poor and 7.3% in severe poverty) versus those in urban areas (16.0% poor and 18.0% in severe poverty). This shows that it is the rural elderly who are especially vulnerable. This is also expected to be reflected by regional differences in poverty rates among the elderly across the country.

[95] This is the definition of elderly people used in this analysis.

[96] At 31.5%, the poverty rate for those aged 65 and above is slightly higher than those for persons aged 60 and over.

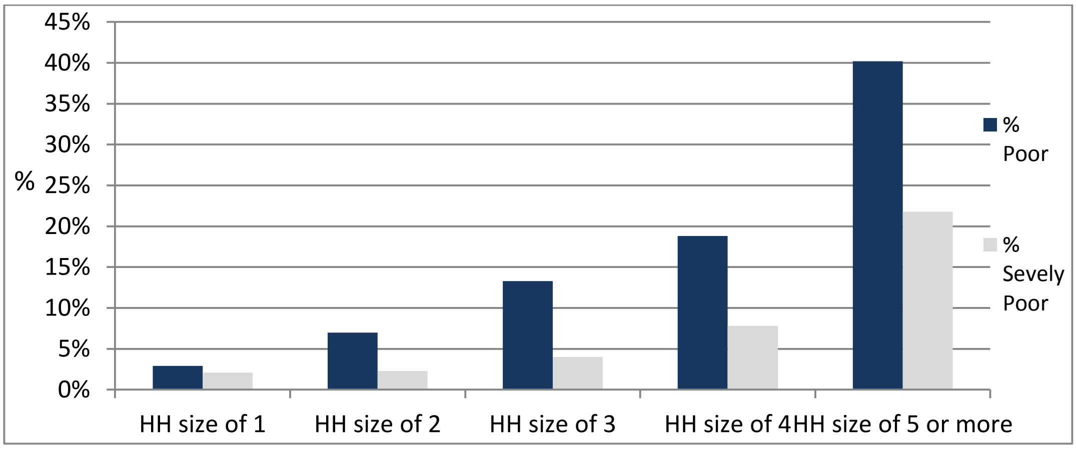
Table 4.7 Poverty incidence by region – elderly (i.e. aged 60 and over)

	Poverty		Severe poverty		Total elderly	
	Non-poor	Poor	Non-poor	Poor	Number	%
Caprivi/Zambezi	44.9%	55.1%	59.2%	40.8%	5,777	4.0%
Erongo	91.7%	8.3%	95.3%	4.7%	5,912	4.1%
Hardap	81.3%	18.7%	86.4%	13.6%	5,153	3.6%
Karas	81.1%	18.9%	87.7%	12.3%	4,832	3.4%
Kavango	42.6%	57.4%	60.5%	39.5%	17,044	11.9%
Khomas	93.2%	6.8%	99.3%	0.7%	11,341	7.9%
Kunene	67.4%	32.6%	82.1%	17.9%	6,453	4.5%
Ohangwena	65.8%	34.2%	87.9%	12.1%	22,221	15.5%
Omaheke	74.0%	26.0%	86.3%	13.7%	4,897	3.4%
Omusati	82.7%	17.3%	93.2%	6.8%	27,190	18.9%
Oshana	73.8%	26.2%	89.7%	10.3%	12,982	9.0%
Oshikoto	55.5%	44.5%	81.5%	18.5%	13,184	9.2%
Otjozondjupa	55.5%	44.5%	69.0%	31.0%	6,501	4.5%

Source: Authors' calculations on the 2009/10 NHIES

The table above shows that poverty is more pronounced among the elderly in Kavango (57.1%), Caprivi/Zambezi (55.1%), Oshikoto (44.5%) and Otjozondjupa (44.5%). In Erongo proportionately fewer elderly are poor (8.3%), which is to be expected since this region is predominantly urban (87% urban).

Figure 4.9 Poverty incidence by size of household – elderly (i.e. aged 60 and over) (total – 143,489)



Source: Authors' calculations on the 2009/10 NHIES

Analysis of the 2009/10 NHIES shows that the elderly are disproportionately located in households with a total of five or more people (66.6% of all elderly). In addition, the elderly are more likely to be poor if they live in such households. About 40.2% of elderly in households with five or more people are poor.

4.4 Inequality

According to the NHIES, the main measure of inequality – the Gini Coefficient – has fallen from 0.701 in 1993/04 to 0.603 in 2003/04, and then further to 0.597 in 2009/10, although the decline from 2003/04 to 2009/10 is not statistically significant. Inequality is still one of Namibia's major challenges as it remains one of the most unequal countries in the world. It also calls for cautious interpretation of measures of progress, such as the increasing per capita GDP.

The 2012 NSA *Poverty Dynamics* report shows a nuanced view of inequality in Namibia, revealing that, even though overall inequality has been fairly stubborn, there have been changes within and between regions or population groups. First, inequality differs between rural areas (Gini of 0.487) and urban areas (Gini of 0.583). The report shows that the steady decline in inequality in rural areas seems to be driving the overall decline in inequality at country level. There are also regional differences in inequality, with Karas (Gini of 0.634) being the most unequal region and Ohangwena the most equal (Gini of 0.405).[97] While inequality reduced in six regions between 2003/04 and 2009/10, Ohangwena, Omusati, Karas, Khomas, Kunene, Otjozondjupa and Caprivi/Zambezi registered increases. Moreover, Khomas and Caprivi/Zambezi are the only regions where both poverty and inequality increased.

Although inequality marginally declined among individuals living in both male- and female-headed households, at 0.622 (2009/10), inequality is higher in the former. Inequality is also higher among those in households where the head has secondary-level education and lowest where the head has just primary education. Between 2003/04 and 2009/10, inequality increased among those where the household head had no formal education or had primary- or secondary-level education. However, inequality declined in households headed with those with tertiary education. Another interesting finding is that inequality is lowest among subsistence farmers (Gini at 0.401) and much higher among those households whose main source of income is a household business (Gini at 0.656). Between 2003/04 and 2009/10, inequality increased among subsistence farmers (Gini from 0.346 to 0.401).

The results probably signal that that there is less variability in earnings in subsistence farming than in relation to household businesses. Subsistence farming provides more stable but lower earnings and possibly fewer escape routes from poverty compared to household businesses.

4.5 Conclusions

Poverty: Namibia has seen a consistent downward trend in poverty rates since 1993/94, with the bulk of this progress being recorded in rural areas. Households that have seen the biggest improvements in wellbeing are those headed by persons aged 60 and older and those headed by persons engaged in subsistence farming.

Despite this progress, children remain especially vulnerable as they make up slightly more than half of Namibia's poor. Another key vulnerable group are the unemployed/underemployed who make up a fifth of Namibia's poor

In general, Namibians are more likely to be poor if they live in rural areas, female-headed households, households headed by persons with no formal education, and households relying on pensions and income from subsistence farming.

[97] However, Ohangwena had a significant increase in inequality between 2003/04 and 2009/10.

Inequality: Inequality still is one of Namibia's major challenges and significant improvement is likely to be achievable only if interventions are targeted at households or individuals that are unemployed, rely on subsistence farming, and (or) those that have had limited education.

The strengthening of the social grant system, both in terms of reach (and mix of interventions) and value of benefits, will be an important policy tool as this will provide basic income support for the vulnerable. The strengthening of the education system and the introduction of innovative social grant programmes that are linked to employment can also be ways to improve household incomes and reduce the levels of poverty and inequality.

5 The Namibian social protection system

Chapter overview

- Comprehensive and consistent data over a long period of time are not available for most Namibian social protection schemes. It therefore remains a challenge to integrate beneficiary, expenditure and revenue data from different types of social protection schemes to form a detailed picture and assessment of the system over time.
- In spite of these data limitations it is clear that Namibia has, relative to most other sub-Saharan African countries, a comprehensive social protection system spanning social assistance (tax-funded, cash grants), social insurance (mandatory, contribution-financed state systems) and private and occupational benefits.
- In addition to the range of type of schemes, Namibia also has a significant coverage of different social protection risk areas. There are a number of cash benefit schemes catering for the elderly population, the working population and children, and a health system consisting of tax-funded state provision for the poor and private insurance funded and private health services for the affluent in formal jobs. A range of other schemes and benefits (including job creation, school feeding and student funding, among others) caters for other areas of vulnerability.
- It is estimated that in 2010/11 total social protection benefit expenditure (public and private, excluding administration expenditure and expenditure on public health) came to NAD 5.4 billion or 6.6% of GDP, compared to 4.7% in 2003/04. Nearly 45% of benefit expenditure came from private and occupational retirement funds, 30% from state social grants, and 23% from medical schemes. Mandatory social insurance (maternity, sickness, death, workplace injuries and illnesses and motor vehicle accidents) comprised only about 5% of overall social protection expenditure.
- Nearly 56% of benefits (excluding administration) go to retirement, disability and survivors, followed by health and sickness benefits at nearly 25%. Benefits for families and children come to only 8% of social protection benefits.
- There has been substantial growth in the system (in terms of both coverage and expenditure), especially as a result of a growing number of child beneficiaries of state grants and, in some of the most recent years, because of substantial one-off payments to war veterans.
- Key issues in the system are:
  - The failure to cover key risk groups. Poor children are only covered when one parent does not or cannot contribute to the household for specific reasons (through the Maintenance Grant). The unemployed are also not covered by any scheme.
  - Unavailability of data and some evidence of high costs in the retirement and medical scheme industry point to regulation and oversight needing to be strengthened but also to the fact that there are no mandatory programmes for retirement and medical costs. The social insurance system also lacks an unemployment component.
  - While a greater role can be foreseen for social insurance (and hence a lowering of average costs, which are currently high), by introducing compulsory unemployment, retirement and health expenditure benefits there are limits to the reach of traditional social insurance in the context of the high numbers of informal workers in a country like Namibia.
  - While the value of the state OAP and the Disability pension seem to be adequate relative to poverty lines and median income, the value of child grants has not been adjusted regularly and is now well below the lower poverty level. Incomplete information makes it impossible to calculate the adequacy of private pensions, but high levels of withdrawals and high costs suggest that replacement levels may not be that reasonable.
  - Namibia has innovated boldly by removing the means test on the OAP. Means tests lead to high effective tax rates on the poor and disincentives for retirement saving, as well as to unnecessary and wasteful administrative expenditure because means testing is very difficult to do with any accuracy in a low-income informal environment or becomes very resource-incentive. However, the means test persists on some of the child grants and there is again argument about whether narrower targeting of the old age and disability pension can improve financial sustainability

5.1 Introduction

This chapter presents the general characteristics of the social protection system of Namibia and describes its main components. First, it provides a general estimate of the size and composition of the system. Second, it provides more detail about key schemes, focusing on the mandate and legal framework, target population, benefits and financing. Third, it provides an assessment of the system in terms of its coverage of risks and target populations and level of benefits and balance in types of provision (voluntary/mandatory; state/private; contributory/non-contributory).

The chapter underlines how Namibia has a relatively large and comprehensive system of social protection compared to other countries in sub-Saharan Africa. Nonetheless, some risk groups (for example, poor children and the unemployed) are not sufficiently covered and some benefits are not adequate.

5.2 An overview of social protection in Namibia

The Namibian Constitution (and its related legislation) does not provide an overarching and explicit framework for social protection or social security.[98] It does, however, state the inviolability of the right to dignity, and that the family is entitled to protection by the state. In Chapter (11) on 'Principles of State Policy', the state is mandated to 'actively promote and maintain the welfare of the people' and the chapter also identifies some of the policies to be adopted. Among these are policies with regard to:

- Fair and reasonable access to public facilities;
- Adequate income for the elderly;
- Social benefits and amenities for 'the unemployed, the incapacitated, the indigent and the disadvantaged';
- The payment of a 'living wage'; and
- 'Consistent planning to raise and maintain an acceptable level of nutrition and standard of living … and to improve public health'.

With regards to 'social benefits and amenities, in the Constitution it is explicitly stated that benefits will be as determined by Parliament' to be just and affordable with due regard to the resources of the state.

In the absence of a country scheme for classifying social protection, standard international approaches – which are distinguished in terms of type of financing, the mandatory nature of the benefits, and their risk areas – are used.

[98] Some southern African countries provide a comprehensive and coordinating legal framework for social protection. For example, in the case of Angola (and with a very similar approach in Mozambique), the Basic Law for Social Protection (7 of 2004) provides the framework for all three broad areas of social protection, namely basic social protection, compulsory social protection and supplementary or voluntary social protection. It then allocates responsibilities to different government departments and institutions. In terms of an overall mandate for social protection, the Bill of Rights in the South African Constitution (108 of 1996) explicitly identifies 'the right to have access to… health care services, including reproductive health care; sufficient food and water; and social security, including, if they are unable to support themselves and their dependents, appropriate social assistance.' The state is instructed to 'take reasonable legislative and other measures, within available resources, to achieve the progressive realisation of each of these rights'.

A compilation and classification, according to the European System of Social Protection Statistics (ESSPROS), of social protection benefit expenditure (excluding administrative costs) in Namibia estimated social protection expenditure (excluding public health spending) in 2010/11 at NAD 5.4 billion or 6.6% of GDP (Table 5.1; the more complete set of social accounts is provided in Annex A). Although data for earlier years are potentially less complete, the available data show spending as having increased from 4.8% of GDP in 2002/03. In 2011/12, expenditure increased even further to 7.4% of GDP but this was largely due to exceptional payments to war veterans in 2011/12. Not included in the data in Table 5.1 are spending on a variety of development and job creation schemes (including TIPEEG). Even less systematic data are available on these schemes but, as indicated in Chapter 6 and Annex A, these schemes are estimated to add somewhat more than NAD 1 billion to social expenditure in an average year. These funds are therefore not negligible, either in absolute or relative terms.

Table 5.1 Total social protection expenditure by scheme type and risk area and relative importance, 2010/11

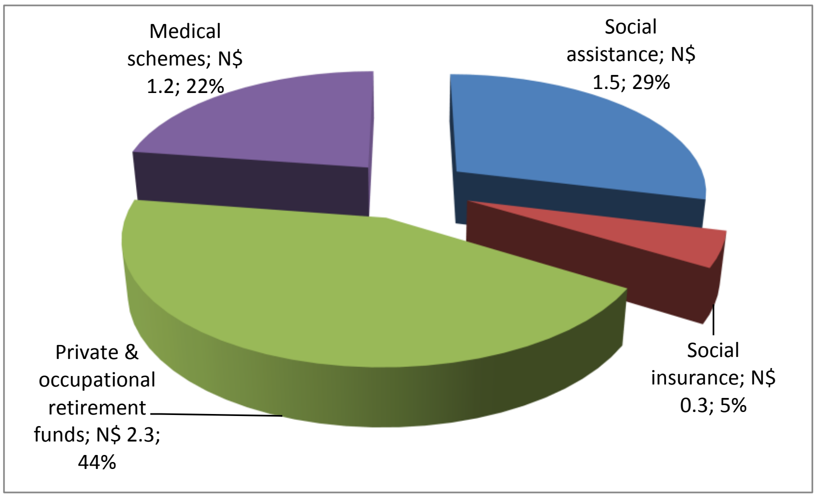
Benefit expenditure by scheme type	20010/11		
	NAD billion	% of total	% of GDP
Social assistance	1.5	28.9%	1.9%
Social insurance	0.3	4.7%	0.3%
Private and occupational retirement funds	2.3	43.7%	2.9%
Medical schemes	1.2	22.7%	1.5%
Total	**5.4**	**100.0%**	**6.0%**
Benefit expenditure by scheme type	**20010/11**		
	NAD billion	% of total	% of GDP
Old age, disability and survivors	3.0	55.5%	3.7%
Family and children (including maternity)	0.4	7.8%	0.5%
Health and sickness	1.3	24.4%	1.6%
Fund withdrawals	0.4	7.0%	0.5%
Schemes not elsewhere classified	0.3	5.2%	0.3%
Total	**5.4**	**100.0%**	**6.6%**

Source: Authors' calculations from government, agency and regulatory reports.
NB: There are figures, schemes and interventions that were classified as 'other' expenditures e.g. drought relief, programmes, the NSFP, and labour market types of interventions such as the MoLSW employment services and the DF of the SSC. This development spend adds another NAD 1.3 billion to the above totals.

In terms of composition, about one-third of social protection expenditure is managed by government schemes (the combined NAD 1.75 billion of social assistance and social insurance), with the other two-thirds (NAD 3.5 billion) being managed by occupational and private schemes, which include pension or retirement schemes and medical schemes. Retirement funds are about double the size of medical schemes in terms of benefit expenditure. More details about the different types of funds are given in later sections.

Table A.8 in Annex A provides further characterisations of the social protection system. It, for example, points to the fact that nearly 70% of the benefits consist of periodic cash payments. Just more than 60% of the system is financed by contributions rather than from general tax revenue. Although classifications may be contentious, only 20% of benefits are classified as basic and aimed primarily at poverty alleviation; consequently, 80% of benefits can be seen as going to the non-destitute and with benefit payments exceeding minimum living levels.

Figure 5.1 Types of social protection schemes, Namibia 2010/11 by benefit expenditure and relative importance



Source: Authors' calculations from government, agency and regulatory reports

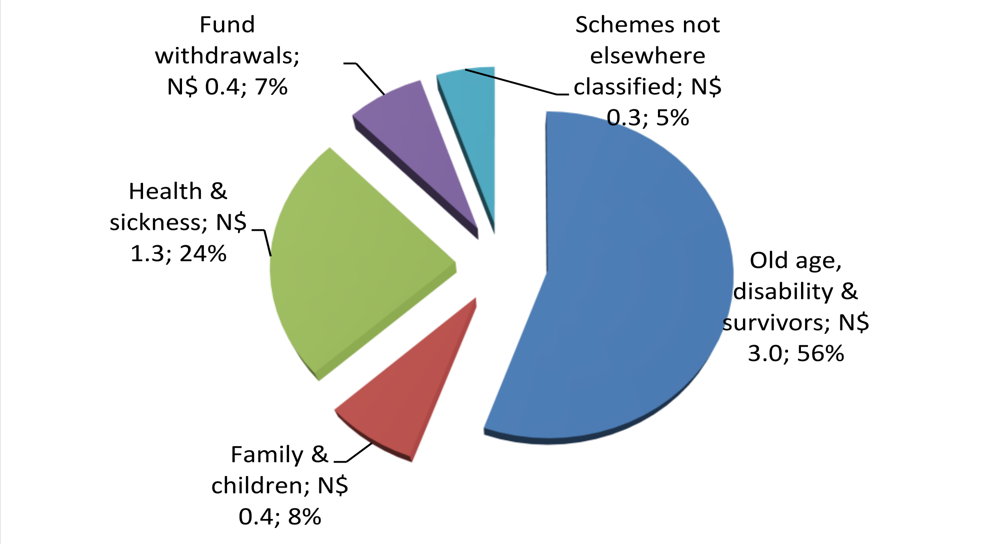
In terms of risk categories, benefits for retired workers, disability benefits and benefits for survivors make up a little more than 50% of all benefits, with health and sickness benefits being the second biggest category followed by the very much smaller category of benefits for families and children, fund withdrawals (as pension fund members withdraw from their funds prior to retirement), and benefits not elsewhere classified. About two-thirds of benefits not elsewhere classified were veterans' subventions. Further disaggregation according to old age, disability and survivors would be informative but is difficult given the data available from schemes – private and public retirement or old age benefits probably comprise more than 70% of this category.

Figure 5.1 and Figure 5.2 reveal at least two issues with regard to the Namibian social protection system. Firstly, they underline the relatively small size of the social insurance system – in absolute terms and relative to the two other main components (social assistance and private and occupational benefits). Moreover, they also point to the small size of family and child benefits compared to provision for the elderly, retirement and medical insurance.

Table 5.2 summarises the real growth of individual benefit types. This requires much greater care so as to ensure comparability and is therefore restricted to the years 2007/08 to 2010/11 and a comparison between 2011/12 and 2001/02. In both cases the same data sources are available.[99]

[99] That said, there are still some anomalies. For instance, a change in GIPF's reporting procedures for death benefits leads to a large apparent fall in survivors' benefits between 2002/3 and 2011/12.

Figure 5.2 Social protection benefit expenditure by risk area, Namibia 2010/11 (NAD billion and % of total)



Source: Authors' calculations from government, agency and regulatory reports

While all benefits have grown quite strongly in real terms, veterans' benefits (due to large one-off benefits) and family and child benefits (due to increasing numbers of beneficiaries while the real value of benefits has declined) have grown most strongly.

Table 5.2 Real growth in social protection benefit expenditure, 2007/08 to 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12 vs. 2001/2
Disability	65.7%	10.6%	-5.4%	-18.2%	
Family and child (incl. maternity)	29.8%	31.7%	1.3%	36.4%	394%
Old age (annuity)	0.7%	19.4%	-1.3%	7.2%	89%
Old age (lump sum)	21.0%	-9.4%	6.6%	37.6%	153%
Provision of health services or payment of health costs	16.0%	8.2%	3.6%	-0.4%	96%
Sickness	8.2%	110.1%	-7.4%	22.5%	
Social excl n.e.c.*	-52.5%	374.4%	57.6%	-3.9%	1,963%
Survivors' benefits	-8.1%	23.7%	-42.4%	34.9%	-65%
Withdrawals	12.7%	2.8%	-22.2%	23.3%	62%
Grand Total	6.7%	17.8%	-0.7%	8.6%	136%

*Social exclusion not elsewhere classified captures social protection benefits that do not clearly relate to the typical contingencies set out in the other lines. The ESSPROS Manual (2012) provides the following example: 'Schemes which provide minimum means of subsistence to people who are indigent, irrespective of cause are classified under the function *Social exclusion not elsewhere classified*'. However, when specific provisions are made for needy people who are out of work the expenditure should be reported under the *Unemployment* function. In the case of Namibia more than two-thirds of the benefits in this category are for veterans' subventions, which cannot easily be located in any of the other categories. Source: Authors' calculations based on government and scheme reports as listed in the annex A.

Total social protection revenues in 2010/11 amounted to NAD 12.3 billion, more than double the benefits expenditure (see Table 5.3). Investment and other income formed 46.8% of revenue in 2010/11 and account for the large excess of revenues over expenditures and the large addition to fund reserves. Social contributions – mainly employer and employee contributions to private and occupational retirement funds and medical schemes – are the second biggest category of revenues, making up 38.3% of total revenue.

Table 5.3 Social protection revenues by type of revenue, Namibia 2010/11

Revenue by type	NAD billion	% of total	% of GDP
Social contributions	4.7	38.3%	5.8%
Earmarked taxes	0.3	2.3%	4.0%
General taxes	1.6	12.6%	1.9%
Investment and other income	5.7	46.8%	7.0%
Total	**12.3**	**100%**	**15.1%**

Source: Authors' calculations based on government and scheme reports as listed in the annex.

5.3 Social assistance

Table 5.4 provides an overview of social assistance benefits. It identifies three broad groups of benefits: social pensions payable to the elderly and disabled, child grants, and payments to war veterans. The total expenditure on social assistance benefits was NAD 2.5 billion in 2011/12. This was, however, an exceptional year as large one-off payments (not part of ongoing subventions) were paid to veterans. In the more 'normal' 2010/11, expenditure came to NAD 1.6 billion – with about 60% of spending on social assistance going toward social pensions and 23% toward child grants.

In 2010/11 social assistance budgets equalled 5.4% of total government expenditure and 1.8% of GDP. Comparatively, the World Bank estimated (2008 figures) the size of social assistance as a proportion of GDP to be 4.5% in Ethiopia, 4.4% in Malawi, 5.3% in Mauritius and 3.2% in South Africa[100]. There are therefore grounds to speculate that social assistance can be expanded in Namibia, especially given its potential and demonstrated (see Chapter 6) impact on poverty.

[100] This was done using data from the Safety Net Spending Database. See http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/SN_Expenditures_6-30-08.xls

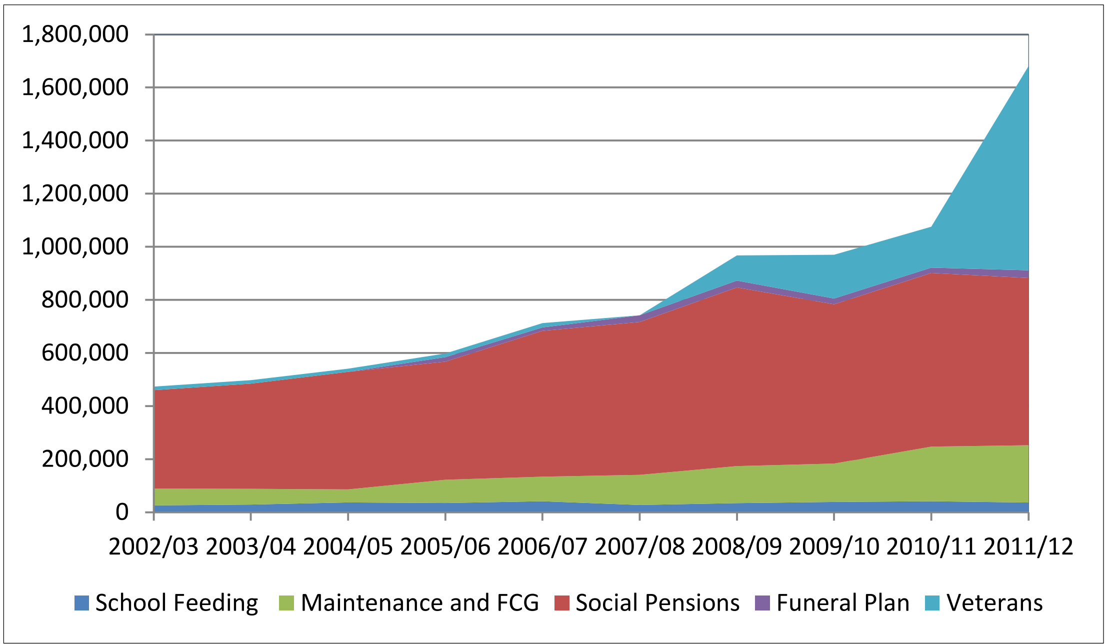
Table 5.4 Social grants: total expenditure and as a proportion of government expenditure and GDP

Estimates	20010/11	20011/12
	Million NAD	**Million NAD**
Benefit expenditure		
Child grants: Maintenance, Special Maintenance	296	326
Social pensions: Basic, Disability	941	952
Funeral Plan	29	44
Veterans' subvention	222	1,162
Total grants and pensions	1,487	2,484
Total expenditure	**27,553**	**37,166**
GDP	83,568	92,196
% of total expenditure		
Child grants: Maintenance, Special Maintenance	1.1%	0.9%
Social pensions: Basic, disability	3.4%	2.6%
Funeral Plan	0.1%	0.1%
Veterans' subvention	0.8%	3.1%
Total grants and pensions	**5.4%**	**6.7%**
% of GDP		
Child grants: Maintenance, Special Maintenance	0.4%	0.4%
Social pensions: Basic, disability	1.1%	1.0%
Funeral Plan	0.0%	0.0%
Veterans' subvention	0.3%	1.3%
Total grants and pensions	**1.8%**	**2.7%**

Source: Authors' calculations based on government and scheme reports as listed in the annex.

Over the past decade, expenditure on tax-funded benefits has trended upwards. Both the social pensions (old age and disability) and child grants have driven this trend, although in recent times expenditure by the Ministry of Education on the NSFP has seen significant growth (see Chapter 6).

Figure 5.3 Trends in tax-funded benefits deflated to 2004 prices



Source: Authors' calculations

5.3.2 Ministry of Labour and Social Welfare (MoLSW): basic (old age) and disability pension and funeral benefit

Legal framework/history

The Namibian Constitution's Article 95 ('Promotion of the Welfare of the People') sub-article (f) obliges the state to ensure 'that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities'. To give effect to this and other mandates to provide a basic income to vulnerable groups, the National Pensions Act, 10 of 1992 came into force on 1 October 1994. It replaced the Social Pensions Act, 37 of 1973.

S2(1)(a) of the Social Pensions Act makes provision for payment of a basic state pension to elderly people and for the payment of a disability pension (mentioning a blind person's pension specifically). Recipients of a basic or disability pension are also registered for 'mandatory life insurance' paying a funeral benefit. This is not covered in the National Pensions Act and it is unclear where the mandate originates. The legislation makes provision for an Attendant's Allowance where an elderly or disabled person 'is in such a physical or mental condition that he or she needs to be cared for'. This benefit is, however, not in operation.

The MoLSW is currently working on the 'review of the National Pension Act and its replacement with the Basic Social Grants Bill', inter alia considering the matter of means testing.

Figure 5.4 MoLSW Head office, Windhoek

Source: MoLSW Strategic Plan 2011/12 – 2015/2016

Target group

The benefits target elderly (60 years and older) and disabled Namibians.

Eligibility and coverage

The pension for the elderly is a universal benefit payable to all Namibians over the age of 60 who are resident in the country. Table 5.5 indicates that the number of elderly beneficiaries has increased markedly in recent years, from just under 110,000 in 2003 to 143,000 in 2013. The estimated coverage rate by 2011 was 92%.[101]

Table 5.5 Recipients of basic pension, the elderly population and coverage rate

	Nov-03	Aug-04	Dec-08	Mar-11	Mar-12	Mar-13
Recipients of OAP	109,894	114,819	130,455	137,692	140,567	143,007
Population aged 60+				149,303[102]	156,181	158,382
Estimated coverage				92.2%[103]	91.6%	91.6%

Sources: For 2003 to 2008, Levine 2011. For 2011, authors' calculations from MoLSW beneficiary data and Census findings

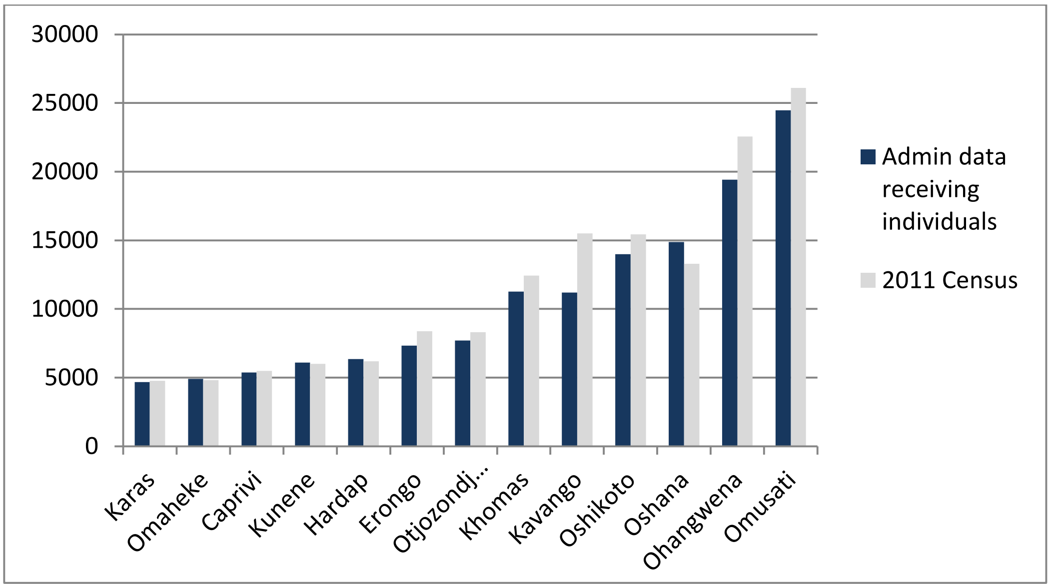
[101] Earlier estimates using population projections reported aggregate coverage rates over 100% (Levine 2001:49) but did mention inaccuracies in the population projections as a potential source of these 'overestimates' of coverage. The number reported above is based on the released 2011 Census data. Projections based on the Census (and some detailed data) are not yet available, limiting the ability to generate time series analysis of coverage rates and updating these to 2013.

[102] The 2011 figure is the actual Census estimate but the 2012 and 2013 figures are based on the authors' demographic projections based on the 2011 Census.

[103] While a higher coverage rate of 96% may be obtained by using the 2013 administration data and the 2011 estimate of the population over 60, this is a misleading calculation.

Based on the 2011 administrative data compared to the latest Census population count, coverage rates vary from an estimated 73% in Erongo to 112% in Oshana. According to the administrative and census data, three other provinces have coverage rates slightly exceeding 100%. Estimated coverage in excess of 100% can be explained by deficiencies in population estimates and/or a situation where communities and families span international borders and hence non-citizens, or people customarily not within the border of the country, may be receiving benefits. It could also be a sign of a different kind of administrative leakage wherein persons aged below 60 years of age also access the benefit.

Figure 5.5 OAP: recipients (admin data) versus population over 60 in the 2011 Census

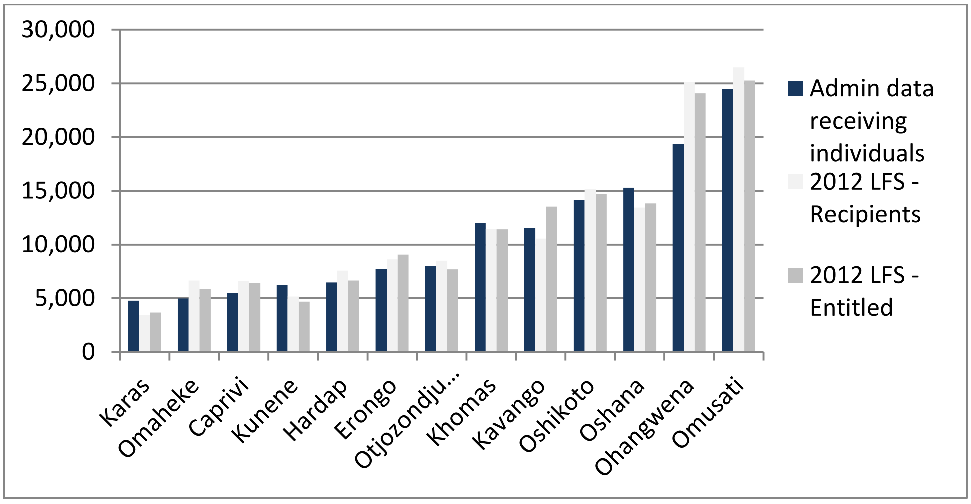


Source: MoLSW beneficiary data and 2011 Census findings

Overall high levels of coverage are confirmed by comparing the grant beneficiary estimates from the 2012 NLFS with the estimate of the elderly, as shown in Figure 5.6. The overall coverage rate according to the NLFS is at 101% for 2012. Overall correspondence between administrative data and NLFS data is high, with (according to the administrative data) in 2012 (March) a total of 140,567 elderly receiving the grant nationally and the 2012 NFLS giving an estimate of 148,790. In addition to providing a higher number of beneficiaries than the administrative data, the NLFS also estimated a higher number of eligible beneficiaries.

The divergences between administrative data and the survey data will have to be investigated further – while national aggregates are reasonably aligned, coverage numbers for certain provinces and the relative ranking of provinces in terms of coverage in some cases differ significantly. One factor may be that the NLFS did not carefully enough distinguish between private and public pensions.

Figure 5.6 OAP: recipients (admin data) versus population over 60 in the 2012 NLFS



Source: MoLSW beneficiary data and 2012 NLFS[104]

Disability pension

As Table 5.6 shows, the disability pension goes to a much smaller group of people, with just over 24,000 people receiving the benefit in 2011.[105] According to the 2011 Census, out of a total 98,413 disabled persons, 41,591 were either unable to attend learning activities or be economically active.

Table 5.6 Recipients of disability pension and coverage rates

	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
Recipients of disability pension	20,509	22,583	24,153	26,346	27,312
Disabled population (2011 Census and 2012 NLFS)			25,268	27,879	
Estimated coverage			95.6%	94.5%	

Source: Authors' calculations from MoLSW beneficiary data, 2011 Census and 2012 NLFS data

If we split the disabled population in the 2011 Census into those aged below 16[106] and those of working age, the total number of disabled working-age persons was about 25,268. Using this figure, the coverage of the disability pension was a high 95.6% in 2011. It is important to note that this coverage figure is far from precise given the differences between how disability is defined in household surveys and how it is actually assessed in practice. Nevertheless, a similarly high coverage rate is generated if the 2012 NLFS is used, where the unemployed were asked why they were not in working and disability was stated as a response. The adjusted estimate for the proportion of the working-age people disabled in both the Census and the NLFS is around 2.3% of the population.[107]

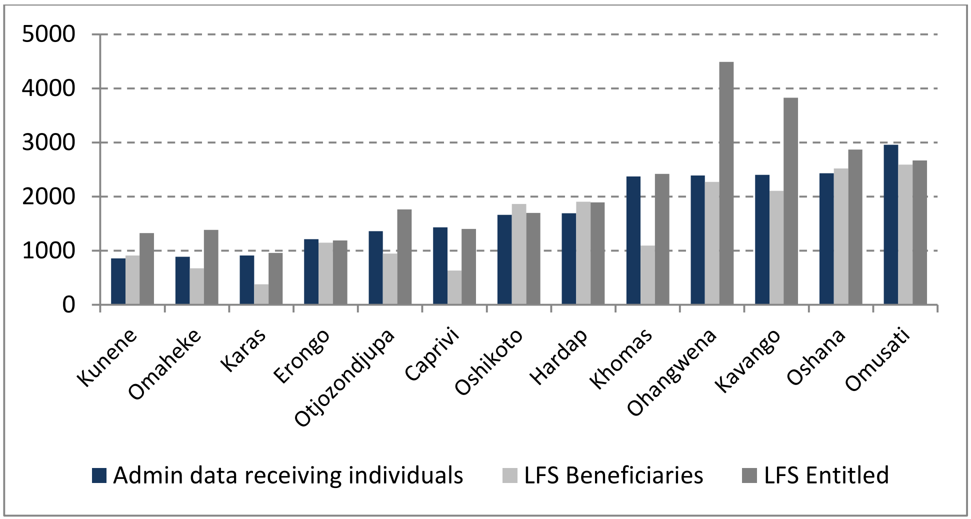
[104] Note that, according to the administrative data, in 2012 (March) a total of 140,567 elderly people received the grant nationally, but the 2012 NFLS gives an estimate of 148,790.

[105] This is approximately 2% of the population of working age.

[106] The grant is given to persons 16 years and older who have been medically diagnosed by a state doctor as being temporarily or permanently disabled (including the blind). Persons with full-blown AIDS are also eligible provided their status has been certified by a doctor.

[107] Mont (2007) suggests that: 'Overall, as generally defined, disabled people represent a significant proportion of the world's population. Data from developed countries and some recent studies in

Figure 5.7 Disability grant: recipients (admin data) versus unemployed disabled people in the 2012 NFLS



Source: MoLSW beneficiary data and 2012 NLFS

According to coverage rates estimated using the 2012 NLFS, in Kavango and Ohangwena many people who are entitled to the pension are yet to be covered. To a lesser extent, the same applies to Kunene, Omaheke and Oshana.

Benefit levels and adequacy

The basic pension and disability pension are cash benefits that amount to NAD 600 per month. The value was last adjusted in April 2013. Funeral benefit expenditure for the government comprises the payment of an insurance premium to suppliers of funeral benefits. In the case of death, family members can then claim their benefit from contracted providers in order to cover funeral costs. In 2013, the value of the funeral benefit was increased to NAD 3,000 (see Table 5.7).

Although the grant values fall significantly below per capita expenditure (NAD 1,151 or NAD 1,288, the latter adjusted for adult equivalence – see Table 3.4), the old age and disability incomes were close to the median adult equivalent income (estimated at NAD 587 in the 2009/10 NHIES). These benefits also exceeded the upper bound poverty line of approximately NAD 377.96 in 2009/10. The ILO's Convention No 102 (see p. 64) recommends that a minimum standard for an old age benefit is that it should be 40% of the reference wage. As mentioned above, Namibia does not have a national minimum or reference wage[108] and thus the only reference points are minimum wages set through collective bargaining. In the agricultural sector the negotiated minimum monthly wage in 2013 was NAD 1,015 and in the construction industry it was NAD 2,164. If the agricultural sector-negotiated wage is therefore taken as the reference wage, the OAP is therefore adequate.

developing countries (Brazil, Ecuador, India, Nicaragua, Vietnam, and Zambia) suggest that an estimate of 10–12 percent is not unreasonable.'

[108] The ILO 2014 report on minimum wage systems explains that, 'The Labour Act provides for the fixing of minimum wages by wage order, after consideration of the recommendations made by the Wages Commission. The Commission was established in 2012 for the first time since the adoption of the Labour Act, and an order on minimum wages for domestic workers should be adopted in 2014.'

Table 5.7 MoLSW, (nominal) grant values, March 2006 to March 2007

	2006	2007	2008	2009	2010	2011	2012	2013
	NAD	NAD	NAD	NAD	NAD	NAD	NAD	NAD
Basic pension	370	370	450	500	500	500	550	600
Disability pension	370	370	450	500	500	500	550	600
Funeral benefit	2,100	2,100	2,100	2,200	2,200	2,200	2,200	3,000

Sources: MoLSW

Table 5.8 shows the changes in the real value of benefits and, with regard to the funeral benefit, the impact of irregular adjustments of the grant value. By April 2013 the value of the funeral benefit had declined by more than a third (nearly 35%) against its value in 2006. The OAP and the Disability pension have, however, maintained their real value between 2006 and 2013, although this has slipped below the 2006 value in certain years.

Table 5.8 MoLSW, real grant values, March 2006 to March 2007 (2009/10 prices)

	2006	2007	2008	2009	2010	2011	2012	2013
	NAD	NAD	NAD	NAD	NAD	NAD	NAD	NAD
Basic pension (OAP)	500	474	538	484	500	481	500	513
Disability pension	500	474	538	484	500	481	500	513
Funeral benefit	2,841	2,690	2,510	2,364	2,200	2,115	2,000	2,564

Sources: MoLSW, Nominal grant values adjusted by CPI from NSA

Financing, governance and administration

The basic pension and the disability pension are non-contributory benefits, financed from general government taxation, and the income is non-taxable. In 2010/11 (the most recent period for which actual expenditure is available), total actual expenditure on the basic and disability pension was estimated at NAD 970 million. This equals 1.1% of GDP. The cost of the funeral plan was NAD 29 million in the same year.

The OAP, disability grant and the funeral benefit are managed by MoLSW, which has a branch responsible for Social Welfare that is headed by a Director reporting to the Permanent Secretary of the Ministry. While administration of benefits (taking applications, processing and approval) is done by MoLSW and its regional offices, payments are outsourced.

Box 5.1 Disability grants and HIV Aids Status

Under Namibia's National Pensions Act "disabled person" means "*any person who is, owing to any physical or any mental disability, incapable to obtain from any employment or the practising of any profession or trade, or from the rendering of any service, the means needed to enable him or her to adequately provide for his or her own maintenance, and has attained the age of 16 years."* It further notes that "The Permanent Secretary shall "*consider the application submitted to him or her in terms of subsection (4) and, in the case of a medical report submitted in terms of subsection (3), such medical report, and may grant or refuse such application …"* If an individual develops AIDS and is incapable of working, such a person would qualify for a disability grant by virtue of being incapable of adequately providing for their own maintenance. The condition is to be medically diagnosed by a State doctor as temporarily/permanently disabled, including in the case of HIV AIDS. This also applies to children below 16 under the special maintenance grant.

There is however sometimes confusion or speculation over the **definition of disability and the resulting incapacity for work** which makes it difficult for doctors to assess whether someone should receive a Disability Grant. In South Africa, studies generally show that the disability grant is a key motivator to the continuing use of ARV medications among HIV beneficiaries. It serves as the main life support among them and in providing for food, which is necessary to keep up with treatment and transportation to clinics. But there are questions as to the effects of discontinuing disability support to people affected by HIV AIDS.

One of the ways an HIV positive person would qualify for the grant is to have a CD4 blood cell count that is lower than 350 or 200 depending on the measure. In that case it also means that a person will qualify to receive antiretroviral (ARV) medication, which in many cases will raise the CD4 count to a level that is no longer supported by the disability grant. SASSA (South African Social Security Agency) reported in 2006 a few cases whereby people would not adhere to their ARV treatment for fear that if their CD4 count increased, they would lose their grant. Studies have shown that in general, discontinuing the use of ARVs in order to maintain and in some cases to re-qualify for the disability grant is not a common strategy. The policy to use CD4 count as an eligibility criteria is nevertheless being revisited where it is applied.

In addition, the purported absence of clear national guidelines for recommending the disability grants reinforce patients' perception that doctors make decisions that are not always consistent. Regardless of the CD4 blood cell count, doctors often to exercise caution and award temporary rather than permanent grants. This means that many people who should be getting permanent grants are given temporary ones, with potential detrimental effects on the continued adherence to ARV protocols and the possibility of development of resistance to opportunistic diseases such as TB. This lends support to existing proposals in South Africa for a 'chronic diseases grant'.

Source: De Paoli, M.M., Grønningsæter, A.B. & Mills, E., 2010. HIV/AIDS, the disability grant and ARV adherence: summary report. Oslo/Cape Town: Fafo.

In 2005, 85% of beneficiaries received payments at mobile cash points with the rest receiving payments via a post office or bank (IOPS 2009). One estimate put the cost of delivering pensions by private contractors at 9% of benefits, and the cost of administration at a further 15% (ILO, 2005). Focusing on the non-transfer costs of the MoLSW social assistance programme, we estimate that administration of the benefits cost 4% of the value of benefits in 2010/11, significantly down on 2009/10. This, however, may be an underestimate as it only identifies the non-transfer costs of the social assistance programme in MoLSW and excludes estimates of the cost of other services delivered to the programme by the rest of the Ministry. The bulk of the administration expenditure in 2010/11 went on 'other services and expenses' (NAD 32.8 million) and personnel expenditure (NAD 5.9 million).

Table 5.9 Actual expenditure on social pensions and funeral benefit, administration cost and proportion of GDP

	2009/10	2010/11
	Actual expenditure NAD	Actual expenditure NAD
Social pensions	825,588	940,594
Funeral plan	30,020	29,039
Total benefits	**855,608**	**969,633**
Administration	49,372	38,770
Total	**904,980**	**1,008,403**
Admin/benefits	5.8%	4.0%
Admin/to total expenditure	5.5%	3.8%
GDP	83,568,000	92,195,500
MoLSW benefits as % of GDP	1.0%	1.1%

Source: MoF, Estimates of Expenditure, various years

5.3.3 Ministry of Gender Equality and Child Welfare (MoGECW): Maintenance Grant, Special Maintenance Grant, Foster Care Grant and Place of Safety Allowance

Legal framework/history

These benefits are paid in terms of the (originally South African) Children's Act 33 of 1960, made applicable to Namibia by from 1 January 1977 by Act 74 of 1973 (Levine 2011: 44). The regulatory trail in terms of legal amendments and the regulatory framework are not accessible and are very unclear.

Target group

The benefits target specific groups of vulnerable children by paying an amount to their carers. These are children:

- Living in a poor household where one parent is absent due to death or imprisonment or one parent is impaired (disabled) (Child Maintenance Grant);
- Who are in the temporary care of a foster parent where the child has been placed by the courts (Foster Care Grant);
- Below 16 years who are permanently or temporarily disabled, 'including blind children and those with AIDS' (Special Maintenance Grant); and
- Who are under 21 and placed in a 'place of safety' by a Commissioner of Child Welfare (Place of Safety Allowance).

Figure 5.8 Examples of families with Orphans and Vulnerable Children

Source: From left to right MoGECW (2007) and MoGECW (2008)

Eligibility and coverage

The Maintenance Grant is means tested. In 2008, the grant was restricted to applicants with a monthly income below NAD 1,000. The other child grants are not means tested.

In 2013 just fewer than 69,000 caregivers collected the Child Maintenance Grant and 14,067 the Foster Care Grant. This was up from 22,000 and 5,275 respectively in 2006. The system is therefore expanding very rapidly.

Table 5.10 Number of children in receipt of benefits and coverage, January 2003–March 2013

	Jan-03	May-04	Dec-08	Mar-11	Mar-13
Maintenance grant					122,370
Special maintenance grant					4,080
Total maintenance grants		15,625	86,086	107,894	126,450
Foster care grant		4,086	13,404	16,457	19,799
Total child grants (excluding Place of Safety grant)[109]	9,679	19,711	99,490	124,351	146,249
Population under 18 (2011 Census)				960,003	958,716
Estimated coverage				13.0%	15.3%

Source: For 2003 to 2008, Levine (2011). For 2011 and 2013, authors' calculations from MoGECW beneficiary data and Census.

In March 2013, nearly 150,000 children received benefits. Numbers have grown very rapidly since 2003 when fewer than 10,000 children received benefits. In 2011, 13% of children under 18 were in receipt of a benefit, a ratio that is increasing due to the continued rapid expansion of access.

Coverage varies significantly across the country. An estimate for 2008 put the range from 4.5% of children in Erongo to 16.4% in Oshana.[110]

[109] The authors could not find consistent data on the 'place of safety' grant.

[110] Figure obtained using the authors' demographic projections, based on the 2011 Census.

Benefit level and adequacy

After the increase announced for 2013/14, child grants are currently NAD 250 per month, slightly over two-fifths of the value of the old age and disability pensions. Child grants have been adjusted very irregularly and as a result the real value of grants has decreased significantly over recent years. The most recent information is that the place of safety allowance is equal to NAD 10 per day (Levine, 2011).

When looking at the adequacy of the level of the child benefits, there is a need to consider different ways of looking at the purpose that the benefits are intended to serve. If poverty reduction is taken as the core purpose, then it is important to have a grasp on how child poverty is defined. According to UNICEF, '*children living in poverty are those who experience deprivation of the material, spiritual and emotional resources needed to survive, develop and thrive, leaving them unable to enjoy their rights, achieve their full potential or participate as full and equal members of society*' (UNICEF, 2005).[111] In other words, child poverty is more than just about a lack of sufficient money; child poverty is multi-dimensional and involves a combination of economic, social, cultural, physical, environmental and emotional factors.

While there are examples of how a number of different measures have been used to assess child poverty globally, in Namibia official measures have only considered household income. In South Africa, for example, child poverty has been assessed in relation to income (e.g. Barnes, 2009; Streak et al., 2009), individual indicators of poor living standards (e.g. Pendlebury et al. 2008), multiple deprivation indicators (e.g. Barnes, 2009; Wright et al., 2009) and using a socially perceived necessities approach (Barnes and Wright, 2010).

The NSA's 2012 *Child Poverty in Namibia* report takes an income/consumption approach to defining child poverty where the child poverty rate is estimated as the percentage of all children living in households below an absolute poverty line set at approximately NAD 377.96 (per adult equivalent) per month in 2009/10. This is roughly line with the US$ 1.50 a day per person (in 2005 prices) set by the World Bank. Since the NAD 377.96 absolute threshold is per adult equivalent, each adult above age 16 is counted fully so that if there are three adults in the household their poverty line would be at three times NAD 377.96. It also means that children are not counted fully (since they consume less than adults) and the relevant poverty line for young children up to age 5 is 50% of the adult poverty line (i.e. NAD 188.98, per month) and for children between age 5 and 16 the poverty line is 75% of the adult poverty line (i.e. NAD 283.47 per month).

Using the above standard, the current child benefit values could be seen as being adequate for children up to age 5 but inadequate for those aged between 5 and 16. It is therefore reasonable to conclude that, currently, child benefits are not adequate in terms of keeping children out of poverty, when considering the basic needs of children for food, education, clothing and care in households where there are no other incomes. Furthermore, given that child poverty is multi-dimensional, the current benefit values might not allow beneficiary households to ensure their children have the adequate material, spiritual and emotional resources needed to survive, develop and thrive.

In order to better understand the extent of child poverty in Namibia as well as create benchmarks for the establishment and reassessment of child benefit values, Namibia should

[111]See www.unicef.org/sowc/archive/ENGLISH/The%20State%20of%20the%20World%27s%20 Children %202005.pdf

look at enhancing the capacity of household survey and administrative data to collect data on child-specific deprivation indicators.[112]

Overall spending and relative importance

According to budget documents (i.e. the estimates of expenditure) total expenditure on child grants for 2011/12 was estimated at NAD 326 or about a third of the expenditure on social pensions and a quarter of the expenditure on the Veterans' Subvention (see Table 5.4). The child grants collectively cost just less than 1% of total government expenditure and 0.4% of GDP. Using Levine et al's (2011) earlier data, the cost of the child grants has doubled from 0.2% of GDP in 2001/02. Administrative and administrative cost issues are discussed in Chapter 10, the administrative performance review.

5.3.4 Ministry of Veterans Affairs (MoVA) – Veterans' Subvention

Figure 5.9 War veterans at the commemoration of the 49th Annniversary of the Heroes Day in Uukwaluudhi

Source: http://www.namibiansun.com

Legal framework/history

The Veterans' Subvention is paid in terms of the Veterans Act, 2 of 2008 which replaced the War Veterans' Subvention Act, 213 of 1999 in this regard. The Act establishes a fund to provide assistance to veterans or dependants of veterans or payment for projects beneficial to veterans or dependants of veterans.

Target group

The Act targets veterans and dependents of veterans. A 'veteran' means any person who:

- was a member of the liberation forces;
- consistently and persistently participated or engaged in any political, diplomatic or underground activity in furtherance of the liberation struggle; or

[112] For example, expanding the NHIES to include nutrition data for children aged below 5, and for children aged over 5 expenditure on education, children's shoes, clothing, etc.

- owing to his or her participation in the liberation struggle was convicted, whether in Namibia or elsewhere, of any offence closely connected to the struggle and sentenced to imprisonment.

Eligibility and coverage

The Act provides for means testing by indicating that the veteran must not be employed and, if employed, receives income less than a prescribed amount (currently understood to be NAD 5,000). The means test is also determined by the Minister responsible for veterans' affairs through regulations.

Based on the latest numbers from MoVA, the number of beneficiaries has increased from 20,840 in 2008/9 to 24,682 in 2012/13 (see Table 5.11).

Table 5.11 Number of benefits to veterans, 2008/09 to 2012/13

	2008/09	2009/10	2010/11	2011/12	2012/13
Headcount: Veterans' subvention	20,840	22,589	24,265	24,319	24,682
Change in numbers (%)		8.4%	7.4%	0.2%	1.5%

Source: MoVA

Benefit value and adequacy

The Act specifies that the Minister must, on the recommendation of the Board and with the concurrence of the Minister responsible for Finance, prescribe the amount of assistance to which veterans and dependants of veterans are entitled. When prescribing amounts of assistance, the Minister may prescribe different rates of assistance for different categories of veterans or dependants of veterans.

The value of the grant is currently NAD 2,200 per month, making the Veterans' Subvention the grant with by far the highest value. Given that nearly 48% of employed persons earn up to NAD 2,000, the benefit value is likely to be sufficient to ensure a decent standard of living (income replacement rate) for many beneficiaries.

Financing, governance and administration

The subvention is financed from general government taxation. According to budget documents (i.e. the estimates of expenditure), total expenditure on the Veterans' Subvention for 2011/12 was estimated at NAD 1.2 billion, up dramatically from NAD 222 million in the previous year (see Table 5.4). This was due to one-off payments to war veterans of NAD 20,000 or NAD 50,000[113]. Expenditure will therefore return to lower levels in coming years. Compared to the 1.3% of GDP spent on benefits in 2011/12 it was 0.05% in 2001/02 and 0.3% in 20010/11.

[113] In recent years, veterans' benefits have absorbed a large proportion of funding and it is not clear whether there will be further demands for extension. Across Southern Africa the demands of veterans have been prominent. In Zimbabwe this was prominent in the discourse about land reform, while in South Africa veterans' benefits were incorporated into the Government Employees Pension Fund rather than the social assistance system. Given the ability of such demands to threaten social protection systems and fiscal sustainability, more attention should be given to developing appropriate solutions.

5.4 Social insurance

Relative to social assistance and private and occupational insurance, levels of social insurance membership and expenditure on it are much smaller in Namibia. This small role of social insurance in the social protection system is partly the result of a lack of development of social insurance options (the country lacks systems of mandatory unemployment, retirement and health insurance) and partly the result of relatively high levels of unemployment and informality, which hamper the development of social insurance in developing country contexts.

As shown in Table 5.1, total expenditure by the social insurance funds amounted to NAD 0.3 billion in 2010/11, about 4.7% of social protection expenditure and 0.3% of GDP. Two autonomous government bodies – the SSC and the MVA Fund – are responsible for social insurance. The SSC manages two funds; the SSC – ECF pays benefits with regard to work accidents and illnesses and the SSC – MSD pays related benefits to contributors. The MVA Fund works for the prevention of road accidents and the compensation of victims. There are no mandatory schemes for unemployment, retirement or health care costs.

Table 5.12 The summary social account for all social insurance

	2005	2006	2007	2008	2009	2010
Expenditure						
Benefits						
Disability benefits	23,993	28,152	49,776	60,767	62,547	53,452
Family and child benefits (incl. maternity)	19,120	18,024	23,103	55,788	62,908	88,841
Health services / costs (benefits)	10,116	12,509	19,066	61,662	103,024	97,851
Sickness benefits	7,247	4,218	4,871	11,297	11,384	14,571
Survivors' benefits	14,570	11,739	10,878	14,511	14,878	17,201
Administration	65,696	125,803	132,339	146,886	163,284	196,722
Other			7,679	5,317	7,066	15,077
Total social expenditure	140,742	200,445	247,712	356,228	425,091	483,715
Change in reserves	268,422	241,608	303,081	250,511	408,289	277,524
Social expenditure incl. changes in reserves	**409,164**	**442,053**	**550,793**	**606,739**	**833,380**	**761,239**
Income						
Social contributions: Employer	75,138	87,074	86,107	108,474	149,921	148,786
Social contributions: Employee	75,138	87,074	86,107	108,474	149,921	148,786
Earmarked taxes	80,139	108,231	148,127	161,253	234,376	285,594
General government revenue					6,464	2,122
Investment and other income	178,751	159,677	230,452	228,552	293,118	175,954
Total income	**409,164**	**442,053**	**550,793**	**606,739**	**833,380**	**761,239**

Source: Authors' calculations. See the annexes for full time series from 2005 to 2010.

A number of things stand out from Table 5.12. First, the system appears quite solvent, with additions to reserves reaching as high as half of total income in some years. Second, the administrative costs are very high; in 2006 and 2007, these costs were higher than the total benefits paid out. Third, none of the social insurance schemes pays out old age benefits and there were no cross transfers between schemes. Another observation is that, aside from a few years where the MVA Fund received funding from general government revenue (subsidy), none of the schemes receive direct financial support from government.

5.4.2 Social Security Commission (SSC) – Employees Compensation Fund (ECF)

Figure 5.10 SSC offices, Oshakati

Source: Picture taken by the authors during field visits

Legal framework/history

The Employees Compensation Act, 30 of 1941 as amended. The Employees Compensation Amendment Act, 5 of 1995, amended the former South African legislation to adjust it to the independent Namibia and assigned administration of the Act to the SSC. The Compensation Act also makes provision for the establishment of the Accident Pension Fund (APF).

Target group

Employers who employ one or more employees are required to register (the entity as well as the employees) with the APF and to pay annual assessments.

The Fund covers all employees earning up to a maximum of NAD 76,000 per annum for employment-related injury. Also excluded are 'persons employed casually', outworkers, 'seamen or airmen employed under a contract of service whose remuneration is fixed solely by a share in the takings', and people employed outside Namibia for more than 12 months.[114]

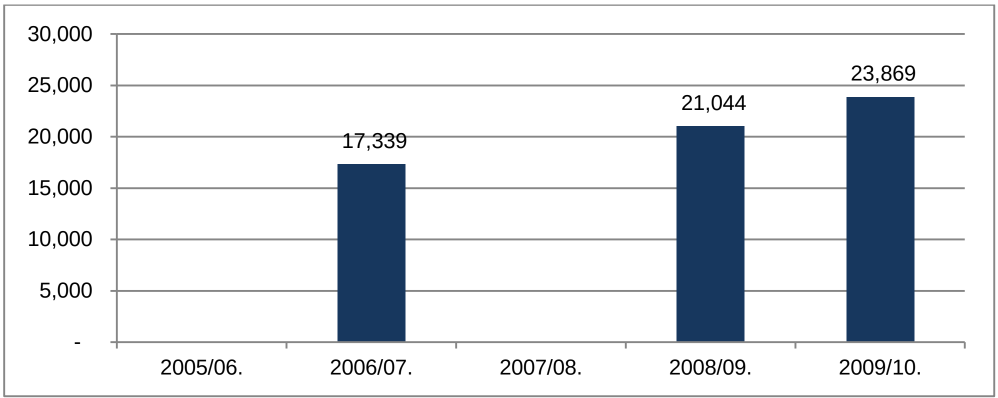
Employees earning more than NAD 76,000 per annum can voluntarily be registered with the Accident Pension Fund, subject to prior approval from the Commission.

[114] See www.ssc.org.na/funds/Employees-Compensation-Fund/24.

Eligibility and coverage

For ECF claims, employers are required within 30 days to report all workplace accidents to the SSC where medical expenses are involved or the injured employee is incapacitated for more than three days as a result of the injury on duty (2006/07 Annual Report).

Figure 5.11 Number of employers registered with the SSC – ECF



Source: SSC annual reports. Currently, data on the number of employers are not available for 05/06 and 07/08. Data on the number of employees are also not available.

The data available (see Figure 5.11) indicate that the number of employers registered with the fund is increasing steadily, from 17,339 in 2006/07 to 23,869 in 2009/10. The bulk of the employers are in the regions of Khomas (40%), Erongo (16%) and Karas and Otjozondjupa (approximately 10% in each of these districts). At this stage a figure for the number of employees covered could not be sourced from the administrative data.

Benefits and expenditure

The Fund provides employees' compensation insurance on a collective liability basis. It pays medical expenses according to prescribed tariffs, temporary incapacity at a rate of 75% of earnings, permanent incapacity according to the degree of disablement, and a widow's and children's pension.

In addition to claims for compensation (burial and transport expenses and permanent and temporary disability), the Fund paid annuities to 649 pensioners and dependents in the 2011/12 year (with number of pension payments over the years since February 2008 fluctuating between 649 and 690). Most of the monthly payments flow to child dependents, followed by disability pensions, spouse's pension and 'constant allowances'.

Table 5.13 SSC – ECF: number of claims paid

	2005/06	2006/07	2007/08	2008/09	2009/10
Private sector	**10,595**	**6,301**	**--**	**7,173**	**9,204**
Medical expenses	8,560	5,669	--	6,012	7,960
Compensation	2,055	632	--	1,161	1,244
Government injuries on duty	**477**	**249**	**- -**	**220**	**234**
Medical expenses	425	225	- -	183	207
Compensation	52	24	--	37	27
Total claims	**11,072**	**6,550**		**7,393**	**9,438**

Source: SSC Annual Reports. Data for 2007/08 not available to date

Governance and financing

The Fund has a tripartite Board of Commissioners, with equal representation from government, workers and employers, which is appointed by the Minister of Labour and Social Welfare.

Revenue consists of the assessments issued to employers based on the wage returns submitted by employers (2011/12 Auditor-General Report. Further information is being sought on the basis of assessment, but according to the Act it is based on the employer wage bill).

Over the last seven years, contribution income has increased steadily from NAD 56 million in 2005/06 to NAD 70 million in 2011/12. Investment income has fluctuated but also increased substantially from NAD 19 million in 2005/06 to NAD 37 million in 2011/12 (see Table 5.14).

Table 5.14 SSC – ECF: expenditure and income (excluding cost for government employees)

Expenditure NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Medical expenses	7,887	5,170	8,041	8,387	7,419	5,764	7,051
Compensation claims	1,874	2,898	3,228	3,398	4,005	2,254	1,376
Total claims	9,760	8,068	11,269	11,776	11,424	8,018	8,426
Capital pensions – APF	7,302	3,913	5,506	7,818	2,553	4,987	4,693
Pensions – APF	3,483	3,658	4,241	4,187	4,315	4,404	4,408
Total benefit expenditure	20,545	15,639	21,015	23,781	18,292	17,409	17,528
Administration	28,662	40,926	32,037	28,772	31,028	46,123	29,650
Total ECF expenditure	**49,207**	**56,566**	**53,052**	**52,553**	**49,320**	**63,533**	**47,178**
Income NAD '000	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Assessments	55,532	56,740	53,196	52,485	66,196	61,209	69,800
Investment income	18,891	20,382	26,363	29,077	48,132	29,401	36,712
Other income	7,700	5,004	4,903	23,038	5,754	19,938	16,730
Total ECF income	**82,123**	**82,126**	**84,462**	**58,524**	**108,574**	**110,548**	**123,242**

Source: SSC annual reports (2005/06–2009/10) and Auditor-General Financial Audits (2010/11 and 2011/12).

Compared to average fund income of NAD 93 million (and average assessment income of NAD 59 million) per year over the last seven years to 2011/12, total expenditure has averaged NAD 53 million, supporting the steady accumulation of reserves.[115] Over the seven years, benefit expenditure averaged 32% of assessment income and administration 57%.

The largest part of benefits went to medical expenses (an average of 37% of benefit expenditure over the period 2005/06 to 2011/12), followed by capital pensions (27%), pensions (21%), and compensation claims (14%). Compensation claims include payments for burial and transport expenses, permanent disability and temporary disability.

[115] There is no direct government subsidisation of the fund (see the SSC – ECF Social Accounts in the Annex).

The 2012 actuarial valuation[116] concluded that the Fund, with reserves of NAD 359 million, is in a 'financially sound position'.

5.4.3 SSC – Maternity, Sick Leave and Death Benefit Fund (MSD)

Legal framework/history

The MSD of the SSC was instituted in terms of the Social Security Act, 1994 (Act No. 34 of 1994).

Target group

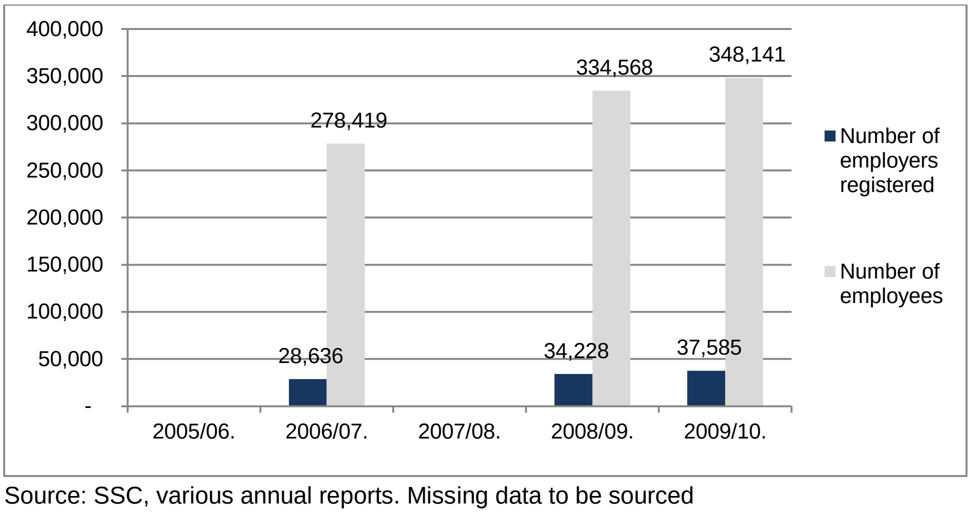
All persons who work (including the self-employed) and receive a basic wage are mandated to contribute to the Fund.

Eligibility and coverage

A continuous membership of six months and fully paid-up contributions are pre-requisites before members can claim for any of the benefits paid under the MSD Fund (Annual Report 2006/07). Maternity leave benefits cover a 12-week period (four weeks before the expected date of delivery and eight weeks after birth) To qualify, claims have to be submitted no later than seven days before the expected date of confinement.

The sick leave benefit becomes payable when an employee is booked off by a medical practitioner for 30 or more consecutive days and has exhausted paid sick leave days as provided under the Labour Act or contract of employment.

Figure 5.12 SSC – MSD: number of employers and employees registered



Source: SSC, various annual reports. Missing data to be sourced

The numbers of registered employers a well as employees have both risen in recent years, as is shown above in Figure 5.12. About 57% of all employed persons are registered by the SSC, meaning that a substantial number – mainly in the informal sector and particularly subsistence agriculture – are not covered.

[116] Jacques Malan Consultants and Actuaries (2012). Actuarial valuation as at 28 February 2012. SSC – Employees Compensation Fund and Maternity Leave, Sick Leave and Death Benefit Fund.

Table 5.15 SSC employee registrations and coverage

	2008/09	2009/10	20010/11	2011/12
Population of working age (15–59)			1,193,632	1,214,739
No. of paid employees in Namibia		388,233[117]	353,349	396,891
No. of employers and own-account workers in Namibia		89,439	45,464	94,838
Total no. of employed (incl. subsistence agric.)		**608,003**	**534,912**	**630,094**
Total number of employees registered	**334,568**	**348,141**		
Coverage (Registered/Total paid employees)		89.70%		
Coverage (Registered/Total paid employees plus employers and own-account workers)		72.88%		
Coverage (Registered/Total employed)		**57.26%**		

Source: SSC, various annual reports, 2009/10 NHIES, 2011 Census, 2012 NLFS

In recent years maternity claims have comprised about 70% of claims, followed by sick leave claims (just less than 20%).

Table 5.16 SSC – MSD: number of claims

Benefit	2005/06	2006/07	2007/08	2008/09	2009/10
Maternity	13,037	12,361		8,467	17,483
Sick leave	4,641	4,226		2,170	4,513
Disability/Retirement	2,060	1,824		812	2,128
Death	2,788	2,386		619	1,719
Total	**22,526**	**20,797**	**-**	**12,068**	**25,843**

Source: SSC, various annual reports.

Benefits and expenditure

The fund pays maternity leave benefits, sick leave benefits and death/retirement/disability benefits.

Maternity leave benefits to female members equal 100% of basic wage, with a minimum of NAD 300 per month and maximum of NAD 10,500 per month. The maternity benefit level is adequate, using the ILO's C.102 minimum standards. While the ILO standard is for maternity benefits to be granted for at least 12 weeks, the MSD pays these out for a maximum period of 12 weeks (three months).

A single payment of NAD 5,515 is made upon the death of a fully paid-up member or upon retirement or permanent disability. This is a one-off benefit for any case of disability, retirement or death.

[117] The numbers of employees listed are as per the 2008 NFLS for 2008, 2009/10 NHIES for 2010, 2011 Census for 2011 and 2012 NFLS for 2012. The figure for the population aged 15–59 is as per 2011 actual Census data and authors' projections for 2012 based on the 2011 Census data.

Table 5.17 SSC – MSD: benefit expenditure by type of benefit, 2005/06 to 2011/12

Expenditure NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Maternity	19,120	18,024	23,103	55,788	62,908	88,841	102,674
Sick leave	7,247	4,218	4,871	11,297	11,384	14,571	16,869
Death	8,262	6,934	5,412	6,440	6,808	7,281	7,575
Retirement/Disability	6,308	4,805	5,466	8,071	8,070	9,920	11,329
Total benefit expenditure	**40,937**	**33,981**	**38,852**	**81,596**	**89,170**	**120,613**	**138,447**

Source: SSC, annual reports (2005/06 to 2009/10 and Auditor-General 2010/11 and 2011/12.

Governance and financing

The Fund has a tripartite Board of Commissioners, with equal representation from government, workers and employers, which is appointed by the Minister of Labour and Social Welfare.

The contribution rate for the MSD Fund is 1.8% of the employee's basic wage shared on a 50/50 basis by the employer and employee. This proportion is calculated on a minimum income of NAD 300 per month to a ceiling of NAD 9,000. The minimum monthly contribution by members is NAD 2.70 and the maximum is NAD 81. Employees earning less than NAD 300 per month are also required to contribute the minimum of NAD 2.70. Self-employed people must contribute the full 1.8%.[118]

Table 5.18 SSC – MSD: expenditure and income under main headings, 2005/06 to 2011/12

Expenditure NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Benefits	40,938	33,981	38,851	81,596	89,170	120,612	138,446
Administration	16,606	54,822	47,510	59,571	64,358	75,244	98,839
Death	**57,543**	**88,804**	**86,361**	**141,167**	**153,528**	**195,856**	**237,285**
Income NAD '000	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Contributions	94,743	117,408	119,017	164,463	233,646	236,362	252,393
Net investment revenue	126,555	149,133	193,849	218,787	246,128	111,937	130,013
Other revenues	20,449	-19,230	678	11	353	11,628	3,253
Total MSD revenue	**241,747**	**247,311**	**313,544**	**383,261**	**480,127**	**359,927**	**385,659**

Source: SSC, Annual Reports (2005/06 to 2009/10 and Auditor-General, Financial Audit 2010/11 and 2011/12.

The 2012 actuarial valuation of the Fund concluded that it (with reserves of NAD 1.4 billion) is in a financially sound position and that the liability should be monitored on an annual basis to assess the impact of benefit changes.[119]

118 SSC website www.ssc.org.na/funds/ accessed 14 February 2013. See also 2012 Actuarial valuation.

119 Despite being in a financially sound position, the fund has had recent increases in contribution rates. In explaining the reason for the increases, the SSC chief executive officer Kenandei Tjivikua noted that, since 2008, the SSC had periodically increased the benefits paid under the MSD without any corresponding adjustments to the contributions payable (see http://allafrica.com/stories/201210191141.html).

5.4.4 Motor Vehicle Accident (MVA) Fund

Legal framework/history

The MVA Fund is currently regulated by the MVA Fund Act, 10 of 2007 and Regulations in terms of the Act issued in 2008. As the Act stipulates, the Fund is an administrative body with the objective to 'provide assistance and benefits to persons injured in motor vehicle accidents and to dependents of persons killed in such accidents; and to provide for incidental matters'.

The objectives of the Fund are to:

- 'Design, develop, promote and implement motor vehicle accident and injury prevention measures';
- 'Fairly and reasonably provide assistance and benefits to a person who is injured in a motor vehicle accident';
- 'Fairly and reasonably provide assistance and benefits to a person who suffers loss as a dependent of a person killed in a motor vehicle accident'; and
- 'Reasonably indemnify the driver and owner of a vehicle involved in motor vehicle accident from claims for loss or damage arising on account of injury or death caused by the motor vehicle accident; and attend to any matter that is incidental to any function mentioned in this section'.

The new Act provides a different focus being based on a no-fault system with limits on compensation (introducing social security principles of solidarity and capped benefits). The emphasis is also on prevention of accidents and prevention of long-term impairments through effective response to and transport from accidents to ensure immediate medical treatment, even before the determination of liability. The Fund is focused on 'providing improved benefits with the focus on care, treatment and rehabilitation aimed at returning people to productive lives'.

In spite of the 'no-fault' system there are some exclusions and limitations to cover.[120]

Target group

Persons using motor vehicles or people who are injured in road accidents.

Eligibility and coverage

Persons injured in motor vehicle accidents and dependents of persons killed in such accidents. More specifically, 'a person who has suffered loss or damage as a result of injury to himself or herself, or as a result of the death or injury of any person, in either case caused by or arising out of the driving of a motor vehicle by any person, including the person himself or herself, in Namibia' is, subject to certain conditions and exclusions, entitled to the benefits.

[120] Exclusions include cases where a person is guilty of drunken driving, does not hold a valid license or an owner allows the vehicle to be driven without a license, and the driver is wilfully driving a stolen vehicle or driving in the furthering of a serious criminal offence. Limitations apply in cases where the driver was not utilising a seat belt (monetary benefits reduced by 25%), not using a properly affixed seat (minus 50%) and unlawfully conveying passengers (minus 50%).

While the Fund documentation sets a very high standard and is very accessible and user-friendly, longer-term consistent data about the number of motor vehicle accidents and claims are not available in standard documentation.

Benefits and expenditure

In terms of the Act, the Fund pays the following benefits:

- Compensation or an injury grant up to a maximum of NAD 100,000 depending on severity of injuries;
- Funeral grant of NAD 7,000;
- Medical expenses up to a maximum of NAD 1.5 million;
- Loss of income to a maximum of NAD 100,000 per annum;
- Loss of support to a maximum of NAD 100,000 per annum shared between all dependents; and
- Reimbursement of direct expenses from the accident.

Table 5.19 MVA Fund: composition of claim and programme expenditure

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Compensation payments	11,334	17,683	36,801	5,364	51,674	41,807
Hospital and medical fees	1,453	5,772	10,808	48,107	61,127	72,867
Other payments i.ro of claims	776	1,567	217	5,177	34,478	19,220
Medical management	-	-	1,658	1,752	1,644	1,834
Accident and injury prevention	-	-	2,461	2,540	3,608	9,154
Public education	-	-	3,560	1,025	1,815	4,089
Total benefit expenditure	**13,563**	**25,022**	**55,505**	**103,965**	**154,346**	**148,971**

Source: MVA Fund Annual Reports

Financing and governance

The Fund is financed mainly through a fuel levy (fuel levy funding flows to a fund established under the Petroleum Products and Energy Act, 13 of 1990) and made available to the Fund under that Act and agreed between the Minister of Transport and the Minister of Mines.

Table 5.20 MVA Fund: revenue

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Fuel levy income	80,139	108,231	148,127	161,253	234,376	285,594
Discount received						38
Net interest income	4,083	4,087	4,523	2,991	1,049	1,794
Reinsurance recoveries	863	299				
Profit/loss on sale of fixed assets				-7	-210	103
Rental income				357	1,255	857
Sundry income	210	2	136	360	1,745	258
Government grant – released					6,464	2,122
Total benefit expenditure	**85,295**	**112,619**	**152,786**	**164,954**	**244,679**	**290,766**

Source: MVA Fund annual reports

The Fund also receives income from money invested and borrowed and Parliamentary appropriations. It also receives income from money invested and borrowed and Parliamentary appropriations. The MVA Fund annually undertakes an actuarial valuation to provide an estimate of the required levy rate. As at 31 March 2011, the fuel levy collected per litre of fuel was 35.7 cents.

Table 5.21 MVA Fund: composition of total expenditure

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Claims	13,563	25,022	47,826	98,648	147,280	133,893
Other fund programmes			7,679	5,317	7,066	15,077
Administration	20,327	30,055	52,792	58,543	67,898	75,355
Legal fees	101	299				
Total benefit expenditure	**33,991**	**55,376**	**108,297**	**162,508**	**222,244**	**224,325**

Source: MVA Fund annual reports

On average, operational expenses ran at about 30% of revenue or nearly 40% of expenditure over the period 2005/06 to 2010/11 (see Table 5.21). The ratio of administrative expenditure to revenue and total expenditure has, however, been trending down in recent years.

Table 5.22 MVA Fund: funding level

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Value of assets	65,340	80,921	98,159	92,637	137,768	140,760
Value of liabilities/ reserves	228,408	292,820	239,433	550,979	641,974	683,712
Fund deficit	163,068	211,900	141,274	458,341	504,207	542,951
Funding level	29%	28%	41%	17%	21%	21%

Source: MVA Fund annual reports

According to the fund's annual reports, its funding levels plummeted in 2007/08 to 17% before rising to 21% in 2009/10 and 2010/11.

5.5 Occupational and voluntary retirement schemes

Occupational and voluntary retirement schemes are the single largest category of social protection schemes in the Namibian economy, with 44% of benefit expenditure originating in the sub-sector (Table 5.1). Revenues were more than 70% of social protection revenues. In 2011 the industry (including the GIPF) had NAD 69.5 billion in assets compared to GDP of NAD 82 billion. While the NARF is a very small fund, it is included here in order to judge whether there has been any success in including the more informal agricultural workers in formal, private sector provision.

5.5.1 The Namibia Agricultural Retirement Fund (NARF)

Legal framework/history

The Fund was established in 2004 by the Agricultural Employers' Association, an affiliate of the Namibian Agricultural Union, a federation of more than 40 farmers' associations across the country. It is a defined contribution fund in terms of the Pension Funds Act, 1956.

Target group

Permanent employees in the agricultural sector.

Eligibility and coverage

Permanent employees between the ages of 16 and 65 ('excluding any employee who is temporary or casual or subject to a limited period') of participating employers. Eligible employers are owners of agricultural property, those who rent agricultural land and farm on that land, those who do part-time farming, and agricultural developers and marketers. Although certain categories of employees are excluded it is indicated that the trustees may waive these exclusions at the request of a participating employer (NARF n.d.).

As at 28 February 2011, the Fund had 837 members, down from 881 in February 2010. This compares to a workforce of 173,000 in agriculture, forestry and fishing according to the 2012 NLFS. Coverage is therefore still very low.

Benefits and expenditure

Rules make provision for benefits in the case of normal retirement, early age retirement, early ill health retirement and late retirement. The normal retirement age is 65 but retirement can be postponed until an employee turns 70. Early retirement can be taken from age 55. A pension (presumably using the member's share) is purchased from an insurer, an approved pension fund or retirement annuity fund. A member's share comprises all contributions on behalf of the member plus investment returns plus ad hoc bonuses and special transfers for the Reserve Account.

In the case of death in service, the member's share is payable. The same happens in the case of withdrawal.

On 28 February 2011 the fund had NAD 3.8 million in assets. In the 2011 financial year the fund spent NAD 428,813 on benefits and NAD 300,214 on administration (reinsurance and expenses at NAD 263,786). Benefits consisted almost entirely of withdrawal benefits prior to retirement (NAD 362,105), with NAD 61,887 on retirement benefits (lump sum full benefits) and NAD 4,821 on death benefits.

Financing and governance

The rules provided indicate that the contribution rate is 5% of pensionable income by the employee and 6% by the employer. However, the latest Annual Financial Statement of the Fund (2011) indicates a 6% contribution by the employee and 7% by the employer. Provision is made for 'special pension contributions' from international and non-governmental organisations to enhance low pension benefits for older workers who have fewer years of contributions (OPM, 2010). Pensionable income is the basic annual salary or wages and any other regular amounts regarded as pensionable, but may not be less than the minimum wage determined by the Minister of Labour.

The Fund is governed by a board of trustees. Four trustees are appointed by the Namibia Agricultural Employers' Association (one having to be an 'independent trustee', i.e. somebody with specialist expertise). Members must elect a further three trustees 'from their ranks' and there must be one trustee from organised labour. The trustees must appoint a principal officer and may where necessary appoint other staff and an administrator.

In the 2011 financial year contributions received amounted to NAD 772,735 and net investment income was NAD 345,005.

5.5.2 The Government Institutions Pension Fund (GIPF)

Legal framework/history

The current GIPF was established on 1 October 1989 in terms of the Pension Funds Act, 1956. It replaced the previous GIPF which was established in terms of the Statutory Institutions Pension Fund Act, 1980. This brought the GIPF under the regulatory ambit of NAMFISA. The current set of Fund rules is dated 1999.

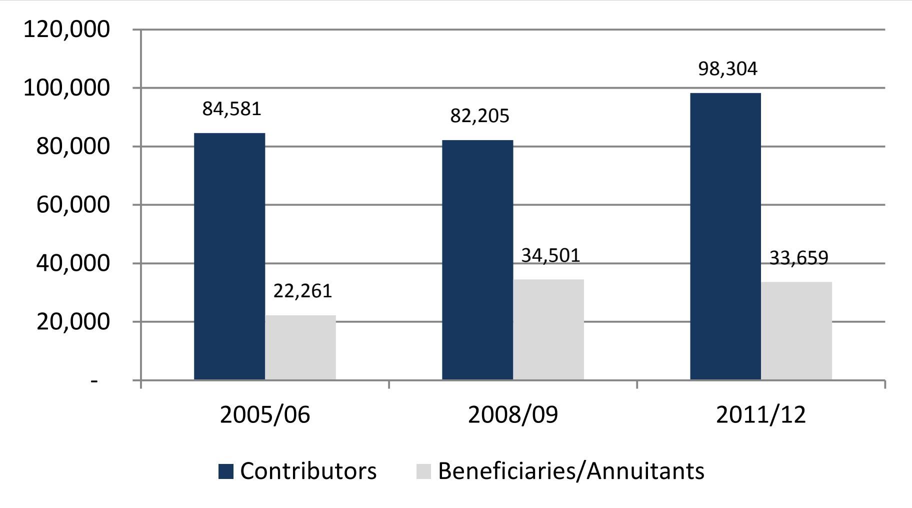
Figure 5.13 GIPF offices, Swakopmund

Source: Picture taken by the authors during field visits

Target group

Employees of the Government of Namibia and other institutions established by law that are declared a statutory organisation for the purpose of the GIPF and which have applied to and been admitted to the Fund.

Figure 5.14 Number of contributors and beneficiaries



Source: GIPF Actuarial Valuations

Eligibility and coverage

The Fund covers government employees (including the employees of statutory organisations that have been admitted). As at 2009 there were 'about 64 sponsoring employers registered', with government ministries the biggest proportion and employing 95% of members (Actuarial Report, 2009).

The number of contributors to the Fund has increased from 84,581 in 2005/06 to 98,304 in 2011/12 (see Figure 5.14). This gives a contributor to economically active population ratio of 11.6%[121] or contributor to population employed ratio of 18.4%.

Table 5.23 GIPF: Number of contributors and composition of beneficiaries

NAD '000	2005/06	2007/08	2011/12
Contributors	84,581	82,205	98,304
Beneficiaries/Annuitants	22,261	34,501	33,659
Pensioners	7,753	10,144	12,344
Spouses	4,083	5,783	7,274
Children	9,994	18,069	13,444
Disabled	431	505	597

Source: GIPF Actuarial Evaluations

Benefits and expenditure

The GIPF is a defined benefit fund that provides for a range of retirement benefits (normal, early age and ill health) and also a death benefit, a retrenchment benefit and a funeral benefit. The retirement benefit is equal to 2.4% of final salary multiplied by the number of years worked. Up to a third of the benefit can be taken as a tax-free lump sum. The normal retirement age for government employees is 60.

The disability benefit is 75% of final salary and the funeral benefit is NAD 500 per child and NAD 5,000 for a spouse. Pension adjustments after retirement seem to have fluctuated

121 This percentage represents the proportion of contributors to economically active population based on 2011 Census data.

around inflation and average government employee increases, but no rule seems to be in place; this means that adjustments depend on actuarial assessments and fund affordability.

Table 5.23 shows that the largest number of beneficiaries are children of former members (13,444 in 2011/12), followed by pensioners (12,344) and spouses (7,274). Table 5.24 shows that pension expenditure comprised about 41% of Fund expenditure over the five-year period from 2005/06 to 2009/10, followed by withdrawal benefits at about 27% of expenditure.

Table 5.24 GIPF: expenditure, 2005/06 to 2009/10

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10
Pension benefits	310,710	381,795	415,855	466,225	550,364
Lump sum on retirement	81,411	103,673	133,876	133,876	155,242
Lump sum before retirement					
Death benefits	130,765	103,030	102,565	142,590	81,928
Withdrawal benefits	205,537	253,060	304,331	345,333	292,068
Funeral benefits	6,860	5,651	4,645	4,162	4,231
Transfers to other funds	16,050	-	32,330	73,858	
Total benefit expenditure	**751,333**	**847,209**	**993,602**	**1,166,044**	**1,083,833**
Administration expenses	55,691	65,764	75,033	83,090	94,709
Total benefit expenditure	**807,024**	**912,973**	**1,068,635**	**1,249,134**	**1,178,542**

Source: GIPF annual reports

The Fund has recently announced that the rules of the schemes are being amended to allow members to use their accumulated pension benefits for the provision of housing and that the target for completion of the process is 31 October 2013.[122] Even through the Fund is a defined benefit scheme, the GIPF trustees have given approval for a housing loan scheme through which members can access home loans from commercial banks with the Fund's assets standing as guarantee.[123]

Financing and governance

The GIPF is funded from member (employee) and employer contributions, special contributions by employers in the case of early retirement for a number of reasons and returns on investments. Members contribute 7% of pensionable remuneration and the employee the balance of the cost for providing benefits (16% as at March 2013).

Over the five years to 2009/10, investment income made up 77% of Fund income, employer contributions 16% and employee contributions 7%. This was despite negative net investment income in 2008/09, at the time of the global recession.

[122] See www.informante.web.na/index.php?Option=com_content&view=article&id=12013:gipf-home-loans-coming&catid=14:business&Itemid=101

[123] In addition to approval from the GIPF Board and the trustees, the changes also require a recommendation from the Public Service Commission to the Prime Minister, as well as approval from the OPM and NAMFISA (see http://sun.com.na/business/gipf-home-loans-expected-by-october.52705).

Table 5.25 GIPF: income sources, 2005/06 to 2009/10

NAD '000	2005/06	2006/07	2007/08	2008/09	2009/10
Employer contributions	744,766	764,193	802,824	862,937	1,039,583
Employee contributions	323,428	332,316	351,478	376,698	437,913
Net investment income	7,158,271	7,204,754	1,666,739	-5,109,979	9,193,908
Transfers from other	613	19	27		
Other revenues	9,669	13,312	15,021	15,602	20,645
Total income	**8,236,747**	**8,314,594**	**2,836,089**	**-3,854,742**	**10,692,049**

Source: GIPF annual reports

Management, control and administration vests in a tripartite board: three members from government, three from organised labour and three from the Public Service Commission, with the Board electing the chairperson of the Board of Trustees. Trustees appoint a principal officer (subject to approval of the registrar of pension funds), administrator, auditor and actuary. The Board may appoint a portfolio manager to perform necessary acts with regard to investments on behalf of the fund.

The Fund is self-administered but has been moving toward separation of Fund and benefit administration through the establishment of Kuleni Fund Administrators, a commercial entity owned by the GIPF. Stakeholders have in the past resisted outsourcing of fund administration and transfer of staff to Kuleni (Annual Report). However, the move has been motivated by the need to cover the Fund against operational risks.

For the last three actuarial valuations (March 2006, March 2009 and March 2012), the Fund actuaries have declared the Fund to be in a sound financial position with funding levels declining since 2005/06 but still remaining above 100%.

Table 5.26 GIPF: funding levels

NAD '000	2005/06	2008/09	2011/12
Value of assets	21,630,133	29,940,849	50,178,171
Value of liabilities/reserves	19,338,014	28,280,272	48,456,968
Actuarial surplus	2,292,119	1,660,577	1,721,203
Funding level	111.9%	105.9%	103.6%

Source: GIPF annual reports

5.5.3 Occupational and private pension funds

Occupational and private pension funds, including the GIPF, are governed by the Namibian Financial Institutions Supervisory Authority established by the NAMFISA Act, 2001.

Data from NAMFISA were received late, toward the end of the period granted for this study, and so the analysis here does not include detail, specifically on the composition of benefit expenditure. The data show that the number of pension funds reporting has declined substantially from 260 in 2006/07 to 120 in 2011/12. At the same time, the number of contributors (including the GIPF) is increasing very rapidly, from 115,188 in 2006/07 to 251,741 in 2011/12 or at an average rate of 17% per year. The decline in the number of funds with increasing contributors points to a consolidation of funds rather than a shrinking industry.

Pensioner numbers have fluctuated but numbered around 40,000 in 2011/12. More than 90% of pensioners seem to be GIPF pensioners, although the GIPF make up closer to 50% of contributors. While the data need to be investigated further, a possible explanation could be that early withdrawals are prevalent in the private pension environment. It could also be that the number of private pension contributors has picked up in recent times.

Table 5.27 provides a snapshot based on the most recent data. It suggests that about 25% of people aged 60 and over may be covered by occupational and private pension funds, although it is possible for a pensioner to belong to more than one fund, in which case coverage will be overestimated.

Table 5.27 Status of occupational and private pension funds, including the GIPF

	2012
Number of funds	121
Contributors	251,741
Annuitants/Pensioners	37,948
Pop. aged 60+	150,028
Pop. aged 15–60	1,193,889
Employed	534,912
Pensioners/pop. aged 60+	25%
Contributors/pop. aged 15 – 60	21%
Contributors/Employed	47%

Source: NAMFISA and Census 2011

The relative size of the occupational and private pension system is illustrated by the magnitudes of expenditure and revenue in Table 5.28. In 2012, benefit expenditure comprised NAD 3.3 billion, compared to the cost of government benefits to elderly and disabled people of less than NAD 1 billion per year. At the end of 2012 the industry held NAD 86 billion in assets, compared to GDP of NAD 105 billion. With substantial investment income the sector also continues to rapidly accumulate reserves.

Table 5.28 Revenue and expenditure of occupational and private pension funds, 2009 to 2012

NAD '000	2009	2010	2011	2012
Administration fees	110,000	131,000	147,000	161,000
Investment fees	150,000	140,000	139,000	140,000
Insurance premiums	168,000	178,000	181,000	206,000
Other expenses	64,000	98,000	103,000	98,000
Total administration	494,009	549,010	572,011	607,012
Net benefits	2,087,999	2,450,866	2,703,626	3,256,623
Total Pension Fund expenditure	**2,582,008**	**2,999,876**	**3,275,637**	**3,863,635**
NAD '000	**2009**	**2010**	**2011**	**2012**
Total contributions	2,496,000	2,942,000	3,109,000	3,874,000
Net investment income	7,033,000	4,561,000	4,857,000	11,143,000
Capital appreciation	782,000	845,000	582,000	866,000
Insurance proceeds	67,000	68,000	81,000	92,000
Other revenues	43,000	38,000	39,000	37,000
Total GIPF revenue	**10,421,000**	**8,454,000**	**8,668,000**	**16,012,000**

Source: NAMFISA

5.6 Health

This sub-section covers, in brief, the public and private health system as well as public education expenditure in Namibia. However, the format of the analysis is slightly different from that presented in this chapter thus far. For instance, it is not possible to present the public health system in the context of individual benefits and services as was done in previous sub-sections since the expenditure figures are aggregated, representing both individual and collective services and benefits.

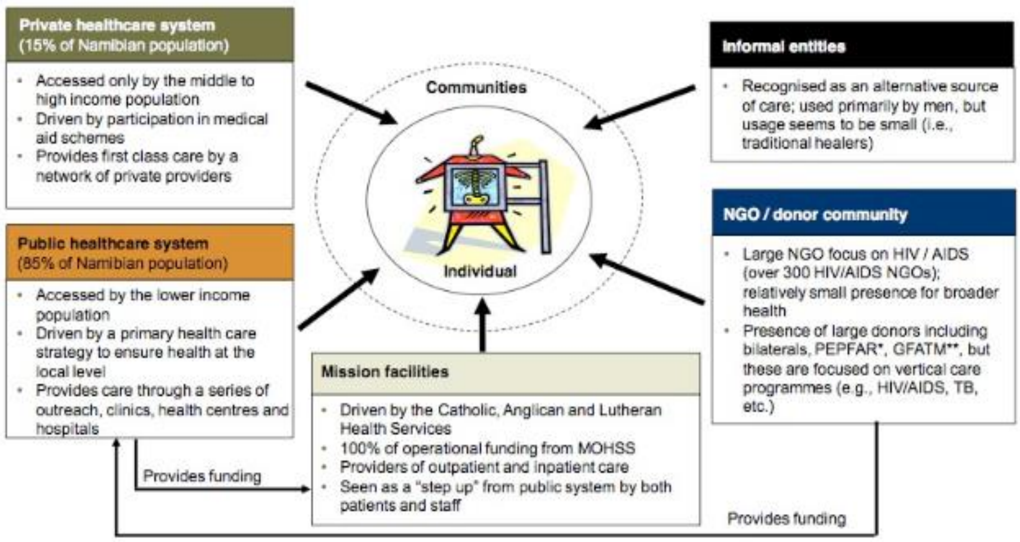
5.6.1 Health financing and service provision

In Namibia, health care is delivered through both the public and private sectors. While the main provider of health care services is the state, the public health care system is complemented by an established private sector and mission hospitals and clinics. This sub-section describes each sector (private and public), starting with the public system.

Public sector

For about 1.7 million uninsured Namibians[124] the only source of health services is the public sector. The public system is managed at both national and regional level. At national level, MoHSS in Windhoek is responsible for formulating policy, strategic planning, setting legislation and regulation, and coordinating functions. At the front lines, 13 regional directorates oversee the implementation of health care policies and the provision of health services within all 34 health districts.

Figure 5.15 Map of Namibia's health care system



Source: African Public Health Leadership Initiative.[125]
*PEPFAR – President's Emergency Plan for AIDS relief
**GFATM – Global Fund for AIDS, TB and Malaria

Given the country's low population density, outreach of all public services including health care is of critical concern. In order to deliver health care services to as many citizens as

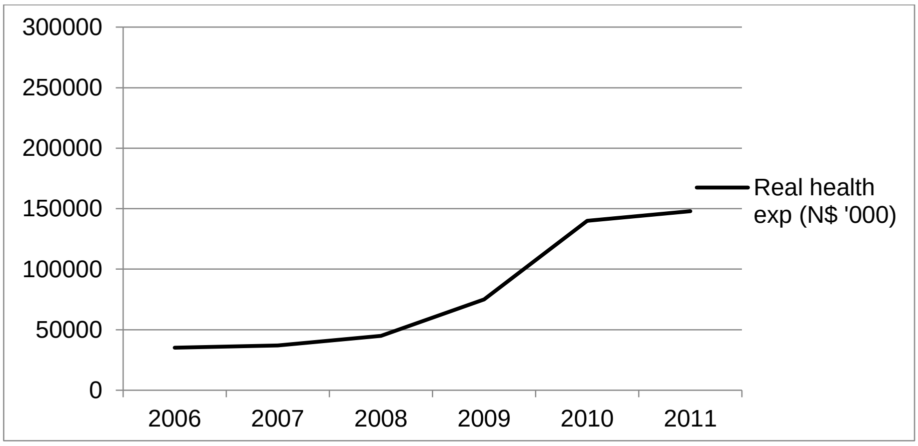
[124] Deloitte (2012).

[125] See www.africanhealthleadership.org/

possible, the public health care system[126] includes 30 public district hospitals, 44 health centres and 265 clinics. Moreover, the district hospitals are supported by three intermediate hospitals as well as one national referral hospital (MoHSS, 2008). The more remote parts of the country are serviced by a network of mobile clinic services at 1,150 outreach points throughout the country.

The public health delivery system is at the fore of fighting Namibia's main health challenges, which include HIV/AIDS, tuberculosis, malaria, and child and maternal mortality (WHO, 2010[127]). Since 1996, HIV/AIDS has been the leading cause of death in Namibia and the government has taken concrete steps to combat the epidemic, including the provision of free anti-retroviral treatment as well as the roll-out of the prevention of mother-to-child transmission programme.

Figure 5.16 Real expenditure (NAD '000) on health, 2006–2011



Source: MoF (2012)

As shown in the graph above, real expenditure on health shows a significant increase from 2008 onwards. Since 1997, public expenditure on health as a percentage of GDP has hovered around 7%. In 2011/12, the budget allocation to the MoHSS stood at NAD 3.3 billion. This increased to NAD 4.0 billion in 2012/13 and the most recent budget statement allocates NAD 6.01 billion for 2014/15, with the resources aimed at the development and upgrading of health facilities across the country, acquisition of health equipment and supplies, and the recruitment and training of medical staff.

Despite this expenditure, public health care is not entirely free and some (relatively low) user fees are charged at public facilities. This presents a problem for poor households. Furthermore, even where public health care is accessible, issues around the declining quality of services have been raised (Chiripanhura and Niño-Zarazúa, 2013). The perceived quality issues associated with the public system have resulted in the growth of a private, more expensive health care sector, and with it the establishment of medical insurance funds and schemes.

[126] Since mission facilities are subsidised by the government, they are often counted as part of the public system.

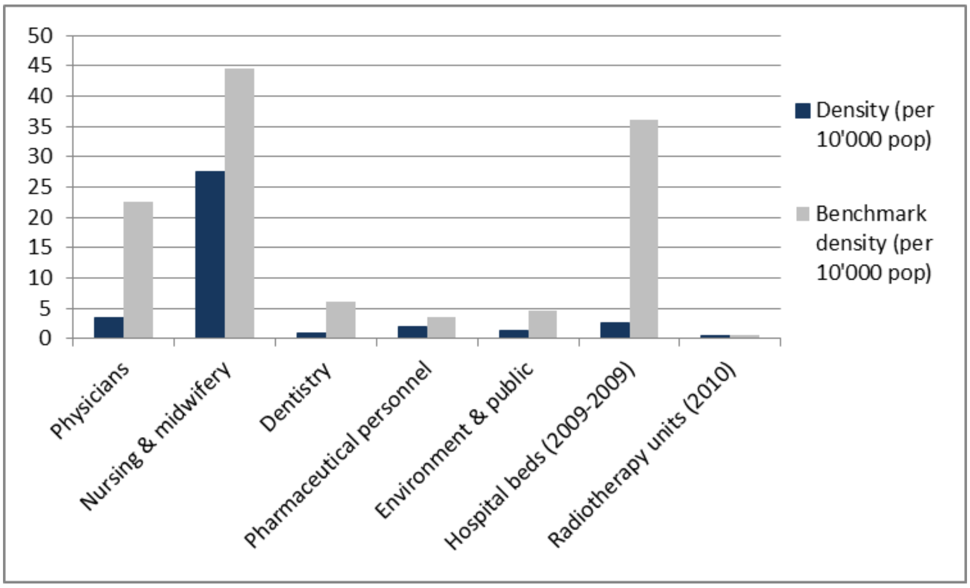
[127] See www.afro.int/index.php?option=com_docman&task_download&gid=6579

Figure 5.17 Katutura hospital

Source: http://minnesotanamibia.blogspot.com/2010/05/what-first day.html

One explanation for the perceived decline in the quality of service delivery has been the public sector's inability to attract skilled staff. Throughout the public system, skills shortages still persist, as the higher paying private sector offers a natural alternative. For example, while there were 8.8 health workers per 1,000 population in the private sector, the figure was only 2.0 in the public sector (the WHO benchmark for upper-middle-income countries is 2.5) (MoHSS, 2008). The figure illustrates the resource constraints in the public sector when compared to global benchmarks for upper-middle-income countries. The persistent public sector skills shortages and related inefficiencies and service quality issues further worsen the inequality issues in Namibian society.

Figure 5.18 Benchmarking Namibia's public health sector human resources and infrastructure



Source: World Health Statistics 2011, World Health Organization

Private sector

Namibia's private hospital sector is primarily urban and comprises 13 medium-sized hospitals, 75 primary health care clinics, eight health care centres, 557 medical practitioners and 75 pharmacies (WHO, Namibia Health Resource Tracking: 2007/08 and 2008/09, 2010).

The private health system is mainly driven by medical aid funds, which are non-profit entities that are administered financially by for-profit administrators.[128] These medical aid funds (schemes) pay benefits directly to medical providers for services rendered to members and their beneficiaries. In 2010, the coverage of medical schemes (including the Public Service Employee Medical Aid Scheme (PSEMAS)) in terms of the total number of beneficiaries stood at 320,000. Assuming a total population figure of 2 million in 2010, the number of uncovered Namibians can be put at approximately 1.68 million.

Namibia's medical fund industry is regulated by the Medical Aid Funds Act of 1995, which made provision for the creation of the Namibian Association of Medical Aid Funds (NAMAF). This entity is the representative body for the health care funding industry and its mandate is to 'control, promote, encourage and co-ordinate the establishment, development and functioning of funds in Namibia.' NAMFISA has oversight over NAMAF and, as mentioned earlier, is the public body responsible for the regulation and supervision of non-banking financial institutions in Namibia, including pension and retirement funds, long-term insurers, short-term insurers and medical aid schemes.

There are four administrators[129] operating in the Namibian medical scheme environment, providing administration services to 10 medical aid funds including the PSEMAS. Six of the medical aid funds are closed, which means that they limit membership to employees in a particular industry or company. Examples include the Namdeb Medical Aid Scheme, NAPOTEL Medical Aid Fund and PSEMAS, the medical aid fund for civil servants. PSEMAS is a state-run scheme, exempt from the Medical Aid Funds Act, with approximately 80,000 principal members. It accounts for over 50% of the medical scheme principal member population, with the other schemes consisting of above 60,000 principal members (Deloitte, 2012). In addition to member contributions, PSEMAS is also subsidised by the MoF.

[128] Private health insurance products are also available and are used mostly as top-up cover to the cover provided by medical aid funds. These products fall under the Short-term Insurance Act of 1998.

[129] The four are Medscheme, Prosperity Health, Paramount Health and Methealth.

Open medical aid funds sell medical aid policies to any company that wants to provide medical cover to its employees as well as to individuals. These funds are optional, with employers typically providing a subsidy for premiums, a fringe benefit that is subject to individual income tax. Some examples of open medical aid funds include Namibia Medical Care, Nammed Medical Aid Fund and Renaissance Health Medical Aid Fund. Each of these open funds is a separate organisation with its own board of trustees and internal governance structures.

Table 5.29 Medical scheme claims (NAD '000)

	2005	2006	2007	2008	2009
Hospitals	238,336	256,883	328,253	354,474	322,381
General Practitioners	97,588	105,029	118,226	153,635	160,593
Pharmacies/Medicine	111,873	120,244	149,365	146,429	189,746
Specialists	57,831	58,582	71,318	99,686	97,631
Auxiliary Services	34,913	37,792	50,750	52,584	52,649
Pathologists	26,542	30,722	25,924	44,144	49,967
Optometrists	33,038	26,551	39,685	27,629	39,755
Dentists	40,019	42,301	51,580	53,509	52,606
Radiologists	20,443	21,869	33,296	28,702	38,204
Dental Specialists	5,152	4,765	11,415	11,239	12,243
Dental Therapists	118	138	143	430	431
Psychiatric Institutions	269	283	233	635	636
Optic Payouts	10,284	11,098	12,446	17,687	17,902
Other	12,981	11,383	26,285	28,189	23,086
Total	689,387	727,640	918,919	1,018,972	1,057,830

Source: NAMFISA annual reports

Most Namibians cannot afford the products offered by private medical aid funds and so are not members of the funds. This means that they have to rely on an overstretched public health delivery system where, depending on their income level, they may be required to pay out-of-pocket user fees. An example of the great inequalities in health is that while the 2011/12 budget allocated NAD 3.3 billion to MoHSS, PSEMAS alone allocated NAD 1.1 billion in its budget for members over the 2011/12 period (Haufiku, 2011).

In order to help redress these inequalities, the introduction of the Namibia Medical Benefit Fund (NMBF) could be instrumental since the fund can be used to provide greater financial protection to the majority of Namibians who currently face great financial strain as a result of ill health. There are also examples of how public–private partnerships can help strengthen the public health system (see Box 5.2).

Box 5.2 Partnerships between the MVA Fund and MoHSS

In December 2011, the MVA Fund decided to move all accident victims to state facilities. However, victims with medical aid funds are given the option to be taken to a private hospital. Those opting for private care and their medical aid funds can still claim from the MVA Fund the state facility portion that it would have paid.

By the middle of 2012, the MVA Fund had managed to reduce its hospital bill from NAD 21 million to about NAD 4 million per month. Although the move faced initial challenges such as the perceptions that state hospitals offer inferior services, the picture is gradually changing owing to the investment the MVA Fund is making in public health. For instance, the Fund has been upgrading public health facilities and training nursing staff and paramedics. Specific examples include the support the Fund has given to increase the emergency response capacity of the state by establishing emergency response centres at Omuthiya and Usakos, which serve as fully fledged ambulance bases.

In the first year of the partnership, the MVA Fund supported the training of 37 ambulance drivers in basic life support, and 36 nurses and doctors trained in advanced cardiac life support and trauma care. Furthermore, 21 volunteers were also trained in basic life support. The MVA Fund also spent NAD 1.2 million one equipment and the refurbishment of the Katutura State Hospital's head injuries ward, as well as the spinal cord ward at the Windhoek Central Hospital.

Building on the success of the current partnership, the MVA Fund and MoHSS also have plans to establish a spinal cord injury rehabilitation facility.

Source: Interviews with Stephen Tjiuoro, MVAF Spokesperson and Dr Forster, MoHSS Deputy Permanent Secretary, 28 February 2014

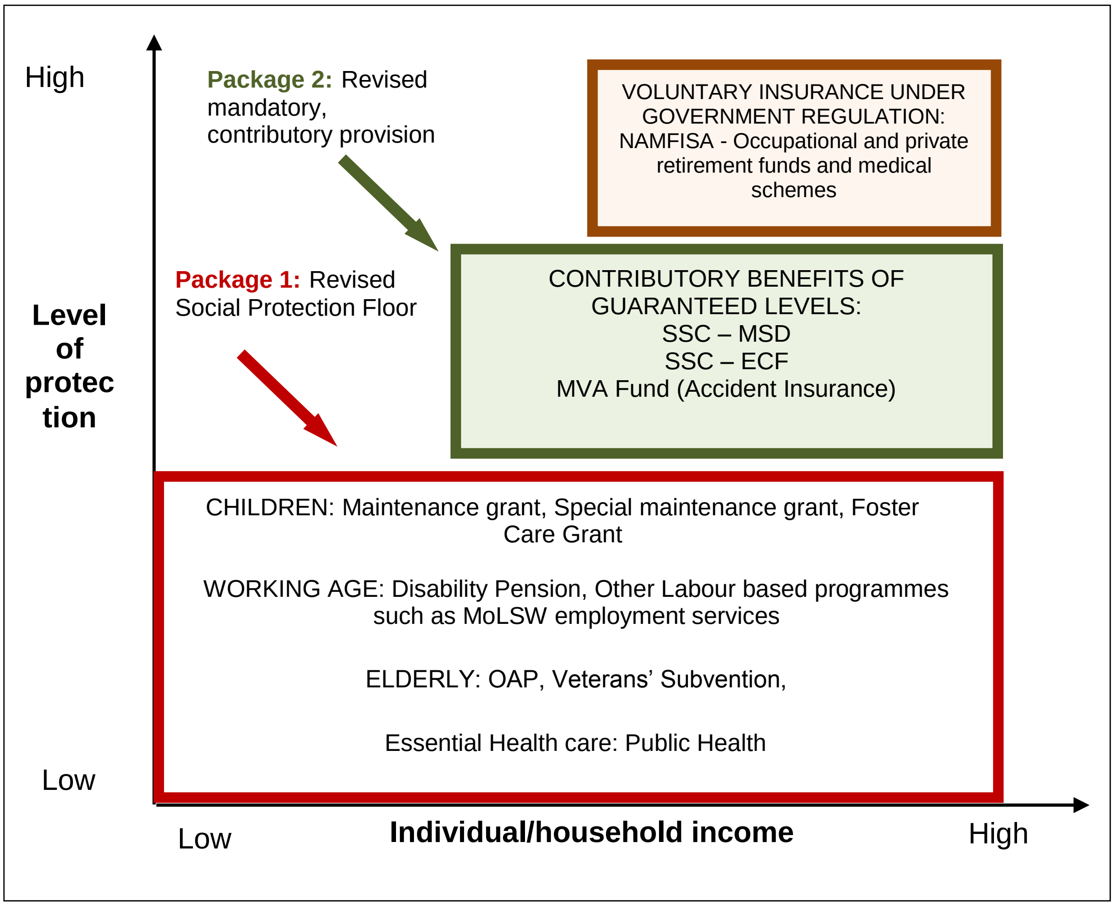
5.7 Conclusions

Over the past two decades, Namibia has developed a fairly complex and extensive social protection system. This has been on the back of strong economic progress. However, the high rates of unemployment, poverty and inequality remain key challenges.

With social protection benefit expenditure comprising at least NAD 5.4 billion in 2010/11, or 6.6% of GDP, it is clearly a substantial part of the Namibian economy. The NDP4 rightly acknowledges the positive impact that social protection has had on poverty and takes the view that there must be continuous expansion and improvement of the system. Indeed, social protection needs to be seen as a system that not only includes social assistance or social grants (e.g. the tax-funded OAP and disability pension) but also the very large system of occupational and private retirement funds and medical schemes subsidised through the tax system.

A key takeout from this chapter is that there is room for the extension of the risks covered by social protection in Namibia in order to reduce poverty and vulnerability and impact positively on the long-run growth possibilities. One way of assessing the social protection system as a whole is to think of it as comprising three packages. First is a SPF (Package 1) guarantee for all Namibians, providing essential health care and basic income protection for all, including workers currently not covered by public social security schemes.

Figure 5.19 Toward a social protection staircase for Namibia (schemes currently available)



Source: Authors' adaptation of ILO schematic (see ILO, 2010)

In addition, a mandatory package (Package 2) should be provided only to those who contribute. Furthermore, this additional package should ensure inclusion of informal sector workers. For those who can afford private arrangements, government regulation should help ensure that these provisions remain transparent and cost-effective.

5.7.2 Package 1 - Social Protection Floor (SPF) guarantees

5.7.2.1 Coverage of risks

Essential healthcare: Namibia has an extensive public health care system as well as limited private medical cover through medical aid schemes for higher-income, formal sector workers. Key issues are the quality of the public health system (and hence the adequacy of care for the majority of citizens) and the cost and regulation of private medical schemes that have an impact on the sustainability of health care coverage for the wealthy.

As noted in chapters 1 and 5, currently, there are studies investigating ways in which Namibia can attain Universal Health Coverage, for which social health insurance is a component. The investigations into the introduction of a public option medical scheme as part of the Social Security Commission and a progressive move towards integrating the different components of the health system providing effective universal health coverage (public health system, SSC medical and private medical schemes) are therefore of crucial importance. Examples of effective partnerships between providers and purchasers as shown by the partnerships between the MVAF and the MOH are also encouraging developments.

Basic income security

Overall (and according to the classifications used in this chapter), about 30%[130] one-third of all social protection expenditure is in the form of social assistance. This is through a suite of benefits targeted at various groups including some groups of vulnerable children, the disabled and the elderly. The following are some conclusions from this chapter -

Maintenance of children: While Namibia has a number of child benefits, these focus on very specific groups, namely: (1) poor households where one parent is a state pensioner (old age or disability) or one parent is absent due to death (single orphans) or imprisonment; (2) double orphans (through foster care benefits, paid irrespective of income of hosting household); and (3) children with a disability.

Given the country's high levels of child and household poverty it is clear that a large number of vulnerable children are not protected by the social protection system. Only poor children with specific attributes and specific household types qualify for benefits. There also is no basic income support aimed at ensuring that pregnant women get some income replacement in the later stages of their pregnancy when they are likely to be out of work. This compromises the health of the mother as well as the unborn.

Working age population: While progress has been made in the expansion of social grant coverage, vulnerable groups such as the unemployed and the unemployed do not receive direct income support from the state. In a context of high youth unemployment, and general underemployment, especially in rural parts of the country, the current system is inadequate. The unemployed and underemployed require a minimum level of income support not only for basic upkeep but also for other activities such as job searches and (or) attendance and vocational training institutions.

Old age: One of Namibia's key successes has been the universalisation of the state old age pension (OAP). The pension provides basic income support to over 140'000 persons aged 60 and over all across the country.

5.7.2.2 Benefit levels, affordability and impact

Children, elderly and the disabled: There is unevenness across the different social grants in terms of the adjustment of benefit values. The OAP and disability grant have generally seen more regular adjustments but the same cannot be said for child grants. As a result, while the OAP and the disability grants to be adequate relative to poverty lines and median income, for children older than 5 years, the value of child grants is still lower than the upper poverty line[131].

NB: A more systematic analysis of the current gaps with respect to coverage of social grants is presented in Chapter 8. This is informed both by the present chapter as well as the analysis of what household survey data shows about the coverage and impact that the current system of social grants has had on poverty and inequality (Chapter 7).

[130] 2010/11 estimate

[131] See Chapter 7 for an analysis of the poverty impact of the current system

5.7.3 Package 2 – Contributory benefits of guaranteed levels

Social insurance is the smallest of the three main components of social protection benefit expenditure in Namibia, making up just 5% of the total. This chapter find the following -

Maternity: There is cover through the SSC – MSD fund. In 2009/10 the SSC paid 17,483 maternity benefits, compared to an estimated number of births in the country of 67,749. Therefore, given high levels of informality and unemployment (and probably failure of smaller employers and the self-employed to register with the SSC), the SSC provides only very limited maternity cover for Namibians.

Sickness: Sickness benefits are paid by the SSC but cover only a small proportion of the population, mostly those in bigger, formal establishments. In 2009/10, nearly 350,000 Namibians were registered with the SSC (specifically the MSD), which should be compared with a working-age population of about 1.3 million and a labour force of nearly 870,000 (both in 2012).

Employment injury: The Employee Compensation Fund of the SSC does cover work accidents and diseases. However, only a limited proportion of workers – i.e. those whose employers have registered with the Fund – will be covered. Informal workers, workers in small workplaces and the self-employed are likely to be excluded. While the employment injury system therefore has limitations in that not everyone in Namibia can rely on earnings-related compensation in the case of a work accident, the state disability pension does provide some protection against complete destitution in such a case.

Disability: In this area poverty protection is available through the state disability pension, which is available to all Namibians and not means tested. However, protection is only available at a very low level of income. In addition to the state disability pension, the SSC – MSD also pays a benefit should a contributor become disabled. This, however, consists of one-off flat-rate benefit of NAD 5,515 not related to contributions or income. In addition, a large number of occupational and private pension funds will include certain risk benefits, including disability cover. Standalone disability protection can also be procured in the market. While there are therefore a range of options, these have two problems: (1) informal workers are likely to be excluded from the benefits of the SSC – MSD and will also not be able, at a reasonable cost, to secure disability cover providing income-related protection in the market; and (2) it is unclear whether regulation of the market is adequate and in the absence of large group schemes or a national schemes whether Namibians are getting value for money in terms of disability insurance.

Unemployment: The ILO's 2010 World Social Security Report classified the Namibian system with the Seychelles and South Africa, as "semi-comprehensive" on the basis that it covered all risk areas[132] except unemployment. Neither formal nor informal workers have access to a contributory system that provides unemployment benefits. However, the SSC are currently looking at establishing such a fund and has since commissioned a study that will look at the feasibility of such.

Survivors: As for the elderly, there is poverty protection for aged survivors through the basic OAP, but surviving spouses below 60 as well as surviving children of Namibians without occupational or private cover will not have support after the death of their main source of support.

[132] In the report, the ILO has the following as risk areas; Medical care, Sickness, Disability, Old age, Survivor, Maternity, Maintenance of children, Unemployment, Employment injury, Poverty and social exclusion (ILO, 2010).

Old age: Old age and retirement is reasonably well catered for in Namibia through the basic state pension and the availability of occupational and private options for earnings-related retirement benefits. However, once again informal workers, the self-employed and those working for smaller employees are likely to be unable to afford market-driven pensions. As a result, they are also lose out on tax breaks for pension contributions and are likely not to accumulate enough to maintain high replacement rates in retirement.

It is therefore encouraging that there is commitment to the establishment (operationalization) of compulsory retirement benefits for formally employed workers i.e. the National Pension Fund. The SSC, which is mandated with is this task is currently carrying out the feasibility studies that will inform the process. They are also carrying out investigation into the integration of informal workers in the existing SSC system.

5.7.4 Occupational and private schemes

It is clear from the analysis presented in this chapter that occupational and private schemes play a very important role in Namibia's social protection landscape. Despite having lower coverage than social assistance and insurance, occupational and private schemes make up nearly half[133] of all social protection benefit expenditure.

Data constraints: The analysis of the three components of social protection is a bit uneven owing to data constraints. However, these constraints could point to a need for stronger are probably a sign that regulation and oversight of the schemes. Because of data constraints, it was not possible to calculate the adequacy of private pensions, although the high level of withdrawals and high costs suggest that replacement levels may not be that reasonable.

[133] 2010/11 estimate

6 Education, active labour market policies and other social support programmes

Chapter overview

Education

- Primary school enrolment, which hovered around 86% between 2008 and 2011, remains a challenge in Namibia owing to poverty and malnutrition.
- NFSP is currently increasing its reach and plans are for it to reach 300,000 beneficiaries by 2015. The extension of the school feeding policy to secondary schools could also be a positive policy move.
- Problems regarding the delivery of quality outcomes should also be addressed in order to reduce the number of under qualified, unemployed youths.

Active labour market interventions

- Under the NTA, the VET system is undergoing reforms including the improvement of the funding of the system through the VET levy which will facilitate the creation of training centres in areas previously not covered as well as investment in improving the quality of centres and curricula.
- There are a number of new, promising initiatives by the MoLSW including the launching of the Employment Creation Commission, and the Namibia@Work programme. Such efforts will complement the LMS unit's work which currently includes the linking of job seekers to employment opportunities and the provision of vocational counselling.
- Other labour market-linked programmes such as the DF of the SSC, the MoGECW's employment entrepreneurship initiative, food for work programmes e.tc should be strengthened by improving their coverage of rural and marginalised areas.

Other support programmes

- Both the OPM - Emergency Management Unit and the Ministry of Agriculture and Forestry's Farmers' Relief Programme are essential to the improvement of rural livelihoods as they provide support to many citizens who rely primarily on subsistence farming for a living.

6.1 Introduction

Namibia's social protection system (including health) as presented in Chapter 5 is complimented and supplemented by public expenditure on basic education as well as other tax funded social expenditures, interventions and schemes. Beginning with basic education, this chapter presents a brief picture of how much is invested in these social expenditures and schemes, the extent of their coverage and current successes and failures.

Social expenditures presented in this chapter include crucial interventions and schemes such as the Namibian School Feeding Programme (NSFP) and the Namibia Students Financial Assistance Fund (NSFAF). The chapter also looks at labour market type interventions such as interventions under MoLSW's employment services department and the Development Fund (DF) of the SSC, food-for-work programmes, the MoGECW's employment and entrepreneurship initiatives, the targeted Intervention Programme for Employment and Economic Growth (TIPEEG) and the Namibia Development Corporation (NDC).

Also covered are efforts to improve the quantity and quality of decent housing in Namibia such as the Build Together Programme (BTP), the National Housing Enterprise (NHE), and housing subsidies. The chapter also presents summaries of schemes and interventions such as the Namibia Agricultural Retirement Fund (NARF), the OPM – Emergency Management Unit, the Ministry of Agriculture, Water and Forestry's Farmer's Relief Programme and the San community programmes.

As a point of departure, it is important to note that this chapter is not presented in a way that is as systematic, detailed and rigorous as is the case with Chapter 5. This is because the data on these 'other' social expenditure, interventions and schemes, either lack consistency or the interventions and schemes are small (in terms of expenditure or population covered) making it difficult to review them in a way comparable to that done for the 'main' social protection schemes.

Finally, the SPF framework (as presented in Chapter 5) does not necessarily exclude expenditures and programmes such as universal access to basic education, school feeding schemes and active labour market policies. In fact, these can be seen as being an important part of the floor. One can interpret R202 as defining the SPF as being more about access to a nationally defined set of goods and services of which although essential health care is explicitly mentioned, other spending such as that on basic education or active labour market interventions can also be seen as important elements of the floor.

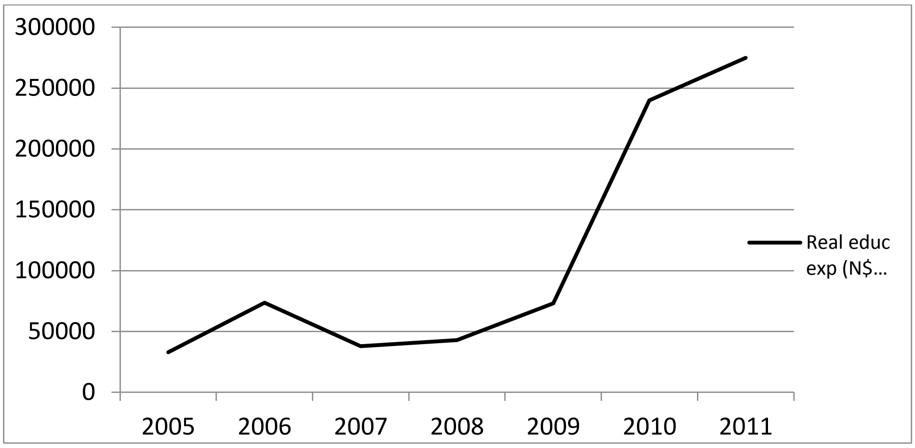
6.2 Education

6.2.1 Public education

In Namibia, most of the government's expenditures go to education and health.[134] As shown in Figure 6.1, real expenditure on education has increased from 2008 onwards.

[134] For example, 22.4% of government spending in 2008 went to education.

Figure 6.1 Real expenditure (NAD '000) on basic education, 2005–2011



Source: MoF (2012)

The government's commitment to education has resulted in an improvement in the literacy rate from the 1995–2004 average of 85%[135] to 89% in 2013 (UNICEF, 2013). However, primary enrolment, which hovered around 86%[136] between 2008 and 2011, remains a challenge. Aside from the prohibitive costs such as school fees, one of the barriers to enrolment is poverty and hunger. It is well accepted that poverty and malnutrition keep young learners from attending school regularly, preventing them from concentrating in class or actively participating in school activities.

Namibia's education system is also faced with problems in terms of delivery of quality outcomes. This is an issue that straddles all levels of education from primary, secondary and tertiary education through to vocational training. Secondary school and tertiary level dropout rates are still high and another worrying issue is that many learners that do graduate leave school without attaining adequate levels of literacy or numeracy. Unsurprisingly, the Namibia Senior Secondary Certificate (NSSC) is internationally not yet accepted as a general qualification for university entrance and applicants to international institutions have to take further classes or tests, mainly offered by private schools or institutions (Fischer, 2010).

The reasons for the poor quality outcomes in primary and secondary education have been identified as stemming from poorly designed and outdated curricula, lack of resources (e.g. an insufficient teacher–student ratio and lack of quality learning material), poor language skills both on the part of leaners and instructors, and finally poorly trained teachers (Fischer, 2010).

School fee abolishment policy

According to IES 2009/10, about 11.6% of children under 13 have never been to school. In order to help improve primary-level enrolment among these children who come from the poorest households in Namibia, the government[137] introduced free primary education in 2013.

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[135] See World Bank (2013).

[136] See UNICEF (2013).

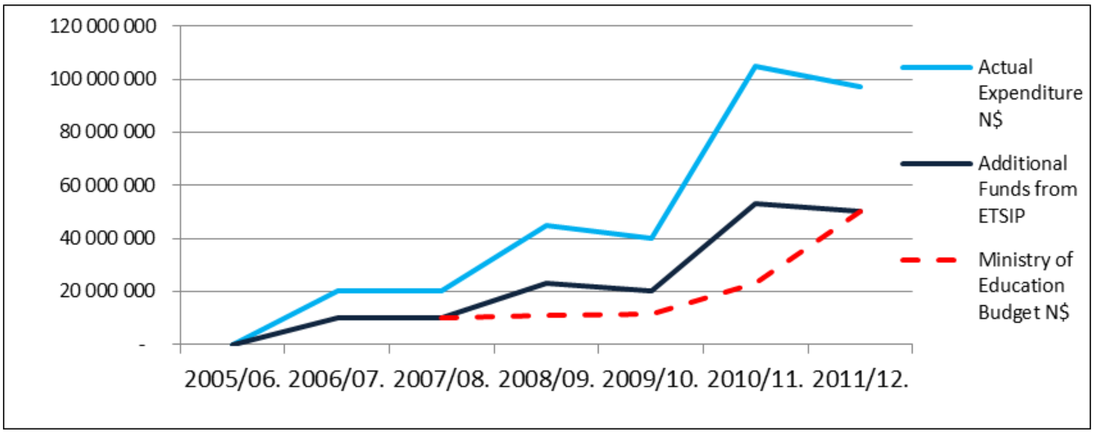
[137] The Cabinet decision reinforces the Constitution and the Education Act (2001), which make primary school education compulsory and prohibit the charging of school fees in public schools.

For the year 2013, the government directed NAD 50 million toward school fee support in order to cater for 458,993 pupils in primary schools. According to the policy, government will cover school fees till completion of primary school or attainment of age 16. For higher education, the government provides different kinds of support, including the NSFAF described on the next page of this report. In addition to the public sector, there are numerous private providers of pre-primary, primary, secondary and tertiary education.

6.2.2 The Namibian School Feeding Programme (NSFP)

In recognition of the importance of nutrition in improving children's ability to learn effectively, the Ministry of Education runs school feeding schemes in collaboration with donors. The NSFP has been in existence for 21 years and was started by the World Food Programme in 1991.

Figure 6.2 Expenditure (NAD) on the NSFP



Source: Ministry of Education (2013)

The programme was fully taken over by the Namibian government in 1996/97 and currently supports approximately 270,000 primary school learners, in 1,300 state and private schools across the country.[138] Most of the benefits target primary and pre-primary schools, but the programme also covers private and informal hostels.[139] There have also been concerns that the programme does not reach rural areas where there is most need. Regardless, the programme plans to scale up the number of beneficiaries to 300,000 by 2015.[140] Over time, expenditure on the school feeding programme has grown to NAD 49.5 million in 2011/12.

[138] 'The programme was initially designed to target Orphans and Vulnerable Children (OVC), however, in practise; any child in beneficiary schools who wishes to partake of the food is allowed to benefit from the programme, whether he or she meets the criteria or not.' See Ellis (2012): http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp252011.pdf

[139] The programme benefits more children in Keetmanshoop, Ondangwa and Windhoek than other regions and, more generally, the programme disproportionately covers urban areas. See Chiripanhura and Niño-Zarazúa (2013).

[140] According to the authors' demographic projections, there will be approximately 770,000 children aged between 5 and 14 in 2015.

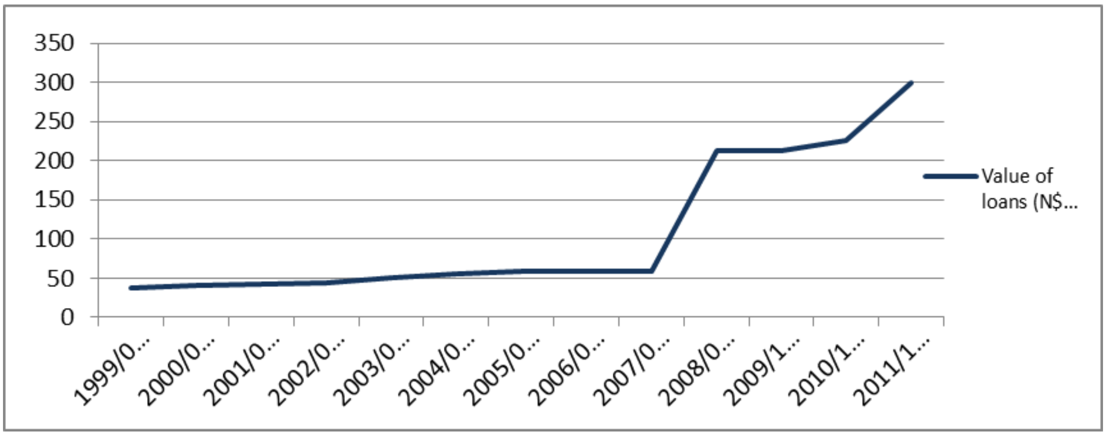
Figure 6.3 Beneficiaries of the school feeding programme

Source: www.nepad.org/foodsecurity/news/2744/namibia-stands-boost-school-feeding-through-better-planning-nepad-expert-says

6.2.3 The Namibia Students Financial Assistance Fund (NSFAF)

The NSFAF is a loan/grant scheme that was designed to replace the Public Service bursary scheme whose purpose was to train people in the public service. The operations of the NSFAF were approved by Cabinet in 1996 and the scheme began running from January 1997. The scheme currently operates under the NSFAF Act No. 26 of 2000. In selecting beneficiaries, two main criteria are used.

Figure 6.4 NSFAF beneficiary and loan figures



	1999/00	2001/02	2003/04	2005/06	2007/08	2009/10	2011/12
Number of student beneficiaries	1,392	2,479	3,032	1,584	1,628	4,302	7,454

Source: Iyambo (2011)

The first is regional quotas and the second criterion used to shortlist candidates is the area of study. The scheme only benefits students in specific priority fields of study. The scheme/fund has been criticised for a number of issues including poor governance and, in early 2013, the NSFAF went through some restructuring that resulted in the institution of an independent board, appointment of a new CEO and the separation of the fund from the direct supervision and control of the Ministry of Education. Some of the issues that have been raised in previous reviews of the fund include views that, while the amounts allocated annually have increased over time, loan recovery rates remain poor.

Figure 6.4 shows that both the number of beneficiaries and the total amounts loaned have increased from 1,392 and NAD 33 million in 1999/2000 to 7,454 and NAD 296.6 million in 2011/12.

6.3 Active labour market interventions

This sub-section presents summary descriptions of 'other' social expenditures, as well as interventions such as labour market programmes like the MoLSW employment services department, the DF of the SSC, the MoGECW employment and entrepreneurship initiatives, food-for-work programmes, the TIPEEG and the NDC. All of these are important interventions that, as will be shown in subsequent chapters, can be extended and combined with social assistance measures such as social grants to provide alternative ways of tackling poverty and unemployment.

6.3.1 Ministry of Education: vocational training centres and the Namibia Training Authority

The delivery of vocational training services in Namibia is the responsibility of the Namibia Training Authority (NTA), which falls under the Ministry of Education. The NTA controls seven vocational training centres (VTCs) and supports a number of other institutions like Namwater. These centres offer a range of courses for school leavers, including: Plumbing, Welding, Electrical (general), Automotive electrical, Bricklaying, Cabinet making, Technical drawing, Dressmaking, Hospitality, Office management and Automotive mechanics.

The NTA obtains its mandate from the Vocational Education and Training (VET) Act (Act No. 1 of 2008), which gives it the responsibility to establish an effective and sustainable system of skills formation and a stable organisation and management system for VET. In addition to the establishment of the NTA, the VET Act sets its objectives (Section 3) as:

- To achieve an effective and sustainable system of skills formation aligned to the labour market;
- To establish a stable organisation and management system; and
- To establish and maintain a sustainable 'partnership' between government, the private sector and civil society to resource the provision of VET.

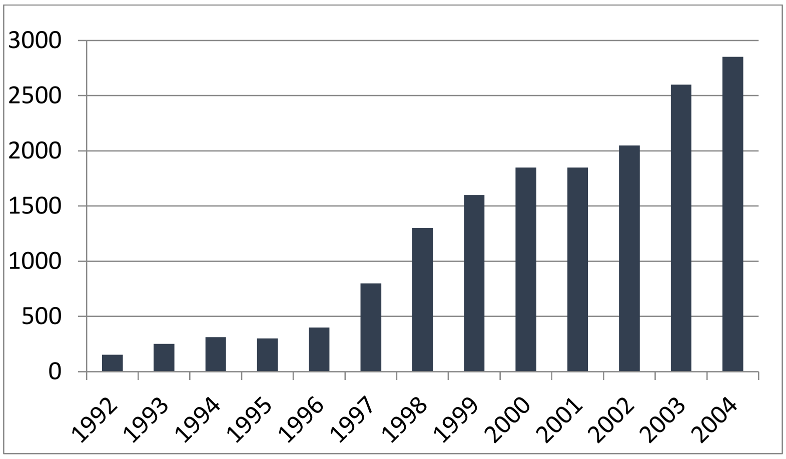
In addition, the Act makes provision for:

- The establishment of the National Training Fund Council, the Industry Skills Councils (ISCs) and the Standards, Assessment and Certification Council (SACC) (Section 15);
- The establishment of the NTF, which will consist of money voted by Parliament, any education and training levies, interest from the fund and any donations received by the NTA (S. 24 (1) & (2)); and
- The imposition of a training levy on employers (Section 35).

Improving the provision of vocational training services

Between 1992 and 2004,[141] VET enrolments increased rapidly from only 152 in 1992 to 2,852 in 2004. However, during that time an estimated 20,000 to 30,000 school leavers were left without access to VET or other post-secondary school training centres each year. While there are now seven VTCs (instead of five in 2004), these facilities still fall short of the demand.[142]

Figure 6.5 VET enrolment, 1992–2004



Source: Ministry of Higher Education, Training and Employment Creation (MHETEC) annual reports. *Enrolment figures shown above are for the VTCs in Zambezi, Rundu, Volambola, Okakarara, Windhoek, and Namibia Institute of Mining and Technology[143]

An important point to note is that VET is among the most expensive forms of education and, based on figures for 2004, the average public allocation per learner in VET was about NAD 21,425.[144] This is primarily because of high equipment and material costs in technical trades. Because of the different courses offered by each VTC, the tuition costs vary. According to the level and trade, tuition costs at a VTC ranged between NAD 2,000 and NAD 5,000 in 2004/05.[145] An assessment of costs at these centres put the figures at between NAD 2,000 and NAD 10,000 per student per course in 2013/14. VET is heavily subsidised, especially considering that not all trainees have to pay fees and not the maximum amount. In January 2014, Hilya Nghiwete, the head of secretariat at the NSFAF, revealed plans for the Fund to withdraw its support for students who are studying at VTCs.[146] He also revealed that the Fund has funded over 50,000 students since 1997 but that the funding of VTCs has never been part of the mandate of the NSFAF as they are not classified as institutions of higher learning.

141 Before the Ministry of Education was established in March 2005, as an amalgamation of the Ministry of Basic Education, Sport and Culture and the MHETEC, the MHETEC was responsible for VTCs.

142 At the time of publishing, the authors were still awaiting the latest figures on VET enrolment.

143 Strictly speaking, this is not one of the seven VTCs under the NTA.

144 Based on public expenditure and VET enrolment figures for 2004; MHETEC 2005, *Annual Report 2004*, Ministry of Higher Education, Training and Employment Creation, Windhoek.; Republic of Namibia 2004, *Estimates of Revenue and Expenditure for the Financial Year 1 April 2004–31 March 2005. State Revenue Fund*, Windhoek.

145 Grossmann and Naanda (2006) estimated that the costs per VET learner were about eight times higher than average costs for primary education.

146 See http://allafrica.com/stories/201401231211.html

Past evaluations of Namibia's VET system have revealed a number of other challenges. First, there is uneven access to the centres as, currently, only seven regions have one. Second, the quality of the facilities has also been seen as uneven, with disparities in the standard of equipment and resources. Other issues that have been raised include the shortage of quality teaching staff and the differences in the standard of the curricula used by each centre. All of these concerns lead to a mismatch between the quality of skill supplies and skill demand as evidenced by the high failure rates recorded by students in national trade tests (see Lund, 1999; Marope, 2005; Grossmann, 2001; Grossmann and Naanda, 2006).

Table 6.1 Strategic objectives for the VET sector

Strategic objective	Component
A: Strengthen the management capacity of the VET system	1: Establish the Namibia Training Authority
	2: Management development at VTCs
B: Improve the quality of VET	3: Establish competency-based education and training[147]
	4: Upgrade instructor qualifications and expand outputs
	5: Re-equip VTCs
C: Mobilise resources for training and use them efficiently	6: Establish the levy system
D: Expand VET outputs to meet labour market demands	7: Diversify and expand training provision

Source: NAMCOL (2012)[148]

In order to address these and other challenges, the VET system is undergoing reform. The Government of Namibia through the Ministry of Education embarked on an Education and Training Improvement Programme (ETSIP), a plan which spells out a new reform process for the education and training sector. The major strategic objectives for the VET sector are spelt out in the table below.

In connection with objective C above, the NTA has established the VET Levy, which is also known as the Training Levy. According to current proposals, the Levy amount will be 1.0%[149] of employers' total payroll. The NTA will act as the collection agency for the Levy and all employers operating within the borders of Namibia with an annual payroll of NAD 1 million or more are subject to the payment of the levy, with the following exceptions:

[147] Under the reforms, there are a number of initiatives to improve the transparency, recognition and quality of competencies and qualifications. Examples include the establishment of the National Qualifications Framework (NQF), the Namibia Qualification Authority (NQA), the SACC and the ISCs, etc.

[148] See http://www.col.org/PublicationDocuments/NAMCOL_Narrowing-skills-gap-through-VET_Nov2011.pdf

[149] In January 2014, the Minister of Education David Namwandi called on all companies to comply with stated regulations, saying: 'We have reduced the initial deductions from 1.5% to one percent and encourage companies to assist the government in training our people'. http://allafrica.com/stories/201401290984.html

- The state;
- Regional councils as defined in section 1 of the Regional Councils Act, 1992 (Act No. 22 of 1992);
- Charitable organisations;
- Public and not for gain educational institutions;
- Faith based organisations, whether or not supported wholly or partly by grants from government; and
- Other institutions successfully applying to the Minister for an exemption.

Of the money collected, proposals are for 50% of it to be paid to employers who will have complied with a number of conditions, including training a minimum number of employees and spending a specified proportion of their payroll on training. In other words, employers can claim reimbursements for the costs of training their employees provided they satisfy a given set of conditions. The NTA proposes to use 15% of the funding allocations for the NTA's administration expenses and 35% for 'key priorities' such as strategic projects for VET expansion, sector needs and other items as outlined in the NDP4. Any unclaimed funds from the pool set aside for reimbursements are also to be re-directed to key priorities.

6.3.2 Labour market intermediation by MoLSW: orientation and placement

MoLSW has set up an Employment Creation Commission that will create a forum for information-sharing, analysis and coordination of economic policies and programmes to promote the creation of more jobs.[150]

MoLSW operational efficiency and regulatory framework theme has strategic objective 2.4, which aims to 'Ensure employment promotion'. In pursuit of this objective, the Ministry's Labour Market Services unit provides the following to job seekers:

1. Needs-driven labour market information (allocated NAD 2.5 million for the period 2011/12 to 2015/16). Under this heading, the Namibia Integrated Employment Information System is being piloted. The system, also known as the Namibia@Work programme, is an information management solution for recording and tracking the unemployed, linking them with skills development and employment opportunities. The portal is an integrated repository of:

    - All jobseekers (employed or unemployed);
    - Training providers, courses and their schedules;
    - Potential employers;
    - Work opportunities or jobs;
    - Other opportunities;
    - Education/skills of people;
    - All available bursaries;
    - Suppliers/contractors/businesses.[151]

    The Namibia@Work programme interacts with the unemployed not only through the online portal but also through social networking sites such as Facebook.[152]

[150] See www.namibiaatwork.gov.na/

[151] See www.namibiaatwork.gov.na/index.php/leadership/the-ps/executive-overview

[152] See www.facebook.com/namibiaatwork

2. Vocational counselling and career guidance allocated NAD 10 million for the period 2011/12 to 2015/16.

3. Registration of job seekers for placement allocated NAD 28.8 million for the period 2011/12 to 2015/16.

Figure 6.6 MoLSW Labour Market Services

From left to right: MoLSW recruitment for the Husab uranium mine project; an employment services officer giving advice to an unemployed youth
Sources: Pictures taken by the authors during field visits

Under the new Employment Services Act (2011) it is the duty of the Employment Services Division of MoLSW to register job seekers, to seek employment opportunities for them and further to assist applicants with preparations for job interviews.[153] The National Employment Services Sub-division registers unemployed people. In 2013 there were 11 employment services offices countrywide within labour centres.

6.3.3 The Development Fund (DF) of the SSC

The DF of the SSC was instituted in terms of Section 37 of the Social Security Act, 1994 (Act No. 34 of 1994). The official website states that its main objects are to:

> *'a) Conduct training and employment schemes approved by the President of the Republic of Namibia for the benefit of socio-economically disadvantaged persons who are unemployed;*
> *b) Grant bursaries, loans and other forms of financial aid to students enrolled at any recognized technical or academic institutions of higher education'*.

The DF of the SSC currently runs four schemes: training schemes, employment schemes, bursaries and the study loan scheme. As at March 2013, the training and employment schemes had a total of 1,500 and 400 beneficiaries respectively.

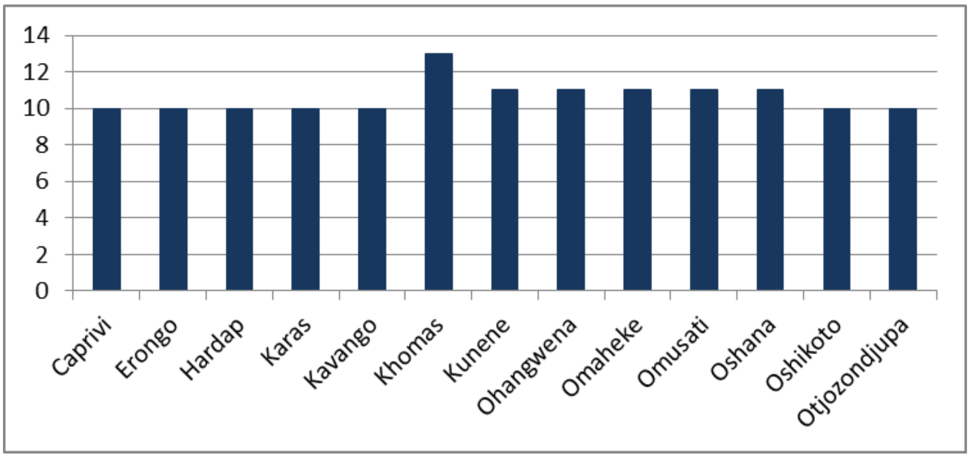
Applicants qualify for the bursary scheme if they are:

a) Unemployed and pursuing full-time studies toward a first diploma or a first degree at a recognised institution of higher education in the SADC region; and
b) Namibians from all regions and all ethnic groups with a Grade 12 or equivalent qualification.

[153] See http://allafrica.com/stories/201305241067.html

Furthermore, the bursary is means tested and only children of parent(s) whose combined income does not exceed NAD 150,000 per annum may be considered. Other socioeconomic considerations may also be looked at, such as orphans, children whose parents are unemployed, or children of pensioners. The bursary is offered to candidates who intend on carrying out studies in social work (social sciences), medical-related fields, engineering and artisan-related fields. There were 138 beneficiaries as at March 2013 and, as the diagram below shows, these were fairly evenly distributed across the different regions.

Figure 6.7 DF bursary beneficiaries



Source: SSC (2013)

The DF also provides low interest study loans of up to NAD 150,000, on the basis of the same eligibility criteria as for the bursary. As at March 2013, there were 35 recipients of the loan scheme, of which 18 are women.

The SSC also recognises the importance of contributing to a healthy growing workforce and the provision of protection to all workers. The institution's mandate is therefore likely to be expanded to allow it to introduce:

- An Unemployment Insurance scheme. The SSC envisages the introduction of special programmes that will target the youth with the aim to fix youth labour demand and supply deficiencies.
- An early Return to Work Programme (for victims of occupational accidents); and
- The extension of social security to the formal sector.

To this end, the SSC is in the process of commissioning feasibility assessments that will allow the actual designs of the programmes to be finalised before the end of the year.

6.3.4 MoGECW's employment and entrepreneurship initiatives

Through MoGECW the government also offers an income-generating activity grant to eligible persons. The grant is targeted at citizens 18 years or older, who come from previously disadvantaged backgrounds and cannot access regular bank loans due to lack of collateral. It also targets women entrepreneurs with disabilities. The grant only goes to those who have economically viable project proposals with the potential to create employment opportunities.

The grant amounts depend both on the viability[154] of the project and its job creation potential. Thus far some of the projects that have received support include tailoring, brick making, catering and carpentry

6.3.5 Food-for-work programmes

As already discussed, a large percentage of the country's population depends on subsistence agriculture (15.8% of the labour force[155]) for a living. This means that in times of drought or floods, many citizens are left unemployed and at risk of starvation. In such cases, the government steps in to support able-bodied citizens with food in exchange for their participation in some economic/development activity. For example, in response to the low level of rainfall in the 2012/13 season, the government announced a food-for-work programme for 2014.[156] The aim of this and other food-for-work interventions is not just to give cash[157] or food but to help the participants gain useful experience that helps improve their future labour market outcomes.

Past reviews of these programmes have noted a number of challenges that they face. First is the issue of coverage. Over 90% of the country receives erratic rainfall and during drought periods, the need often overwhelms the reach of these programmes (Chiripanhura and Niño-Zarazúa, 2013). This speaks less to resourcing issues but rather to the low administrative capacity of the country, which becomes severely strained when faced with national emergency situations such as drought. Subbarao (1998) suggested developing capacity outside government to augment the state's capacity. Examples could include the delegation (or collaboration) of the implementation of programmes to agents such as non-governmental organisations and the private sector.[158]

Chiripanhura and Niño-Zarazúa (2013) argue that, in general, the wage levels for these programmes are low enough to target the poor.[159] In addition, in such partnerships, the private sector actors are encouraged to equip the workers with skills that improve the workers' labour market chances once they graduate from the programme. In some of these partnerships, challenges such as the incompetence of some of the private sector contractors and corruption in the award of tenders still hamper effective implementation (Chiripanhura and Niño-Zarazúa, 2013).

6.3.6 The Targeted Intervention Programme for Employment and Economic Growth (TIPEEG)

The TIPEEG is a three-year government programme that was started in the 2011/12 fiscal year with the main aim of addressing the high unemployment rate, while also supporting

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154 The requirements include that: the project should be new or in existence; existing projects should produce good quality items and must have a market to sell to; and new projects should show potential for growth into small firms, and should also have potential to create jobs (Chiripanhura and Niño-Zarazúa, 2013).

155 According to the 2012 NFLS.

156 President's Press Conference on the drought situation in the country, 17 May 2013, State House, Windhoek.

157 In areas where markets exist, cash is sometimes given in place of actual food.

158 Existing examples of such arrangements include how, for public works, the government already works together with donors in the construction and maintenance of infrastructure such as schools and roads, with the private sector actors as the implementing agencies.

159 However, leakages do occur when these wage levels are still high enough to attract those who are not necessarily the poorest.

strategic high-growth sectors including agriculture, tourism, housing, transport and public works. When it was launched, it was expected that successful implementation of the TIPEEG should result in the creation of about 104,000 direct and indirect job opportunities, including the preservation of existing jobs related to government projects. The programme is monitored by the Cabinet Committee on Overall Policy and Priorities, chaired by the President. This committee receives quarterly progress reports from the Director General of the National Planning Commission. The TIPEEG Implementation Committee, comprising the permanent secretaries of the OPM, MoLSW and the MoF, leads the implementation of the programme and reports to the Director General of the National Planning Commission. In terms of execution of the projects, the supervision is the responsibility of the relevant ministries, although the decisions with regard to procurement are the responsibility of the TIPEEG Implementation Committee.

An interim evaluation by the National Planning Commission shows that implementation of the TIPEEG has been slow, resulting in fewer jobs being created relative to the number of new entrants into the job market and those that are unemployed. The programme created only about a third of the targeted new jobs, and the implementation was slow between 2011 and 2012 (MoF, 2012).[160] In addition, weaknesses in inter- and intra-sectoral linkages were noted as some of the impediments to effective job creation. Others have also noted concerns around the sustainability of the jobs being created, but it is hoped that the programme's skills development component will help to increase the long-term employability of recipients.

6.3.7 The Namibia Development Corporation (NDC)

The NDC is a state lending institution mandated with providing credit and business training to small enterprises. Although it charges interest at the going bank rate, it appeals to small businesses including informal ones because credit is often extended without the need for collateral. Some of the weaknesses[161] in the initiative are that it has been accused of having a continued bias toward urban activities and businesses,[162] the unavailability of information/inadequate marketing, and the separation between the lending arm and the business training side of the institution. Concerns have also been raised about the sustainability of the institution, which has in the past been reported as having default rates as high as between 30% and 40% (Subbarao, 1998).

6.4 Housing and other support programmes

Aside from labour market-linked interventions, there are other social expenditures that are crucial to improving the wellbeing of Namibians. These include the NHE, the BTP and housing subsidies. Other interventions presented in this sub-section, in summary form, include the NARF, the OPM – Emergency Management Unit, the Ministry of Agriculture, Water and Forestry Farmers' Relief Programme and the San community programmes. As was the case with the labour market-linked interventions, either the lack of consistent data or the small size of the scheme (in terms of expenditure or population covered) make it difficult

[160] See MoF: Fiscal Policy Framework 2012/13–2014/15 at www.mof.na/Downloads/Budget%20Documents/Budget%202012/Budget%20new/Final%20FPF%202012%2007%2003%2012%20%282%29_new2.pdf.

[161] These are noted by Seiche (1995) and Chiripanhura and Niño-Zarazúa (2013).

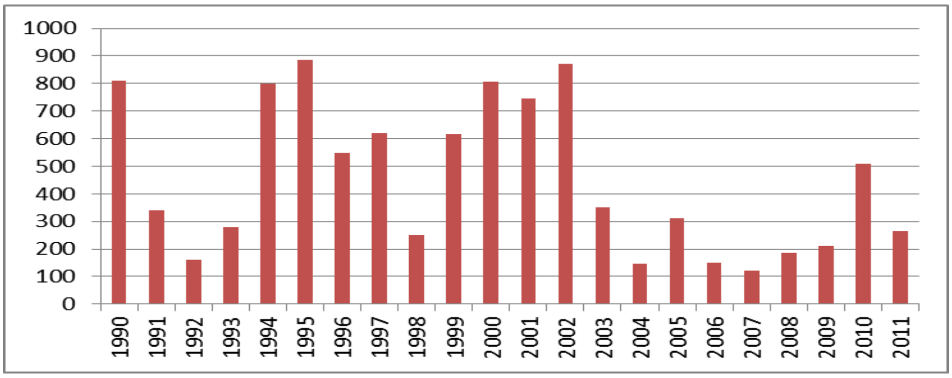
[162] Subbarao (1998) also noted that the venture capital nature of the NDC operations precludes the poor and unskilled people from benefitting substantially from the initiative.

to review them at the same level of detail and rigour as is done for the main social protection schemes earlier in this chapter.

6.4.1 The National Housing Enterprise (NHE)

One of the government's key initiatives aimed at improving access to decent housing is the NHE. This lending institution was established in 1993, carrying on from the National Building and Investment Corporation.

Figure 6.8 Housing delivery by the NHE, 1990–2011



Source: Sweeney-Bindels (2013:18)

The NHE is housed and administered by the Ministry of Regional, Local Government and Housing and it targets low- and medium-income households, whose earnings are between NAD 5,000 and NAD 20,000 per month.

Between 1993 and 2010,[163] the NHE was inconsistent in terms of the number of houses constructed each year. Noticeable peaks were in 19994, 1995, 2000 and 2002. In recent years, there has been a decline in the number of houses constructed per annum. One of the reasons for the slowdown is the scarcity of land to build on. In realisation of this constraint, government now provides subsidies to allow it to acquire more land to build on, which is a move meant to help clear the existing national housing backlog. Another challenge is that because of many reasons including the fact beneficiaries need to provide collateral or pay a 5% deposit, the programme still primarily benefits urban citizens (i.e. more middle- than low-income households).

6.4.2 The Build Together Programme (BTP)

The BTP is also administered by the Ministry of Regional, Local Government and Housing. Established in 1992/93, it was decentralised to local authorities and regional councils from 1998. The BTP is structured into four sub-categories. The first is the urban/rural housing loans scheme, which provides loans to a maximum NAD 40,000 to people with a monthly income of less than NAD 3,000 who cannot access credit. It benefited 13,263 individuals between 1992 and 2006. The second sub-category is the social housing scheme, which provides loans to local authorities to provide social housing to pensioners, the destitute and the disabled. A total of 339 houses in the Oshana, Otjosondjupa, Oshikoto, Kunene, Erongo, Hardap, Karas and Omaheke regions have been constructed under the scheme. The third sub-category or scheme is the single quarter transformation scheme, which seeks to transform the single quarters across the country into family units for individual residents. The scheme recovers the costs of construction from the beneficiaries and, by 2006, 1,355 houses

[163] Between 1990 and 2010, the NHE received NAD 109 million dollars from the government (Chiripanhura and Niño-Zarazúa, 2013).

had been constructed. The last scheme is the Informal Settlement Upgrading Scheme, which provides basic services like water, roads, electricity, sewerage disposal and electricity to informal settlements.

Between 1990 and 1998, the BTP supported the construction of about 10,244 houses and 16,430 more were constructed from 1998 through to 2010. Overall, government expenditure on the BTP was over NAD 900 million. Spending on housing peaked at 1.2% of GDP in 1992/93 before declining thereafter to an average of less than 0.4% between 2010 and 2013 (Sweeney-Bindels, 2013).

6.4.3 Housing subsidies

In Namibia, urban local authorities can offer support to poor families, especially when faced with a shock. One way this is done is through housing subsidies whereby needy households who have defaulted on rent can appeal to local councils for assistance with their rent. It is a self-selective process whereby the household is required to make an application in writing that can then be approved by the local authorities once all verification processes have been carried out. Besides the fact that the benefits only go to urban households, some concerns regarding possible abuse of the system and leakage have been raised.

6.4.4 The Office of the Prime Minister (OPM) – Emergency Management Unit

In order to support poor, rural citizens who depend primarily on subsistence agriculture, the OPM provides two types of assistance: free drought aid assistance and the National Emergency Disaster Fund.

Under free drought aid assistance, the OPM provides free food assistance and subsidies on fodder, transportation and marketing of livestock. Under the National Emergency Fund, the OPM provides subsidised agricultural inputs.

6.4.5 Ministry of Agriculture, Water and Forestry's Farmers' Relief Programme

The government runs a number of agricultural support programmes aimed at giving farmers support, especially during periods of poor rainfall. The Ministry of Agriculture, Water and Forestry's Farmers' Relief Programme is the flagship agricultural support programme run by the Ministry through the 128 agricultural development centres and offices of the Directorate of Veterinary Services across all regions in the country. The programme typically has the following two components:

a) Water supply programme; and
b) Livestock support.

In 2013, NAD 219 million was allocated for the programme, with the water supply aspect being allocated NAD 169 million and livestock support the remaining NAD 50 million.

Under the water supply programme, the government funds the purchase of drilling rigs and accessories, the sinking of boreholes, water tankers and rehabilitation of existing water supply infrastructure. The livestock support programme includes a livestock marketing scheme, livestock grazing scheme for farmers to either transport their livestock to areas where they can graze or for them to purchase stock feed (50% subsidy), and a transport subsidy.[164]

[164] In 2013, the transport subsidy was set to cover 50% of the km tariff to a max of NAD 16 per km for trucks and NAD 8 for light ones.

6.4.6 San community programmes

The present analysis has highlighted some of the programmes that the government uses to support vulnerable households, especially in emergency situations such as drought. For all of these, some concerns have been raised about the risk of creating a dependency culture among beneficiaries. In order to minimise this risk and to complement the emergency interventions, government also provides assistance to marginalised communities to protect and promote food security and nutrition among them. An example is an initiative through which the government provides livestock[165] implements to poor households in San communities. In addition, government also supports with the construction of boreholes and improving water supply as well as the building of community gardens and the establishment of small livestock revolving schemes. In 2008, 135 households benefited from the various schemes (Chiripanhura and Niño-Zarazúa, 2013). There are also some temporary employment schemes aimed at benefiting the unemployed in the San communities.

6.5 Conclusions

Education

Low enrolment: While the increased spending on education is indicative of the importance that government puts on improving the system, there still a number of challenges including low enrolment driven by relative high costs of school fees, poverty and malnutrition. In this connection, the scaling up of the NSFP is an encouraging development. The extension of the school feeding policy to secondary schools could also be a positive policy move. Schemes such as the NSFAF should also be expanded

Other issues: Namibia's education system is also faced with problems in terms of delivery of quality outcomes which have been attributed to poorly designed and outdated curricula, an insufficient teacher–student ratio, lack quality learning material and poorly trained teachers. These issues will need to be addressed in order to reduce number of under qualified, unemployed youths.

Strengthening the VET system: Some of the challenges that have been identified as plaguing the VET system include the uneven access to the centres, low quality of training facilities and equipment, shortage of quality teaching staff and the differences in the standard of the curricula used by each centre. Encouragingly, the system is undergoing reforms including the improvement of the funding of the system through the VET levy. The NTA aims to work on increasing the number and quality of centres as well as standardising the courses on offer.

Active labour market interventions

MoLSW initiatives: New and promising initiatives by the ministry include the launching of the Employment Creation Commission, and the Namibia@Work programme. These efforts compliment current efforts by the ministry's LMS unit to link job seekers to employment opportunities and provide vocational counselling.

Other labour market-linked programmes: The DF of the SSC also offers the unemployed with bursaries, loans and training schemes although the coverage of rural and marginalised areas could be improved. Other job creation interventions such at the MoGECW's employment entrepreneurship initiative, food for work programmes also should be strengthened by improving their coverage of rural and marginalised areas.

[165] These animals are typically used for draught power.

Other support programmes

Both the OPM – Emergency Management Unit and the Ministry of Agriculture, Water and Forestry's Farmers' Relief Programme are essential to the improvement of rural livelihoods. These initiatives provide support to many citizens who rely primarily on subsistence farming for a living.

7 Coverage of social grants and their impact on poverty and inequality

Chapter overview
• Overall, the current social grant system has had a significant impact on poverty but a more limited impact on inequality, primarily because of the low level of the grants (especially the child grants) relative to other income sources as well as the fact that not all vulnerable groups are covered. • The OAP has had the biggest impact on child poverty, reducing the child poverty rate by almost five percentage points (all other grants equal). • Although they have had an impact on child poverty, the current suite of child grants is not geared toward reducing general child poverty and there is an opportunity to expand the system to ensure it covers more vulnerable children. • The OAP not only reduces poverty among senior citizens but also children, the unemployed and those in low-income employment such as subsistence farming.

7.1 Introduction

This chapter draws on the 2009/10 NHIES to look at coverage among the poor and then presents an analysis of the impact of the current system of social grants on poverty and inequality.

The analysis focuses primarily on non-contributory, tax-financed social assistance (or social grants, as they are more commonly referred to in Namibia) as they are the core programmes through which the Namibian government provides basic income security. Furthermore, because the benefits of social insurance and occupational schemes are not typically well captured by household surveys (partly because they affect only a small part of the population and partly because questionnaires are not precise enough), the analysis does not include them. Finally, while access to goods and services such as essential health care are important SPF guarantees, the data also do not allow for an in-depth analysis of the impact that the provision of these goods and services has had on poverty and inequality.

The chapter begins by presenting a brief summary of the household data and some of the limitations of the data. This is followed by an assessment of how well the current social assistance system reaches these groups. Finally, the chapter looks at how well the system, as a whole, has managed to reduce poverty and inequality nationally.

7.2 Data and methodology

Number of observations and individual coverage

The NSA have made significant progress in improving the quality of household survey data and a possible step forward could be the introduction of a dedicated social benefits module to the NHIES. Currently, the best information available on coverage of social benefits comes from the income module, where social benefits are declared as income sources. This is a limitation as there is a well-documented tendency for interviewees to underreport their income sources, as is indicated below.

The publicly available NHIES dataset (see Annex C for further analysis) presents some important limitations that constrain this analysis. First, the survey sample captures a substantial number of beneficiaries for only a few social benefits. A minimum of observations is required in order to produce robust calculations and only the OAP has a substantial number of observations that allow for a statistically significant breakdown of the total number of beneficiaries by key variables such as region, education and household income. The problem is illustrated by looking at the 95% confidence intervals in Annex C.2, where many of the estimates have very wide confidence intervals.

On the OAP, even though there is slightly better recording of individual OAP recipients than other grants, there seems to be a worrisome level of under-reporting (when compared to administrative data). For instance, according to the administrative data provided by MoLSW, there were a total of 130,567 OAP recipients in 2009. The 2009/10 NHIES estimates indicate the number of persons who reported receiving the grant to be only 59,646[166]. In other words, the survey captures only about 45.7% of all recipients registered in the administrative data.

[166] According to the survey there were 141,714 persons entitled to receive the OAP

Moreover, estimated coverage is still low when looking at the number of elderly people in households that reported receiving the grant (estimated at 70,037; 53.6% of actual recipients as per the administrative data).[167] Owing to the issue of possible under-reporting of OAP recipients, the chapter does not include an analysis of the direct impact that the OAP has had on the recipients of the grant. However, following similar analysis by the NSA in their *Child Poverty in Namibia* report and that by Levine et al. (2011), this chapter does present analysis of the impact that the OAP has had on child welfare as well as overall poverty levels.

The NSA also acknowledges the concerns regarding analysing the coverage of child grants and states that '*the survey does, however, not show the number of children who are getting the grants, only whether such grants are received within a household and also the amount respondents say they receive.'*[168] The analysis they present assesses the poverty status of a child on the basis of the poverty status of the household they live in, assuming that, where child grants are received in a household, they benefit all children in the household. This probably explains some of the inconsistencies between the coverage estimates that can be obtained from the NHIES and actual administrative data on the number of beneficiaries.

In addition, the NHIES does not ask specific questions about disability. Instead there is one question asked only to those who did not work in the last seven days, which identifies those 'unable to work due to illness, disabled.' Although an assumption can be made that those who declare that they receive disability grants are indeed disabled, it is difficult to identify those who are disabled but are not receiving the benefits. It is also not possible to simulate the Special Maintenance Grant (SMG).

Methodology

Given the constraints that the NHIES presents, in addition to new analysis, the current chapter also draws on past official (i.e. NSA) and peer-reviewed work[169] based on the 2009/10 and 2003/04 NHIES datasets. Unless otherwise stated, and following past NSA reports on poverty, the analysis presented assesses the poverty status of individuals on the basis of the poverty status of the household they live in and it too assumes that, where social assistance grants are received in a household, they benefit all members in the household. Furthermore, owing to the data limitation already described, the analysis – to the greatest extent possible – tries to avoid disaggregating the data by region, decile, etc. Welfare and poverty estimates are based on consumption expenditure rather than income, which is the

[167] Income variables in the public NHIES dataset are aggregated at household level so it is not always possible to know who the recipient is. If, for example, there is a household with two elderly members that says it is benefiting from the OAP, one does not know if both of them are the recipients or just one and if so who. The value of the transfer received can be used as proxy, but these values are somewhat erratic and can differ from the legally mandated transfer.

[168] They also explain that according to the survey data, 146,189 children are in households that receive pensions and 77,475 in households that receive child maintenance or foster care grants. However, according to administrative data, there were 110,639 people who received child maintenance and foster care grants in December 2009 (NSA, 2012).

[169] An example of this is Levine et al. (2011), who used the 2003/04 NHIES to analyse the impact and coverage of social benefits. For 2003/04, they report that, after making an adjustment for sensibility (such as recognising individuals as being OAP recipients only if they are age eligible and their annual income does not exceed), compared to administrative records the adjusted survey data slightly underestimate the total OAP amounts received (by 17%) and the number of recipients (by 6%). Furthermore, the data over-estimate the total child maintenance grant/foster care grant amounts received (by 14%) and the number of recipients (by 6%).

standard practice. Incomes are frequently underreported and therefore might bias estimations.[170]

7.3 Coverage of social grants

This sub-section focuses on exploring the extent to which the current system of social grants reaches the intended groups. However, the data challenges discussed above limit the analysis to what has already been presented by the NSA as well as others such as Levine et al. (2011).

7.3.1 Coverage of children

As shown in Table 7.1, the grant that covers the highest proportion of children is the OAP (18.2%). This is likely to be an understatement, given the substantial under-reporting of OAP recipients already discussed.

Table 7.1 Social grants and child poverty

	% of children covered	% of poor children covered
OAP	18.2	22.1
Disability pension	4.7	5.9
Child maintenance/foster care grants	9.6	10.5
Special maintenance grant (disabled under 16)	1.3	1.0
War Veterans' Subvention	1.4	1.6

Source: NSA Child Poverty report (2012)

Regardless, the result, which is taken from the NSA's child poverty report (and which the authors replicated using the NHIES), still shows the reach that the universal OAP has.

7.3.2 Targeting of poor children

Table 7.1 also shows the extent to which the different grants reach poor children. As expected, the OAP does a better job of reaching poor children than the different child grants. While the OAP supports 18.2% of all children and 22.1% of poor children, only 10.5% of poor children are receiving the child maintenance and foster care grants.[171] This underscores the point that the current suite of child grants is not adequately geared to reducing general child poverty.

Child Maintenance Grant

Levine et al. (2011) find that the child grants did not effectively reach the poor. According to their analysis of the 2003/04 NHIES, the 40% poorest individuals received only 50% of child grant income. For a means-tested benefit, the extent to which the Child Maintenance Grant reaches poor children is relatively low. The major criteria for qualification for the grant directly or indirectly target the poor.

[170] Moreover, following the NHIES methodology, in order to obtain adult equivalent total expenditures, monthly household total expenditures were divided by the number of adult equivalents found in the household. To compute the number of adult equivalents, a weight of 0.5 was given to children under the age of 6 years, a weight of 0.75 was assigned to children between 6 and 15 years of age, and a weight of 1 was given to all members 16 years and over.

[171] The figure is much smaller (1.0%) for the special maintenance grant.

In addition to the means test, the grant targets children in vulnerable households where the grant applicant is a biological parent with a spouse who is receiving an OAP or disability grant, has passed away, or is serving a prison sentence of at least six months. These are likely to be poor households and so this criterion is intrinsically pro-poor.

The fact that the grant covers many non-poor children raises important questions around whether the means test is being applied appropriately and whether the measure (or the threshold) of welfare used in the test is appropriate. With the means test threshold being linked to the applicant/individual care giver, it is entirely possible that the grant goes to households that are not poor if other household members have (other) better sources of income. Levine et al. (2011) highlight this possibility and that the potential for such leakage is supported by the finding that the share of eligible households that receive child grants is not significantly different whether the household income is above or below the NAD 1,000 per month threshold. This finding is robust to different specifications of the household welfare variable (Levine et al., 2011).

Foster Care Grant

The main eligibility criterion for the foster care grant limits access to the grant to single or double orphans and so it too has an in-built poverty targeting element. Since poorer households tend to have higher numbers of children and orphans are over-represented among lower-income households, the eligibility criterion ensures some targeting of poor households. This might be part of the reason why 35.7% of households receiving this grant are poor (a much higher proportion than for the Child Maintenance Grant). However, this does not mean that there is efficient targeting within the group of eligible.

Special Maintenance Grant

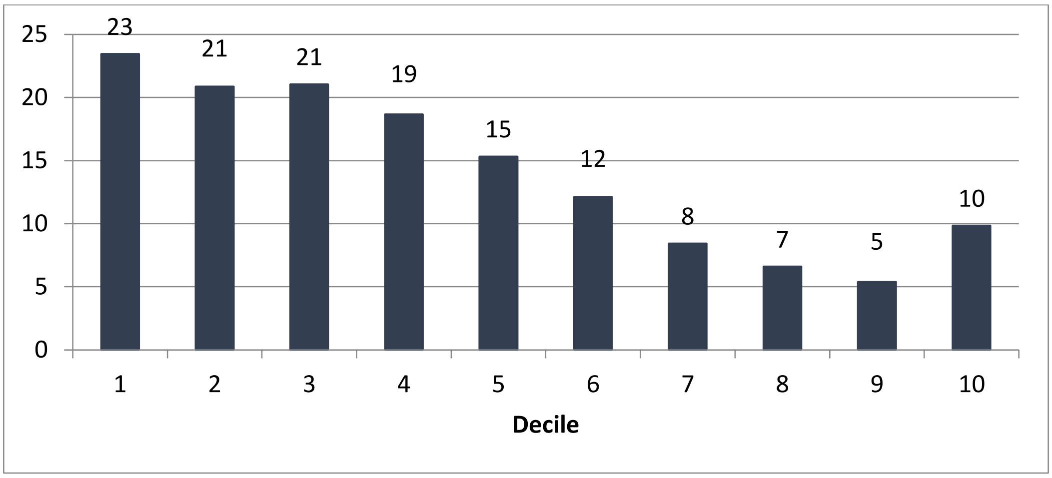
The finding that only 14.2% of households receiving the Special Maintenance Grant are poor is hardly surprising, as grant eligibility is based on a medical assessment.

7.3.3 Targeting of poor elderly people

One of the main debates around the OAP in Namibia has been on the extent of leakage, i.e. the receipt of the OAP by non-poor individuals. For instance, using the 2003/04 NHIES, Levine et al. (2011) disaggregated the number of grant recipients by income decile[172] and found that the 40% poorest individuals receive almost 70% of the total OAP. They went on to note that this means that the OAP is a highly ‘pro-poor’ intervention, although some concerns could still be raised about leakage.

[172] Suspicions of significant underreporting in the largest and most important benefit (the OAP) in the 2009/10 NHIES make it unadvisable to try and disaggregate the number of grant recipients by income decile. For similar reasons, the poverty profiles of OAP recipients are also not presented.

Figure 7.1 Distribution of the population over 60 years of age by income decile



Source: Authors' calculations using NHIES 2009/10

Figure 7.1 shows the distribution of Namibia's elderly (above 60 years of age) by income decile (based on the 2009/10 NHIES). It is clear that the majority of Namibia's elderly people are in the lower-income deciles. This means that a universal OAP would provide income support mainly to poor elderly persons. However, the debate on leakage has led to discussions on how the OAP can target the poor better, including proposals for the introduction of a means test. In the sub-sections that follow, a more comprehensive approach to assessing the issue of means testing is presented, emphasising that means testing will have benefits and costs that are both financial (easier to measure) and non-financial.

7.4 Impact of social grants on household welfare

Following Levine et al. (2011), the analysis of the overall impact on poverty of the cash transfers is descriptive and static. The effects of the transfers on different poverty measures were simulated,[173] assuming that the transfers are not associated with behavioural changes. This is done by artificially subtracting the amount of the transfers and calculating the pre- and post-poverty measures (see the table below). The results are the contrasted with those presented by Levine et al (2011) whose work was based on the 2003/04 NHIES.

Table 7.2 and 7.3 show that, according to analysis on both the 2003/04 and 2009/10 NHIESs, the system of social benefits has a positive and significant effect on poverty reduction, regardless of the poverty measure.

[173] Following Levine et al (2011), this report uses the decomposable class of poverty measures proposed by Foster et al. (1984). Three poverty measures are used. First is the poverty headcount or incidence of poverty. The second is the poverty gap, which is a measure of the relative distance to non-poverty (i.e. to the poverty line). The last measure is the square of the poverty gaps, which is a measure of the severity of poverty.

Table 7.2 Poverty (individuals) with and without transfers

	2003/04			2009/10		
All benefits	**Poverty**			**Poverty**		
	With transfers	Without transfers	Effect of transfers (%)	With transfers	Without transfers	Effect of transfers (%)
Headcount (FGT 0)	0.378	0.420	-10.0*	0.287	0.351	-18.2***
Gap (FGT 1)	0.129	0.168	-23.2***	0.088	0.157	-43.9***
Severity (FGT 2)	0.061	0.091	-33.0***	0.039	0.184	-78.8***

Source: Authors' calculations using NHIES 2009/10 and Levine et al. (2011)
Note: _Significant at 10%, significant at 5%, significant at 1%.

Based on the 2003/04 survey, 37.8% of the population were poor relative to the higher poverty line, whereas in 2009/10 it was the case that 28.7% of the population were poor. In terms of the impact of the grants on poverty incidence, Levine et al. (2011) find that, using the 2003/04 survey, the direct effect of the grants was to lower poverty incidence by 10% (Table 7.2).[174] The 2009/10 results in the grants lowering poverty incidence by 18.2%.

The analysis on the 2003/04 survey found that severe poverty affected 20.2% of the population. According to the 2009/10 survey, severe poverty affected a smaller proportion of the population (15.3%). In terms of impact then, the direct effect of the transfers was to lower severe poverty incidence by 22% in 2003/04 and by a greater proportion (31.2%) in 2009/10.

Table 7.3 Severe poverty (individuals) with and without transfers[175]

	2003/04			2009/10		
All benefits	**Severe poverty**			**Severe poverty**		
	With transfers	Without transfers	Effect of transfers	With transfers	Without transfers	Effect of transfers
Headcount (FGT 0)	0.202	0.259	-22.0***	0.153	0.223	-31.4***
Gap (FGT 1)	0.059	0.091	-35.2***	0.041	0.109	-62.4***
Severity (FGT 2)	0.026	0.047	-44.7***	0.017	0.227	-92.5**

Source: Authors' calculations using NHIES 2009/10 and Levine et al (2011)
Note: _Significant at 10%, significant at 5%, significant at 1%.

Thus, the social grant system has reduced severe poverty to a greater extent than it has reduced the poverty headcount. In other words, the grant system not only contributes to poverty reduction but also increases the incomes of the poorest households so that they get closer to crossing the poverty or severe poverty lines.

174 Note that, according to Levine et al (2011), these findings are *not* robust to an alternative specification of the welfare variable so that using household income instead of consumption expenditure gives statistically insignificant results.

175 For this analysis, consumption expenditure is used as the welfare measure.

Because the OAP is the only universal benefit, it reaches more vulnerable households and much of the impact the current system has had on poverty and inequality may be attributed to it. This is echoed by the NSA's 2012 *Child Poverty in Namibia* report, which shows that the OAP has had the biggest impact on child poverty and that if it was stopped and all other grants received, the child poverty rate would have been 38.8% instead of 34%. Without the child maintenance and foster care grants (but with the OAP), child poverty would have been marginally higher at 35.4% than the prevailing level of 34%. Removing all social grants would have meant a child poverty rate of up to 40.8%, an appalling prospect.

Figure 7.2 A market at a pension paypoint

Elderly beneficiaries buying food supplies at a market set up at a pension paypoint.
Source: Picture taken by the authors during field visits

7.4.2 Impact on inequality

According to our analysis of the 2009/10 NHIES, although the social grant system has a positive impact on poverty reduction, the transfers have less of an effect on reducing the extremely high level of inequality. The analysis of the 2003/04 NHIES came to a similar conclusion (Levine et al, 2011).

Based on an analysis of the 2009/10 NHIES data, Namibia has a Gini coefficient of 0.597, which indicates high levels of income inequality.[176] Table 7.4 presents the results of a simple exercise: the amount of the transfers received was artificially subtracted from the households'

[176] The Gini coefficient is a measure of income distribution in a country and it ranges from 0 to 1. An equal distribution of income gives a coefficient close to 0, i.e. lower Gini coefficients are more equal.

incomes and the Gini coefficient was re-estimated and compared to the real one. This simulation allows us to identify, in a simple way, the contribution of the benefits to the reduction of inequality.

Table 7.4 Gini coefficient with and without transfers

Benefit	Difference on the Gini coefficient	Gini coefficient without transfer
All benefits	-0.031	0.628 (0.615–0.640)

Source: Authors' calculations using NHIES 2009/10[177]

According to the results shown in Table 7.4 the 95% confidence range is wide, suggesting that grants make no statistically significant impact on inequality.

Levine et al (2011) also comment on the barely statistically significant impact the grants have on inequality. They also add that inequality decompositions commonly show that social grants have limited effects on measures of distribution but a larger effect on poverty, because of the overall magnitude of grants compared to other income sources in the economy. Levine et al (2011) note the tussle between different sources of income. While the overall effect of wages and salaries is inequality increasing for more than 80% of the population, social grants disproportionately go to poorer[178] individuals and thus decrease inequality.

7.5 Conclusions

Analysis of the NHIES reveals that impact of the Namibian social grant system overall is positive. The system has had a significant impact on poverty but a more limited impact on inequality. The impact on inequality has been limited mainly because of the low level of the grants relative to other income sources as well as the fact that the system currently does not cover all vulnerable groups.

Social grants and children: According to analysis of the NHIES, the OAP has had the biggest impact on child poverty, reducing the child poverty rate by almost five percentage points (all other grants equal). Furthermore, although social grants have had an impact on child poverty, the current suite of child grants is not geared toward reducing general child poverty and there is an opportunity to expand the system to ensure it covers more vulnerable children.

Social grants and the elderly: Currently, the OAP reaches more households than any other grant. It is therefore not surprising that the OAP not only reduces poverty among senior citizens but also children, the unemployed and those in low-income employment such as subsistence farming.

[177] Note: (1) Gini coefficients are calculated using the monthly per adult equivalente household income; (2) The *Difference on the Gini coefficient* column presents the results of substracting the actual Gini coefficient (0.597) to the coefficient without the transfer; (3) The coefficients without transfers are calculated by substracting from the household income the amount decleadred as transfers; (4) Brackets show a 95% confidence range.

[178] The 2009/10 NHIES shows that poverty is less intense among households whose main source of income comes from salaries and wages (15.7%) and that poverty appears to disproportionately affect pensioners (43.5%), subsistence farmers (39.4%), and those with household business income (24.5).

8 Achieving a Social Protection Floor for Namibia

Chapter overview

Taking the SPF life-cycle view, the chapter finds a number of gaps in Namibia's fairly comprehensive social protection system and proposes ways of improving the system.

Children

- In order to increase investment in children, who are the country's future, a policy option that can be explored is the phased abolishment of the current maintenance grants and special maintenance grants for children and the progressive/gradual introduction of a new universal grant (paid at the current level of child grant i.e. NAD 250).
- Further, in order to maximise the impact on child health and child development, at early stages and to extend income security for pregnant women, thought should be given to the introduction of a maternity benefit (monthly payment of NAD 250) paid to all expecting mothers (who do not contribute to the SSC – MSD)

Working age

- Namibia's youth unemployment is particularly high and negatively affects the country's long-term growth prospects
- Aside from the youth, there are also many individuals who are stuck in long term underemployment, engaged mainly in subsistence agriculture.
- A policy option that can be explored is an ESNP, which is a community-based public works scheme that can offer a maximum of two days (16 hours) of work per week.

Elderly

- Namibia's current universal OAP is one of the most important benefits in the current social grant system as evidenced by its impact on poverty.
- Questions have been raised regarding its sustainability, cases of double dipping and the potential for a targeted benefit to save money, which can be used to pay more benefits to the remaining eligible group.
- A possible policy option would be to introduce a simple income test whereby individuals that are in the tax system are excluded. The threshold can be set so as to ensure that the top 20% of earners are disqualified from the grant.

Attendant's Allowance

- Although it is currently legislated, the Attendant's Allowance is not currently in place. Further, the legislation does not cover the care of children in need of permanent care.
- A possible policy option is the introduction of an Attendant's Allowance, payable to disabled recipients of child grants, as well as those recipients of the OAP and disability grant who are in need of permanent care.

8.1 Introduction

Chapter 5 outlines Namibia's well-established social protection system and its different components, namely social assistance grants, social insurance schemes, private and occupational funds, medical schemes and other government interventions. The analysis reveals that social assistance reaches its largest coverage with the OAP, which provides income support to over 140,000 elderly persons each month. However, the analysis identified some gaps in the coverage of social assistance grants, with a large group of vulnerable groups not receiving any sort of income protection. The analysis presented in Chapter 6 shows that while social grants have had a positive impact on poverty reduction, the current package of benefits has had a limited impact on inequality owing to the low coverage and level of benefits paid to children and the absence of income support to other vulnerable groups such as the unemployed/underemployed poor. In other words, while the current social assistance system provides income protection for some stages of each citizen's life-cycle (primarily old age and specific child conditions) many poor Namibians go through life without income support.

In recognition of the fact that all citizens are exposed to different vulnerabilities through the different phases of their lives, the ILO defines SPFs[179] as '*nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and basic income security'* (see ILO, 2014).[180]

The ILO's SPF Recommendation 202 (R202), states that, in accordance with national circumstances, countries should aim to establish and maintain SPFs that comprise at least the following basic social security guarantees:

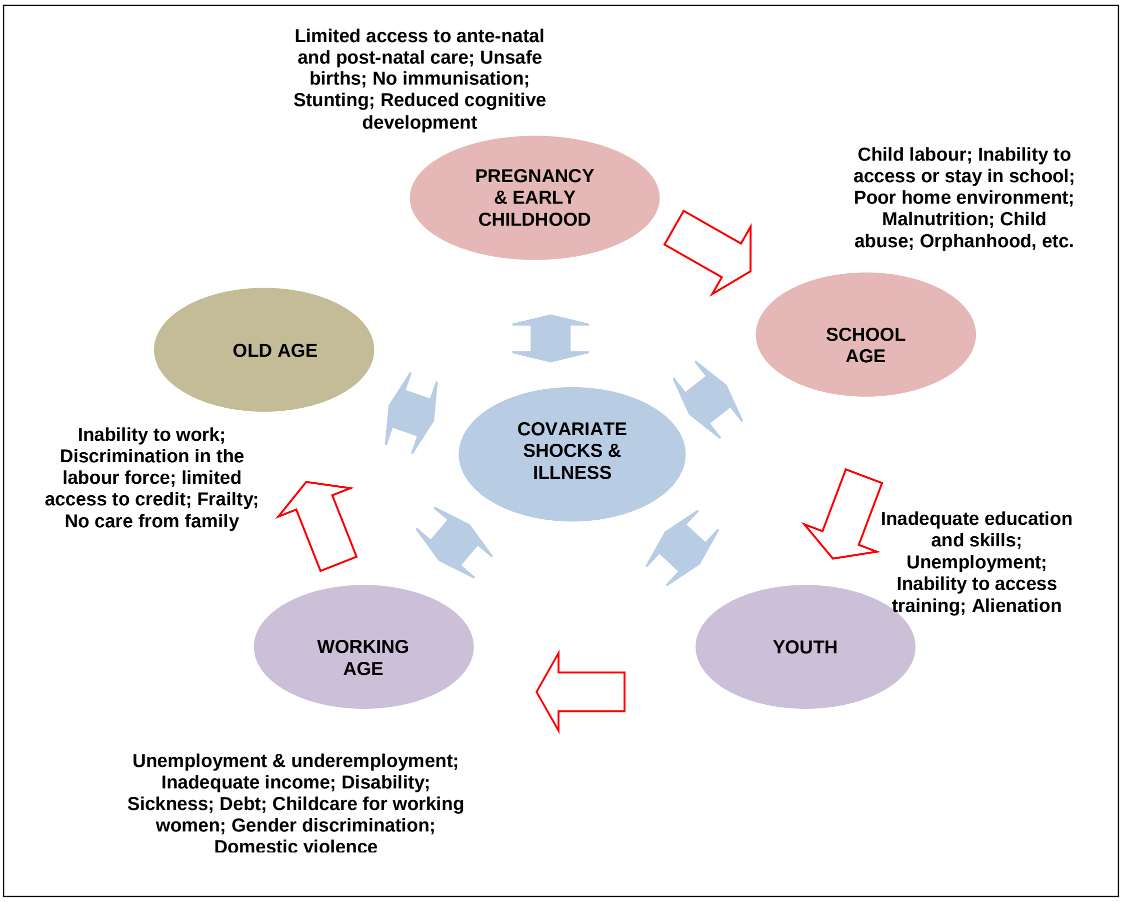
'*(a) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;*
(b) basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
(c) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
(d) basic income security, at least at a nationally defined minimum level, for older person'.

[179] The SPF concept is based on shared principles of social justice and is grounded in the Universal Declaration of Human Rights of 1948 (UDHR), the International Covenant on Economic, Social and Cultural Rights of 1966 (ICESCR), ILO Conventions on Social Security, the Convention on the Rights of the Child and other human rights instruments. It reflects the call of the UDHR for adequate life standards, access to health, education, food, housing and social security.

[180] See http://www.ilo.org/secsoc/areas-of-work/policy-development-and-applied-research/social-protection-floor/lang--en/index.htm

Taking the SPF life-cycle view, the following diagram illustrates the main risks faced by individuals throughout the cycle.

Figure 8.1 Risks and vulnerabilities throughout the life-cycle



Source: The diagram was put together using information from the previous chapter and from Bonilla Garcia and Gruat (2003).

This chapter carries out a synthesis of this and previous chapters (5 and 6) so as to come up with a set of policy alternatives that can be used as a basis for further investigation. The chapter looks at different vulnerable groups (children, underemployed/unemployed persons, the elderly and the disabled) following a life-cycle approach and presents how the current social grant system can be expanded so as to provide basic income security for all. However, the quantitative assessment of different policy alternatives, including the fiscal, poverty and inequality impacts, is the subject of Chapter 9.

Box 8.1 Costs and benefits of mean testing

Before presenting the assessment, there are some considerations that cut across all types of potential recommendations on how to expand the current system of social grants. One such issue is whether targeted social grants can be adopted in Namibia given the country's administrative capacity and the socio-political and fiscal situation.

When looking at whether or not to introduce a means test, a careful assessment of all the costs and benefits – both financial and non-financial – will have to be made. Despite there being reasonable arguments for means testing, mainly on the grounds of the potential financial savings, on balance the 'leakage' associated with universal programmes is not necessarily a bad outcome. Introducing a means test adds an additional administrative burden and extra cost to the system that might not lead to the intended level of targeting efficiency. In addition, a universal grant fosters solidarity and the introduction of means testing could result in a lack of support for the continuous adjustment of benefits, unintended changes in behaviour on the part of potential beneficiaries, and increased private costs to beneficiaries.

All these are considerations to keep in mind when considering how the current system of grants can be reformed. A more detailed discussion of the merits and de-merits of means testing, and targeting in general are presented in the annexes (D)

8.2 Basic income support for children

8.2.1 Reform and expansion of current child grants

As the NHIES underscores, 52.4% of all poor individuals in Namibia are children. Furthermore, while 28.7% of the entire Namibian population lives in poor households, the proportion of children living in a poor household (child poverty) stands at 34%. The majority of poor children live in households with young children, with four or more children, without orphans, with caregivers that are married or in a consensual union, with one or more working adults and in which the female caregiver has at least secondary education (NSA, 2012).

From the analysis presented in Chapters 5 and 6, it is apparent that many vulnerable children are not reached by the current system, yet analysis of child grants in other developing and middle-income countries shows that they have significant positive impacts on children's development (e.g. reduction in stunting, improved school attendance, etc.). Furthermore, early enrolment in child grant programmes strengthens these impacts and receipt of the grants by children through to adolescence helps solidify these gains (Department of Social Development et al., 2012).

The long-term aim should be to pay a child benefit to all primary caregivers of children (citizens under the age of 18). This would be broadly in line with parent allowances in a range of countries and compensate families for a proportion of the cost of raising children to ensure sufficient investment in children. Options that can be explored include the replacement of the current maintenance grants, foster care and special maintenance grants for children with a general child grant.[181] Both the removal of existing grants and the roll-out of the new one will have to be phased.

[181] The value of the general child grant given to disabled children will be at a slight premium to the normal child grant.

CG: A scenario that can be explored is the phased abolishment of the current maintenance grants and special maintenance grants for children and the progressive/gradual introduction of a new universal grant (Child Grant) of NAD 250[182] to children aged 0–17 years.

8.2.2 Income support for pregnant women

While an expanded system of child grants will result in significant positive impacts on children's development, such as improvements in nutrition and school attendance, ensuring the mother's health is equally important. For example, an undernourished mother is more likely to give birth to a low-birth-weight baby, making it particularly vulnerable to malnutrition and infectious diseases, many of which can be prevented or treated. Providing maternity benefits to poor mothers may improve child health and development as this will provide them with income support, especially during the last weeks of pregnancy. Given that in Namibia, most women are in informal employment, pregnancy presents an additional challenge with regards to regularity (and levels) of income, especially in the final trimesters. Providing pregnant women with income support will not only bring direct benefits in terms of improved nutrition (for the mother and the unborn) but it will also allow them to be in a position to afford (in terms of money and opportunity cost) ANC care.

The Presidential Commission of inquiry report into the MoHSS, which was tabled in the National Assembly in April 2013, revealed non-attendance[183] of antenatal care as one of the main causes of maternal deaths (Global Post, 2013). This is line with previous assessments by the MoHSS which found that maternal mortality ratios (MMR) were still high[184] – both in facilities and in communities[185] (MoHSS). While some of the reasons noted for the high MMRs in facilities include the shortage of well trained staff and the lack of equipment, there are structural constraints that prevent poor mothers from even accessing ANC centres. These include poor road infrastructure, limited access to transport as well as long distances to facilities (all of which increase transport costs) especially in regions such as Kavango and Omusati (MoHSS, 2010). While these are challenges that government[186] is working on addressing, an income replacement grant could help improve pregnant women's ability (and provide an incentive for women) to access ANC care and reduce the likelihood of home births, which according to 2006 data made up a fifth of all births (DHS, 2006[187]).

[182] At NAD 250, the value exceeds the '3% or 1.5% of reference wage' guideline of Convention 102 for family benefits. Moreover, it is higher than the lower child poverty line (i.e. 50% of adult equivalent poverty line – NAD 277.54 per month for those aged 0–5).

[183] According to the 2006-07 DHS, one-third of women had an antenatal care visit by their fourth month of pregnancy, as recommended.

[184] e.g. the latest DHS, 2006-07 showed maternal mortality to be at 449 per 100,000 live births in 2006, much higher than the 178 estimate from the 2000 survey. Even if the most recent (still unreleased) DHS goes on to present lower estimates of maternal mortality, this is still an area for improvement.

[185] According to the 2006-07 DHS, women who attend ANC centres may not be receiving all the recommended components of care. For example, the survey shows that only 58 % of women were informed of signs of pregnancy complications during antenatal care.

[186] There are also encouraging multi stakeholder efforts such as the Maternal Health Initiative Team's Bill and Melinda Gates Foundation project that has made a minibus available in Windhoek to transport patients, and pregnant women to the city's two hospitals. The team chose to start in Khomas as it has a relatively large population but the lowest rate of women seeking ANC in their first trimester (Synergos, 2014).

[187] The survey also shows that home births are more common in rural areas (28 %) than urban areas (6 %).

The idea of providing income support to pregnant mothers is not new and there some international example including two pilot programmes in India (Bihar Child Support Programme and the Conditional Maternity Benefit Scheme) as presented in the text box.

Box 8.2 Examples of pilot tax-funded maternity benefits in India

The Indira Gandhi Matritva Sahyog Yojana (IGMSY) – a Conditional Maternity Benefit Scheme – was piloted in 52 districts in 2010. The cash transfer is made to all pregnant and lactating women in the selected districts. The first payment of INR 1,500 is made at the end of the second trimester, the second payment of INR 1,500 is made three months after delivery and a final payment of INR 1,000 is made six months after delivery. The first payment is made only if the following conditions are met: registering the pregnancy within the first four months, receiving at least one prenatal care session with IFA tablets and TT (tetanus injection) and attending at least one counselling session. The second payment is made only if the following conditions are met: the birth of the child is registered, the child has received OPV and BCG at birth, OPV and DPT at six weeks, OPV and DPT at 10 weeks, and attended at least two growth monitoring and counselling sessions. The final payment made after six months of delivery is conditional on the following: Exclusive breastfeeding for six months and introduction of complementary foods, OPV and third DPT, child must be weighed at least two times and attending at least two growth monitoring and counselling sessions. (Ministry of Women and Child Development, 2011).

The Bihar Child Support Programme (a government programme) is targeted at all pregnant women and mothers of children under 3 years of age. Women can only register for the programme between the fourth and ninth month of their pregnancy, i.e. women cannot register after the birth of the child. The women receive INR 250 per month between the end of the first trimester of pregnancy and the child's third birthday. This is still a pilot programme and has various conditions applied to the mothers. One area (Wazirgani) had soft conditions on attending a health clinic, meeting immunisation days every month and monitoring weight gain, exclusive breastfeeding, child growth and appropriate diarrhoea treatment. Another area (Atri) had hard conditions involving attending immunisation days, receiving IFA tablets and weight gain monitoring before birth and after birth, exclusive breastfeeding, growth monitoring of children and appropriate treatment of diarrhoea (Oxford Policy Management, 2014).

India's 11th five-year plan document outlines the rationale behind maternity benefits, stating that poor women work until the last days of their pregnancy and return to work soon after giving birth, thus reducing mothers' ability to exclusively breastfeed their babies in the first six months and contributing toward poor child health. This is the main reason behind India implementing programmes that are directly targeted at assisting mothers through maternity benefits.

Mexico introduced a cash transfer programme to improve birth outcomes through better maternal nutrition and use of prenatal care (previously called the Progresa and now the Oportunidades programme). The programme provides cash transfers conditioned on pregnant women completing a prescribed prenatal care plan, obtaining nutritional supplements, and attending an educational programme about health and nutritional topics. There are also requirements for school registration and attendance for the children. The programme places emphasis on regular visits to health care centres and requires pregnant women to get five check-ups in the prenatal period, one during puerperium, and one during lactation (Skoufias, 2005). In addition to obtaining health care, milk-based nutritional supplements are recommended for pregnant and lactating women (Rosado et al., 2000). The programme has had positive health, education and poverty reduction outcomes. Gertler (2004) analysed the impact of the programme on children between 12 and 36 months in 1999 and found that children in treatment villages were 1cm taller than children in control villages.

Barber and Gertler (2009) found that beneficiaries of the programme received 12.2% more procedures in prenatal care visits using a quality-of-care index as compared to non-beneficiaries, showing that the Oportunidades is associated with better quality of prenatal care for low-income, rural women in Mexico.

In order to maximise the impact on child health and child development, at early stages and to extend income security for pregnant women, the following option can be explored:

MG: The introduction of a maternity benefit (monthly payment of NAD 250) paid to all expecting mothers who do not contribute to the SSC – MSD. ILO convention No. 102 sets the minimum standard for the level of maternity benefits at 45% of the reference wage, which is in relation to the minimum wage for unskilled manual labour. In 2013, the total minimum package for entry-level farm workers was agreed at NAD 1,015.[188] Using this standard, a benefit value of NAD 250 per month is inadequate for the purposes of income replacement, given that 45% of the reference wage is NAD 457. However, as a starting point, additional support could initially be seen as a continuity of the child benefit, aimed at covering additional nutritional needs and preparing for the child, while also ensuring uniformity with the general child grant. Therefore, the proposal is for the value of the maternity benefit to be set at the same value as that of the general child benefit.[189]

Such a benefit should be payable from about three months before the birth of a child, could be conditional on prenatal visits and birth registration and be combined with an extensive communication and readiness strategy in MoHSS and the Ministry of Home Affairs and Immigration. The maternity benefit will transition into a child benefit once the child has been born.

While it is expected that such a strategically expanded system of grants will have a substantial impact on poverty and inequality, Chapter 9 will look at these aspects as well as the financial costs of such reforms.

8.3 Working-age population

Before presenting possible options for a role for social protection in improving the wellbeing of the working-age population, a look at some international examples is useful.

8.3.1 International examples of the intersection between social grants and employment opportunities

Can non-contributory grants complement broader poverty-alleviation policies, in particular those aimed at improving access to public services and job opportunities? There are some telling experiences in Africa:

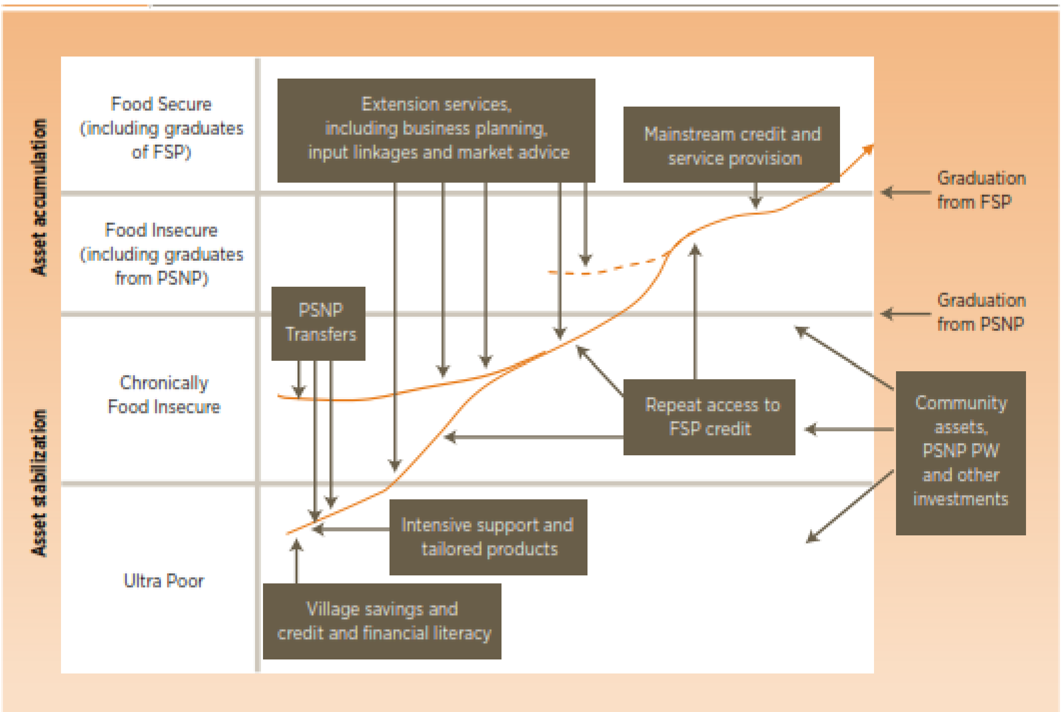
1 – Guaranteed social protection and employment in food-insecure rural areas

Ethiopia's Productive Safety Net Programme (PSNP) combines infrastructure/ irrigation/agriculture productivity improvements (asset accumulation) at a decentralised level with direct cash transfers to the chronically food-insecure.

[188] The AEA currently has an agreement for a minimum wage set at NAD 3.44 per hour or NAD 670 per month (at full employment). However, the full package also includes a minimum monthly food allowance of NAD 345. This gives a minimum monthly package of NAD 1,015.

[189] This means that the benefit only provides some income support as opposed to full income protection.

Figure 8.2 Ethiopia's PSNP



Source: PSNP (2010).

Direct cash transfers also play a productive role in maintaining or 'stabilising' assets accumulated by poor households, which are temporarily food-insecure. They thus do not have to do away with goats, cows, or other productive assets for consumption in times of crisis. The programme is also part of a broader graduation/food security strategy with the Ministry of Agriculture.

In Kenya, the Hunger Safety Net Programme (HSNP) provides predictable[190] support to the chronically poor and food-insecure. The implementing agency is the Ministry for the Development of Northern Kenya and Arid Lands. It reaches approximately 395,554 persons, in the most remote rural areas with low population density and high poverty rates. The philosophy of the HSNP is to have a narrower geographic focus (four counties) with more intensive coverage of the poorest segments of the population. It also uses a categorical (age) and dependency targeting criteria. It uses a biometric smart card for fast identification of recipients. Moreover, the HSNP is designed to link its beneficiaries with other services. Some of these links have been implemented while others are still in the pipeline, and include: (i) helping beneficiaries to purchase livestock insurance with a portion of their cash transfers; (ii) facilitating access to financial literacy training that enhances savings and increases access to credit as part of the payment services by financial providers; and (iii) using smart cards that will also prove the eligibility of recipients to receive vouchers for food and health services.[191]

[190] The programme has a structure that helps citizens to exercise their rights within the programme – the HSNP's Rights Committee – so as to ensure that citizens can hold project implementers directly accountable.

[191] See Republic of Kenya (2012).

2 – Guaranteed social protection and employment in food-insecure peri-urban and urban areas

South Africa's Community Works Programme (CWP) creates access to a minimum level (two days per week) of regular and predictable work opportunities targeting areas of high unemployment while supplementing existing livelihood strategies without disrupting or displacing them. The CWP provide opportunities for improving community infrastructure and services (social care services, nutrition, education, community safety, community roads/sanitation/water improvements and maintenance). The CWP was significantly scaled up between April 2010 and March 2011, with a total of 89,689 work opportunities created across all nine South African provinces. In the current financial year (01 April 2013 – 31 March 2014), to date the CWP has created 206,166 (Cumulative) work opportunities against a target of 172,000 work opportunities across nine provinces, in 140 municipalities. Furthermore, 64% of the participants during this period have been women and 52% are young people (Department of Cooperative Governance, 2014[192]).

According to latest figures, the CWP was allocated ZAR 1.7 billion (National Treasury, 2014).[193] This gives an estimate of ZAR 8,500 per work opportunity created. The funding model is designed as per site budget, with a strict ratio of 65:35. This implies that 65% of the site budget is allocated to participant wages while 35% of the budget is allocated to non-wage costs for the procurement of protective gear, tools and materials, training and technical support as well as project management (Department of Cooperative Governance, 2014).

The advantage of the CWP compared to traditional public work programmes is its scalability, which derives from the high labour intensity of community works and the involvement of local communities. Key features of the programme are that it:

- Offers regular part-time work – on an ongoing basis, i.e. two days a week = 100 days a year;
- Is an area-based programme, with a minimum target of 1,000 people per 'site' (covering about ¼ of a municipality);
- Uses community participation to identify 'useful work;'
- Has its conditions of work covered by the Ministerial Determination of Working Conditions in the country's flagship job creation programme, the Expanded Public Works Programme (EPWP);
- Has a minimum wage set at ZAR 60 a day (US$ 8.60) or ZAR 480 month (US$ 68);
- Is implemented by non-profit implementing agencies; and
- Has an advisory Reference Group established for each site which includes ward councillors, local government, and civil society organisations and key community actors (e.g. clinic sisters, school principals, etc.) (Department of Cooperative Governance, 2014).

Kenya also developed a Youth Empowerment Project that has a dual goal of increasing accessibility to targeted temporary employment programmes in the form of job safety nets for the youth as well as improving youth employability. The target group of the component is unemployed youth in the 18–35 age bracket. One component of the project focuses on the provision of public works and social services and, at the same time, enhances communities' access to social and economic infrastructure. The other component focuses on providing private sector internships and training to disadvantaged young women and men, with training being entirely employer-driven.

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[192] See Department of Cooperative Governance (2014).

[193] See National Treasury, Republic of South Africa (2014).

8.3.2 Options for Namibia

As presented in Chapter 4, second to children, the biggest category of the poor is the underemployed/unemployed, making up about 19.2% of all poor. While there currently are no social grants that explicitly target the working poor, government does have in place interventions that support most of this group, who are predominnantly subsistence farmers. These include but are not limited to interventions by the OPM's Emergency Management Unit and various other interventions by the Ministry of Agriculture, Water and Forestry, such as the Farmers' Relief Programme (see Chapter 5). While many of these programmes provide relief, especially during times of drought, they do not provide consistent income support. It is recommended that these interventions be strengthened, even in the absence of climate shocks, so as to allow these individuals to build up assets that will serve as buffers when they are faced with emergencies.

At present, the government has shown great commitment to the eradication of unemployment. For instance, one of the goals of Vision 2030 is to reduce the unemployment rate to under 5%.This is reflected in the NDP4, which has three overarching goals: high and sustained economic growth, employment creation and increased income equality.

In the foreword to the NDP4, the President of Namibia states that:

> '*Government is keenly aware that most of the unemployed are young people and women. This status quo cannot be allowed to continue: too many of our young people's dreams are not being realised. It is our resolve to do all that is necessary to transform our economy into one that is more robust, one that is able to generate these essential employment opportunities.'*

The country's priority areas for employment creation between 2013 and 2017 are outlined in the Namibian National Employment Policy document (NEP, 2013–2017).[194] Not only is the NEP aligned to the NDP4, it is also linked to Namibia's industrial policy (NEP, 2013).

The NEP has five entry points:

4. Institutional environment: Promote a sustainable environment for formal SME development and capacity building for social dialogue.
5. Education and skills: Increase youth employability through a relevant and effective VET system accessible in all regions.
6. Reducing extreme poverty: Introduce appropriate cash transfer programmes and increase access to employment for vulnerable groups.
7. Public infrastructure: Increase the labour intensity of public investment with a special focus on rural areas.
8. Implement appropriate fiscal and financial policies facilitating productive investment and job creation and develop rural and agriculture development programmes (NEP, 2013).

[194] The document was developed using a social dialogue approach involving various role players, including employers, informal economy organisations and trade unions. The exercise formed part of Namibia's Decent Work Programme.

While the creation of job opportunities will be at the core of addressing poverty among the underemployed/unemployed, a more holistic life-cycle approach is required. A possible approach is to look at three stages of life that require attention. First, there have to be improvements in the country's education system so that children come out of the system (primary and secondary education) well equipped for the opportunities on offer. These can range (but are not limited) to entrepreneurial engagement, further education or job opportunities. These options represent the second phase, where one transitions from school to work. It is, however, important to note that for many school leavers, while getting decent work after primary and secondary education is not a realistic prospect, access to opportunities for further training are also limited. These youths, who typically are from rural areas, then end up engaging in subsistence farming (thus being underemployed) or fall into the category termed 'long-term unemployed' (the third stage). What follows are some proposals for how social protection can play a role in all three stages.[195]

In school

As outlined earlier in this report, one of the key issues with Namibia's primary and secondary school system is access. While the school fee abolishment policy will assist in improving access to primary education, there is a need to expand its coverage to more schools and, resources allowing, to secondary schools as well. However, being in school is only part of the battle. Children need material, spiritual and emotional resources in order to develop, thrive and participate in full. As already mentioned, a universal child grant will help provide basic income support, which will be very crucial. Current measures, such as the school feeding policy, are crucial in addressing issues of malnutrition, while the expansion of the programme, especially to more rural areas, will be essential. Finally, there is a need for government and all stakeholders to work on the quality of education. This will require efforts to improve on the quality and relevance of primary and secondary school curricula and learning material, an improvement in teacher–student ratios as well as the improvement of the teacher training system.

School-to-work transition

A combination of interventions such as the TIPEEG[196] and a strong social grant system can be used as effective tools for the up-skilling of the unemployed and the creation of sustainable job opportunities. Other labour market-linked programmes or institutions (state and private) that, if strengthened,[197] could have an impact on unemployment and underemployment include the NDC, MoGECW's employment and entrepreneurship initiatives and the DF of the SSC.

Closer synergies between these institutions could step up efforts to tackle unemployment. For example, in South Africa the Unemployment Insurance Fund supports job creation indirectly through the purchasing of bonds from the Industrial Development Corporation, also promoting direct labour market interventions such as the 'Training Lay Off Scheme' that subsidises wages in companies in distress in the form of a Partial Unemployment Benefit scheme.

[195] It is here assumed that the reader has read Chapter 4, which outlines Namibia's social protection system and highlights some of the successes and challenges of the different programmes, policies and interventions.

[196] One of the priority sectors for the TIPEEG is the agricultural sector and so it should in theory help rural youths through their involvement in short- to medium-term employment opportunities plus the skills development programme, which will help improve their employability in the long term.

[197] One of the ways they can be strengthened is for them to have less of an urban bias, given that the youth unemployment problem is mainly rural.

The current reforms of the vocational training system are particularly interesting, given the well-acknowledged problem of a mismatch between the skills employers require and the skills that job seekers currently offer. As described in more detail in Chapter 5, through the NTA Namibia is currently making improvements to the VET system to address some of the current challenges, which include the uneven access to training centres. In this connection, current plans to increase the number of centres should be supported. This includes the planned roll-out of Agricultural Technical and Vocational Education and Training (ATVET) Centres.[198]

There are also efforts to improve the resourcing and quality of the centres, including addressing issues of improving the training of instructors and standardisation of curricula and qualifications. The role of the SACC will be crucial. ISCs will also help VTCs to bridge the gap between what learners are trained for and what is required by the job market. Aside from administrative inefficiencies, at the core of solving these challenges is resourcing. In this vein, the successful roll-out of the VET Levy will be very important. International experience has shown that successful engagement with representatives of Employers and the corporate sector at large often is the key to the successful implementation of such initiatives.[199]

Basic employment safety net

Given the current uneven spread of opportunities for youths transitioning from school, unemployment and underemployment are rife for this group, especially in rural areas. For such youths, the absence of early labour market interventions increases the chances that they remain unemployed indefinitely. The poverty dynamics depicted earlier show much less income mobility over time for some groups of youth (notably those in rural areas), suggesting deep-seated barriers to their graduation out of poverty. They would need some trigger support. For these youths, as well as long-term unemployed/underemployed adults, the absence of income support threatens not only their future but also their immediate basic food security. As suggested in the NDP4, the state has a responsibility to use taxation-funded in-kind and cash benefits linked to livelihood promotion initiatives to provide basic income security, particularly in rural areas.

ESNP: Another option that can be explored is an ESNP, which is a community-based public works scheme that can offer a maximum of two days (16 hours) of work per week. The wage could be set to be 40% of an equivalent full-time monthly wage corresponding to the minimum monthly package for entry-level farm workers (NAD 1,015 in 2013), which equates to NAD 406 monthly. The programme will operate in rural areas.

In order to get around challenges that might be associated with a highly costly targeting mechanism, and in order not to exclude vulnerable long-term unemployed, self-targeting could be employed.[200] Aside from giving agency to the communities, (allowing them to select

[198] Namibia is in an interesting position in that unskilled agricultural labour is in abundance and yet, even in primary agriculture, it is skilled and semi-skilled labour that is short supply. There is definitely a need for the creation of Agricultural Technical and Vocational Education and Training (ATVET) Centres. According to the NTA, '*a large number of potential institutions and facilities have been identified that could possibly be utilised and deployed as ATVET training providers and (associated) facilities*' (see NTA (2013).

[199] See www.economist.com/news/international/21576657-around-world-almost-300m-15-24-year-olds-are-not-working-what-has-caused

[200] In the simulations presented in the next chapter, self-selection into the programme was simulated assuming that individuals would have an interest in participating in the ESNP scheme if they were

priority infrastructure projects to carry out, etc.), the programme would allow participants to use the other three days of the working week for other productive activities. For most recipients, this can range from entrepreneurial initiatives such as productive livestock keeping to attending relevant vocational training courses and carrying out job searches, etc. In fact, a crucial element of the ESNP should be to have it linked with initiatives such as the Namibia@Work (see Chapter 5) programme so as to improve participants' awareness of the employment and training opportunities available.

Policy-makers can refer to various models for the operationalisation of the benefit, and South Africa's CWP is particularly instructive.

8.4 The elderly

Thus far, the main concern raised in relation to the OAP has been its sustainability. The positive impact of the benefit on poverty, despite the concerns of leakage, is well acknowledged. Introducing means testing for the grant may result in some savings from a financial perspective but the other costs, as described in previous sub-sections, are likely to outweigh the potential fiscal savings. Furthermore, in Namibia the pension is taxed. Therefore, the effective pension accruing to richer pensioners is smaller because it is partly recovered by the Treasury.

Another concern with the OAP has been whether the age cut-off point of 60 is too low. Some have argued that, for a universal pension, a cut-off point as low as 60 could be unsustainable in the long term (Chiripanhura and Niño-Zarazúa, 2013). Recent history has seen some countries in Europe increase their retirement age limits and encourage the elderly to continue working where possible. Other arguments for such a policy could be drawn from the analysis of poverty profiles presented earlier in Chapter 2, especially the finding that while 39.8% of households headed by persons aged 65 and older are classified as poor, the figure is slightly lower among households headed by persons aged 60 and older (34.1%). That said, the demographic profile of the country (as presented in Chapter 2) is such that the old age dependency ratio is unlikely to go up in the near future. It is therefore more advisable to allow the benefit to reach as many poor people as possible as poverty reduction (as opposed to an increasing dependency ratio) will remain a higher priority for the foreseeable future.

In light of the discussion above, in order to strengthen the system, the following policy alternatives could be explored further.

OAP 1: Retention of the universal grant at NAD 600 per month. ILO convention No 102 sets the minimum standard for the level of old age benefits at 40% of the reference wage, which in the current case is in relation to the minimum wage for unskilled manual labour. In 2013, the total minimum package for entry-level farm workers was agreed at NAD 1,015 per month.[201] Using this standard, a benefit value of NAD 600 per month is adequate, given that 40% of the reference wage is NAD 406.

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underemployed or unemployed and the monthly wage represented at least half of the pre-transfer per-able-body household monthly income.

[201] The AEA currently has an agreement for a minimum wage set at NAD 3.44 per hour or NAD 670 per month (at full employment). However, the full package also includes a minimum monthly food allowance of NAD 345. This gives a minimum monthly package of NAD 1,015.

Box 8.3 Using income tax to restrict access to state funded pensions

The integration of the tax and benefits system has been a longstanding objective in many countries. For many years analysts have bemoaned the administrative inefficiency of the state providing money with one hand and taking it away with the other, and drawn attention to the extremely high effective marginal rates of taxation-plus-benefit withdrawal faced by some individuals in some systems.

However, the administrative difficulties of integrating taxes and benefits are formidable and there are few examples of successfully integrated systems. The fundamental problem is that taxation systems operate on an individual's annual net income, normally with a year's lag, while benefits systems operate on a household's monthly or weekly income, ideally with no lag at all. In March 2014, for instance, UK tax authorities will be seeking tax from individuals based on their incomes net of expenses incurred in the 2012/13 tax year, while the social benefit authorities will be trying to make payments based on households' needs in February 2014. Note that not all of the people on the tax authorities' files in 2014 will actually be paying tax, rather these are the people for whom the authorities will either demand a tax return or for whom they will make a tax calculation themselves. Not all these calculations will show taxable income or even positive income but the revenue authority will still demand a tax return for several years on the grounds that these individuals did have taxable income in the past and are therefore likely to have in the future. The position is slightly different with the PAYE or pay as you earn systems that many countries use to collect upfront payments from salaried employees. However, the proportion of pensioners falling into the PAYE system is likely to be low.

In 2013, the National Treasury of South Africa announced that they were in the process of phasing out the means test for the old age grant. The 2013 Budget review explains that this move will '*simplify administration, prevent the exclusion of vulnerable individuals and eliminate the disincentive to preserve retirement savings arising from the present means test. Adjustments to personal income tax rebates will partially offset the costs of this reform and will ensure that the overall incidence of tax and income support arrangements remains redistributive'*.

In short, by far the easiest way to address concerns about paying pension benefits to the relatively wealthy is to make those benefits taxable, which Namibia already does. It would also be possible to tax them at an especially high rate. Complex though this might be, it would be far less complex, and far less likely to cause inadvertent hardships, than attempting to use the income tax system as a way to restrict pension entitlements.

Source: Authors, National Treasury, Republic of South Africa (2013)

An alternative, which involves the introduction of a means test following concerns around the sustainability of the OAP, is discussed below.

OAP 2: An OAP of NAD 600 per month combined with the introduction of a simple income test whereby individuals that are in the tax system are excluded. The threshold can be set so as to ensure that the top 20% of earners are disqualified from the grant, thereby ensuring wealthier individuals, mainly in the formal sector (and mostly public servants), and those in receipt of the Veterans' Subvention are not eligible for old age benefits. The introduction of this sort of simple means testing (which could also be a pensions test) will help reduce the cases of double dipping of benefits by those who are relatively well off without introducing more stringent and costly targeting mechanisms. **However, the practicality of such a tax-linked income test can be more complex than the system currently in place, which already uses the tax system to partly recover the portion of the pension that is taxed.**

8.5 Citizens requiring full-time care

Namibian legislation makes provision for an Attendant's Allowance to go to persons who help look after someone who requires permanent assistance. Although the law targets the elderly, blind and chronically disabled (similar to South Africa), many countries extend the benefit to incapacitated children in need of care.

This is an important allowance because, in some cases, people who need to have someone look after them permanently may not have direct family that can take care of them or the financial means to hire someone. Even in instances where a family member is willing to take care of them, the carer will have to forego potential income they could have earned working. An Attendant's Allowance will assist in both cases, allowing them able to pay someone to look after them or give their family member some money to take care of themselves as well. To get a sense of how these allowances are structured, several countries that have a carers' allowance or a similar benefit were assessed. While these country cases are presented in Annex E, key points have been summarised here.

In all the country cases explored, the carers' allowance is paid for by the government. In most of the countries, a carer has to be looking after someone who already receives a grant. This approach ensures that only people already approved by the government are being taken care of. In South Africa, the grant recipient gets the grant directly and then they pay the person taking caring of them. In all the other country examples, (Mauritius, Mongolia, Australia, United Kingdom and New Zealand) government makes the payment to the carer. Paying the carer directly eliminates problems with the grant recipients not passing on the full payment that the carer should receive. However, it often requires a means test for the carer. In the UK, carers cannot be full-time students, earn more than £100 a week or receive other benefits higher than the carers' allowance.

Paying the carers' allowance directly to the carer and having a means test for the carer solves some of the problems highlighted above but could pose a greater administrative burden for the implementing department. If the allowance is paid directly to the carer, there should be a way of checking whether the carer really looks after the grant recipient. An effective way to do this could be for the grant recipient to agree (to) or nominate the person who will take care of them and also give the beneficiary the power to change the carer should they not provide adequate care for them.

In Mongolia, a training requirement is included as most of the carers are family members and have no experience with looking after someone. Basic care practice training could be beneficial in giving carers the basic skills required for looking after someone. In the UK, Australia and New Zealand, the allowance is taxable. Given that the allowance is given to individuals who have undergone a means test, there is no need to tax the amount of the allowance. Most of the people who qualify under the means tests set in low- and middle-income countries do not qualify to pay tax.

Namibian law states that:

1) *The Minister may, subject to the provisions of the Act, in consultation with the Minister of Finance, and out of moneys appropriated by law for such purpose, pay;*
    a) *aged, blind and disabled persons basic state pensions*[202]*,*

[202] In South Africa, children are not beneficiaries of the Grant in Aid. However, in all the other country examples discussed in Annex E children are included in the carer's benefits.

b) any person to whom such pension is paid, additional and supplementary allowances; and

c) to or on behalf of any person to whom such pension is paid who is in such a physical or mental condition that he or she needs to be cared for, an attendant's allowance.

2) No person shall at any, time receive more than one pension referred to in paragraph (a) of subsection (1).

According to the legal provisions, an old, blind and disabled person receiving a pension and in need of permanent care should receive the allowance. It is worth noting that not all disabled people will receive the benefit, only those who are disabled to the point that they require permanent care. In Mauritius, a medical board classifies the grant recipient as either permanently or substantially incapacitated to a physical degree of 60% for at least 12 months. In Mongolia, people with disabilities (having lost 50% of their labour capacity) and older people (women over 55, men over 60) who are also in need of permanent care receive the benefit.

In Australia, they also have provision for short-term and episodic conditions for children under 16. Most of these types of allowances are paid for the care of people who permanently need care or need care for more than six months. Grant recipients are required to have a medical check prior to receiving a grant. This test already states the extent of their disability. For people receiving a disability grant, the use of their existing medical examination is sufficient. For example, all people who are incapacitated to a physical degree of 60% will also qualify to get a carers' allowance. It is harder with elderly people who require permanent care because only their age is used for them to receive the grant and there would have been no prior medical examination. Those receiving an OAP may have to get a medical examination when applying for the carer grant.

The value of the carers' allowance in most of the countries (South Africa, Australia and New Zealand are the exceptions) is set at approximately half of the OAP. In South Africa it is much lower and it is equal in Australia and New Zealand. Furthermore, in Australia and New Zealand the amount of the grant varies depending on whether the person is single or married. These differentiations can be difficult to look over and create more administration requirements. However, most countries pay out the same amount to all carers. In Mongolia, the grant amount depends on the number of people the carer looks after, while in Mauritius it differs between the elderly, disabled people and children.

While the refinement of the operational details of the Attendance's Allowance will have to be finalised by the implementing department, an option that can be investigated further is as follows:

AA: The introduction of an Attendant's Allowance, payable to recipients of the OAP or disability grant in need of permanent care. In addition, the grant should be payable to disabled recipients of child grants, if they need permanent care. The fiscal implications of pegging the monthly value of the benefits at NAD 406 can be investigated. This estimate is calculated as 40% of the total minimum monthly package for entry-level farm workers (NAD 1,015 in 2013)

For each of the above scenarios, the fiscal sustainability and impact on poverty and inequality will be assessed given different assumptions on the level and rate of adjustment of the benefit paid, such as linking to an index like the CPI. This is presented in the next chapter.

8.6 Conclusions

While the Namibian social protection system is relatively comprehensive, key gaps exist in its social assistance system.

Children: The system currently does not provide general support for poor households and children. In order to increase investment in children, who are the country's future, a policy option that can be explored is the phased abolishment of the current maintenance grants and special maintenance grants for children and the progressive/gradual introduction of a new universal grant (Child Grant) to children aged 0–17 years. Further, in order to maximise the impact on child health and child development, at early stages and to extend income security for pregnant women, the introduction of a maternity benefit (monthly payment equal to that of the child grant) paid to all expecting mothers (who do not contribute to the SSC – MSD) is a second policy option to be explored.

Working age: Namibia's youth unemployment is particularly high and negatively affects the country's long-term growth prospects. Opportunities for youths transitioning from school are currently uneven especially in rural areas. Aside from the youth, there are also many individuals who are stuck in long term underemployment, engaged mainly in subsistence agriculture. A policy option that can be explored is an ESNP, which is a community-based public works scheme that can offer a maximum of two days (16 hours) of work per week.

Elderly: Namibia's current universal OAP is one of the most important benefits in the current social grant system as evidenced by its impact on poverty. However, given questions on its sustainability, concerns about double dipping and the potential for a targeted benefit to save money which can be used to pay more benefits to the remaining eligible group, a simple means test can be introduced. In this connection, a possible policy option would be to introduce a simple income test whereby individuals that are in the tax system are excluded. The threshold can be set so as to ensure that the top 20% of earners are disqualified from the grant, thereby ensuring wealthier individuals, mainly in the formal sector (and mostly public servants), and those in receipt of the Veterans' Subvention are not eligible for old age benefits.

Implementation of the Attendant's Allowance: Although it is currently legislated, the Attendant's Allowance is not currently in place. Further, the legislation does not cover the care of children in need of permanent care. A possible policy option is the introduction of an Attendant's Allowance, payable to disabled recipients of child grants, as well as those recipients of the OAP and disability grant who are in need of permanent care.

9 Design, costs and social impact of proposed policy alternatives for the Social Protection Floor

Chapter overview

A comprehensive SPF (Package 1) is attainable for Namibia and efforts should be put into the phased expansion of the system.

- A package comprising a universal OAP, universal child grant, maternity grant, disability grant, attendant's allowance and ESNP would reach 1.2 million people in 2020 at a cost of NAD 5.8 billion (3.2%) of GDP, a figure comparable to social assistance expenditure in countries like South Africa and lower than that in Mauritius, Malawi, Ethiopia and Lesotho.
- The SPF package of benefits would contribute to virtually eradicating extreme poverty (which would fall by 14 percentage point from the pre-transfer level of15.3%).
- It would reduce the extreme poverty gap and severity by 3.9 and 1.6 points respectively.
- Due to its large coverage and the high numbers of children in extreme poor households, the CG is the benefit that would be mostly associated with a reduction in extreme poverty, followed by the ESNP due to the explicit pro-poor orientation associated with the low-wage setting.
- The SPF Package could result in a reduction of the Gini inequality index of almost 7.4 points from the present level of 59.7.
- The programmes with widespread coverage will have the largest effect, noticeably the CG and OAP.
- On an extreme poverty reduction per NAD basis, the most cost-effective benefit would be the ESNP, followed by the CG and OAP.

9.1 Introduction

In this section the results of the micro-simulations carried out to estimate the cost and poverty impact of alternative social assistance grants that could be introduced in Namibia as part of the next stages of the social protection system reform process are presented. A broad mix of social assistance benefits was considered in the simulations, which was determined on the basis of the recommendations drawn in the previous chapters of this report.

The simulations have three main objectives:

- To determine the anticipated **coverage** of alternative benefits in the medium to long run, taking into account core benefit design parameters and anticipated changes in the demographic structure of the country;
- To determine the **cost and fiscal sustainability** of alternative benefits, taking into account the evolution of the macroeconomic context Namibia;
- To determine the **poverty and inequality impact** of alternative policy options, in relation to the poverty dynamics and structure available from latest data.[203]

The cost–benefit simulations were performed using data from the NHIS 2009/10 for a time horizon going from 2015 to 2030, but detailed results are presented for a six-year period only as projections become increasingly inaccurate beyond this point. The survey data were adjusted for changes in the demographic structure of the population occurring during the time horizon of the simulation on the basis of population projections (disaggregated by age and gender, rural and urban locations) that were calculated by OPML on the basis of information provided by the NSA.[204]

The main assumptions on growth and inflation projections for the fiscal sustainability analysis were obtained from the IMF 2013 Article IV Consultation Report for the period 2015–2017. Beyond 2017 it was assumed that inflation would remain constant at 5.5% a year. In order to analyse the consequences of changes in the economic environment in relation to the fiscal sustainability of the proposed benefit package in the long run, three alternative growth scenarios were applied for the period 2018–2030: a medium-growth scenario, projecting the base real GDP growth rate estimated by the IMF for 2017 (4.7%) over the whole period, a low growth rate scenario (constant real growth of 2.7% yearly) and a high growth rate scenario (constant real growth of 6.7% yearly). A summary of the assumptions used in relation to the macroeconomic context is reported in Table 9.1.

[203] It was decided not to elaborate dynamic projections of the simulated poverty impacts of alternative benefits due to lack of data upon which we could reasonably model the evolution of poverty dynamics over time, particularly transmission mechanisms of economic growth into welfare distribution.

[204] The basic method used was to take the 2011 Census results and apply birth and death rates derived from the 2001 census to make projections for 2012, 2013 and so on until 2031. Following the 2006 population projections, we assume that net migration is negligible in Namibia.

Table 9.1 Summary of macroeconomic assumptions

Indicator	2015	2016	2017	2018–2030
GDP at market prices (NAD billions)	145.1	160.2	176.9	
GDP growth at constant prices (%)	4.5	4.6	4.7	
Base scenario				4.7
High-growth scenario				6.7
Low-growth scenario				2.7
Consumer prices (% change – period average)	5.8	5.6	5.5	5.5

Source: IMF 2013 Article IV Consultation Report for the period 2015–2017

The package of proposed benefits includes six components: a universal child grant, an OAP, a disability grant, a maternity grant, an attendant's allowance and an employment safety net. Details of the assumptions of eligibility rules and the benefit specifications used for the simulation are summarised in Table 9.2.

In addition, some of our general assumptions are also worth mentioning at the outset:

- Benefit values were fixed in 2015 prices and it was assumed that they would be updated for inflation on a yearly basis. This may not necessarily imply that benefit levels are automatically indexed to inflation. At a minimum there should be periodic ad hoc adjustments of benefit levels so that the real value is not eroded over the time considered for the simulation.
- Beneficiary take-up was considered to be at scale approaching at most 95% of the eligible set, based on the consideration that there is a natural rate of undercoverage due to self-exclusion and administrative inefficiencies. The natural take-up rate was further reduced to 90% in the case of the employment safety net due to the nature of the intervention. For this particular intervention coverage was also determined as a function of the wage offered, which should be large enough to motivate unemployed and underemployed individuals to sign up for the programme (see details in the assumptions column of the Table 9.2).
- Whenever applicable, targeting rules were assumed to be strictly implemented, hence the simulation does not account for natural exclusion and inclusion errors in targeting, at both design and operational level. Given that most of the benefits considered in the simulation are universal, this has little bearing on the overall results of the simulation.
- Benefits are individual and there are no restrictions on overlaps within the same households. A fixed rate of administrative costs was attributed to each beneficiary type, depending on the nature and the complexity of the benefit on the basis of standard international benchmarks (again, see details in Table 9.2).
- Veterans' grants have been excluded from the simulation. This is because of their low coverage and the difficulty of estimating the number of future beneficiaries.

Table 9.2 Assumptions used for the simulations

Grant	Eligible category	Targeting	Frequency of payments	Transfer amount (in 2015 prices)	Administrative Costs	Assumptions used for the simulation
Child Grant (CG)	Children 0–17 (disaggregated 0–4; 5–10; 11–17)	Universal	12 monthly payments	NAD 250	20% of Total Costs	Since the Special Maintenance Grant and Foster Grant are the same value as the CG, only one policy simulation was run
OAP[205]	Elderly 60+ (disaggregated 60–64; 65+)	Universal	12 monthly payments	NAD 600	20% of Total Costs	It was assumed that the benefit will continue as per current policy
Disability Grant (DG)	Adults aged 18–59 with a disability	Universal	12 monthly payments	NAD 600	20% of Total Costs	Adult individuals were considered disabled when this prevented them from engaging in labour activities
Maternity Grant (MG)	Pregnant women between three and nine months of pregnancy	Universal	Six monthly payments	NAD 250	20% of Total Costs	The number of pregnant women of three to nine months of gestation was estimated on the basis of the cohort of children aged 0–12 months, which was adjusted for neonatal mortality (2.5% in the latest DHS), perinatal mortality (2.9% for pregnancies 7+ months in the latest DHS). An additional 4.5% was estimated for mortality between month 3 and 7 of pregnancy.
Attendant's Allowance (AA)	Carers of a severely disabled individual	Universal	12 monthly payments	NAD 406	20% of Total Costs	The number of severely disabled people in need of full-time care was estimated as 2% of all elderly, disabled adults and children. Disabled adults were defined as for DG. Disabled children were estimated at 5% of all children, based on estimates for the prevalence of disability in the total population from the latest census. The monthly value was calculated as 40% of the total minimum monthly package for entry-level farm workers (NAD 1,015).

205 Reference will also be made to an alternative scenario, where it was assumed that by means of imposing some simple eligibility filters (contribution to the tax system, access to other private or public pension) the OAP would filter out elderly who belong to the richest two deciles of the population so as to target the poorest 80%.

Grant	Eligible category	Targeting	Frequency of payments	Transfer amount (in 2015 prices)	Administrative Costs	Assumptions used for the simulation
ESNP	Individuals aged 17–59 who are unemployed or underemployed	Operating only in rural areas, self-targeting through wage setting	12 monthly payments	NAD 406	35%[206] of Total Costs	The community-based public work scheme, which could be called the ESNP, would offer a maximum of two days (16 hours) of work per week. The wage would be set to be 40% of an equivalent full-time monthly wage corresponding to the minimum monthly package for entry-level farm workers (NAD 1,015 in 2013) Self-selection into the programme was simulated assuming that individuals would have an interest in participating in the ESNP scheme if they were underemployed or unemployed and the monthly wage represented at least half of the pre-transfer per-able-body household monthly income. Underemployed individuals were defined for the simulation as domestic workers, self-employed individuals and subsistence farmers who work less than 25 hours per week. Unemployed individuals were defined as any individual who was available for work last week but not engaged in any work activity.

[206] This assumption comes from South Africa’s Community Works Programme experience, as outlined in Chapter 5.

9.1 Coverage

Table 9.3 and Table 9.4 provide an overview of the projected coverage of the different benefits proposed, assuming they would be rolled out at full scale starting from 2015. Note that this is a hypothetical scenario that would represent a very steep increase in the number of beneficiaries compared to current coverage levels. However, it represents a useful benchmark to discuss trade-offs in the medium to long run.

Table 9.3 Number of individual beneficiaries: full coverage scenario

		2015	2016	2017	2018	2019	2020	2030
Number of Individual Beneficiaries (in 1,000)	OAP 65+	113	117	121	124	127	131	173
	OAP 60-64	41	40	40	41	43	44	60
	DG	28	29	29	30	30	31	35
	MG	56	57	58	59	60	61	70
	CG 0-4	249	242	248	253	258	263	303
	CG 5-10	292	298	291	284	278	276	316
	CG 11-17	316	315	318	316	320	324	318
	AA	5	5	5	5	6	6	7
	ESNP	61	64	66	68	71	72	92
	Total	**1,161**	**1,168**	**1,176**	**1,180**	**1,193**	**1,207**	**1,371**

All in all, the complete package of benefits that was considered for the simulation would reach (at full scale) roughly 1.1 million individuals in 2015, and up to 1.4 million individuals in 2030, due to population growth. The CG would be the second largest component in terms of coverage, reaching on its own about 70% of all households in the country and always accounting for more than 70% of all social assistance beneficiaries. The number of beneficiaries of the CG would increase by almost 10% between 2015 and 2030, with the biggest increase (22%) among children aged 0–4. The OAP would be the second largest component in terms of coverage, showing a remarkable increase (50%) in the number of beneficiaries over the time of the simulation due to the increasing number of elderly people in the population. The number of beneficiaries for the OAP estimated for 2015 is 153,439, which is higher than current coverage rates (143,000 in March 2013).[207] The fiscal implications of such an approach are discussed in subsequent sub-sections.

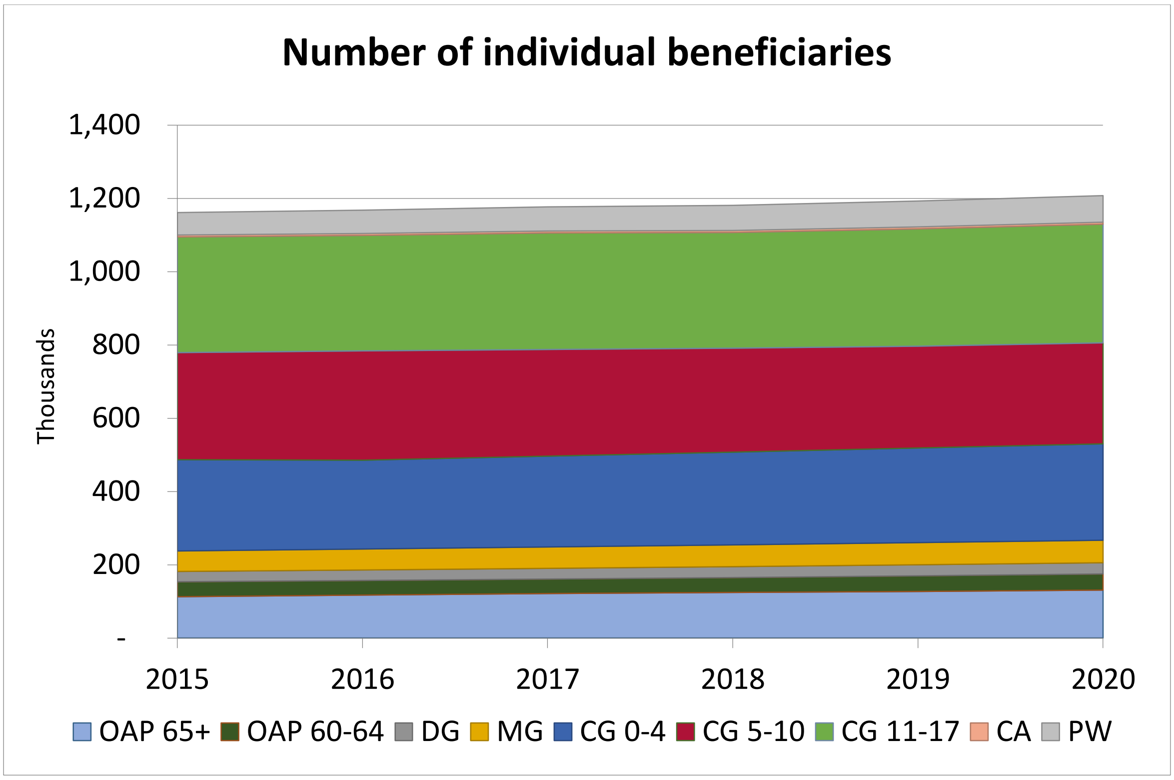
The ESNP would also observe a relatively steep growth in coverage, due to the increasing number of adults in the total population over time. Based on the economic conditions prevailing at the time the NHIES was collected (2009/10), we estimate that there would be around 60,000 unemployed or underemployed individuals interested in taking up work for a wage as low as NAD 406 per month in rural areas. This may increase to about 90,000 in 2030 on the basis of demographic considerations only (poverty and employment rates being equal). However, the ways in which the economy evolves over the time of the simulation may drastically affect these figures. The beneficiary base of an ESNP will naturally expand and reduce counter-cyclically.

The number of mothers eligible to receive a MG will increase over the time of the simulation by about 24% due a projected increase in the number of adult women in the country and despite the projected fall in fertility rates, reaching about 70,000 in 2030. Finally, the DG would cover about 30,000 individuals throughout the timeframe of the simulation, not far from

[207] Assuming the grant is targeted towards the poorest 80%, the number of beneficiaries for the OAP estimated for 2015 is 130,000 elderly 60+, which is lower than current coverage rates (143,000 in March 2013) and 23,439 less than the universal option.

the figure of 27,000 beneficiaries of the disability grant reported in 2013. The AA would attend to the special needs of a much smaller cohort of households.

Figure 9.1 Number of individual beneficiaries: full coverage scenario



9.2 Cost and fiscal implications

In this sub-section we discuss the cost and fiscal implications for the government taking on board the full package of social assistance benefit proposed. As part of a theoretical exercise we first assume that all new grants could be scaled up to achieve full coverage in 2015 and for the whole duration of the simulation. We account for a more gradual and realistic scaling-up approach in sections that follow.

Table 9.4 reports the total cost of the complete benefit package in 2015 prices, including transfer costs and administrative costs. It confirms the relative weights of different components that were highlighted in the previous section, except for the increased relative importance of benefits with larger per-beneficiary transfer values (mainly the OAP). Over the 15-year period considered for the simulation the total cost of the full benefit package would increase from NAD 5.44 to NAD 6.77 billion, at an overall growth of 24%.

Table 9.4 Total cost: full coverage scenario

		2015	2016	2017	2018	2019	2020	2030
Total cost (in million NAD – 2015 prices)	OAP 65+	1,014	1,054	1,092	1,119	1,142	1,177	1,561
	OAP 60-64	367	359	356	366	385	397	522
	DG	253	258	263	268	272	276	312
	MG	105	107	109	111	113	115	130
	CG 0-4	935	909	930	949	968	987	1,136
	CG 5-10	1,096	1,119	1,091	1,064	1,041	1,033	1,186
	CG 11-17	1,184	1,182	1,193	1,184	1,201	1,214	1,192
	AA	32	33	33	33	34	34	40
	PW	459	476	493	513	529	543	692
	Total	**5,444**	**5,497**	**5,560**	**5,608**	**5,686**	**5,775**	**6,771**

In connection with the OAP, Chapter 6 gave consideration to the option of introducing a simple income test whereby individuals that are in the tax system (that is relatively high income earners in the formal sector) and those in receipt of the Veterans' Subvention are not eligible for old age benefits. While the test (e.g. a pensions test) could help reduce the cases of double dipping of benefits by those who are relatively well off, the cost savings are not significant. For example, assuming the OAP is targeted (perfectly) toward the poorest 80%, the number of beneficiaries for the OAP estimated for 2015 is 130,000, which is only slightly lower than the 153,439 estimated under the universal option. The implied savings would be about NAD 169 million annually but if administration costs are taken into account the net savings will probably be much lower. Even if these savings were all returned to the remaining beneficiaries (the 80% who qualify) these beneficiaries would get an increase of less than NAD 110[208] to their monthly payment.

Total costs, given different macroeconomic assumptions

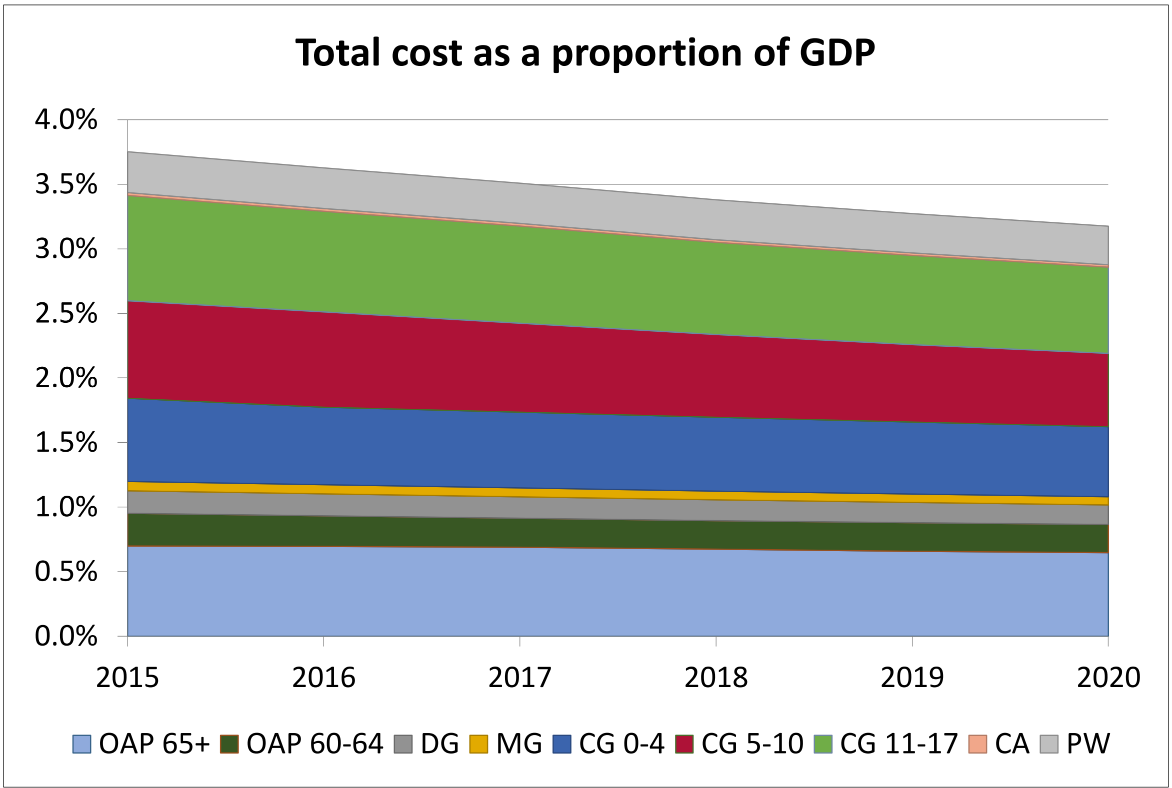
Figure 9.2 provides a graphic representation of how total benefit expenditure maps against the macroeconomic framework, by indicating the share of total GDP represented by each of the budget lines under the base (medium) growth scenario.

The main finding is that, despite expenditure increasing in real terms between 2015 and 2020 by about 6%, this is more than offset by the contextual GDP growth, which progressively brings down the share of GDP required to fund the full package of reformed benefit from 3.8% in 2015 to 3.2%[209] in 2020 (see details in Table 9.5).

[208] Assuming, for argument's sake, that the means-testing mechanism will cost nothing, then the NAD 169 million could be shared among the 130,000 beneficiaries, thereby affording them about NAD 108 extra per month. However, as noted in Chapter 7, this sort of 'simple' means test is likely to be complicated to implement in practice.

[209] As already noted in Chapter 5, comparatively, the World Bank estimated (2008 figures) the size of social assistance as a proportion of GDP to be 4.5% in Ethiopia, 4.4% in Malawi, 5.3% in Mauritius and 3.2% in South Africa. This was done using data from the Safety Net Spending Database http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/SN_Expenditures_6-30-08.xls

Figure 9.2 Total cost as a proportion of GDP: full coverage scenario



Looking at how different transfers contribute to such progressive increase in fiscal sustainability, it is evident that the real expenditure of OAP and the ESNP grow at a similar pace to GDP, while increases in real expenditure for the CG are much smaller than the projected GDP growth.

Table 9.5 Total cost as a proportion of GDP: full coverage scenario

		2015	2016	2017	2018	2019	2020
Total cost as a % of GDP	OAP 65+	0.70%	0.70%	0.69%	0.67%	0.66%	0.65%
	OAP 60-64	0.25%	0.24%	0.22%	0.22%	0.22%	0.22%
	DG	0.17%	0.17%	0.17%	0.16%	0.16%	0.15%
	MG	0.07%	0.07%	0.07%	0.07%	0.07%	0.06%
	CG 0-4	0.64%	0.60%	0.59%	0.57%	0.56%	0.54%
	CG 5-10	0.76%	0.74%	0.69%	0.64%	0.60%	0.57%
	CG 11-17	0.82%	0.78%	0.75%	0.71%	0.69%	0.67%
	AA	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
	ESNP	0.32%	0.31%	0.31%	0.31%	0.30%	0.30%
	Total	**3.75%**	**3.63%**	**3.51%**	**3.38%**	**3.27%**	**3.18%**

As previously mentioned, the analysis of fiscal sustainability rests on assumptions on GDP growth that become more arbitrary as the time horizon of the simulations elongates. In Table 9.6, estimates of the cost of the suggested benefit package relative to GDP are reported using alternative assumptions on GDP growth between 2018 and 2030. These are applied for the whole period. The high and low GDP growth estimates are respectively two percentage point below and above the base projection of the IMF for 2013.

The analysis reveals that the overall cost of the benefit package could range between 3.0% and 1.8% of GDP depending on the set of assumptions made.

Table 9.6 Total cost as a proportion of GDP in 2030: full coverage scenario

		Low-growth scenario	Medium-growth scenario	High-growth scenario
Total Cost as a % of GDP (2030)	OAP 65+	0.70%	0.54%	0.42%
	OAP 60-64	0.23%	0.18%	0.14%
	DG	0.14%	0.11%	0.08%
	MG	0.06%	0.05%	0.04%
	CG 0-4	0.51%	0.39%	0.31%
	CG 5-10	0.53%	0.41%	0.32%
	CG 11-17	0.53%	0.41%	0.32%
	AA	0.02%	0.01%	0.01%
	ESNP	0.31%	0.24%	0.19%
	Total	**3.02%**	**2.35%**	**1.84%**

9.3 Alternative expansion patterns

The micro-simulation results presented so far originated from a hypothetical benchmark scenario in which all benefits included in the proposed package would be rolled out to achieve full scale already from 2015. From a policy implementation standpoint this is not an attainable plan given that the current scale and coverage of the social assistance system in Namibia is currently much smaller, representing about 1.2% of GDP[210] in 2013. On the supply side, financial, institutional and administrative capacity will have to be built progressively within the implementing agencies, both at national and decentralised levels, particularly considering that the regulatory framework and operational structure for some of the proposed benefits will have to be built from scratch (as is the case for the ESNP). On the demand side, the demand for new grants will also pick up slowly as potential beneficiaries become aware of their existence and appropriate communication and outreach campaigns are put in place to stimulate take-up.

In view of the above, it is more feasible to suppose that the package of benefits proposed is rolled out following a more staggered and gradual approach. There are a number of alternative options that can be considered to arrange the phased expansion of the social assistance system. In this sub-section we discuss the fiscal sustainability implications of a simple scenario that is based on the following two assumptions:

- Take-up of the ESNP will start low and progressively increase over time, from 40% in 2015 to 90% in 2020; and
- The CG will be phased in gradually following an approach based on age cohorts: starting with children aged 0–4 in 2015 and including children aged 5–10 in 2017 and children aged 11–17 in 2019. This approach is justified by the fact that support to children in their early years of life is found to be crucial to breaking inter-generational poverty transmission. Moreover, younger children are more likely to be poor.

Figure 9.3 and Table 9.7 present the results of the simulation. As a consequence of adopting a more gradual approach to the expansion of the social assistance system, the total cost of the benefit package would rise from 1.8% of GDP in 2015 to 2.7% in 2017 and finally reaching 3.2% of GDP at full-scale coverage in 2020.

[210] Excluding the veterans' subvention.

Figure 9.3 Total cost as a proportion of GDP in 2030: phased roll-out

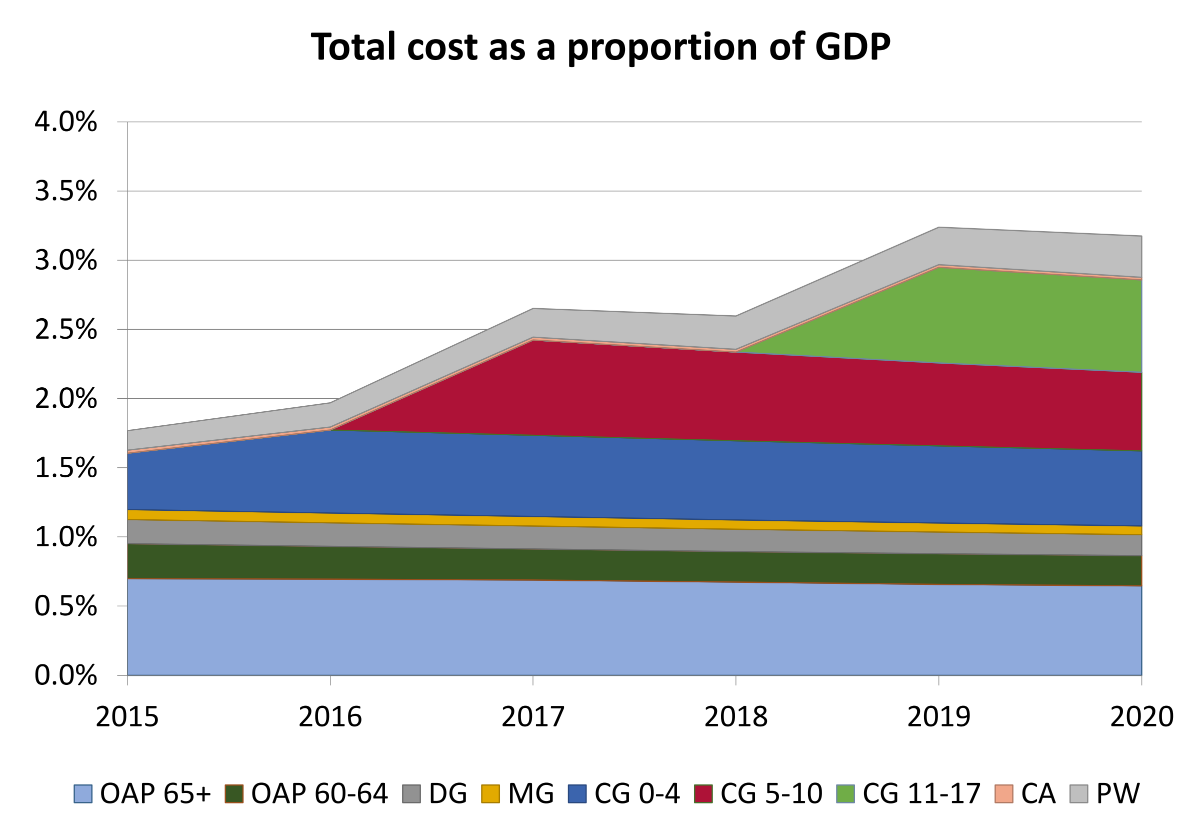


Table 9.7 Total cost as a proportion of GDP in 2030: phased roll-out

		2015	2016	2017	2018	2019	2020
Total cost as a % of GDP	OAP 65+	0.70%	0.70%	0.69%	0.67%	0.66%	0.65%
	OAP 60-64	0.25%	0.24%	0.22%	0.22%	0.22%	0.22%
	DG	0.17%	0.17%	0.17%	0.16%	0.16%	0.15%
	MG	0.07%	0.07%	0.07%	0.07%	0.07%	0.06%
	CG 0-4	0.41%	0.60%	0.59%	0.57%	0.56%	0.54%
	CG 5-10			0.69%	0.64%	0.60%	0.57%
	CG 11-17					0.69%	0.67%
	AA	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
	ESNP	0.14%	0.17%	0.21%	0.24%	0.27%	0.30%
	Total	**1.77%**	**1.97%**	**2.65%**	**2.60%**	**3.24%**	**3.18%**

9.4 Fiscal balance

Although the package is well within the ability of Namibia as a country to finance, it nonetheless does present some fiscal issues for the government. Table 7.8 below shows a projection of the fiscal balance under the two options. Estimates for the early years are naïve annualisations of the IMF Article IV report’s fiscal year figures. Estimates of revenues and non-grant expenditures are assumed to grow in line with GDP, veterans’ grants are assumed to grow in line with inflation but with beneficiary numbers falling slightly, and other grants are taken from the simulations. The analysis suggests that the government would have to take steps to raise

Table 9.8 Projected fiscal balance without new revenue (2012 to 2020)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Regular Revenues and Expenditures									
Total revenue and grants	36 017	39 604	45 634	46 078	50 400	55 901	61 546	67 763	74 607
Tax revenue	33 221	36 908	43 062	43 482	47 572	52 775	58 105	63 974	70 435
Nontax revenue	2 625	2 509	2 524	2 596	2 828	3 126	3 441	3 789	4 171
Grants	171	187	48	-	-	-	-	-	-
Expenditures excluding subsidies and transfers	28 837	34 119	37 228	38 959	42 077	46 735	51 728	57 199	63 217
Current Personnel plus Goods/Services (2011/12-212/13 includes discrepancies)	19 436	23 368	25 614	26 974	28 708	31 448	34 624	38 121	41 971
Capital expenditure	6 978	8 450	9 032	8 858	9 660	10 990	12 100	13 322	14 667
Net lending	851	188	-10	-17	-19	-21	-	-	-
Current Subsides and transfers	9 448	11 374	11 135	15 770	17 087	18 529	20 068	21 782	23 670
non grant subsidies and transfers	7 001	8 849	8 529	9 408	10 367	11 425	12 579	13 849	15 248
Grants "full cost"	2 447	2 525	2 605	6 362	6 719	7 104	7 489	7 933	8 422
Grants "phased"	2 447	2 525	2 605	4 083	4 288	5 773	6 094	7 933	8 422
Primary balance full cost	-696	-3 774	-137	-5 507	-5 035	-5 046	-5 245	-5 462	-5 702
Current Interest payments (full cost)	1 573	2 115	2 592	3 144	3 729	4 318	5 005	5 756	6 579
Debt full Cost		34 600	41 491	50 142	58 905	68 269	78 519	89 737	102 017
Primary balance phased	-696	-3 774	-137	-3 228	-2 604	-3 714	-3 850	-5 462	-5 702
Current Interest payments (phased)	1 573	2 115	2 592	3 144	3 559	3 960	4 523	5 137	5 914
Debt Phased		34 600	41 491	47 862	54 025	61 700	70 073	80 672	92 288
Debt/GDP full programme		29%	32%	35%	37%	39%	40%	42%	43%
Debt/GDP phased		29%	32%	33%	34%	35%	36%	38%	39%

extra revenue, to pay for the benefit package in order to prevent a deterioration in the primary balance, which had been improving, and a rise in the public debt. However, assuming that revenues rise in line with nominal growth while benefits rise only with inflation, the debt-to-GDP ratio will stabilise in the medium term.

Poverty and inequality effects

The final component of the micro-simulation exercise consisted of estimating the poverty and inequality effects of the different benefits proposed. This was done as part of a static simulation using the data on poverty and inequality from the NHIES 2009/10.[211]

Potential eligible beneficiaries for the different benefits were identified in the dataset and their consumption expenditure was adjusted for the value of the transfer they would receive under the newly introduced social assistance schemes. National-level poverty and inequality rates were re-calculated for the post-transfer status, and then compared with pre-transfer status. The static simulation is based on the assumption that no behavioural change would be associated with receipt of the benefit. Poverty impacts were calculated as the percentage point difference in poverty headcount, gap and severity using both the extreme poverty line and the upper poverty line goalposts. Inequality impacts were calculated as the difference in the Gini coefficient. The impact simulation was performed independently for each benefit, and jointly for the whole social assistance package.

Table 9.9 describes the main poverty indicators in a pre-transfer situation that constitutes the base scenario for the simulation.

Table 9.9 Pre-transfer poverty and inequality rates

	Head count	Gap	Severity
Extreme Poverty	15.3%	4.2%	1.7%
Upper Poverty	28.7%	8.8%	3.9%
Gini Coefficient	59.7		

Table 9.10 provides further context for the poverty impact simulations, showing the average transfer value and transfer-to-total-consumption ratio for each category of beneficiaries considered in the study, as well as for the full benefit package.

It is interesting to observe that the ESNP shows the highest average transfer value per household as well as the highest transfer-to-consumption ratio. The former is a reflection of the fact that, in the vast majority of households that would take up this benefit, there is more than one unemployed or underemployed individual that is available to work, meaning that more than one wage would be received. The effect on the transfer-to-consumption ratio is further reinforced by the implicit targeting assumptions that have been made in the simulation for the ESNP: that only the poorest households, for whom the low wage is attractive, would participate in the scheme. It is, however, important to note that the assumption that only underemployed and unemployed persons would be interested in the benefit if the monthly wage (NAD 406) represented at least half of the pre-transfer per-able-body monthly income

211 Strictly speaking, the simulation indicates the effect that the introduction of the new benefits would have had on had on the poverty dynamics in 2009/10. The extent to which such results are generalisable beyond 2009/10 depends on assumptions about changes in the poverty distribution over time, which may be due both to changes in the demographic profile of the population and to the effects of growth on poverty. Due to the lack of data it was not possible to model such transmission mechanisms.

earned by their household is an assumption that will need to be tested before the programme is implemented.

It is not surprising that the benefit types with the second highest transfer-to-consumption ratio are the OAP and DG, due to the highest per month transfer value (NAD 600) compared to the CG (NAD 250).

All in all, beneficiary households would receive on average just over NAD 1,000 per month. This corresponds to a large share of the total household consumption (almost half) and is a consequence of the fact that the vast majority of household would receive benefits of more than one kind at the same time.

Table 9.10 Average transfer value per beneficiary household

	Average monthly transfer per household (2015 prices)	Transfer to total household consumption ratio
OAP 65+	715	38%
OAP 60-64	628	35%
DG	659	36%
MG	285	12%
CG 0-4	371	17%
CG 5-10	393	17%
CG 11-17	441	17%
AA	406	22%
ESNP	835	68%
Total	**1,024**	**48%**

Table 9.11 presents the results of the simulation of the impact of the different benefits on extreme poverty. All in all the package of benefits would contribute to virtually eradicating extreme poverty (which would fall by 14 percentage points from the pre-transfer level of 15.3%) and a remarkable reduction of the extreme poverty gap and severity by 3.9 and 1.6 percentage points respectively. Due to its large coverage and the concentration of children in extreme poor households, the CG is the benefit that would be mostly associated with a reduction in extreme poverty, followed by the ESNP due to the explicit pro-poor orientation associated with the low-wage setting.

Table 9.11 Impact on extreme poverty

		Impact on extreme poverty (percentage points)		
		Head Count	Gap	Severity
Poverty Impact (est. in 2009/10)	OAP 65+	2.68	0.91	0.40
	OAP 60-64	0.85	0.41	0.21
	DG	0.93	0.39	0.19
	MG	0.47	0.19	0.10
	CG 0-4	4.08	1.47	0.70
	CG 5-10	4.46	1.64	0.78
	CG 11-17	4.40	1.74	0.81
	AA	0.09	0.04	0.01
	ESNP	3.47	1.31	0.60
	Total	**14.02**	**3.94**	**1.60**

Table 9.12 further presents the results of the simulation of the impact of the different benefits on upper poverty. It indicates an overall estimated poverty reduction of over 22 percentage points. However, assuming benefit values are not adjusted annually to keep up with inflation, the estimated poverty reduction is only 11%. It is also interesting to note that all programmes have a larger effect on poverty reduction than on extreme poverty reduction, with the exception of the ESNP for the way in which its particular self-targeting approach was considered in the simulation.

Table 9.12 Impact on upper poverty

		Impact on upper poverty (percentage points)		
Poverty Impact (est. in 2009/10)		Head Count	Gap	Severity
	OAP 65+	3.93	1.55	0.79
	OAP 60-64	1.06	0.59	0.34
	DG	0.74	0.52	0.31
	MG	0.52	0.28	0.17
	CG 0-4	4.92	2.29	1.26
	CG 5-10	5.10	2.53	1.40
	CG 11-17	5.56	2.65	1.47
	AA	0.08	0.06	0.03
	ESNP	2.25	1.77	1.06
	Total	**22.58**	**7.82**	**3.61**

Finally, Table 9.13 presents the results of the simulation of the impact of the proposed benefit package on inequality. Overall, the combination of all benefits would contribute to a reduction of the Gini inequality index of almost 7.4 points from the 59.7 estimated in the latest NHIES. Programmes with widespread coverage have the largest effect on Gini, notably the CG and OAP.

Table 9.13 Impact on inequality

		Impact on Gini index
Impact on inequality (est. in 2009/10)	OAP 65+	1.210
	OAP 60-64	0.390
	DG	0.350
	MG	0.180
	CG 0-4	1.570
	CG 5-10	1.670
	CG 11-17	1.790
	AA	0.000
	ESNP	0.880
	Total	**7.360**

Another interesting point to note is that, under a scenario where benefit values are not adjusted to keep up with inflation, the impact on inequality is much lower. This applies for each benefit and for the whole benefit package as a whole. For instance, instead of the 7.4 point decline as shown above, without regular adjustments to benefit value the expected impact would be reduced to just 3.57.

Cost–benefit analysis

Ultimately the decision must be driven by considerations of cost-effectiveness. Different benefits have different effects on poverty and inequality but also different costs; it is there difficult to compare across them. One way to construct a common metric is to look at the reduction in poverty that would is associated with NAD 1 billion expenditure under each of the transfers. The results of this exercise are presented in Table 9.14, showing that the ESNP would be the most cost-effective solution for extreme poverty reduction, followed by the CG and OAP.

Table 9.14 Cost-effectiveness of different benefits

		Percentage point reduction in extreme poverty headcount (gap/severity) associated with NAD 1 billion expenditure		
		Head Count	Gap	Severity
Cost-effectiveness (est. in 2009/10)	OAP 65+	2.64	0.9	0.39
	OAP 60-64	2.31	1.12	0.57
	DG	3.67	1.54	0.75
	MG	4.48	1.81	0.95
	CG 0-4	4.37	1.57	0.75
	CG 5-10	4.07	1.5	0.71
	CG 11-17	3.72	1.47	0.68
	AA	2.79	1.24	0.31
	ESNP	7.56	2.86	1.31

9.5 Conclusions

From the analysis presented in this chapter, it is clear that a comprehensive SPF (Package 1) is certainly attainable for Namibia. Such a package comprising a universal OAP, universal child grant, maternity grant, disability grant, attendant's allowance and an employment safety net would reach 1.2 million people in 2020 at a cost of NAD 5.8 billion (3.2%) of GDP, a figure comparable to social assistance expenditure in countries like South Africa but lower than that in Mauritius, Malawi, Ethiopia and Lesotho.

Although the package is well within the ability of Namibia as a country to finance, government would have to take steps to raise extra revenue, in order to prevent a deterioration in the primary balance, which had been improving, and a rise in the public debt.

Poverty impact: The SPF package of benefits would contribute to virtually eradicating extreme poverty (which would fall by 14 percentage points from the pre-transfer level of 15.3%) and a remarkable reduction in the extreme poverty gap and severity by respectively 3.9 and 1.6 percentage points. Due to its large coverage and the concentration of children in extreme poor households, the CG is the benefit that would be most associated with a reduction in extreme poverty, followed by the ESNP because of the explicit pro-poor orientation associated with the low-wage setting.

Impact on inequality and cost effectiveness: Moreover, the SPF package could result in a reduction of the Gini inequality index of almost 7.4 points from the 59.7 estimated in the latest

NHIES, with the programmes with widespread coverage having the largest effect (notably the CG and OAP). On a per NAD basis, the most cost-effective benefit will be the ESNP in terms of extreme poverty reduction, followed by the CG and OAP.

The reforms are undoubtedly ambitious and therefore a phased approach to the establishment of a SPF is recommended.

10 Administrative performance

Chapter overview

- Namibia has an extensive social protection system managing client applications, records and payments to more than 15% of the population. For this purpose there is a significant legal framework and a range of institutions, ranging from public sector departments to public agencies and private sector firms. There is also extensive interaction or partnerships between public organisations (mostly state departments but also agencies) and private agencies (payment agents, banks, NamPost, etc.) to deliver services.
- An overall evaluation framework, indicator set and data are not available to rigorously assess the performance of the system and its components, and this assessment therefore relies on impressions from interactions with institutions and the limited reviews available. It thus focused on inputs, key processes and some assessments of cost and efficiency.
- The establishment and expansion of an extensive system of social grants and a network of social insurance and other occupational and private schemes, all working fairly smoothly in a relatively poor country with a large land mass and low population densities, is a significant achievement and provides a strong base for the future development of social protection.
- While the absence of systematic information for evaluation is a key problem, pointers to the need to improve systems are the high costs of administration (especially in the social insurance and private and occupational funds), elementary client interaction facilities in the social assistance departments, and avoidable costs to citizens (and duplication of activities in government) due to fragmentation of responsibility between different departments. There are staffing challenges in relevant government departments and most public sector departments and agencies struggle to find efficient ICT solutions. Human resources development plans (also through appropriate training) are limited. Facilities are quite uneven in terms of the social assistance and social insurance schemes.

- Key aspects that need to be addressed are:

  - In certain areas, the clarification and necessary updating of legal mandates and rules.
  - A comprehensive evaluation and indicator framework with a supporting information system. Responsibility for coordinating such a process and eventual publications could be made a mandate of the Central Statistical Agency, but responsibility and accountability for analysis and communication of the evidence must also be allocated.
  - Overall responsibility for social protection policy and oversight of the system. Currently, responsibility is fragmented between a number of players. In this regard an overseeing Social Protection Council may be needed, as well as a Ministry of Social Protection and a dedicated or more strongly resourced social protection regulator.
  - Service delivery to clients (in terms of information, registration and record management) is currently quite fragmented (three ministries being responsible for social insurance, and two social insurance entities) and there a large number of relatively small retirement and medical schemes. On the social assistance and social insurance there are two options to remove fragmentation in service delivery and reduce administrative costs, as well as costs to the client. These options will both rely as far as is possible on a centralised social protection registry with client interaction either through (1) a decentralised option where all client interaction is the responsibility of local government or (2) a purpose-designed entity that takes responsibility for the centralised registry and coordinates social protection-related interactions with clients. A third option (3) could be to have a lean entity at national level to advise and provide harmonised communication and standards for service delivery in relation to all social protection benefits across the country.

10.1 Objective and methodology

Administration as a component of the social protection system is distinguished from policy-making and planning. Administration (or operations) focuses on actually getting benefits to clients and reporting on these activities, and could be seen as having four or five components depending on the type of institution:

- Information and outreach – ensuring that citizens know what they are entitled to and how benefits can be accessed, as well as their obligations in the case of mandatory social insurance;
- Beneficiary registration (application process, approval, registration, appeals if any and review as prescribed by legislation);
- Payment or delivery;
- M&E of the social protection system and activities; and
- For social, occupational and private insurance funds, revenue collection and fund management.

The administration assessment was a relatively small component of the study aimed at informing the ILO and researchers about the situation on the ground but also allowing for an initial, broad-brush assessment of administrative performance. The components of the assessment were:

- A review of the literature on the administrative performance of social protection systems. The literature covered ranged widely and included the growing literature on expanding non-contributory, cash, social assistance benefits in Africa.
- Development of criteria and instruments for collecting information.
- A one-week dedicated visit to Namibia to gather information, specifically through visits to the head offices of social protection institutions, to administrative offices in regions and districts, and to cash paypoints for social assistance benefits.
- Analysis and write-up of impressions and evidence.

Certain caveats are in order:

1. While performance management and evidence-based policy-making has been in vogue for some time and increasing work is being done in the area,[212] there is not a particularly integrated or clear body of literature, or a standardised set of criteria and indicators, through which to assess administrative performance within and across different types of social protection institutions. Social protection institutions differ significantly in terms of clientele and size and type of benefits, which makes it difficult to settle on criteria and standards.
2. Assessment of administrative performance in social protection institutions is not an ongoing well-entrenched activity in Namibia. Not only are standards for assessment not always clear but, even where rudimentary standards are in place, good data are mostly not available. While the social protection inventory also assisted us in the gathering of some data, these are limited mostly to the big aggregates and have limited information on the detail of administrative processes. Proper assessment will require an agreed and comprehensive evaluation framework, together with a strategy to implement this (including required data systems).
3. In many areas of social protection administration, international benchmarks are also not available and conditions and schemes differ so much that the relevance of the benchmarks

[212] See ILO (2013), ISSA and Accenture (2010), and ISSA (2013).

that do exist is an issue. In this regard, it is also important to keep in mind the specific Namibian context.

ILO Recommendation 202 of 2012, the recommendation concerning national floors of social protection, outlines a number of principles related to the administration of social protection. Relevant ones are:

- predictability of benefits;
- respect for the rights and dignity of people covered by the social security guarantees;
- transparent, accountable and sound financial management and administration;
- coherence across the institutions responsible for the delivery of social protection;
- high-quality public services that enhance the delivery of social security systems;
- efficiency and accessibility of complaint and appeal procedures; and
- regular monitoring of implementation, as well as periodic evaluation.

It is important for social protection systems to be **efficient and cost-effective.** Unduly high costs reduce the real benefit to beneficiaries and could affect the financial and political sustainability of the system. The accountability system, or the institutional framework determining the incentives and boundaries for actors in the system, plays an important role in performance.

In addition to a focus on efficiency this chapter also looks at the clarity of the legal framework, service delivery standards and the institutional framework.

10.2 Rights and accountability framework

While there is a legal framework for social protection in Namibia, completeness and clarity is uneven. Some of the issues that have an impact on the clarity and enforceability of rights are as follows:

- The Namibian Constitution in its list of 'Fundamental Human Rights and Freedoms' includes mostly civil and political rights. The UN Special Rapporteur on extreme poverty and human rights has commented that while 'economic, social and cultural rights are referred to in Chapter 11 [of the Constitution] as "Principles of State Policy"', they are not justiciable. This means that citizens have fewer routes to enforcing their rights.

- There is no overarching policy statement or legislation setting out the government's approach to social protection. An example of such overarching legislation is found in Angola and Mozambique, which clearly define the different pillars of social protection policy (social assistance, social insurance and occupational and private insurance) and government's responsibility and broad approach in each area (ranging from regulation to funding to actual delivery).

- In some cases consideration of draft legislation can take a very long time, leading to uncertainty about policy direction (examples are draft children's legislation and the draft 'Basic State Grants' Bill, which was anticipated to replace the National Pensions Act of 1992). The same is true for a range of policy investigations and reforms such as the investigations into social health insurance and a mandatory pension scheme. This may indicate a need to tighten up policy and legislative processes but may also point to the fragmentation of responsibility for social protection and the absence of any clear overall policy coordination.

- For some benefits there are no clear legal mandates. For example, our understanding is that the Special Maintenance Grant (or child disability grant) is being paid on the basis of an executive decision.

- When social grant increases are decided, they seem not to be gazetted in terms of the relevant legislation; this provides a basis for uncertainty, also about the date from which they will be effective. There does not seem to be clear communication with beneficiaries about the annual increases.

- In some cases, especially for child grants, increases are sporadic and the real value of benefits has been allowed to decrease over time. Legislation or policy should set out the government's intention in this regard, which from a policy perspective should be to keep the real values of benefits at least constant over time.

- Regulations relating to the different pieces of social protection legislation are quite uneven. For example, regulations in terms of the MVA Fund Act of 2007 are detailed and even prescribe specific administrative forms. The regulations relating to the Social Security Act of 1994 are also extensive, even setting the value of certain benefits (the funeral benefit at NAD 3,500 and the maternity benefit at '100 per cent of the remuneration of the female employee concerned'). Regulations dealing with the various social assistance benefits (elderly, disabled, children, war veterans), however, have been more difficult to access although it is clear there is no clear guidance on the updating of benefit values.

Other issues around the legal framework are:

- Some auxiliary legislation needs review, such as the Birth, Marriage and Death Registration Act of 1963, which regulates birth registration and is outdated and inadequate.

- The Social Security Act envisions a range of benefits that have not been implemented, especially retirement benefits and a national medical fund.

- There is insufficient regulation of the medical scheme environment.

The service delivery charter of the Directorate of Social Services in MoLSW spells out the complaints (and appeals) process for people not satisfied with decisions or responses from administrative offices. People are advised to:

1. Write to the Complaints Coordinator in the Office of the Permanent Secretary in MoLSW, who will channel the complaint to the Director of Social Welfare.

2. If not satisfied with the response from the Director, the individual can 'consult' the Permanent Secretary in the Ministry.

3. If not satisfied with the response of the Permanent Secretary, the individual can lodge a complaint with the Ombudsman.

Concerns with this process are, first, that the first two steps are effectively internal to the administration that made the first decision. Second, it is unclear that the Ombudsman, who deals with a range of complaints, would have the technical capacity to deal with social assistance appeals. These may demand the medical expertise to assess appeals on the Disability and Special Maintenance Grant. Given the size of the country, it also unclear how effective access to a fair appeals process would be for Namibians.

Box 10.1 Appeals process for South Africa's social grant system

After many years of struggling to establish a fair and effective appeals process (and suffering substantial legal challenges on decisions), the Minister of Social Development in South Africa, in terms of regulations to the Social Assistance Act, established the Independent Tribunal for Social Assistance Appeals (ITSA). It is an independent tribunal located in the Ministry of Social Development, hearing appeals against the decisions of the South Africa Social Security Agency.

Appeals require a very effective process: IN the 12 months up to March 2010, the South African Social Security Agency had received 4,680,675 applications for grants, of which 289,717 (6.64%) were rejected. Among the rejections, 246,864 (85.2%) were for disability grants, while 20,183 (6.96%) were for OAPs. These rejections had resulted in 65,144 appeals, with by far the largest number coming from KwaZulu Natal (KZN), with 35,467. The Eastern Cape was second, with 11,696.

The administrative head of the Tribunal explained the adjudication strategy as 'two-pronged'. The first phase involved establishing a case file (pre-adjudication), conducting medical and legal assessments (adjudication), and communicating with stakeholders (post-adjudication). The second phase covered strategic support for the adjudication process.

Initially only having a national office, the Tribunal is in the process of establishing a provincial footprint.

Source: www.pmg.org.za/report/20100831-indepenent-tribunal-social-assistance-appeals-itsaa-its-operational-

10.3 Access to and quality of services

Standards for service delivery and payments

The Directorate of Social Welfare in MoLSW has a service charter that was published on 26 October 2005 and is available in the form of a pamphlet. It gives phone numbers for regional and local pension offices, for sub-divisional heads in the national ministry and a postal address for a 'Complaint Coordinator' in the Office of the Permanent Secretary. Broad standards are set for telephonic, written and personal contact with officials (telephones to be answered within three rings and replying to correspondence within 10 days, for example). Standards are set for some work areas, mostly for turnaround times with regard to key processes. It also sets out the key values of the organisation (i.e. customer service orientation, sensitivity, recognition, transparency, integrity, and accountability).

Box 10.2 MoLSW Service Charter: key standards

OUR STANDARDS APPLICABLE TO SPECIFC WORK AREAS

WE WILL PROVIDE THE FOLLOWING SERVICES:

- Payment of Old Age Disability grants attestation within 90 days
- Changes of pay points and modes in 60 days
- Effected address changes within 24 hours
- Finalize re-instatements in 90 days
- Payment of insurance claims in 48 hours
- Handle enquiries within 3 days
- Deal with queries within 14 days.

Source: MoLSW Service Charter

There is nothing specific in the charter on the quality of amenities and on waiting periods at facilities and paypoints for social grants. This is somewhat addressed in the contract between the government and Epupa (the private sector provider of payment services to government). The contract states that the Minister of Labour and Social Welfare determines paypoints and that security is to be provided at paypoints by Epupa. It is stated that Epupa shall provide 'secure facilities and equipment for recipients to withdraw defined benefits at any point in the region in which the beneficiary was registered'. The contractor shall 'provide and maintain in good working order, suitable, payment-and-computer equipment and equip pay out units with ATM type instrument fitted with dispensers. The contractor shall also disseminate information concerning the pay days, pay times and paypoints for the districts'. It is also the responsibility of Epupa to ensure that 'pay-points and service points are accessible to old and disabled persons and personnel are available to assist where required'. The contract indicates that, should a dispute arise out of the contract, including 'any dispute as to the interpretation of the contract, the **execution of services to the required standards**' or with regard to payment, 'the dispute is referred to the Ministry's Accounting Officer.' There are, however, no concrete standards set that can be measured.

MoGECW refers to their booklet on 'critical services for children in need in Namibia' with respect to standards. The document sets out which grants are provided, general information for applicants and summary information on who qualifies for the different child grants. It provides telephone numbers for regional offices and also a list of other relevant departments for documentation (without contact details), namely the Ministries of Education, Health and Social Services, Justice and Home Affairs and Immigration. No specific standards in terms of customer services and turnaround times are provided.

Similarly, **the SSC** in their annual reports refer to a customer service charter that, inter alia, guides the turnaround times of benefit payments (2012 Annual Report). However, the OPML team has not had access to a copy of this charter.

For the maternity, sickness and death benefits the SSC sets benchmarks (targets) for the average duration of claim processing. These range between two days (for death benefits) and 30 days (for retirement and disability). The target for maternity and sick leave claims is 15 days. Recent years show an increase in average claims processing times, quite dramatically so for maternity and sick leave. The SSC in its 2008/09 Annual Report explained that the long processing times were due to the fact that 'some of the maternity claims are being submitted more than three months in advance' and in the case of sick leave 'as a result of incomplete documents received by the Commission'.

Table 10.1 SSC – MSD: duration of claims processing against benchmarks

Benefits	Benchmark	2005/06	2006/07	2007/08	2008/09	2009/10
Maternity	15	4.34	4.79	4.41	47.79	47.55
Sick leave	15	5.31	3.99	4.54	39.04	24.28
Death	2	0.75	0.66	0.66	1.88	2.37
Retirement/Disability	30	3.61	0.75	2.48	8.49	9.72

Source: SSC, various annual reports

The **MVA Fund** sets targets for claims processing: all funeral claims must be processed and paid in 30 minutes and all other claims within 30 days of receipt of a complete claim. The Fund claims significant improvements in the turnaround times and that the Fund consistently processes and pays funeral claims in an average of 18 minutes, whereas 80% of all the remaining claims are finalised on the same day they are lodged. The 2011 Annual Report further claimed that 'the customer satisfaction level during the year under review was posted as 85% against the institutional target of 75%'.

The GIPF has as one of its central focus areas the improvement of customer satisfaction and 'membership relationships'. It has an electronic 'client relationship management system' into which all complaints are entered and from which reports are generated.

10.3.2 Information on quality of service delivery

As pointed out above, both the SSC and MVA report in their annual reports against service delivery targets. They do not, however, report on customer satisfaction. Although a number of other social protection institutions do attempt to measure customer satisfaction (specifically MoLSW and the GIPF), the results seem not to be aggregated and published or analysed. As a result, there is almost no systematic evidence on the quality of social protection service delivery in Namibia. Also for private and occupational schemes the regulator, NAMFISA, does not provide much information except for quantitative data on the number of schemes and numbers of members and benefits.

Complaints to the Ombudsman of Namibia are aggregated by category and reported on and so give a flavour of complaints and the relative position of different institutions in terms of number of complaints. This does not, however, properly allow for assessing the seriousness of complaints and of trends over time. For example, in 2009 5% of complaints and in 2010 4% of complaints came from 'pensions' but 'pensions' disappeared from the 'top 10' in 2011 (Ombudsman Annual Report, 2011). Both the Labour and Gender ministries fare quite well on Ombudsman evidence, registering 44 and 20 complaints respectively, against 107 in Education and more than 500 in Justice in 2011.

The observations below come mostly from the team's visit to a range of administrative office and paypoints during the first half of 2013. Although the teams saw administrative offices and paypoints in a number of regions, selection was not statistically representative and care must be taken in generalising.

10.3.3 Access to services and facilities

The Namibian Constitution stipulates that, 'The State shall actively promote and maintain the welfare of the people by adopting, inter alia, policies aimed at … ensurance [sic] that every citizen has a right to fair and reasonable access to public facilities and services in accordance with the law'.

Access to social grants have expanded significantly in recent years, especially with regard to child grants where, within a narrowly circumscribed entitlement, the number of beneficiaries has grown from less than 10,000 in January 2003 to 146,279 in 2013. Between March 2011 and March 2013 beneficiary numbers grew by more than 20,000. The numbers of old age pensioners and disability beneficiaries have also continued to grow. The expansion of access can be associated with a strong and expanding regional and local administrative presence of MoLSW and, especially, of MoGECW.

MoLSW has regional or local offices in 34 town and cities, which can be compared to the 48 local authorities in Namibia. The approved social grants staff contingent in each of these offices ranges from four clerks and record clerks in the large offices to two in the smaller offices. Social welfare staff members are responsible for outreach, taking of applications, dealing with enquiries and communicating with beneficiaries, and verifying information about beneficiaries on an ongoing basis. The 2013/14 estimates of expenditure indicate a total approved establishment of 107 for the Directorate of Social Welfare in MoLSW, with about 23 posts at the central or national level and the other positions at the regional or local level. The estimates, however, indicate that only 67 of the 107 posts were filled.

MoGECW has overseen a rapid expansion of capacity in regional and local offices. The Ministry aims to have a four-person office (consisting of a social worker, a community liaison officer, a community activator and a records clerk) in all 107 of the constituencies into which the country is divided. For this, the Directorate of Social Allowances and Welfare Programmes has an approved post establishment of 227, of which 98 are social workers and 125 clerks or clerical assistants. The 2013/14 estimates indicate that 179 of these posts are filled.

The social insurance institutions (the SSC and the MVA Fund) and the large GIPF have also expanded their footprint through the opening of regional offices. The SSC has five regional offices, each with between 12 and 24 staff, and seven satellite offices with seven staff each. They also have a mobile unit where all transactions except payments can be done. A rule of thumb has been to try and be no further than 300km from any member. It is, however, sometimes difficult to determine where exactly workers are located because they are often registered through their head office in Windhoek.

In addition to their headquarters in Windhoek, the GIPF has eight regional offices. The staff contingent at regional offices consists of a social worker, a client service consultant, a clerk/benefits administrator and an investigative/control officer.

MVA Fund claims can now be submitted at most post offices (with 135 NamPost branches throughout the country) and dedicated telephone facilities are available at post offices for claimants to make contact with the Fund should this be necessary. A number of other innovations have also been introduced by the Fund in recent years regarding service delivery. For example, an accident response protocol (‘Kwik response’) was put in place to assist accident victims without avoidable delay. By dispatching investigators to accidents immediately, liability for medical expenses could be accepted and treatment could proceed immediately, enhancing the probability of full recovery. Biometric registration and verification of annuitants of the GIPF can also be done at all NamPost offices in the country.

10.3.4 Administrative offices and client interface

In terms of **administrative offices**, significant effort is evident in improving facilities and making basic amenities available. In Windhoek and larger towns, at the offices of MoLSW and the MoGECW, sanitation facilities and waiting areas have been provided at the offices we viewed. However, these administrative offices do not really contain any customer interaction

Figure 10.1 Social protection service centres and offices

Clockwise from top left: MoLSW offices, MoGECW offices, GIPF centre, SSC centre.
Source: Pictures taken by the authors during field visits.

areas – clients are seen in offices that are often shared. A lack of adequate space seems to be a general problem, also in terms of keeping documents and filing. There is a significant difference between Ministry offices and the offices of the social insurance institutions such as the SSC and the GIPF. These institutions generally have larger (partly because they serve bigger areas) offices that are more modern and luxurious. In these institutions, dedicated customer service and interaction spaces are found at entrances, in some cases (especially the GIPF) providing good, private spaces to interact with clients. These institutions also have strong corporate identities with client information being more generally available in various forms.

In addition to its head office in Windhoek the SSC has branches in Keetmanshoop, Oshakati, Walvis Bay, Otjiwarongo, and Rundu. The 2006/07 SSC Annual Report indicated that SSC – MSD benefits administration had been fully decentralised to the regional branches. This means that all functions (i.e. member registration, assessments and collection of premium and benefits payment, processing of claims and claim authorisation) could be undertaken at branches. The three satellite offices (Katima Mulilo, Grootfontein and Luderitz) undertake all functions except claim authorisation. The scheme has recently moved from payment by cheque to payment through electronic fund transfers.

In summary, office space in all cases seem decent and looked after but there is great variety, with social assistance offices (and, indeed, services for the poor generally) being of lower standard than those of the social insurance institutions.

10.3.5 Payment of benefits

The current social assistance system makes provision for a wide range of payment methods. Social grant clients can receive their benefits at cash paypoints, through their bank accounts (and thus at bank branches) and at NamPost offices throughout the country. All in all there are an estimated 1,929 'places of payment' (namely bank and NamPost branches and including about 800 cash paypoints). The SSC and GIPF have now moved almost exclusively to payments through electronic fund transfer and thus rely on fairly widespread bank branches and NamPost offices.

Figure 10.2 Epupa paymasters

Left to right: Epupa beneficiary card, Epupa mobile payment unit, Epupa payment system. Source: Pictures taken by the authors during field visits.

With regard to **cash payments of social grants**, payments are made at approximately 800 paypoints identified by the MoLSW by Epupa, which is a private company. Security is provided by another private sector company contracted by Epupa. Epupa serve approximately 140,000 of the 340,000 beneficiaries with 11 teams organised into five regions. Paypoints are normally visited by two teams (a team consisting of a paymaster and security officer) each with a small truck ('bakkie') containing the ATM machine used in payment. Teams can travel for a number of days from their base and overnight in a variety of places, sometimes in tents at designated paypoints. Teams do 4–5 paypoints per day and can make an estimated 90 to 100 payments per hour, although this can also drop to around 75 per hour (Interview, Epupa Oshakati).

Table 10.2 provides a summary of 456 paypoint 'episodes' during 2013. At these selected paypoints the longest duration at a paypoint (and therefore the theoretical maximum waiting time) was at Ilyekeya, where 274 beneficiaries were paid in just under six hours (or 1 minute and 16 seconds per beneficiary). In contrast, at Omagongati 533 beneficiaries were paid in just more than two hours, or at 14 seconds per beneficiary.

Table 10.2 Duration of transaction at paypoints – selection of 456 paypoint episodes

Duration per beneficiary (seconds unless stated)	Number of pay points
0–19	51
20–29	129
30–39	149
40–49	55
50–59	29
1 min to 1:59	34
2 min or more	9
	456

Source: Data from grant administration system via MoLSW

Table 10.2 shows that, at the bulk of the paypoints, transactions averaged less than a minute. Generally, it was observed that while the ideal is for the client to withdraw their money (insert card, present fingerprint for biometric identification and take cash) unassisted, paymasters normally assist with inserting cards and extracting cash in order to speed up proceedings.

The general impression of the **payment process** is that it is quite effective. One problem that was observed was that the fingerprints of older people may become unreadable and lead to a need for procurators to receive their cash on their behalf.

Generally, **amenities at paypoints** are sparse. Where paypoints are at MoLSW offices there is generally a waiting area with benches as well as ablution facilities. A large number of paypoints are, however, in deep rural areas with no real protection (except large trees) or ablution facilities close by. Markets stalls do, however, follow the paypoints in rural areas. While these rural paypoints operate well in dry seasons, they can be disrupted severely during the wet season.

With regard to the timeliness of paymasters and duration of queuing there were limited complaints, with a strong sense that paymasters are generally on time and that the duration of payment and length of queues will be acceptable. One client indicated that he uses a rural paypoint because queues there are shorter than in town – and then travels to town for shopping.

Paypoint committees, sometimes directed by local headmen, are in place in some localities and aim to improve payment facilities and amenities. One instance where this was observed was in Khorixas where the body was organised into the ‘Kunene South Welfare Organisation’, which has sub-committees at the three paypoints of Fransfontein, Anker and Khorixas. A main activity is organising donations from local government and other organisations to improve paypoint facilities. (While the cash paypoint is adjacent to the NamPost office in Khorixas, it

Figure 10.3 Various payment service points

Clockwise from top left: MoLSW paypoint, MoGECW paypoint, A NamPost separate service area (counter) for senior citizens and persons with diabilities, NamPost office.
Source: Pictures taken by the authors during field visits.

was argued that queues at NamPost can become very long and there is no waiting areas or ablution facilities for pensioners at NamPost – hence the need for additional facilities.) In addition, the organisation, using contributions from pensioners, also fund an additional benefit on death (typically a NAD 500 food parcel) and a food parcel in December.

Too few interviews were held with clients to adequately assess the convenience of payments. In one area there were complaints that people are not adequately aware of payment times (which get announced on radio a week in advance of payment) but generally it was felt that radio announcement and word-of-mouth work fairly well to get to everybody the date and time of payment (for security reasons and for flexibility, monthly payment schedules change and beneficiaries are not informed when they are paid on what day they will be paid the next month).

Paypoints could also be used to provide more systematic information to clients. The absence of a local social assistance clerk during Epupa payment times reduces the opportunity for increased contact with the administration. In some instances, payment opportunities could be used for more general information and sensitisation campaigns, possibly in partnership with other ministries.

10.3.6 Evidence of process inefficiencies and costs to clients

The costs to clients of complying with requirements and receiving benefits, including monetary and time costs, can be significant. In principle, long travel distances to administrative offices and delivery points, complex requirements (for example, the extensive documentation from various sources that is required), and under-capacitated and untrained bureaucracies (resulting in long waiting times and failure to pay benefits) could impose substantial costs on clients, and could be an obstacle to accessing benefits and at other times significantly reduce the real value of the benefits.

This study could not make a systematic analysis of the costs to clients. It is, however, very clear that the social protection institutions have made strong efforts to get close to clients, both with regard to administration (applications and approvals) and with regard to payments. In general these efforts should be commended and lead to a strong administrative base for social protection and for services to clients. A few areas can, however, be raised which have a negative impact on client costs:

- In all application processes there is a dependence on the Ministry of Home Affairs and Immigration for identity documents and birth certificates. While most interviewees have noted a strong improvement in processes and hence document availability (especially registrations of birth), Home Affairs' capacity seems uneven across the country. There also seems to be little assistance to clients from MoLSW and MoGECW in accessing Home Affairs. Applicants have to deal quite separately with the different ministries, which are often located some distance from each other. This is aggravated by the fact that people also have to access three different ministries for the child grants and for other grants (basic or pension and disability and also for the Veterans' Subvention).
- In the case of foster care grants there is a reliance on the court system for awarding custody to foster parents. This can lead to long delays and improvements are possible, especially in the light of the fact that many appointed foster parents are kin, which have a duty of care. In these cases another mechanism outside the foster care grant (a kinship grant has been mentioned) could be created, which would not require court procedures.
- Child grant processes are complex. All the child grants (including the Child Disability or Special Maintenance Grant) require inputs from social workers. While MoGECW has moved strongly to appoint more social workers and are aiming to have one in every constituency, limited social worker time remains a constraint and leads to delays in finalising benefits. There is therefore a need to look at reducing the inputs of social workers in the foster care grant process (a kinship grant would also require less oversight and inputs from social workers).
- Generally, there are no government officials at paypoints (only Epupa paymasters and security guards). The presence of paypoint committee members seem to be uneven and unstructured/non-official, while the existence and capacity of committees seem to vary quite substantially across the country. It is therefore difficult for beneficiaries to get information or have problems with grants resolved at paypoints. In such cases clients must go to the pension offices at the MoLSW offices, which are in some cases close to the paypoint but in many cases not, thus increasing costs to the client. In spite of this gap, however, it does seem prohibitively expensive to have officials at all paypoints.
- Officials visit paypoints occasionally during the year to provide information about the grants and the grant system and also to update beneficiary information and confirm life

certificates. Some local offices seem to have an annual plan for such visits. A first step could be to have a more formal calendar for these activities to ensure that people would know they have regular access to officials. Telephone facilities at NamPost offices (as has been done for the MVA Fund) could also be an initial solution, given the wide spread of NamPost offices.

- No cash social assistance payments are made in December. Double payments are made in November for the basic and disability benefit and in January for the child grants. In addition, beneficiaries get paid on different days of the month from month to month – and this is not predictable. Both these mechanisms impose cashflow management responsibilities on a very poor and vulnerable part of the community for the sake of reducing cost of payments and to deal with security threats (which we understand is the main reason for varying payment dates from month to month).
- Both MoHSS and MoGECW employ social workers – the one's mandate being for children and the other for adults. While there was evidence of the local offices of these ministries cooperating, splitting of such a key responsibility between two ministries may have negative effects as both children and adults are normally found in households and are closely interrelated.

More systematic and consultative approaches are necessary to deal with some of these potentially unnecessary costs being imposed on beneficiaries. Improved coordination between the fragmented social protection bodies will be important in this regard. For example, there seems to be little consultation with the MoGECW in assessing and improving the payments systems, although they would have significant feedback on aspects related to this via their constituency offices. Currently, there are official regional and district coordinating committees related to orphans and vulnerable children operating across the country; however, their operation seems to be somewhat uneven and with inadequate feedback to central ministries and agencies.

10.4 Efficiency of service provision

10.4.1 Approach

Assessment of the administrative performance of the social protection system can start by looking at individual processes and inputs into the social protection 'production' system – Figure 10.4 sets out the components of the production process (from funding to impact), key elements of the different components, and (in the last column) potential indicators. The figure provides assistance in defining the key concepts in measuring performance such as cost-efficiency (outputs relative to inputs and funding – essentially, the costs) and cost-effectiveness (outcomes relative to cost).

In measuring efficiency, context is important. Namibia has a small population spread across a vast land, leading to low population densities. Schemes are therefore, in an international context, generally quite small and they have to deliver benefits over large distances, often in areas of low levels of transport and communication technology. Performance assessment must take this context into account.

Figure 10.4 Framework for assessing performance of social protection and potential indicators

Funds	• Strength of planning and budgeting processes • Total funds • Adequacy of funds • Equity of funding • Accessibility of funds (cash flow)	• Strategic plan and detailed MTEF budget available • Transparent & consultation on budgets & expenditure • Spending per capita & % GDP • Incidence of spending/per capita for different income (also location, gender • Composition of spend: benefits, admin/operations/infrastructure/set-up & roll-out) • Quarterly availability of budgets & spending @ budget; Annual spending against budgets
Inputs	• Human resources • Goods & services inputs • Facilities • IT systems	• Number of staff & level; organisation/structure; key staff ratios; training, recruitment, skills, absenteeism, performance management , remuneration; rewards & sanctions • Adequacy of goods and services • Adequacy of dignity of facilities • Clarity of processes and integration of IT solution

Processes/ activities	• Policy, mandate & rules
	• Set-up and roll-out
	• Publicity/public information
	• Operations
	  ◦ Applications/approval
	  ◦ Review, Appeals, audits
	  ◦ Payment
	  ◦ Coordination
	  ◦ Monitoring and evaluation
		• Service standards in practice ; Overall policy coordination
		• Number of communications p.a/ Call centre analysis
		• Avg duration for approval for approval/cost per approval ; waiting; dignity of environment; integration with other services for documentation: Home Affairs (birth certificate; ID); medical (disability)
		• Appeals up to date & duration; complaints rate/settlement share
		• Cost per payment; distance from service points; dignity of environment; client satisfaction
		• Data available on service standard and analysed; reporting & quality of reporting (from ministry/agency; Parliament; AG)

Output	• Number of beneficiaries payments	• Population/target group (Access/coverage)
Outcome	• Consumption; school & hospital attendance, learning, jobs, productivity	• Average consumption by income group; social service utilisation rates; schooling outcomes
		• Pre and post transfers poverty and inequality: long term development impact
Impact	• Poverty & inequality; short term and long term	• Policy indicators: existence of mechanisms; performance indicators: outcomes

Core components of the assessment focus on a description of the system (the results chain) in terms of financing ('money'), outputs (beneficiary numbers and coverage rates) and outcomes (impact on poverty and inequality). This core work is collecting data on cost and outputs and allows for the calculation, for a number of the schemes, of key cost-efficiency ratios such as the total-cost-to-benefit ratio.

The administrative performance assessment also investigated in more detail, through discussions with social protection institutions, issues of planning and funding, key inputs (especially human resources and ICT systems), key processes (generally application, approval and payment) and M&E.

Performance depends critically not only on inputs and processes (including management) but also on accountability systems, which can be seen as the system of incentives and constraints placed on providers. The assessment also investigated aspects of the accountability system, especially whether internal performance management systems exist and how central agencies keep control over the regional and local 'agents'.

Measuring performance is difficult in environments where costs and outputs/outcomes are complex (for example, having key quality components) and where data on costs and outputs are uneven. Performance or efficiency is often relative and therefore difficult to assess where comparative data (say between different ministries and agencies) are not available.

10.4.2 Human resources

In regard to human resources, our interviews with organisations focused on understanding the organogram and how staff are organised, the adequacy of staffing levels, training of staff, remuneration and performance management.

As Figure 10.3 shows, both the Gender and Labour ministries have substantial vacancies. In MoGECW this may relate to very rapid growth of footprint, which is a challenge especially with regard to social workers in the deeper rural areas, as MoGECW is aiming to have a social worker in every constituency in the country. The large numbers of vacancies in MoLSW are more difficult to understand. The MoLSW indicated that staff turnover is low and vacancies result from retirement, changes of duty stations and promotions. Both ministries report staff shortages at the customer interface. Moreover, the GIPF indicates that data problems relate to the insufficient numbers of staff available to work on member and data maintenance.

Table 10.3 Overview of staffing versus client load in key social protection institutions

MoGECW	146,000 children in payment (MoGECW 2013)	Aim to have 4–5 staff, including a social worker in each of 107 constituencies. Currently 227 posts, of which 98 are for social workers and 125 for clerks or clerical assistants. In early 2013, 179 of posts filled.
MoLSW:	143,000 pensioners 27,000 disabled (MoLSW 2013)	Has 34 regional and local offices. Total approved establishment for social grants of 107 but only 67 posts filled. Two to four staff per office depending on area served. 23 posts at central level and rest regional and local. At central level, there are four people with accounting duties and three in database plus the system administrator. There is a plan to reach constituency level with more staff in existing offices.
GIPF	100,000 contributors & 34,000 pensioners (2012 Actuarial Report).	Currently 180 staff. Plan is to have 235 positions in the next five years, 160 in HQ and the rest in eight regional offices. There are investigations ongoing to expand regional offices. In regional offices there is a social worker, a client service consultant, one clerk/ benefits administrator, and an investigative (control) officer.
SSC	9,204 (ECD) & 25,843 (MSD) claims; 348,141 employee members (MSD) (2010 Annual Report)	There are five regional offices with 12 to 24 staff each and seven satellites with seven staff each. 266 employees in 2010, of which 241 were permanent (25 management; 211 specialised and skilled; five unskilled and 25 temporary). High levels of staff costs can be explained by the fact that system has been manually driven. This overload has led to overtime and part-time staff costs. Also a mobile unit.

Sources: Various institutions

MoLSW established social protection training links with the University of Johannesburg – but only a few clerks qualified formally – and there is training for new clerks. In the GIPF new frontline staff receive ‘intensive training’ that focuses on client services and presentation skills.

As pointed out in the introduction, social protection institutions are very different so direct comparisons of staff-to-beneficiary ratios are inadequate as measures of performance. In Table 10.4 we have two social assistance providers, one social security organisation providing long-term cash benefits (GIPF) and one providing mostly short-term cash benefits (SSC). The difference between the MoGECW and the MoLSW, which could explain staff ratios, is that MoLSW processes are simpler (grants are not means tested) and social workers do not play a role in approval of applications. The reasons for the large differences between the GIPF and the SSC are not clear.

Table 10.4 Comparison of staff per beneficiary/member

	Beneficiary/members	Filled posts	Approved posts	Beneficiary/member per filled post	Beneficiary/member per approved post
MoGECW	146,000	179	227	816	643
MoLSW	170,000	67	107	2,537	1,589
GIPF	134,000	180	235	744	570
SSC	350,000	266	266	1,316	1,316

Source: Calculation for annual reports and other statistical publications; interviews with institutions
*For ministries, beneficiaries (recipients of grants) are used; for GIPF contributions and pensioners; for SSC employees registered for SSC – MSD.

10.4.3 ICT

ICT is an indispensable part of social protection delivery given the large databases that need to be managed and kept up to date, the routine and critical processes (payment, review, suspension) that need to be implemented and the reporting required both for ongoing management and for performance improvement. Because cash is involved, which can be utilised by anybody, fighting fraud in the system is an important challenge. As Devereux and Vincent (2010) pointed out, the liquidity of cash compared with other transfers such as agricultural inputs or food means that the resource can easily be used by anyone, and thus there is a high risk of loss throughout the process of delivery, thus adding to costs.

In addition, rapid technological change provides the potential for reducing the cost of delivery of social protection both through web-based application and approval processes but also through less expensive ways of paying contributions and benefits. As a result, certain social protection options that were previously too costly or not feasible may become possible.

For social assistance payments the Social Assistance System (SAS) is used. All three ministries responsible for social assistance still use the same system, which is operated by the OPM. Figure 10.5 sets out the key steps of the grant approval and payment process, with the SAS being the core of the last two steps (data capture and payment). Current problems are that system development may be lagging because of key departments not being central to the operation of the system. For example, the MoGECW is a key client of the SAS – and of Epupa the payment provider – but does not seem to have a central role in management and oversight structures.

Figure 10.5 The grant application and approval process

Source: MoLSW presentation, Windhoek, May 2013

There are a number of issues with the SAS. Data capturing is still manual from ministries to the OPM systems and the whole application process is not electronic. Live information is also not available and reports have to be requested. MoLSW, for example, downloads information on a monthly basis to send to regions and districts. There is also not a management information system providing standard and regular reports. The system also carries limited biographical and socioeconomic information and does not link with other systems (such as the population register or social protection systems), thus making the system more susceptible to fraud.

Both the GIPF and the SSC utilise electronic systems but both are involved in tender processes for new systems because of inadequacies in the current systems – standardised and appropriate reporting and business intelligence systems seem to be a problem in both cases. The SSC reported extreme dependence on scarce staff in the ICT environment. ICT options going forward also call for more coordination, so as to allow the systems of the different organisations to talk to each other.

10.4.4 Infrastructure

In terms of office infrastructure the insurance institutions (SSC and GIPF) are generally well-endowed, often with spare capacity in regions where in some cases they rent out building space to other organisations. Their buildings generally form part of their assets, in which they invest contributor funds. Instead of putting infrastructure in place some have used existing facilities, such as the MVA Fund using NamPost facilities.

Office infrastructure is more of an issue in MoLSW and MoGECW, the latter of which has reported space as being a problem in regions and constituencies. They have tried to coordinate with local government to share office space (both for reasons of cost and convenience for clients) but have in some cases had to move on and find their own premises as local governments continue to grow.

Casual observation also seems to indicate space constraints in the regional and local offices of the two ministries. Storage and filing space seem inadequate and clients are interviewed (sometimes by social workers) in offices that are shared; this situation is not ideal for client confidentiality or for work productivity.

In some local and constituency offices ministries share space (for example, clerks from MoLSW and social workers from MoHSS sharing offices in Neu-Aib close to Okahandja) and report this (‘informal work sharing’) as being beneficial for work continuity and flexibility but also in terms of usefulness for clients. This office also reported close cooperation with MoGECW staff. The work sharing comes in especially usefully when people have to attend the many meetings that are held, including both district and regional coordinating committees for orphans and vulnerable children.

10.4.5 Administration costs as indicators of administrative performance

In 1996, Subbarao commented on the Namibian ‘social safety net’ that ‘the formal programs are too many and poorly administered. The result: pervasive regional asymmetry, exclusion errors and fraud.’ While this observation was made nearly 20 years ago, it makes for an interesting introduction to the assessment of the administrative performance of social assistance schemes. Relevant cost ratios provide a way of assessing the reality of this assessment.

Social assistance schemes

With regard to cash transfer or social assistance schemes, White and Greenside propose the total cost-to-transfer ratio and unit administrative cost (administrative cost per recipient) as indicators of cost-effectiveness or value for money (White and Greenside 2013:27). They, however, warn that it is imperative to take into account context, scale, maturity of programme and objectives before making a final judgement on either cost-efficiency or effectiveness.

Table 10.5 Comparison of total cost-to-transfer ratio and administration cost as percentage of total cost, Namibia and South Africa

	Namibia	Namibia	South Africa
	Social Assistance, MoLSW	Social Allowance, MoGECW	SASSA
	20010/11	**20010/11**	**2011/12**
Total cost-to-transfer ratio	1.04	1.18	1.06
Admin costs as percentage of total cost	4.2%	13.9%	5.6%
Number of beneficiaries	137,692	124,351	15.2 million

Sources: Namibia estimates of expenditure 2012/13; South Africa Budget Review 2013/14

Note: Expenditure for the MoGECW includes the costs of a large contingent of nearly 100 social workers who have other responsibilities in addition to social grants.

Table 10.5 provides the total cost-to-transfer ratio for two components of the Namibian social assistance system and compares that to the South African Social Security Agency (SASSA), a much larger organisation paying grants to more than 15 million people. The table shows some of the difficulties of comparing different welfare bureaucracies. The high cost of the grants paid by MoGECW in Namibia can be partly explained by the fact that it is not only a grants payment agency but also has more than 100 social workers in employment. While these social workers are involved in the registration processes for some grants (i.e. the foster care and special maintenance or child disability grant), they also fulfil a number of other functions. In measuring efficiency, part of the cost of social workers should therefore be excluded from the costs of social grant but it is not clear how much.

It is also not straightforward to explain why the SASSA is not able to achieve bigger economies of scale, compared to the much smaller pension and disability grant programme in Namibia. One possible explanation is that the South African system is extensively means tested while the largest Namibian pension and disability benefits are not means tested. The South African cost-to-transfer ratio, however, also exceeds that of equally large programmes in Mexico that are means tested and, in addition, have conditions to police (see Table 10.6).

White and Greenside (2013) provide a summary, comparative table of various cash transfer programmes in developing countries (reproduced below as Table 10.6). With regard to actual costs, the total cost-to-transfer ratios vary from 2.11 (total expenditure more than double the cost of the actual transfer or admin cost equal to 53% of total cost, in fact admin cost exceeding the transfer cost) in a relatively small programme in Ghana to 1.05 (admin cost equalling 5% of total programme cost) in a very large programme in Mexico.

Table 10.6 International administrative cost benchmarks for social transfers

Programme	Year of operation	No. of direct recipients	Cost per direct beneficiary	Cost per wider beneficiary	Admin cost per recipient	Admin cost as % of total cost	Total cost-transfer ratio
Ex ante costs (2012 US$)							
Ghana LEAP, 2012	5	164,370	155	40	35	23%	1.29
Nigeria CDG, 2017	5	60,000	400	100	107	27%	1.37
Tanzania PSSN, 2018	5	275,000	296	55	104	35%	1.54
Zambia Child Grant, 2015	5	85,502	237	47	60	25%	1.54
Actual costs (current US$)							
Bangladesh CLP, 2011/12	8	17,485	876	219	289	33%	1.49
Ethiopia PSNP, 2010/11	7	7,535,451	34	34	9	28%	1.38
Ghana LEAP, 2010	3	26,079	132	34	69	53%	2.11
Kenya CT-OVC, 2008/09	3	15,000	331	75	83	25%	1.34
Kenya HSNP 2011/12	4	68,611	297	50	51	17%	1.21
Mexico PROGRESSA/ Oportunidades 2000	4	2,600,000	314	63	16	5%	1.05
Mexico PROGRESSA/ Oportunidades 2012	16	6,500,000	815	163	42	5%	1.05
Zambia Child Grant, 2011	2	32,643	251	50	111	44%	1.79

Source: White and Greenslade (2013).

One key component of the cost of social grant delivery in Namibia is the payment for grant delivery by external agents. Currently the Namibian government pays NAD 16.25 per transaction to Epupa and NAD 5 to NamPost. This Epupa payment is therefore 8.1% of the value of the child grants and 2.7% of the value of a basic pension. In South Africa the payment to Cash Paymaster Services per transaction is ZAR 16.44 – comparable to the Epupa payment – and giving slightly lower cost ratios in South Africa given the higher value of grants (see Table 10.7).

Table 10.7 Comparative fees for outsourced cash grant payments, Namibia and South Africa, 2013

	Epupa fee per transaction	OAP	Maintenance grant
Namibia			
Value (NAD)	16.25	600	200
Fee as a % of grant value		2.7%	8.1%
	CPS fee per transaction	**OAP**	**Child support grant**
South Africa			
Value (ZAR)	16.44	1260	290
Fee as a % of grant value		1.3%	5.7%

Source: Namibia Social Protection Assessment Inventory and South Africa, Budget Review, 2013

Social insurance schemes

While the administrative costs to MoLSW (and perhaps also MoGECW) of administering and delivering grants do not seem to be comparatively large, the administrative expenditures of the three social insurance funds are high, ranging from 73% of total expenditure for the SSC – ECF to 34% for the MVA Fund in 2010/11 (Table 10.8). The split of administrative cost between the SSC – ECF and SSC – MSD (both within the same organisation and system) has recently been adjusted, as the MSD has been growing relatively faster than the ECF.

As is the case for occupational retirement funds in Namibia, the relatively small size of these funds as well as their age could partly explain the high costs. In addition, social insurance funds seem to be more costly than other social protection instruments. In South Africa, for example, the social insurance funds have administrative costs running at between 20 to 30% of benefits compared to somewhat over 10% for medical schemes and below 5% for retirement funds.

Table 10.8 Administrative expenditure of social insurance funds relative to total expenditure 2010/11

	ECF	MSD	MVA Fund
	2011/12	**2011/12**	**2010/11**
Benefit expenditure	17,528	138,446	148,971
Administrative expenditure	29,650	98,839	75,355
Total expenditure	**47,178**	**237,286**	**224,326**
Admin as percentage of total expenditure	62.8%	41.7%	33.6%

Source: Annual reports of SSC and MVA Fund

Private and occupational retirement funds

Andrew (2012) analysed pension fund costs in Namibia relative to South Africa and internationally. He uses cost of administration per member per month as the measure of cost and the key findings are:

- There is a 'strong correlation of small scheme size with high cost'.
- That the 'Namibian schemes compare very favourably with South African schemes'.
- That South African 'multi-employer' or 'umbrella funds' fail to achieve the economies of scale of an international reference group, probably because of variation in rules within the umbrella schemes.
- There is little to be gained in terms of average costs per member 'in moving from 10,000 members to 1.2 million'.

Some of Andrew's findings are presented in Table 10.9. They show that, for standalone funds, the average cost of administration per member per month is NAD 48.61, ranging from an upper level of NAD 84.19 for schemes of about 100 members to just under NAD 30 for a scheme of around 2,000 members. Small multi-employer schemes in Namibia have comparable average administration cost to small standalone schemes.

Andrew also highlights the variation in cost per member per month between firms of similar size (for example, for six multi-employer schemes with around 50 members, costs ranged from

NAD 29.58 to NAD 234.68). This can also be seen as an indication of inefficiency, lack of information, and inadequate regulation.

Table 10.9 Costs of private retirement schemes, Namibia

Standalone schemes: cost of administration per member per month			
Size of scheme as measured by the number of active members	**Namibian funds (NAD)**	**SA reference group model (Rand)**	**International reference group model (Rand)**
100	84,19 (30)	53,83	86,25
250	47,64 (20)	46,49	66,00
500	37,16 (17)	41,61	53,91
1,000	52,29 (8)	37,24	44,03
2,000	29,65 (5)	33,33	35,96
5,000	101,26 (3)	28,78	27,52
10,000	39,07	25,76	22,48
Average	**48,61**	**34,77**	**26,56**
To which the GIPF can be compared			
1,200,000		22,06	

Source: Andrew (2012).

While there is praise for Namibian funds, it does not take away the fact that the large number of small schemes are costly and that 'there is considerable scope for the achievement of economies of scale within the private occupational retirement fund market'. Two potential routes to economies of scale are mentioned, either 'consolidation into multi-employer funds' or the establishment of a 'National Pension Fund' (Andrew 2012).

The GIPF has set targets in terms of administration cost as a percentage of total pensionable remuneration of all participating employers. In their 2012 Annual Report they report that this ratio has come down from 1.64% in 2009 to 1.36% in 2012. Their target is 1.2% of total pensionable remuneration.

10.5 Social protection institutional framework and coordination

ILO Recommendation 202 suggests that social protection strategies 'must be developed through appropriate nationally defined mechanisms, including tripartite participation with representative organisations of employers and workers, as well as consultation with other relevant and representative organisations of persons concerned' and that countries 'should regularly convene national consultations to assess progress and discuss policies for the further horizontal and vertical extension of social security.'

The Namibia Constitution of 1990 established a three-tier system of governance in Namibia consisting of the central government, regional councils and local authorities. The structure is set out in Figure 10.6.

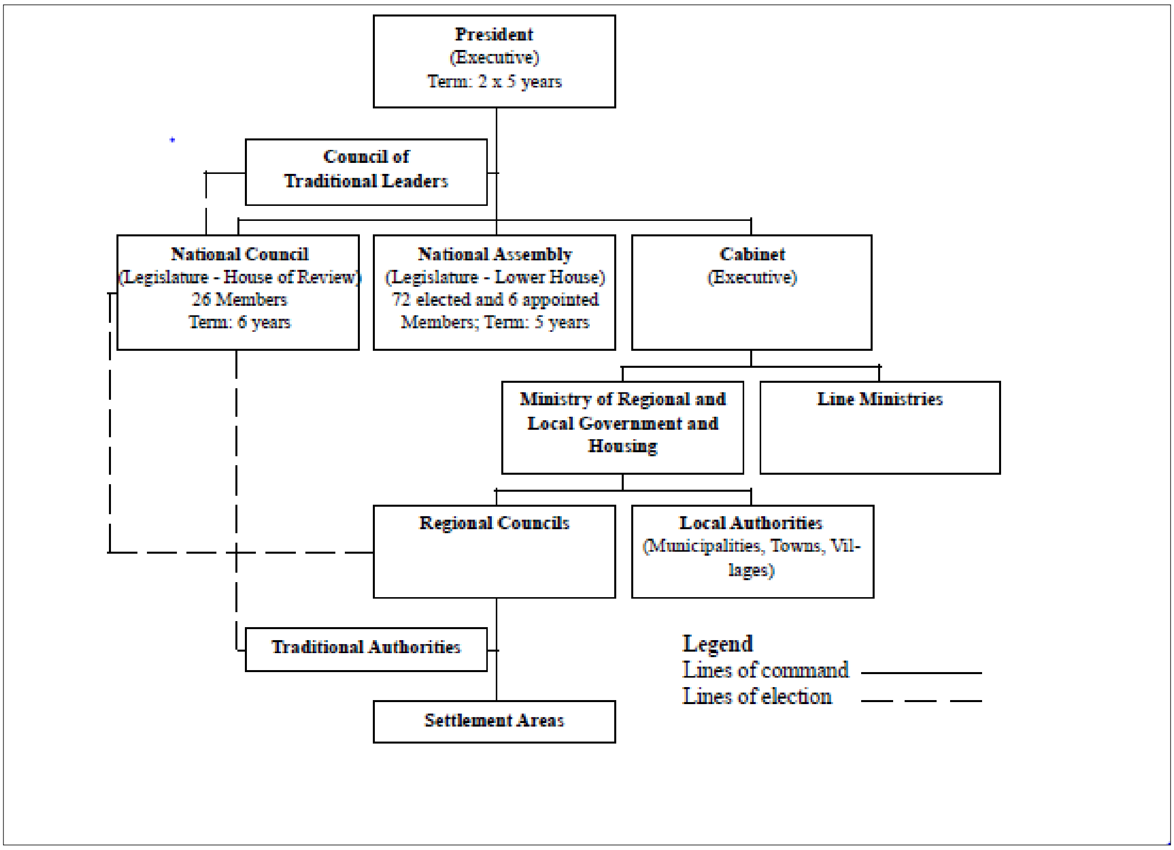
National government comprises the President and Cabinet (supported by their line ministries) as the executive, an Advisory Council of Traditional Leaders and a legislature with two chambers (National Assembly – the lower house – and National Council – house of review).

There are 13 regional councils that administer non-urban areas and send representatives to the National Council. Local authorities administer settled areas and are not subordinate to regional councils. There are 48 local authorities, of which 18 are municipalities (of which three are ‘part 1’ or more autonomous) and 30 town and village councils. Fledgling areas of more intensive settlement are referred to as ‘settlements’ and are overseen by regions. There are also statutory development committees responsible for the ‘coordination of planning and development’. There are 107 constituencies in Namibia for electoral purposes but these have also been used for service planning in some cases (such as by MoGECW).

Figure 10.6 provides an outline of the functions of the different components of government. While the large social services (education, health and social welfare) are mostly in the hands of the central government, local government has responsibilities in the areas of transport, environment and public sanitation, culture, leisure and sports, water and electricity and economic services (some of these shared with central government).

In 1998, Namibia adopted an ambitious decentralisation strategy that envisaged a phased decentralisation (through delegation to devolution) of many more functions (including primary health care and primary education) to local and regional government. Decentralisation has, however, gone very slowly, blamed by some on resistance from central ministries who have failed to do the ground-work for decentralisation (see Kuusi, 2009).

Figure 10.6 Namibia: structure of government



Source: Tötemeyer (1998).

Social welfare, including both social welfare services and social security, is therefore still in the hands of central government (with respect to both policy, actual delivery and oversight), in spite of 'social services' – defined as 'e.g. pensions, orphanage, street children and disability programs' – being on early lists of functions to be decentralised 'with immediate effect' (GoN, 1997).

Table 10.10 Namibia: social assistance beneficiary numbers

Beneficiary numbers	Mar-13
Child grants: Maintenance, Special Maintenance, Foster	
Maintenance	122,370
Special maintenance	4,080
Foster	19,799
Social pensions: Basic, Disability	
Basic (old age)	143,007
Disability	27,312
Veterans' subvention	24,682
Total beneficiaries	*341,250*
Total population	2,342,776
% of population	14.6%

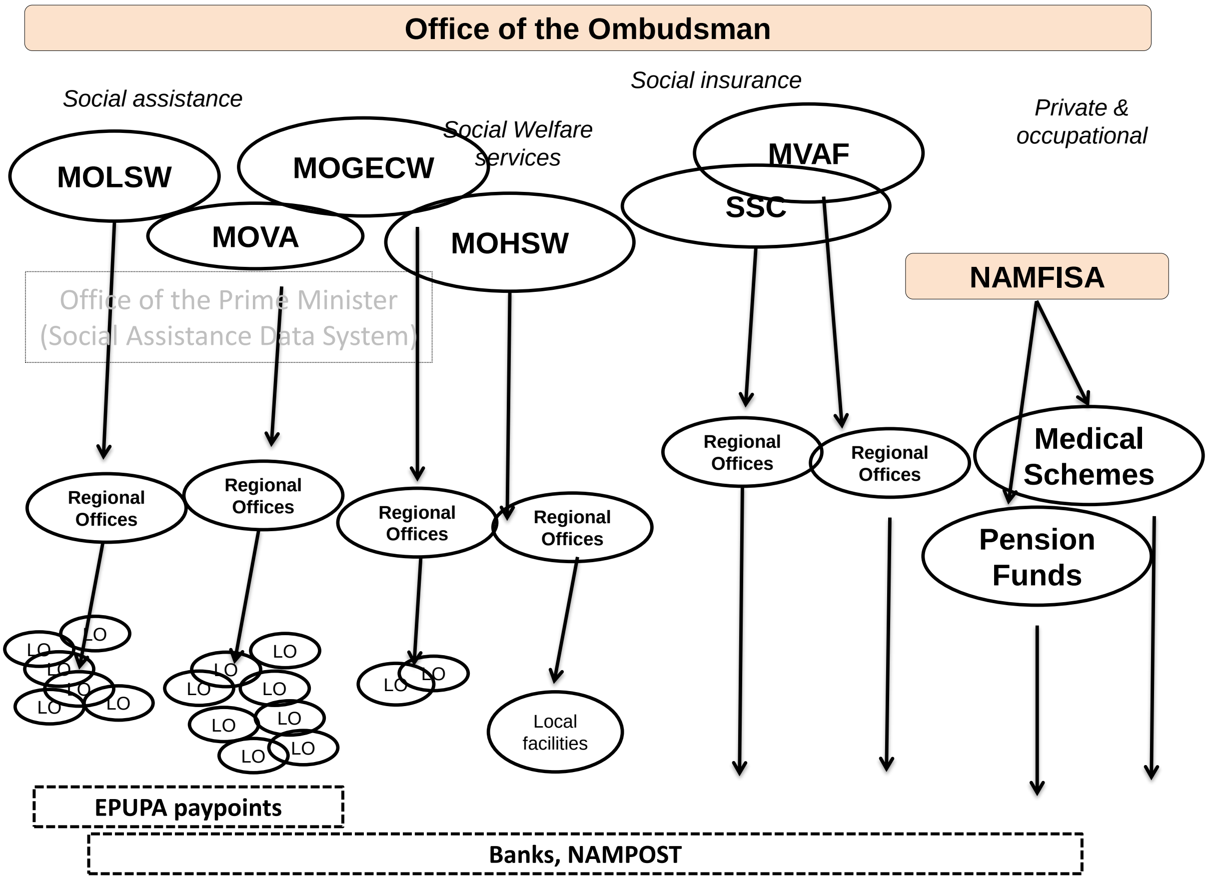
Source: Data from administrative systems, MoLSW and MoGECW.

While control of social services is strongly vested in the hands of national government, such control is shared between a large number of organisations.

Three ministries (MoLSW, MoCECW, and MoVA) have responsibility for delivering **social assistance** benefits to around 340,000 beneficiaries or just fewer than 15% of the population. Welfare services are the domain of at least two departments: MoGECW (for children) and MoHSS (for adults and the elderly). The current situation is the result of reforms in 2003 that led to the separation and distribution of the social welfare function among different ministries. However, the current situation poses significant operational risks and potential costs to clients as well as diseconomies and losses of efficiency (see below). A substantial portion of the actual payments of grants are outsourced to Epupa, a private, for-profit company, and other payments are made through the banking system or through NamPost.

Social insurance is provided largely by the SSC (paying maternity, sickness, disability, retirement and death benefits to 25,843 beneficiaries and employee compensation for work accidents and diseases to nearly 10,000 beneficiaries in 2009/10).The MVA Fund paid nearly 5,000 claims in the year to March 2011.

Figure 10.7 Namibia: social security administration



Source: Authors

Occupational and private retirement provision and medical schemes are regulated by NAMFISA, which in 2012 oversaw about 120 pension funds with 250,000 active members and nearly 40,000 pensioners. These figures include the GIPF to which most civil servants contribute, and which had about 87,000 contributors in 2011 and about 33,000 pensioners.

Central ministries and national agencies all establish regional offices and some (mostly the ministries) also local offices and/or paypoints for outreach (including communication and evaluation), administration and payments. There is little cooperation with local government regarding their service delivery and also little coordination among the different ministries and agencies, a notable exception being the sharing of the social grant database programme (managed by the OPM) and the social grant payment agent (Epupa) by MoLSW and MoGECW. However, even in this case the extent of the coordination between the parties can be improved.

Fragmentation, in terms of accountability and policy coordination, in relation to service delivery and client interface and M&E is therefore currently a key characteristic of the Namibian social protection system (see Figure 10.7). A critical challenge is thus how to generate more coordination and coherence while establishing the right incentives (institutional framework) to improve service to clients and efficiency.

Box 10.3 Social protection service delivery coordination: two experiences

Australia's Centrelink Master Program and National Centre for Pensions (Cape Verde)

Centrelink is a master programme of the Australian Government that is managed under the authority of the Department of Human Services. Centrelink delivers a range of government payments and services for retirees, the unemployed, families, carers, parents, people with disabilities, and people from diverse cultural and linguistic backgrounds, and provides services to these different groups of the population. The majority of Centrelink's services are the disbursement of social security payments. Centrelink operates one of the largest and highest throughput IT database systems in Australia. Centrelink commenced initially as a government agency of the Department of Social Security in early 1997. It has offered joint services with the Medicaid programme for vulnerable people since 2011. Offices were established nationally to manage services to people in need of social security payments.

T**he National Centre for Pensions (CNPS)** is a public establishment, under the supervision of the Minister responsible for Social Security in Cape Verde. It is based in Praia.

The CNPS is a central agency aimed at providing basic social protection for different vulnerable groups of the population, especially the elderly and chronically disabled persons, including children. This service is responsible for ensuring – in an independent and professional manner – the management of a database of beneficiaries of the non-contributory social protection scheme, and a Mutual Health Fund for them. It does not have its own representation across the different islands of the archipelago but it relies on focal points who access the integrated and uniform online database system from different locations.

Source: Australian Government (2014) and Authors

Currently the OPM keeps and maintains the IT system and it does ensure its continued maintenance, upgrading. No one single entity oversees the IT system development and ensures coherence of standards of applications across departments, issues guidelines, etc. Consequently, there have been numerous delays in implementing a fully internet-based workflow system that communicates with the single database. Furthermore, there is a tendency, contrary to international trends toward single registries, to further split and customise the database to the particular needs of the ministries. Single registries allow a more complete mapping of vulnerability in the country and facilitate the monitoring of the social protection situation. The situation in Namibia is seen as a threat to the development of a harmonious and client/user-centred development of the social protection system.

Institutional alignment between contributory and non-contributory social protection

According to the SSC, greater synergies could be realised if the payment service contract for social grants was commissioned to the already existing social security agency. The advantages would be to help reduce the operative costs and risks involved in renewing the payment process of the social grants service contract to an external provider. It would leverage the existing activities of the SSC and allow it to expand its contributory base across the country (notably to the informal sector). While there is currently no evidence of greater synergies to be gained under current benefits delivery systems because they are effectively different on the ground (except maybe regarding sharing administrative office space in towns), one critical argument in favour of this would be possible economies with the process of tendering the contracts for payment of social grants: currently, applicants to payment tenders must buy all mobile equipment for a massive operation each time there is a tender, i.e. every five years, plus there is a loss of know-how and technology in the process.

On the design side, some of the new schemes under the contributory system will also interact with the social assistance/welfare framework. It could be useful to link the different databases. This could also assist in harmonising customer relations. One of the major challenges, however, remains the financial governance of the Fund, which would need to accommodate the payments from the Treasury. Some countries like Uruguay or Sweden have contributory and non-contributory elements under one agency, although this has not been the case in Africa so far – the original law establishing the South African Social Security Agency (SASSA) envisaged such a single social security agency, but it was never implemented as such.

10.6 Performance management and M&E

The ILO's Recommendation 202 advises that 'members should monitor progress in implementing social protection floors and achieving other objectives of national social security extension' and that, in order to be in a position to do such monitoring, 'Members should regularly collect, compile, analyse and publish an appropriate range of social security data, statistics and indicators, disaggregated, in particular, by gender.'

Such data collection and monitoring is critical to ensure compliance (with laws and other mandates) and to improve system performance over time. While a lot of data are being collected in the Namibian social protection system, there has been little effort to systematise data for reporting and reporting it regularly. For example, MoLSW receives 'productivity reports' from branches on a monthly basis, detailing office activities. These data are crucial for managing people and costs, as well as for planning and identifying problems in the system. However, it is not clear how the data are being utilised. Information seems not to be aggregated and analysed and reported regularly. The same (non-systematisation and reporting) is the case for the substantial information available from the payment systems (i.e. from Epupa).

Also, for other social protection institutions management information seems limited and only very high-level information about beneficiaries and payments is published. For example, to get any sense of the composition of the GIPF's beneficiaries and payments one has to go the actuarial report, which is only completed every three years.

Because of the fragmentation of the social protection system, no overarching institutional/inter-agency mechanism measures and monitors progress toward social protection outcomes as a whole. Individual non-contributory schemes do not publish routine information/data. While there is a tripartite governing body at the SSC, there is, however, no timely annual reporting on performance by the SSC and its public display. There are persistent delays in publishing information. Data-retrieval processes remain administratively burdensome, and often produce inconsistent queries. There is still not an agreed set of indicators to be used to monitor social protection performance.

The NSA did express an interest in establishing a process to collect and disseminate comprehensive social protection data in line with Recommendation 202 (as quoted above). Such a process could provide the impetus to develop a data and indicator framework for the social protection system. While Parliament has an oversight and supervisory role over the social protection system as a whole, it is difficult to see how it can execute its mandate given the quality of data available.

Box 10.4 CONEVAL, the National Council for the Evaluation of Social Development Policy

In Mexico, CONEVAL, the National Council for the Evaluation of Social Development Policy, is a Federal decentralised public organisation, with autonomy and technical capability to generate information on social protection in Mexico. Its main functions are to regulate and coordinate the M&E of National Social Development Policy, to verify periodically the compliance of programs, goals and actions, and routinely monitor their social impact.

10.7 Key themes and potential directions for reform

The Namibian social protection system delivers administrative services and payments to a large proportion of the population on a regular basis. Indeed, the social assistance system on its own delivers benefits to about 15% of the population, some of them located very far from administrative centres. This happens fairly effectively, as is evidenced by limited complaints and limited evidence of fraud. The ability to **reach a large proportion of poor citizens with affordable/fairly low-cost social protection systems** in a developing country environment is a significant achievement, especially in a country that is so sparsely populated and where poverty is so widespread. The current administrative system therefore provides a **strong base to build on** in order to expand and improve the social protection system.

Especially evident from interactions with all the major social protection institutions are the **continuous efforts to improve service delivery and to innovate**. The two central ministries have been strongly focused on expanding access to their services and on improving office facilities and services. In the social insurance institutions and GIPF, there is a strong focus on customer relations in offices and environments of high quality. There is also widespread involvement in investigations of mandate (e.g. the legal reform around NAMFISA and the investigation of retirement and medical benefit systems through the SSC) and administrative systems (e.g. new ICT platforms are being investigated in both the SSC and the GIPF). All organisations have been **extending services** deeper into the country and have been looking at **efficiencies**.

While a strong standard of operation has been achieved, however, some of the basic building blocks of service delivery, especially a **clear legal mandate and set of rules**, are not always in place. Some benefits continue to be paid while there is no or an incomplete legal mandate and/or documents are not easily accessible and transparent. Annual increases seem not to be gazetted and publicised clearly, with resulting uncertainty about when entitlement starts and a lack of clarity about rights. While all organisations have some form of **service charter**, these often omit key aspects, are quite vague on key issues and are not always well publicised to clients. **Policy and legal processes often take a long time**, leading to uncertainties persisting (with a recent example being the child legislation that is taking a long time to be tabled). A number of key investigations have also languished (such as the SSC investigations into medical and retirement benefits). The absence of central responsibility and coordination of social protection must take part of the blame for such delays.

Service delivery and facilities are quite uneven between different agencies and ministries and between different regions and communities. Payment conditions vary very significantly between different **paypoints**. At some (typically in ‘deeper’ rural areas) there is no evidence of any facilities except perhaps a small corrugated iron roof to protect the payment vehicle (point of payments) against rain, while in other places offices with reasonable ablution facilities and covered waiting spaces with chairs are used for payments. In government departments there seems to be waiting space in most offices but clients normally see officials in offices that are shared between two or more officials. The SSC and GIPF, in contrast, have modern client service facilities, comparable to private banks, where clients can interact with officials (often dedicated customer relations officials) in a comfortable environment and with some privacy. There is thus evidence that, as far as customer relations and interactions go, services for the poorer section of the community (social assistance compared to social insurance and occupational insurance) are poor services.

While service delivery is clearly on the agenda of the social protection institutions there is **very little systematic information available to measure performance**. In many cases, a lot of information is collected (such as paypoint information that is submitted by Epupa to MoLSW and activity reports being submitted on a monthly basis by regional and local offices of MoLSW), but it does not seem to be captured and analysed so as to assess service delivery and to improve planning. There does not seem to be a systematic monitoring strategy. While the SSC, GIPF, MoVA and NAMFISA publish fairly comprehensive annual reports (although reporting on service delivery remains sparse), it is difficult to get regular information on the activities and plans of the ministries providing social security – the annual reports of ministries do not seem to be published as a matter of course. Part of the problem with information is that **standards and measures** (indicators) are often not appropriate or clear enough.

The ILO's Recommendation 202, in addition to pointing to key programmes or coverage areas for ensuring an appropriate SPF, also outlines the key systems and processes required for maintaining and building a social protection system. It stresses that countries require an 'extension strategy' and 'regular review' of their system (ILO, 2012). The building of a strategy and regular review require a number of building blocks. Some of these are:

- Up-to-date, comprehensive, accessible databases and analyses;
- Tools for policy analysis/projection models;
- Reviews of sustainability and the fiscal space for extension; and
- Processes for review of the system and future requirements, which can help build a long-term vision and strategy.

While the initiative around an SPER for Namibia is an important effort to address some of these aspects, it also points to the lack of an ongoing review of the system and the absence of a centre to coordinate the development of the social security system. In addition, analysis is constrained by the absence of long-term, systematic and detailed data on the social protection system. It will be important to establish a process, ideally through the NSA, to regularly compile and analyse social protection data as a prerequisite for driving regular, institutionalised policy and implementation review.

The costs of administration are high in the social insurance environment. A large number of social protection institutions serve a relatively small number of clients and costs can therefore not be spread **very widely to bring down unit costs. The fragmentation of social protection responsibilities and service delivery** between a number of bodies therefore not only works against coordination (and leads to duplication) but keeps costs high, detrimentally affecting sustainability and efficiency. While there are some examples of cooperation, such opportunities will have to be sought more pro-actively and more responsibilities could be allocated to local government in regard to administration and payment. If local government is to be used, this will require a shift in central agencies from integrated bureaucracies delivering services to focused purchasing and monitoring agents.[213]

[213] There is also evidence of fragmentation and duplication with regard to development projects and employment creation initiatives, including student bursaries.

Given its demographics, establishing sufficient economies of scale to ensure social protection at a reasonable cost and with high levels of service delivery is a challenge and the current large number of agencies responsible for social protection will remain an obstacle not only to learning and coherent **policy-making** but also to efficiency and to driving down the cost of **delivery**. A structure and path should therefore be found to a more coherent and efficient social protection policy and delivery. Areas for removing duplication (and potential costs for clients) and driving progress have to be found around enrolment, collection, account administration, payment and asset management.

Government should consider options for restructuring the institutional landscape. Key considerations are more coherent policy-making, good governance and accountability, and driving performance with a view to sustainability and citizen rights.

Key reforms should include:

Social protection policy and implementation oversight

1) Responsibility for overall social protection system monitoring and policy: The establishment of a social protection council to advise the Cabinet on policy on the basis of the review of evidence and performance of the system and to initiate and review policy and legislation development by social protection institutions. The Council will have a small secretariat, a powerful chair and some research and analysis capacity.

2) Responsibility for social assistance policy and implementation oversight: The centralisation of responsibility for social assistance in one ministry, the Ministry of Social Protection, responsible for policy on social assistance and the implementation of social assistance measures. This will initially combine responsibility for social assistance grants currently being managed by MoLSW, MoGECW and MoVA.

3) Responsibility for social insurance: The SSC Board (appointed by the Minister of Social Protection) and the SSC should incorporate the MVA Fund and the unemployment insurance fund, national retirement fund and mandatory health insurance when these are established.

4) Oversight of social security (occupational and private retirement and medical schemes): A newly established Social Security Regulatory Board and Regulator.

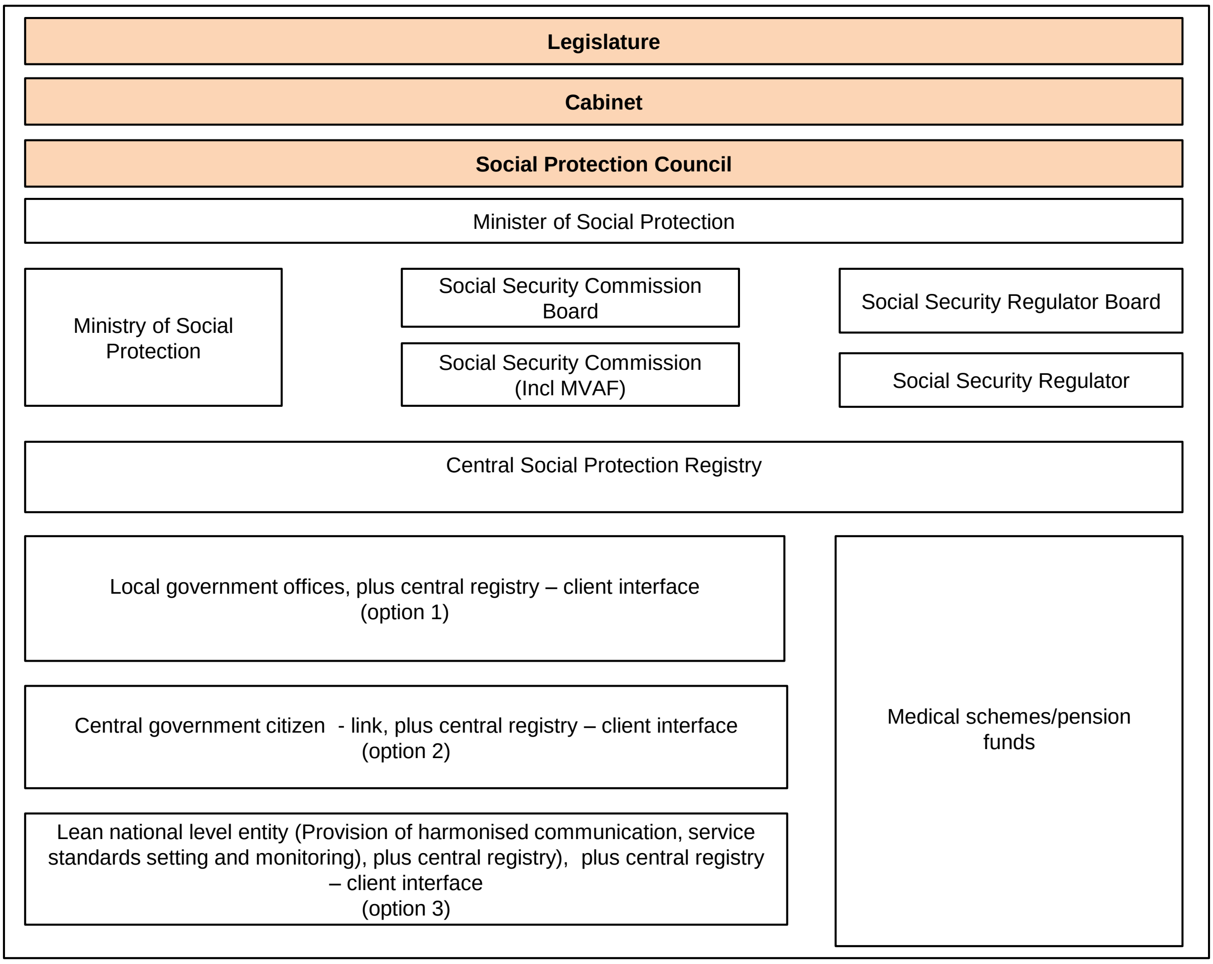
Delivery of social assistance and social insurance

In terms of the delivery of social insurance and social insurance services (client interfaces, etc.), there are three options:

1) Under the decentralised option the Ministry of Social Protection and the SSC will contract with local governments for client interface activities (registering, information update, communications, etc.) and with an independent social security registry, which will manage and update all client information.

2) The Ministry of Social Protection and SSC will cooperate through a dedicated citizen link centre or customer-focused platform to manage the client interface. This service or entity could be in charge of direct implementation or, at least, it could issue regulations and standards for social protection service provision, in dialogue with the ministries in charge of policy development and implementation.

Figure 10.8 Potential structure for social protection governance and delivery systems in Namibia



Source: Authors

3) A third alternative, which can be seen as good foundation for a longer term adoption of either option 1 or 2 above, is to have a lean entity at national level to advise and provide harmonised communication and standards for service delivery to all social protection benefits across the country.

Collections of contributions and payments

These will take place through the banking and post office systems. Cash paypoints would be phased out as soon as possible or managed by banks/post offices where feasible. This will entail introduction of other payment and contribution options (for example, via retailers or through mobile phone networks).

Appeals processes

In addition, the current appeals processes seems not to be sufficiently independent of social protection institutions (initially, recourse seem to be internal to the relevant institution) and, given the scale and specific technicalities of social protection, a general Ombudsman may not have the required capacity. The redesign of the appeals process and institutions is therefore important and could possible reside under the SSC.

Further discussion is necessary on the feasibility of such restructuring and on the paths and time periods over which such reforms could be effected.

National social protection M&E framework

The establishment of a comprehensive evaluation and indicator framework with a supporting information system is recommended. The existence of a centralised registry with a dedicated statistics module would ensure swift access to up-to-date data. The Central Statistical Agency has shown interest in taking responsibility for using the information and producing evidence through regular reports.

11 Conclusions and recommendations on social protection in Namibia

11.1 The challenge for social protection in Namibia

Since independence, Namibia has made strong socioeconomic progress. While the economy has grown and there has been a steady decline in poverty, inequality – which a lot of commentators see as a big obstacle to growth and stability – remains very high. As the IMF has recently remarked: 'Namibia's growth prospects are … clouded by socioeconomic challenges of high unemployment, poverty and inequality' (IMF, 2014). In the context of maintaining a strong and prudent fiscal stance, there has been an extension of services to citizens. Social protection – one component of state services to its citizens – was also extended and restructured.

As acknowledged in Namibia's NDP4, social protection has had a positive impact on poverty and adjustments must be made to the system. Social protection must also be seen as a system that not only includes social assistance or social grants (e.g. tax-funded old age and disability pensions) and but also the very large system of occupational and private retirement funds and medical schemes subsidised through the tax system. From this perspective, social protection is a large part of the Namibian economy, comprising at least NAD 5.4 billion in 2010/11, or 6.6% of GDP.

The broad question for this study, therefore, is what changes should be made to the current social protection system to support the reduction of poverty and inequality, both in the immediate future but also in the long run. It is of course clear that social protection cannot slay poverty and inequality on its own. It must be implemented as part of an overall strategy that also results in improvements in education and health. Moreover, to be part of the long-term solution to poverty, social protection must support employment creation and growth and be fiscally sustainable.

This report proposes two broad sets of reforms:

1. Extending the risks covered by the social security system in order to reduce poverty and vulnerability and impact positively on the long-term growth possibilities; and

2. Ensuring efficiency in the social protection system through better information and monitoring flowing from a reformed institutional and administrative framework.

Another very crucial point is that the reform of a system is likely to be unsuccessful if policy-makers do not carefully consider the feasibility of such restructuring and the paths and time periods over which such reforms could realistically be effected. The following proposals therefore try and get that discussion started by giving a summary of all conclusions, presented in a way that makes suggests on what could be immediately implemented versus what can be aimed for in the medium and long run.

11.2 Building a social protection staircase for Namibia

In regard to the extension of risks covered by the social security system, in order to reduce poverty and vulnerability and impact positively on the long-term growth possibilities, the aim should be to take a staircase approach, where Namibia progressively extends social protection coverage to all.

First, the revised SPF (Package 1) would be guaranteed for all Namibians, providing essential health care and basic income protection for all, including workers currently not covered by public social security schemes. The additional, mandatory package (Package 2) would be provided only to those who contribute. Furthermore, this additional package should ensure the inclusion of informal sector workers. For those who can afford private arrangements, government regulation should help ensure that these provisions remain transparent and cost-effective.

11.3 Package 1 – SPF guarantees

11.3.1 Coverage of risks

11.3.1.1 Essential health care

The quality of public health care and the overall health financing system have to be improved. This entails ensuring adequate state funding to essential health services, on the one hand, and the mandating of health insurance for all working Namibians, on the other. The introduction of a public option medical scheme as part of the SSC and a progressive move toward integrating the different components of the health system providing effective universal health coverage (public health system, SSC medical and private medical schemes) will be crucial. In this context, it will be essential to ensure effective partnerships between providers and purchasers so that the public system is effectively reinforced. In the interim, the regulation of the private medical scheme system to enhance value for money will also have to be strengthened.

Key reforms could include:

1. The establishment of a medical benefit fund/medical scheme (public option) under the SSC (Medium to Long term).

2. Strengthening the capacity for regulating the medical scheme industry, either in NAMFISA or in a separate social protection regulator (Medium to Long term).

3. Monitoring and improving the quality of public health services while strengthening the purchaser/provider roles in government (Immediate to Medium term).

11.3.1.2 Basic income security

Children

A large number of vulnerable children are currently not protected by the social protection system. Only poor children with specific attributes and specific household types qualify for benefits. Thus, our proposed extension of the grant system for children will address child poverty in the short term but also build the base for longer-term growth acceleration through a healthier and more highly educated population.

The children who are currently benefiting are:

- Living in a poor household where one parent is absent due to death or imprisonment or one parent is impaired (disabled) (Child Maintenance Grant).
- In the temporary care of a foster parent, where the child has been placed by the courts (Foster Care Grant).

- Below 16 years and permanently or temporarily disabled, 'including blind children and those with AIDS' (Special Maintenance Grant).
- Under 21 and placed in a 'place of safety' by a Commissioner of Child Welfare (Place of Safety Allowance).

The long-term aim should be to pay a child benefit to all primary caregivers of children (citizens under the age of 18). This would be broadly in line with parent allowances in a range of countries and would compensate families for a proportion of the cost of raising children to ensure that sufficient investment is made in all children. Given fiscal constraints, such a benefit may have to be phased and the initial value may have to be limited. Given the costs and incentive effects of means testing, it is proposed that this be made a universal grant with potential adjustments to the tax system to recoup some of the cost of the benefits. Phasing of the grant should start with the youngest children.

In order to maximise the impact on child health and child development, as well as provide income support for expectant mothers, the feasibility of paying a maternity grant to all expectant mothers who do not contribute to the SSC – MSD should be investigated. The maternity grant will then transition into a child benefit once the child has been born. Such a benefit should be payable from about three months before the birth of a child and should be conditional on prenatal visits and birth registration. Furthermore, the benefit should be combined with an extensive communication and readiness strategy in MoHSS and the Ministry of Home Affairs and Immigration.

In sum, the proposal is for:

4. The phased expansion of social grant coverage to all children beginning with the most vulnerable 0–5 age cohort, with the current grants converted where applicable to child grants and others phased out.

5. The introduction of a maternity benefit, a monthly payment paid to all expectant mothers who do not contribute to the SSC – MSD (Medium term).

6. Enact legislation related to the child grants and publish regulations (Immediate).

Working-age population

The unemployed and the underemployed

There are currently no social protection schemes that provide poverty protection for the unemployed and the underemployed. Namibia's youth unemployment problem is especially concerning, with rural youths in large households being the most vulnerable. While the phased expansion of child benefits will probably bring indirect relief to the unemployed, a scheme providing direct basic income support is recommended. This will provide much-needed resources not only for basic upkeep but also for other activities such as job searches and (or) attendance at vocational training institutions. Aside from youths, there are those who have been unemployed or underemployed for fairly long periods and remain without basic income support.

The following option can be investigated:

7. The introduction of the ESNP, which is a community-based public works scheme that can offer a maximum number of work days per week. The setting of the wage can be such that only those who find the level of income attractive will apply for the programme. The self-targeting design will effectively lead to the programme mainly benefiting rural areas (Medium to long term).

State-funded disability benefits

8. Consideration of the amendment of the definition of disability (for the purposes of accessing state-funded assistance) from one that is based on medical assessment to one that fits with international best practice, wherein a labour/occupational approach is used (Immediate).

9. Creation of national guidelines for the assessment of disability and training of medical doctors and social workers, particularly with a view to prevent discrimination and negative effects on the adherence to treatment for HIV AIDS patients.

Older persons

Namibia has innovated boldly by removing the means test on the OAP. Means tests lead to high effective tax rates on the poor and disincentives for retirement saving, as well as also to unnecessary and wasteful administrative expenditure. This is because means testing is very difficult to do with any accuracy in a low-income informal environment (or becomes very resource-incentive).

While current legislation makes provision for an Attendant's Allowance where an elderly or disabled person 'is in such a physical or mental condition that he or she needs to be cared for', in practice this benefit is not in operation. Furthermore, the provision only covers recipients of the OAP and Disability Grant. This means that those who forego work income by taking on the task of caring for a permanently disabled child receive no income protection.

In sum, key reforms should include:

10. The retention of the universal OAP and tax treatment of pensions, taking into account that a portion of the pensions to wealthier households are returned to the fiscus through the tax system. Moreover, a progressive tax system being in place also means that the proportion paid is higher for higher earnings (Immediate to medium term).

11. The establishment and operationalisation of an Attendant's Allowance and amendment of the legislation to make carers of disabled children eligible (Immediate).

12. The amendment of current relevant legislation to ensure that the funeral benefit has a legal mandate (Immediate).

11.3.2 Benefit levels, affordability and impact

Children, the elderly and the disabled

Overall, the current social grant system has had a significant impact on poverty but a more limited impact on inequality, also because of the low level of the grants (especially the child grants) relative to other income sources. Not all social grants have been regularly adjusted and while the value of the state OAP and the Disability pension seem to be adequate relative to poverty lines and median income, for children older than five years the value of child grants is still lower than the upper poverty line.

For all social grants:

13. The enactment of relevant legislation and (or) rules establishing that all social grant values at a minimum be linked to an inflation index so as to ensure they maintain their real value over time, as well as regular review of the level of benefits in light of the cost of living (Immediate).

The comprehensive SPF (Package 1) as recommended here will cost 3.2% of GDP in 2020, a figure comparable to social assistance expenditure in countries like South Africa but lower than that in Mauritius, Malawi, Ethiopia and Lesotho. The package can be introduced gradually. It will contribute to virtually eradicating extreme poverty, which would fall by 14 percentage points from the pre-transfer level of 15.3%, as well as to a remarkable reduction in the extreme poverty gap and severity by respectively 3.9 and 1.6 points. Furthermore, the SPF package could result in a reduction of the Gini inequality index of almost 7.4 points from the 59.7 estimated in the 2009/10 NHIES.

11.4 Package 2 – contributory benefits of guaranteed levels

Maternity: Given the high levels of informality and unemployment (and probably the failure of smaller employers and the self-employed to register with the SSC), the SSC through the MSD provides only very limited maternity cover for Namibians. Informal workers, workers in small workplaces and the self-employed are likely to be excluded

Sickness*:* Sickness benefits are paid by the SSC but cover only a small proportion of the population, mostly those in bigger, formal establishments. Informal workers, workers in small workplaces and the self-employed are likely to be excluded

Employment injury*:* Coverage for work accidents and diseases is provided by the SSC – ECF, but this only caters for workers whose employers have registered with the Fund, i.e. once again informal workers, workers in small workplaces and the self-employed are largely excluded. However, this vulnerable group does have some protection against complete destitution in the case of a work accident via the state disability grant.

Disability: Income protection is available through the state disability pension, which is available to all Namibians and not means tested. In addition to the state disability pension, the SSC – MSD also pay a one-off flat benefit should a contributor become disabled. Finally, many other occupational and private pension funds will include certain risk benefits, including disability cover, while standalone disability protection can also be procured in the market. Issues and gaps include the:

I. exclusion of informal workers from the benefits of the SSC, given that most will also not be able, at a reasonable cost, to secure disability cover providing income-related protection in the market; and
II. low coverage of the state disability grant as a result of issues with the definition of disability.

Survivors*:* While the basic OAP provides poverty protection for aged survivors, surviving spouses below 60 as well as surviving children of Namibians without occupational or private cover will not have support after the death of their main support.

Old age: Old age and retirement is reasonably well catered for in Namibia at a minimal level through the basic state pension and the availability of occupational and private options for earnings-related retirement benefits. However, once again informal workers, the self-employed and those working for smaller employees are likely to be unable to afford market-driven pensions on top of that, and would as a result also lose out on tax breaks for pension contributions and are likely not to accumulate enough to maintain reasonable replacement rates in retirement.

14. For those formally employed, the acceleration of the establishment (operationalisation) of compulsory retirement benefits, i.e. the National Pension Fund, which will have guaranteed benefits set in line with C.102 minimum requirements (Medium term).

15. For those in the informal sector, there should be an in-depth investigation of:

a. The appropriate technological platforms to ensure that certain groups integrate with the existing SSC system (for example, enhanced ability to cover domestic workers through appropriate online facilitated payments, etc.).
b. The feasibility of the establishment of a contributory fund or inclusion of the informal sector in the establishment of a National Pension Fund, covering retirement and risk (unemployment, death, disability) benefits (Medium term).

16. The introduction of mandatory medical cover for all employed Namibians (Medium to Long term).

11.5 Voluntary insurance under government regulation

Incomplete information makes it impossible to calculate the adequacy of private pensions but high levels of withdrawals and high costs suggest that replacement levels may not be that reasonable (see Section 11.6 on data systems and indicator frameworks).

17. Regulation of the private retirement industry should be enhanced to ensure that members get value from contributions made. Areas of focus should include the improvement of transparency and control of administration costs (Immediate to Medium term).

11.6 Governance and administration (cross-cutting reforms)

Namibia's social protection system delivers administrative services and payments to a large proportion of the population on a regular basis. This happens fairly effectively, as is evidenced by limited complaints and limited evidence of fraud. The ability to reach a large proportion of poor citizens with affordable/fairly low-cost social protection systems in a developing country environment is a significant achievement, especially in a country which is so sparsely populated and where poverty is so widespread. The current administrative system therefore provides a strong base to build on in order to expand and improve the social protection system.

11.6.1 Regulatory capacity and oversight (including evaluation framework and information)

Namibia's extensive social protection system manages client applications, records and payments to more than 15% of the population, some of whom are located very far from administrative centres. For this purpose there is an extensive legal framework and a range of institutions, from public sector departments to public agencies and private sector firms. There is extensive interaction or partnerships between public (mostly state departments but also agencies) and private organisations (e.g. payment agents, banks and NamPost) to deliver services.

Some issues include:

I. The absence of systematic information for evaluation is a key problem.
II. There are high costs of administration (especially in the social insurance and private and occupational funds), elementary client interaction facilities in the social assistance departments, and avoidable costs to citizens (and duplication of activities in government) due to fragmentation of responsibility between different

departments, all problems that point to the need to improve systems.

III. There are staffing challenges in relevant government departments and most public sector departments and agencies struggle to find appropriate ICT solutions. Human resources development plans (also through appropriate training) are limited.

IV. There is an uneven spread of facilities and resources within and between social assistance and social insurance schemes.

V. There is a lack of overall responsibility for social protection policy and oversight of the system. Currently, responsibility is fragmented between a number of players.

Key reforms could include:

18. The establishment of a comprehensive evaluation and indicator framework with a supporting information system. Responsibility for coordinating such a process and eventual publications should be made a mandate of the Central Statistical Agency (Immediate to Medium term).

19. The establishment of a social protection council to advise Cabinet on policy on the basis of the review of evidence and performance of the system and to initiate and review policy and legislation development by social protection institutions. The Council will have a small secretariat, a powerful chair and some research and analysis capacity (Immediate to Medium term).

20. The centralisation of responsibility for social assistance in one ministry, the Ministry of Social Protection, responsible for policy on social assistance and the implementation of social assistance measures. This will initially combine responsibility for social assistance grants currently being managed by MoLSW, MoGECW and MoVA (Medium to Long term).

21. The SSC Board (appointed by the Minister of Social Protection) and the SSC should incorporate the MVA Fund and the unemployment insurance fund, national retirement fund and mandatory health insurance when these are established (Medium to Long term).

22. The establishment of a Social Security Regulatory Board and Regulator to provide oversight of social security (occupational and private retirement and medical schemes) (Immediate to Medium term).

11.6.2 Client interface

Currently, service delivery to clients (principally information, registration, and record management) is very fragmented, with three ministries being responsible for social assistance and two social insurance entities. There are also a large number of relatively small retirement and medical schemes. On the social assistance and social insurance side, there are three options to remove fragmentation in service delivery and reduce costs, also to the client:

23. Under a first (decentralised) option the Ministry of Social Protection and the SSC will contract with local governments for client interface activities (registrations, information update, communications, etc.) (Medium run).

24. The Ministry of Social Protection and the SSC will cooperate through a dedicated citizen link centre or customer-focused platform to manage the client interface (Medium to Long term).

25. A third alternative, which can be seen as good foundation for a longer term adoption of points 24 and 25 above, is to have a lean entity at national level to advise and provide harmonised communication and standards for service delivery to all social protection benefits across the country (Immediate).

It is now generally accepted practice to build efficiencies across national social protection systems by integrating data from different schemes into a single registry***.***

26. Under three options described above, an independent social security registry should be put in place to manage and update all client information.

Other key reforms to improve service delivery could include:

27. The phasing out of cash paypoints or the outsourcing of the management of these to banks/post offices where feasible. This will entail the introduction of other payment and contribution options (for example, via retailers or through mobile phone networks) (Medium term).

Another area requiring attention is the current appeals processes, which seem not to be sufficiently independent of the social protection institutions (initially recourse seem to be internal to the relevant institution) and, given the scale and specific technicalities of social protection, a general Ombudsman may not have the required capacity. A key reform could be:

28. The redesigning of the appeals process and institutions (Immediate to Medium term).

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Annex A Social protection accounts: expenditures and financing

A.1 General accounts

This annex presents more detailed tables (social accounts) on the income and expenditure for key social assistance, social insurance, occupational, and private schemes identified in the social protection inventory (see Chapter 5). Data for the social assistance schemes, which are all funded by national government out of general revenue, come from the government estimates published by the MoF. Social insurance data comes from the annual reports of the SSC and the MVA Fund, occupational and voluntary pensions from the annual reports of the NARF and the GIPF, and data on private and occupational pension funds and medical schemes published by NAMFISA.

Table A.1 provides the data for the social protection schemes and Table A.2 provides more information on the characteristics/classifications of the schemes

Table A.1 Social protection benefit expenditure data, NAD '000 (excluding NARF)

NAD '000		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
ECF	Medical expenses				7,887	5,170	8,041	8,378	7,419	5,764	7,051
	Compensation claims				1,874	2,898	3,228	3,398	4,005	2,254	1,376
	Capital pensions – APF				7,302	3,913	5,506	7,818	2,553	4,987	4,693
	Pensions – APF				3,483	3,658	4,241	4,187	4,315	4,404	4,408
MSD	Maternity				19,120	18,024	23,103	55,788	62,908	88,841	102,674
	Sick leave				7,247	4,218	4,871	11,297	11,384	14,571	16,869
	Death				8,262	6,934	5,412	6,440	6,808	7,281	7,575
	Retirement/Disability				6,308	4,805	5,466	8,071	8,070	9,920	11,329
MVA Fund	Compensation payments				11,334	17,683	36,801	45,364	51,674	41,807	
	Hospital and medical fees				1,453	5,772	10,808	48,107	61,127	72,867	
	Medical management				-	-	1,658	1,752	1,644	1,834	
Medical schemes (calendar years)		437,072	517,085	604,600	692,114	737,122	905,150	1,047,173	1,175,708	1,215,848	1,440,207
Private pensions		426,025	178,147			532,027	539,365	811,866	909,458	1,010,994	1,336,214
Government	School Feeding Programme	22,975	27,494	36,694	35,343	44,124	31,161	43,188	52,975	59,163	54,893
Tax	Maintenance and Foster parents	56,762	57,012	49,181	89,691	99,591	130,132	176,481	199,078	296,040	326,341

Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NAMFISA annual reports (various)

Social protection benefit expenditure data, NAD ’000 (excluding NARF) (Continued)

NAD ‘000		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Funded	Subsidy									2,388	
	Place of Safety									17	
	War orphans									29	
	Social Pensions	332,160	380,530	442,784	455,064	589,926	659,784	851,337	825,588	940,594	952,250
	Funeral Plan	0	0	0	17,467	14,000	29,000	32,720	30,020	29,039	43,782
	Veterans (Subvention)	12,000	12,500	12,000	14,000	17,387	0	120,000	226,800	221,800	1,162,101
GIPF	Pension benefits	161,411	217,942	261,212	310,710	381,795	415,855	466,225	550,364	609,179	642,822
	Lump sum on retirement	53,096	65,837	48,412	81,411	103,673	133,876	133,876	155,242	223,203	226,342
	Death benefits	42,342	105,121	154,167	130,765	103,030	102,565	142,590	81,928	121,637	7,593
	Withdrawal benefits	136,798	176,536	172,052	205,537	253,060	304,331	345,333	292,068	376,242	373,646
	Funeral benefits	8,516	8,413	6,799	6,860	5,651	4,645	4,162	4,231	3,617	3,754

Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NAMFISA annual reports (various)

Table A.2 Social protection scheme and characteristics (classification) (excluding NARF)

		Purpose/function	Type	Means test?	Control	Compulsory	Nature	Protection	Scope
ECF	Medical expenses	Health Services or Payment of Health Costs	Reimburse	No	National govt	Yes	Contributory	Supplementary	Universal
	Compensation claims	Disability	Cash Lump Sum	No	`""	`""	`""	`""	`""
	Capital pensions – APF	`""	`""	No	`""	`""	`""	`""	`""
	Pensions – APF	`""	Cash Periodic	No	`""	`""	`""	`""	`""
MSD	Maternity	Family and child	`""	No	`""	`""	`""	`""	`""
	Sick leave	Sickness	`""	No	`""	`""	`""	`""	`""
	Death	Survivors' benefits	Cash Lump Sum	No	`""	`""	`""	`""	`""
	Retirement/Disability	`""	`""	No	`""	`""	`""	`""	`""
MVA	Compensation payments	Disability	`""	No	`""	`""	Other	Basic	`""
	Hospital and medical fees	Health Services or Payment of Health Costs	Reimbursed	No	`""	`""	`""	`""	`""
	Medical management	`""	`""	No	`""	`""	`""	`""	`""
Medical schemes (calendar years)		`""	`""	No	Non-contractual	No	Contributory	Supplementary	n/a
Private pensions		Old age	Cash Periodic	No	`""	No	`""	`""	`""

Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NAMFISA annual reports (various)

Social protection scheme and characteristics (classification) (excluding NARF) (Continued)

		Purpose/function	Type	Means test?	Control	Compulsory	Nature	Protection	Scope
Government tax	School Feeding Programme	Social excl n.e.c.	In-kind	No	National govt	Yes	Non-contributory	Basic	Special groups
Funded	Maintenance and Foster parents grants	Family and child	Cash Periodic	Yes	`""	`""	`""	`""	`""
	Subsidy	`""	`""	Yes	`""	`""	`""	`""	`""
	Place of Safety	`""	`""	No	`""	`""	`""	`""	`""
	War orphans	`""	`""	No	`""	`""	`""	`""	`""
	Social pensions	Old age	`""	No	`""	`""	`""	`""	Universal
	Funeral plan	Family and child	`""	No	`""	`""	`""	`""	`""
	Veterans (Subvention)	Social excl n.e.c.	`""	No	`""	`""	`""	Supplementary	Special groups
GIPF	Pension benefits	Old age	`""	No	Contractual	`""	Contributory	`""	Public servants
	Lump sum on retirement	`""	Cash Lump Sum	No	`""	`""	`""	`""	`""
	Death benefits	Survivors' benefits	`""	No	`""	`""	`""	`""	`""
	Withdrawal benefits	Withdrawals	`""	No	`""	`""	`""	`""	`""
	Funeral benefits	Survivors' benefits	`""	No	`""	`""	`""	`""	`""

Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NAMFISA annual reports (various)

Table A3 shows NARF expenditure on benefits as well as their classifications.

Table A.3 NARF benefits data, NAD ’000 and classification

	2008/09	2009/10	2010/11	Purpose/function	Type	Means test?	Control	Compulsory	Nature	Protection	Scope
Lump Sum on Retirement	27	34	62	Old age	Cask Lump Sum	No	Contractual	Voluntary but universal	Contributory	Supplementary	Specific occupational Groups
Death	3	10	5	Survivors’ benefits	`""	No	`""	`""	`""	`""	`""
Withdrawal	168	176	362	Withdrawals	`""	No	`""	`""	`""	`""	`""

Sources: NARF annual reports (2011, 2010, 2009)

Table A4 lists benefit expenditure by scheme type

Table A.4 Social protection expenditure by type of scheme, NAD '000

NAD '000	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1 Tax-funded social assistance	423,897	477,536	540,659	611,565	765,028	850,077	1,223,727	1,334,461	1,549,070	2,539,368
2 SSC – ECF				20,546	15,639	21,016	23,781	18,292	17,409	17,528
3 SSC – MSD				40,937	33,981	38,852	81,596	89,170	120,613	138,447
4 MVA				12,787	23,455	49,267	95,223	114,445	116,508	
5 NARF							197	220	429	
6 GIPF	402,163	573,849	642,642	735,283	847,209	961,272	1,092,186	1,083,833	1,333,878	1,254,157
7 Private pensions *	426,025	178,147			532,027	539,365	811,866	909,458	1,010,994	1,336,214
8 Medical schemes	437,072	517,085	604,600	692,114	737,122	905,150	1,047,173	1,175,708	1,215,848	1,440,207
	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
Current GDP	35,430,000	37,304,000	42,678,000	46,177,000	54,028,000	62,081,000	72,946,000	75,679,000	81,509,000	91,426,307
CPI (2004=100)	90	96	100	102	107	115	127	138	144	151

*less GIPF but ignoring NARF due to small size
Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NARF annual reports (various); NAMFISA annual reports (various).

Table A.5 provides benefits expenditure by function (or purpose or risk area). On the other hand, Table A.6 shows social protection expenditure by function or purpose (risk area) (where risk area is known), percentage of GDP.

Table A.5 Social protection expenditure by function or purpose (risk area) (where risk area is known), NAD '000

NAD '000	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Disability				23,993	28,152	49,776	60,767	62,547	53,452	10,477
Family and child (incl. maternity)	56,762	57,012	49,181	126,278	131,615	182,235	264,989	292,006	416,354	472,797
Old age (annuity)	919,596	776,619	703,996	765,774	1,503,748	1,615,004	2,129,428	2,285,410	2,560,767	2,931,286
Old age (lump sum)	53,096	65,837	48,412	81,411	103,673	133,876	133,903	155,276	223,265	226,342
Health services/ Payment of health costs	437,072	517,085	604,600	701,454	748,064	925,657	1,105,410	1,245,898	1,296,313	1,447,258
Sickness				7,247	4,218	4,871	11,297	11,384	14,571	16,869
Social excl n.e.c.	34,975	39,994	48,694	49,343	61,511	31,161	163,188	279,775	280,963	1,216,994
Survivors' benefits	50,858	113,534	160,966	152,195	120,420	118,088	161,266	101,047	142,460	30,251
Withdrawals	136,798	176,536	172,052	205,537	253,060	304,331	345,501	292,244	376,604	373,646
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921

Sources: MoF (various); SSC annual reports (various); MVA annual reports (various); NARF annual reports (various); NAMFISA annual reports (various).

Table A.6 Social protection expenditure by function or purpose (risk area, where risk area is known), percentage of GDP

	2002/03	2003/04	2004/05*	2005/06*	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Disability				0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
Family and child (incl. maternity)	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%	0.4%	0.4%	0.5%	0.5%
Old age (annuity, old age)**	2.6%	2.1%	1.6%	1.7%	2.8%	2.6%	2.9%	3.0%	3.1%	3.2%
Old age (lump sum, old age)**	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
Health services/ Payment of health costs	1.2%	1.4%	1.4%	1.5%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%
Sickness				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Social exclusion n.e.c.	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%	0.3%	1.3%
Survivors' benefits	0.1%	0.3%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.2%	0.0%
Withdrawals	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%	0.4%
Grand total	4.8%	4.7%	4.2%	4.6%	5.5%	5.4%	6.0%	6.2%	6.6%	7.4%

*NB: Non-GIPF private pensions omitted

Sources: MoF (various); SSC Annual reports (various); MVA Annual reports (various); NARF Annual reports (various) NAMFISA Annual reports (various)

As well as the standard social protection benefits, Namibia also has a number of other programmes designed, at least partly, to meet similar objectives. These range from almost pure social assistance, such as the emergency relief programme, to programmes with more general objectives that also have a strong social theme such as the TIPEEG. Table A.7shows some expenditure data for these programmes drawn from various sources. Although the data are not all strictly comparable, or even for the same years, it is interesting to compare the overall order of magnitude with Table A.9. Taken together, the alternative programmes appear about as significant as the GIPF or medical schemes but not as important as ordinary tax-funded social benefits.

Table A.7 Expenditure on alternative programmes (NAD '000)

Actuals	2010/11	2011/12	2012/13	2013/14	Estimated annual spend
NSFAF	224,420	296,630			296,630
School Fee Abolishment			50,000		50,000
Emergency Management Unit		58,900			58,900
Agric Water Supply				219,000	219,000
Livestock Marketing Assistance				50,000	50,000
National Youth Council (NYC)		12,919			12,919
National Youth Service		89,075			89,075
Namibia Youth Credit Scheme (NYCS)		15,809			15,809
SSC DF schemes	1,148				1,148
TIPEEG Planned					
Agriculture					120,033
Transport					102,667
Housing					59,967
Tourism					21,633
Public works					184,267
TOTAL					1,282,048

Sources: MoF (various); NYC Annual Report (2012); NYCS Annual Report (2012); SSC Annual Report (2011).

Table A.8 shows the various alternative classifications of the same expenditures. Probably the most informative aspect of these is the relative proportions rather than the trends. Thus, we can see that benefits in Namibia are mostly made up of periodic cash payments (pensions) and reimbursements (payment of medical expenses). They are mostly not means tested and either provided by the government or are non-contractual (medical schemes and non-GIPF pensions). Benefits are split evenly between those that are mandatory (the main tax-funded benefits, the GIPF and social insurance) and the 'other private benefits'. Contributory benefits outweigh non-contributory ones by about two to one. Most benefits are supplementary rather than a basic safety net.[214] The proportion of supplementary benefits has grown strongly in recent years with the expansion of private pensions, medical schemes, and veterans' benefits. The final disaggregation shown is by scope of coverage. The largest group of benefits are the medical schemes and non-GIPF pensions, which are available to everybody. GIPF benefits are for public servants, and tax-funded benefits are universal. In recent years, benefits for a special group – veterans – have also become significant.

[214] The ESSPROSS definition of 'basic' is quite loose, referring only to 'the lower level of protection (based on the number of years of contributions/work and/or residency), without it being strictly understood as the level of resources allowing only the minimum socially acceptable standard of living.'.

Table A.8 Alternative classifications of social protection benefits

Benefit Type (NAD '000)	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cash lump sum	240,752	355,907	381,430	459,653	501,647	601,830	697,249	606,799	791,377	636,308
Cash periodic	988,358	846,131	765,177	916,782	1,660,626	1,806,351	2,529,902	2,819,915	3,217,896	4,587,462
In-kind	22,975	27,494	36,694	35,343	44,124	31,161	43,188	52,975	59,163	54,893
Reimbursements	437,072	517,085	604,600	701,454	748,064	925,657	1,105,410	1,245,898	1,296,313	1,447,258
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
Not means tested	1,632,395	1,689,606	1,738,720	2,023,541	2,854,870	3,234,867	4,199,268	4,526,509	5,066,321	6,399,579
Means tested	56,762	57,012	49,181	89,691	99,591	130,132	176,481	199,078	298,428	326,341
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
Means of control										
Contractual	402,163	573,849	642,642	735,283	847,209	961,272	1,092,383	1,084,053	1,334,307	1,254,157
National government	423,897	477,536	540,659	685,835	838,103	959,212	1,424,327	1,556,368	1,803,600	2,695,343
Non-contractual	863,097	695,232	604,600	692,114	1,269,149	1,444,515	1,859,039	2,085,166	2,226,842	2,776,421
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
Compulsory/Voluntary										
Mandatory	826,060	1,051,385	1,183,301	1,421,118	1,685,312	1,920,484	2,516,513	2,640,201	3,137,478	3,949,500
Other	863,097	695,232	604,600	692,114	1,269,149	1,444,515	1,859,039	2,085,166	2,226,842	2,776,421
Voluntary but universal							197	220	429	
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921

Source: Authors' calculations

Alternative classifications of benefits (continued)

Benefit Type (NAD '000)	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Financing mechanism										
Contributory	1,265,260	1,269,081	1,247,242	1,488,880	2,165,978	2,465,655	3,056,799	3,276,681	3,699,171	4,186,553
Non-contributory	423,897	477,536	540,659	611,565	765,028	850,077	1,223,727	1,334,461	1,549,070	2,539,368
Other				12,787	23,455	49,267	95,223	114,445	116,508	
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Type of protection										
Basic	411,897	465,036	528,659	610,352	771,096	899,344	1,198,950	1,222,106	1,443,778	1,377,266
Supplementary protection	1,277,260	1,281,582	1,259,242	1,502,880	2,183,365	2,465,655	3,176,799	3,503,481	3,920,971	5,348,655
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921
Scope of coverage										
Not specified*	863,097	695,232	604,600	692,114	1,269,149	1,444,515	1,859,039	2,085,166	2,226,842	2,776,421
Public servants	402,163	573,849	642,642	735,283	847,209	961,272	1,092,186	1,083,833	1,333,878	1,254,157
Special groups	91,737	97,006	97,875	139,034	161,102	161,293	339,669	478,853	579,437	1,543,336
Specific occupations	0	0	0	0	0	0	197	220	429	0
Universal	332,160	380,530	442,784	546,801	677,001	797,919	1,084,657	1,077,515	1,224,163	1,152,007
Grand total	1,689,157	1,746,618	1,787,901	2,113,232	2,954,461	3,364,999	4,375,749	4,725,587	5,364,749	6,725,921

*Medical schemes and non-GIPF/NARF private pensions
Source: Authors' calculations

Table A.9 shows a summary social account outlining the expenditures and revenues of the system. The table has been compiled from accounts for social insurance and the private sector with tax-funded social assistance benefits balanced by general government revenue. Because data for administrative costs of tax-funded benefits are not readily available, these have been omitted from the account.

A striking aspect of the funding of social protection is that 43% derives from investment and other income, about 37% from contributions by employers and employees, and 20% from general tax revenue. A large part of annual funding flows into the reserves of the private and occupational pension system, which is mostly funded. Not factored into the financing are tax expenditures: contributions to a retirement fund up to a maximum of NAD 40,000 can be deducted from income for income tax purposes. These tax deductions are subsidies to incentivise (and reduce the cost of private retirement contributions) and should therefore be added to direct expenditure on social protection. They significantly affect the shape of the social protection system as well as the equity of the tax and the social protection system. In 2006, administration costs comprised a high 20% of benefits expenditure. In 2013, the IMF included 'tax expenditures' as one of the components of tax reform requiring attention in Namibia and recommended a 'full-fledged study on tax expenditures so as to streamline tax incentives and minimise revenue losses'. In reviewing budget transparency in Namibia the International Budget Partnership in their Open Budget Index (in which Namibia scored 53 out of 100) mentioned the absence of information on tax expenditures in Namibia as one of the shortcomings in its budget documentation.

Table A.9 Summary national social account, 2006–2011

NAD '000	2006	2007	2008	2009	2010	2011
Expenditure						
Benefits						
Disability	28,152	49,776	60,767	62,547	53,452	0
Family and Child	131,615	182,235	264,989	292,006	416,354	370,123
Old age (annuity)	1,503,748	1,615,004	2,129,428	2,285,410	2,560,767	2,931,286
Old age (lump sum)	103,673	133,876	133,876	155,242	223,203	226,342
Health services and costs	749,631	924,216	1,108,835	1,278,732	1,313,699	1,440,207
Sickness	4,218	4,871	11,297	11,384	14,571	0
Social exclusion n.e.c	61,511	31,161	163,188	279,775	280,963	1,216,994
Survivors' benefits	120,420	118,088	161,263	101,037	142,455	11,347
Withdrawals	253,060	304,331	345,333	292,068	376,242	373,646
Administration	633,627	502,886	721,656	805,693	915,359	765,184
Transfers to other schemes	0	-370,833	-71,231	-1,000	-134,000	-374,000
Other	0	7,679	5,317	7,066	15,077	0
Total social expenditure	3,589,654	3,503,289	5,034,718	5,569,960	6,178,142	6,961,130
Change in reserves	8,261,897	8,791,701	2,673,876	8,427,350	6,099,897	5,958,271
Social expenditure incl. changes in reserves	11,851,551	12,294,991	7,708,594	13,997,310	12,278,039	12,919,401
Income						
Social contributions: Employer	851,267	888,931	971,411	1,189,504	1,334,576	1,404,718
Social contributions: .Employee	1,752,311	1,978,752	2,241,832	2,969,148	3,365,445	3,368,624
Earmarked taxes	108,231	148,127	161,253	234,376	285,594	0
General government revenue	765,028	850,077	1,223,727	1,340,925	1,551,192	2,539,368
Transfers from other schemes	19	27	0	0	0	0
Investment and other income	8,374,698	8,429,077	3,110,385	8,263,777	5,741,235	5,606,691

Source: Authors' calculations

A.2 Social assistance

The social assistance we consider is entirely funded by taxes and these expenditures can be tracked in the budget estimates. Table A.10 presents the relevant budget lines, ministry by ministry.[215]

Table A.10 Tax-funded social assistance, 2002/03–2011/12 (NAD '000)

	Education	Gender equality and child welfare	Labour		Veterans
	School feeding*	Maintenance grants, and foster parent allowances	Social pensions	Funeral plan	Subvention
2002/03	22,975	56,762	332,160		12,000
2003/04	27,494	57,012	380,530		12,500
2004/05	36,694	49,181	442,784		12,000
2005/06	35,343	89,691	455,064	17,467	14,000
2006/07	44,124	99,591	589,926	14,000	17,387
2007/08	31,161	130,132	659,784	29,000	n/a
2008/09	43,188	176,481	851,337	32,720	120,000
2009/10	52,975	199,078	825,588	30,020	226,800
2010/11	59,163	296,040	940,594	29,039	221,800
2011/12	54,893	326,341	952,250	43,782	1,162,101

Source: Annual Estimates of Expenditure
Expenditure on this programme has been identified as falling under the Other Services and Expenses code (027) in the Goods and Services Section of MAIN DIVISION: 03 Program Implementation and Monitoring of Education Standards.[216]

The table above shows the components of total tax-funded social assistance deflated to 2004 prices for comparability. The outstanding change is the rise in spending on veterans in recent years. Spending increased strongly from 2006/07 to 2008/09 and again in 2009/10 but then leapt nearly fivefold to just under NAD 1.2 billion in 2011/12. The increase in 2011/12 related to large lump sums paid to veterans in 2011/12 and expenditure should moderate going forward. Also noteworthy is the slow but still significant rise in maintenance and foster child grants over the period. Despite these rises, and excluding the final year where the veterans' subventions accelerated, 'Social Pensions', largely the OAP, dominates total tax-funded grants throughout the period.

Table A.11 shows expenditure on school feeding as reported by the Ministry of Education.

[215] The table assigns grants to their current ministries. Some grants, veterans' expenditure for example, have moved from ministry to ministry over the years.

[216] 'The purchase of food for the NSFP is currently financed through an item under the budget line 027, 'Other Services', in the main division of the Ministry of Education budget for the Directorate Programmes and Quality Assurance', Ministry of Education op cit.

Table A.11 School Feeding Programme, Ministry of Education accounts (NAD)

Financial year	Budget NAD	Additional funds from ETSIP	Total NAD	Actual expenditure NAD
2005/6	9,883,980		9,883,980	9,883,980
2006/7	9,909,000		9,909,000	9,907,694
2007/8	9,892,000		9,892,000	9,949,925
2008/9	10,706,160	12,000,000	22,706,160	22,706,160
2009/10	10,706,160	10,000,000	20,706,160	20,706,160
2010/11	21,346,565	32,000,000	53,346,565	53,346,565
2011/12	50,000,000		50,000,000	49,466,805

Source: Ministry of Education (2012)

The same report says that '[t]he expansion of the programme has necessitated that the amount of maize blend purchased by the Ministry of Education grow by threefold, from 2,294 metric tons in the 2007/8 financial year to 7,040 metric tons in the 2011/12 financial year'.[217]

[217] *The Namibian School Feeding Programme: A Case Study*, Ministry of Education September 2012.

A.3 Social insurance

Two things stand out from Table A.12. First, the system appears quite solvent with additions to reserves reaching as high as half of total income in some years. Second, administrative costs are very high. In 2006 and 2007, the costs were higher than total benefits paid out.

Table A.12 Summary social account for all social insurance

	2005	2006	2007	2008	2009	2010
Expenditure						
Benefits						
Disability benefits	23,993	28,152	49,776	60,767	62,547	53,452
Family and child benefits	19,120	18,024	23,103	55,788	62,908	88,841
Health services and costs (benefits)	10,116	12,509	19,066	61,662	103,024	97,851
Sickness benefits	7,247	4,218	4,871	11,297	11,384	14,571
Survivors' benefits	14,570	11,739	10,878	14,511	14,878	17,201
Administration	65,696	125,803	132,339	146,886	163,284	196,722
Other			7,679	5,317	7,066	15,077
Total social expenditure	140,742	200,445	247,712	356,228	425,091	483,715
Change in reserves	268,422	241,608	303,081	250,511	408,289	277,524
Social expenditure incl. changes in reserves	**409,164**	**442,053**	**550,793**	**606,739**	**833,380**	**761,239**
Income						
Social contributions: Employer	75,138	87,074	86,107	108,474	149,921	148,786
Social contributions: Employee	75,138	87,074	86,107	108,474	149,921	148,786
Earmarked taxes	80,139	108,231	148,127	161,253	234,376	285,594
General government revenue					6,464	2,122
Investment and other income	178,751	159,677	230,452	228,552	293,118	175,954
Total income	**409,164**	**442,053**	**550,793**	**606,739**	**833,380**	**761,239**

Source: Authors' calculations

Annex B Comparison of social old age pensions in SADC circa 2010

Country	Age eligibility	Universal/means tested	No. of beneficiaries	Coverage	Amount paid (monthly)		% of population over 60	Cost as % of government expenditure***	Cost as % of GDP
				% of age eligible	local cur.	US $**			
Botswana 2009	65+	Universal	90,639	88% of 60+	BWP 220	$31	5.4%	0.7%	0.3%
Lesotho	70+	Universal*	80,000	86%	LSL 300	$38	7.7%	3.6%	1.6%
Mauritius 2008	60+	Universal	136,408	104%	MUR 2, 802	$100	9.0%	7.9%	1.8%
Namibia	60+	Universal	100,000 (2005)	85%	NAD 450	$56	5.6%		0.8%
South Africa 2009/10	60+	Means tested	2,534,082	68%	ZAR 1,080	$135	7.5%	3.6%	1.2%
Swaziland 2009	60+	Means tested	60,000	95%	SZL 200	$25	6.2%	1.3%	0.6%

Sources: Botswana – 2009 Budget Speech; Lesotho: 2010/11 Budget speech and estimates; Mauritius – Central Statistics by Subject (Social Security); Namibia – MoLSW Estimate (coverage and cost); South Africa – Budget Speech 2010; Swaziland Budget Speech 2009.
*Anyone receiving a pension from the consolidated fund is excluded.
**Base for currency conversion: World Bank, World Development Indicators – average exchange rate for latest year (2008).
***2009/10, with exception of Mauritius which is from 2007/08.

Annex C Analysis of the 2009/10 NHIES

C.1 The Namibia Household Income and Expenditure Survey (NHIES)

The latest NHIES was carried out from June 2009 to July 2010. The targeted population of the NHIES was private households of Namibia. The sample design for the survey was a stratified two-stage probability sample, where the first stage units were geographical areas designated as the Primary Sampling Units (PSUs) and the second stage units were the households. The PSUs were based on the 2001 Census enumeration areas and the list of PSUs serves as the national sample frame. The sample size was designed to achieve reliable estimates at the region level and for urban and rural areas within each region. However, the actual sample sizes in urban or rural areas within some of the regions may not satisfy the expected precision levels for certain characteristics. The final sample consists of 10,660 households in 533 PSUs. The selected PSUs were randomly allocated to the 13 survey rounds.

C.2 Analysis based on the 2009/10 NHIES

Table C.1 Key statistics: percentages of households

%	With at least one child	With at least one member unable to work due to illness or disability	With single parents	With double orphans	With at least one elderly member	Poor	Severely poor	With single parents and monthly incomes of less than NAD 1,000 (entitled to the Maintenance Grant)
Total	69.7	7.1	22.2	4.9	25.9	19.5	9.6	2.5
Urban	61.8	4.5	13.5	2.6	11.8	9.5	4.4	1.2
Rural	75.8	9.1	28.9	6.6	36.7	27.2	13.6	3.5
Caprivi/Zambezi	79.4	6.4	29.4	7.2	23.2	41.7	26.4	8.8
Erongo	55.5	2.4	8.9	1.7	11.6	5.1	1.9	0.9
Hardap	64.5	12.1	16.5	3.0	25.6	17.2	9.6	3.7
Karas	54.5	5.2	13.3	2.9	18.3	15.3	9.1	3.4
Kavango	86.7	11.5	29.5	7.4	31.7	43.4	23.9	1.6
Khomas	57.5	3.1	10.4	1.9	10.8	7.6	2.8	0.7
Kunene	65.5	9.2	14.1	2.1	24.9	16.8	8.2	2.1
Ohangwena	87.2	10.1	44.4	9.8	45.2	23.7	8.5	2.7
Omaheke	66.7	10.4	11.9	1.5	25.5	20.9	13.1	2.6
Omusati	78.7	9.0	34.9	8.7	47.8	12.6	4.5	1.5
Oshana	71.6	7.2	28.3	5.2	28.8	13.5	4.7	2.4
Oshikoto	75.7	7.6	30.3	7.3	32.2	33.9	15.2	5.2
Otjozondjupa	62.8	6.7	11.9	2.4	17.6	22.9	14.3	4.4

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound

Table C.2 Proportion and number of OAP beneficiary households by location, region, poverty, and gender and education of the household head; confidence intervals

	Proportion	LB	UB		Number	LB	UB	Total households in Namibia
Total	0.137	0.129	0.144		59,645.8	56,278.0	63,013.6	436,795
Region								
Caprivi/Zambezi	0.040	0.031	0.050		2,361.5	1,806.1	2,917.0	21,255
Erongo	0.039	0.029	0.052		2,309.2	1,633.6	2,984.8	39,221
Hardap	0.043	0.035	0.052		2,541.3	2,041.0	3,041.5	15,894
Karas	0.037	0.030	0.047		2,233.0	1,712.6	2,753.3	21,299
Kavango	0.091	0.073	0.112		5,400.7	4,200.7	6,600.8	43,890
Khomas	0.059	0.044	0.080		3,528.3	2,422.5	4,634.1	83,562
Kunene	0.034	0.026	0.045		2,042.1	1,463.2	2,621.1	17,097
Ohangwena	0.151	0.130	0.174		8,980.5	7,545.4	10,415.6	38,997
Omaheke	0.041	0.032	0.053		2,471.7	1,858.6	3,084.8	15,159
Omusati	0.224	0.198	0.252		13,336.3	11,486.9	15,185.6	45,161
Oshana	0.093	0.079	0.108		5,517.0	4,631.1	6,403.0	35,087
Oshikoto	0.106	0.090	0.125		6,321.3	5,241.1	7,401.5	32,038
Otjozondjupa	0.044	0.033	0.057		2,602.8	1,893.4	3,312.1	28,135
Poverty								
Non-poor	0.722	0.695	0.748		43,072.2	40,139.7	46,004.7	351,535
Poor	0.278	0.252	0.305		16,573.6	14,754.1	18,393.1	85,259
Decile								
1	0.143	0.124	0.164		8,520.0	7,233.4	9,806.6	43,697
2	0.145	0.125	0.167		8,628.4	7,274.3	9,982.5	43,676
3	0.150	0.129	0.173		8,921.3	7,500.5	10,342.0	43,727
4	0.130	0.111	0.152		7,763.5	6,482.8	9,044.2	43,641
5	0.131	0.112	0.153		7,804.6	6,512.6	9,096.6	43,692
6	0.093	0.078	0.111		5,552.0	4,522.2	6,581.7	43,663
7	0.080	0.064	0.099		4,760.0	3,703.2	5,816.8	43,688
8	0.046	0.035	0.060		2,738.6	2,003.7	3,473.6	43,667
9	0.041	0.031	0.055		2,443.0	1,728.8	3,157.2	43,732
10	0.042	0.032	0.056		2,514.4	1,775.4	3,253.4	43,614
Household head gender								
Male	0.428	0.399	0.458		25,513.0	23,273.6	27,752.4	249,331
Female	0.568	0.539	0.598		33,901.7	31,259.5	36,543.8	184,752
Household head education								
None	0.405	0.376	0.436		23,527.6	21,324.2	25,731.1	81,382
Primary	0.365	0.336	0.395		21,176.9	19,093.5	23,260.4	121,783
Secondary	0.206	0.183	0.232		11,976.3	10,424.4	13,528.2	180,697
Tertiary	0.023	0.016	0.034		1,351.6	840.5	1,862.7	43,652

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound.

Table C.3 Proportion and number of Disability Grant for Adults beneficiary households by location, region, poverty, and gender and education of the household head; confidence intervals

	Proportion	LB	UB	Number	LB	UB	Total households in Namibia
Total	0.030	0.027	0.034	13,227.2	11,566.6	14,887.9	436,795
Region							
Caprivi/Zambezi	0.040	0.024	0.067	530.4	256.6	804.3	21,255
Erongo	0.017	0.009	0.032	224.7	80.0	369.4	39,221
Hardap	0.043	0.028	0.065	565.0	324.0	806.0	15,894
Karas	0.044	0.027	0.072	586.2	295.8	876.5	21,299
Kavango	0.039	0.020	0.072	509.6	181.3	837.8	43,890
Khomas	0.047	0.020	0.106	614.4	75.8	1,153.0	83,562
Kunene	0.022	0.009	0.053	294.5	35.3	553.8	17,097
Ohangwena	0.245	0.192	0.308	3,239.4	2,332.4	4,146.4	38,997
Omaheke	0.049	0.031	0.079	652.5	337.8	967.2	15,159
Omusati	0.155	0.111	0.214	2,052.2	1,299.5	2,804.9	45,161
Oshana	0.148	0.114	0.189	1,950.7	1,434.7	2,466.8	35,087
Oshikoto	0.082	0.055	0.121	1,087.2	645.3	1,529.1	32,038
Otjozondjupa	0.070	0.045	0.106	920.3	514.0	1,326.6	28,135
Poverty							
Non-poor	0.688	0.627	0.742	9,096.4	7,690.5	10,502.2	351,535
Poor	0.312	0.258	0.373	4,130.9	3,230.1	5,031.6	85,259
Decile							
1	0.184	0.142	0.235	2,428.6	1,764.4	3,092.8	43,697
2	0.136	0.097	0.187	1,792.8	1,156.6	2,429.0	43,676
3	0.172	0.127	0.228	2,269.4	1,532.6	3,006.2	43,727
4	0.134	0.095	0.185	1,768.0	1,129.8	2,406.2	43,641
5	0.110	0.075	0.157	1,451.8	882.4	2,021.2	43,692
6	0.075	0.048	0.116	993.7	536.3	1,451.0	43,663
7	0.102	0.069	0.149	1,350.7	802.5	1,898.9	43,688
8	0.055	0.035	0.087	731.0	388.1	1,073.9	43,667
9	0.028	0.014	0.052	364.4	127.9	600.9	43,732
10	0.006	0.001	0.028	76.8	-44.1	197.7	43,614
Household head gender							
Male	0.379	0.320	0.441	5,008.3	4,005.4	6,011.1	249,331
Female	0.612	0.549	0.671	8,095.9	6,770.6	9,421.2	184,752
Household head education							
None	0.220	0.170	0.280	2,836.2	2,029.5	3,643.0	81,382
Primary	0.453	0.390	0.518	5,842.6	4,725.5	6,959.6	121,783
Secondary	0.299	0.245	0.360	3,853.9	2,981.1	4,726.7	180,697
Tertiary	0.028	0.014	0.058	362.4	95.4	629.3	43,652

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound.

Table C.4 Proportion and number of Maintenance Grant beneficiary households by location, region, poverty, and gender and education of the household head; confidence intervals

	Proportion	LB	UB	Number	LB	UB	Total households in Namibia
Total	0.044	0.040	0.049	19,152.7	17,146.6	21,158.8	436,795
Region							
Caprivi/Zambezi	0.029	0.018	0.046	552.1	287.6	816.6	21,255
Erongo	0.052	0.031	0.087	1,003.0	469.4	1,536.5	39,221
Hardap	0.029	0.020	0.044	562.8	339.7	785.9	15,894
Karas	0.020	0.012	0.034	391.0	191.0	591.0	21,299
Kavango	0.041	0.023	0.072	783.2	326.0	1,240.4	43,890
Khomas	0.066	0.038	0.111	1,259.4	546.6	1,972.3	83,562
Kunene	0.012	0.005	0.027	224.5	37.3	411.8	17,097
Ohangwena	0.194	0.155	0.240	3,717.2	2,810.5	4,623.9	38,997
Omaheke	0.032	0.019	0.052	608.8	299.1	918.5	15,159
Omusati	0.213	0.170	0.264	4,085.3	3,059.9	5,110.7	45,161
Oshana	0.165	0.134	0.202	3,159.9	2,481.0	3,838.7	35,087
Oshikoto	0.132	0.102	0.170	2,528.1	1,836.6	3,219.7	32,038
Otjozondjupa	0.015	0.007	0.031	277.3	65.9	488.6	28,135
Poverty							
Non-poor	0.725	0.676	0.769	13,884.7	12,154.8	15,614.7	351,535
Poor	0.275	0.231	0.325	5,267.9	4,224.0	6,311.9	85,259
Decile							
1	0.115	0.086	0.150	2,192.2	1,553.9	2,830.5	43,697
2	0.177	0.139	0.222	3,386.4	2,521.3	4,251.4	43,676
3	0.181	0.143	0.225	3,460.6	2,602.3	4,318.8	43,727
4	0.130	0.099	0.169	2,490.6	1,786.6	3,194.6	43,641
5	0.104	0.075	0.142	1,994.1	1,322.6	2,665.5	43,692
6	0.110	0.081	0.149	2,109.1	1,424.8	2,793.4	43,663
7	0.066	0.041	0.104	1,255.4	636.7	1,874.1	43,688
8	0.072	0.049	0.103	1,373.5	845.8	1,901.3	43,667
9	0.024	0.013	0.046	463.8	160.7	766.9	43,732
10	0.022	0.011	0.045	427.1	124.4	729.7	43,614
Household head gender							
Male	0.287	0.243	0.337	5,502.1	4,456.5	6,547.7	249,331
Female	0.704	0.654	0.749	13,485.9	11,766.3	15,205.4	184,752
Household head education							
None	0.236	0.194	0.286	4,387.2	3,412.0	5,362.5	81,382
Primary	0.357	0.307	0.409	6,617.6	5,455.8	7,779.4	121,783
Secondary	0.380	0.329	0.434	7,043.8	5,795.5	8,292.1	180,697
Tertiary	0.027	0.016	0.047	506.8	224.3	789.4	43,652

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound.

Table C.5 Proportion and number of Foster Parent Grant beneficiary households by location, region, poverty, and gender and education of the household head; confidence intervals

	Proportion	LB	UB	Number	LB	UB	Total households in Namibia
Total	0.014	0.011	0.017	6,046.9	4,891.5	7,202.4	436,795
Region							
Caprivi/Zambezi	0.107	0.066	0.167	644.7	338.1	951.4	21,255
Erongo	0.038	0.013	0.103	229.6	-11.2	470.5	39,221
Hardap	0.043	0.023	0.077	258.1	104.5	411.7	15,894
Karas	0.021	0.009	0.051	127.5	13.3	241.7	21,299
Kavango	0.171	0.105	0.267	1,034.3	489.3	1,579.3	43,890
Khomas	0.063	0.023	0.161	382.9	-8.0	773.9	83,562
Kunene	0.039	0.016	0.095	235.7	17.2	454.2	17,097
Ohangwena	0.123	0.073	0.201	744.8	339.0	1,150.5	38,997
Omaheke	0.013	0.004	0.041	76.4	-13.6	166.3	15,159
Omusati	0.178	0.112	0.271	1,078.1	542.6	1,613.5	45,161
Oshana	0.065	0.036	0.115	390.9	157.9	623.9	35,087
Oshikoto	0.114	0.070	0.179	687.3	351.8	1,022.8	32,038
Otjozondjupa	0.026	0.008	0.082	156.6	-31.3	344.6	28,135
Poverty							
Non-poor	0.655	0.560	0.739	3,959.0	3,013.5	4,904.4	351,535
Poor	0.345	0.261	0.441	2,088.0	1,418.8	2,757.1	85,259
Decile							
1	0.156	0.101	0.234	943.8	517.8	1,369.7	43,697
2	0.194	0.128	0.282	1,170.8	651.3	1,690.3	43,676
3	0.109	0.063	0.183	660.0	285.1	1,035.0	43,727
4	0.127	0.077	0.202	765.1	370.0	1,160.2	43,641
5	0.054	0.024	0.119	326.9	52.8	601.1	43,692
6	0.055	0.027	0.112	335.1	89.1	581.1	43,663
7	0.056	0.026	0.117	337.9	73.2	602.7	43,688
8	0.182	0.114	0.276	1,097.5	549.3	1,645.8	43,667
9	0.062	0.028	0.130	374.8	77.2	672.4	43,732
10	0.006	0.001	0.040	34.9	-33.5	103.4	43,614
Household head gender							
Male	0.288	0.210	0.381	1,743.5	1,133.9	2,353.1	249,331
Female	0.712	0.619	0.790	4,303.5	3,318.9	5,288.1	184,752
Household head education							
None	0.227	0.156	0.318	1,341.8	797.8	1,885.9	81,382
Primary	0.393	0.302	0.492	2,323.3	1,580.3	3,066.2	121,783
Secondary	0.337	0.253	0.432	1,991.1	1,342.7	2,639.5	180,697
Tertiary	0.044	0.019	0.098	257.0	40.5	473.4	43,652

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound.

Table C.6 Proportion and number of Disability Grant for Children beneficiary households by location, region, poverty, and gender and education of the household head; confidence intervals

	Proportion	LB	UB	Number	LB	UB	Total households in Namibia
Total	0.011	0.009	0.014	4,917.7	3,738.4	6,096.9	436,795
Region							
Caprivi/Zambezi	0.018	0.004	0.073	90.5	-38.0	218.9	21,255
Erongo	0.112	0.060	0.198	548.1	205.5	890.7	39,221
Hardap	0.033	0.015	0.069	159.9	40.3	279.5	15,894
Karas	0.014	0.005	0.044	69.5	-9.1	148.1	21,299
Kavango	0.000			0.0	0.0	0.0	43,890
Khomas	0.405	0.288	0.533	1,989.3	1,103.1	2,875.5	83,562
Kunene	0.042	0.018	0.095	208.1	35.2	381.0	17,097
Ohangwena	0.269	0.180	0.382	1,324.7	754.9	1,894.5	38,997
Omaheke	0.034	0.013	0.085	167.4	11.5	323.3	15,159
Omusati	0.015	0.002	0.098	72.8	-69.9	215.5	45,161
Oshana	0.011	0.002	0.074	53.5	-51.4	158.5	35,087
Oshikoto	0.042	0.015	0.112	206.5	-5.4	418.4	32,038
Otjozondjupa	0.006	0.001	0.039	27.4	-26.3	81.0	28,135
Poverty							
Non-poor	0.858	0.763	0.919	4,217.3	3,106.8	5,327.8	351,535
Poor	0.142	0.081	0.238	700.4	300.7	1,100.0	85,259
Decile							
1	0.030	0.012	0.073	144.9	11.4	278.4	43,697
2	0.113	0.058	0.208	555.5	178.7	932.3	43,676
3	0.052	0.020	0.131	255.3	5.0	505.6	43,727
4	0.098	0.051	0.178	480.2	169.5	791.0	43,641
5	0.045	0.018	0.108	221.1	20.6	421.6	43,692
6	0.161	0.090	0.273	793.2	306.7	1,279.6	43,663
7	0.115	0.057	0.217	565.2	161.3	969.0	43,688
8	0.074	0.028	0.181	365.7	7.4	724.0	43,667
9	0.154	0.080	0.275	755.4	233.0	1,277.8	43,732
10	0.159	0.088	0.271	781.3	292.6	1,270.0	43,614
Household head gender							
Male	0.686	0.570	0.783	3,373.1	2,365.8	4,380.5	249,331
Female	0.314	0.218	0.430	1,544.5	928.1	2,161.0	184,752
Household head education							
None	0.147	0.086	0.238	693.9	324.6	1,063.2	81,382
Primary	0.160	0.095	0.257	759.2	358.3	1,160.0	121,783
Secondary	0.528	0.408	0.646	2,499.7	1,600.8	3,398.6	180,697
Tertiary	0.165	0.091	0.280	779.9	293.2	1,266.5	43,652

Source: Authors' calculations using NHIES 2009/10
Note: LB refers to the lower bound of the confidence interval at 95% while UB the upper bound.

Annex D Benefits and costs associated with targeting

Potential benefits of targeting

Inclusion error (Leakage / type II error)

The main argument for ensuring that polices target those people who are identified as poor or vulnerable is the potential to save costs. Targeting potentially saves money by reducing the 'inclusion error' of universal programmes, i.e. the distribution of transfers to individuals who are not poor (Samson et al., 2007).[218] Assuming perfect targeting – i.e. that it is possible to exactly identify the poor and deliver the transfers only to them – the cost of the transfers would be reduced by an amount proportional to the percentage of the population that is not poor. The important point to note though is that it is not possible to say for certain whether a means-tested programme will reduce poverty more cost efficiently than a universal programme without first looking at the financial and non-financial cost of targeting.[219, 220]

Socio-political benefits

There have also been arguments that targeted programmes may have broader social and political benefits. For instance, it has been argued that policy-makers and the public are more likely to accept a programme that has a targeting mechanism like a means test.

Potential costs

Exclusion error (type I error)

The elimination of inclusion errors is one major potential benefit of introducing targeting mechanisms. However, there is also the danger that, because no targeting mechanism is perfect, a significant proportion of poor households might not receive the benefit (exclusion error). In some cases, when targeting is employed, the cost savings from the elimination of inclusion errors might be dwarfed by the social cost resulting from exclusion errors whereby generations of poor households become trapped in poverty.[221]

According to evidence from developing countries, it is common for over half of eligible beneficiaries to be excluded from programmes (Samson et al., 2007). In 2000, about two years after its implementation, only 10% of households with children qualifying for South Africa's Child Support Grant accessed the benefit (Samson et al., 2006). At that point, the benefit had rigid targeting that had to be relaxed in order to improve the uptake. The experience of South Africa, which is a middle-income country, is quite telling. When the child benefits were rigid and strict, take-up rates were lowest in the poorest provinces of the country where households were unable to navigate the bureaucracy and successfully qualify for the grant (Samson et al., 2007). Exclusion errors have also been an issue in non-African developing countries such as

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[218] Another angle to this is that universal benefits tend to cost more since richer pensioners have a higher probability of living longer and will therefore receive the grant for longer (Beattie and McGillivray, 1995).

[219] These costs, which range from administrative, political, social and economic are discussed in subsequent sections.

[220] These are discussed in the sub-sections that follow.

[221] There are suggestions that exclusion errors could be estimated as being several times the associated inclusion errors (see Devereux (2002b), page 4; Cornia and Stewart (1993)).

Bangladesh, where just 6% of the poorest (bottom fifth) eligible households received the government's social pension (Barrientos, 2004:18).

Administrative costs

Policies that impose stringent targeting criteria such as means tests tend to involve comparatively more administrative costs than those with less complex eligibility criterion (e.g. universal benefits). For instance, a means test will require well-resourced and skilled people to carry out the necessary, repeated verification of the income or assets of households in order to determine their eligibility. Resources also need to be spent on regular assessments of the appropriateness of the targeting criteria. This is because the target group is dynamic, as people will frequently move in and out of poverty (Devereux, 2002b; 14).

From a costing perspective, a key constraint is that data on the costs of targeting are scarce. This is because targeting costs tend not to be well defined and the distinction between them and other administrative costs is sometimes blurry. Moreover, the costs of targeting are sometimes reported only in terms of the cost of identification of the beneficiaries, although there is clear evidence that the continuous administration of a targeted system requires more administrative resources than a universal programme (Grosh, 1994).

In spite of the measurement challenges, there are a few studies that present estimates of the relative costs of means testing. Based on a review of a handful of studies that try to document their well-established means-tested and proxy means-tested programmes, Grosh et al. (2008) found that targeting costs average about 4% of total programme costs and in absolute terms cost around US$ 8 per beneficiary.

It is also important to highlight that administrative costs tend to be higher during the programme's start-up phase. This is because of large up-front expenditures for systems (equipment, design of systems, definitions of procedures, etc.) that yield benefits for multiple years. As a consequence, it is very likely that during the start-up phase administrative costs are much higher than 8%.

Private costs

Targeting mechanisms such as means tests tend to impose costs on prospective beneficiaries.[222] In order to demonstrate their eligibility, potential beneficiaries can incur costs including transport costs to reach administration/application offices, time spent travelling and also in queues, which could result in loss of income, and other opportunity costs and fees charged to obtain the necessary documentation.[223] Uptake of the South Africa's child grant eventually improved after government relaxed the means test and moved the mechanism closer to a simple (unverified) means test. By 2005, the take-up rate had increased by 500% and was higher in poorer provinces. Furthermore, there were also lower rates of inclusion and exclusion errors (Samson et al., 2005).

Indirect costs

In debating the pros and cons of targeting, some have raised the possibility that poverty targeting can lead to beneficiaries changing their behaviour in order to remain eligible (Samson

[222] Private costs may not be easy to estimate and quantify in practice and so, for the present analysis, normative judgements will have to be made depending on the specifics of each policy option under consideration. An alternative would be to carry out a separate study, based on a carefully chosen sample of individuals currently applying for means tested benefits.

[223] There have also been cases where 'informal' fees need to be paid in order to obtain forms or to guarantee service (see Pellissery, 2005).

et al., 2007). The grant can be a disincentive to work, especially when means testing is employed and an increase in income could disqualify beneficiaries from accessing the grant. If geographical targeting is used, the programme might incentivise migration to a covered region (Samson et al., 2007). This movement might be expensive for the prospective beneficiary, and could also lead to the stretching of other public resources and services in such regions.

Socio-political costs

A universal benefit fosters solidarity as it becomes a right of citizenship whereby any eligible person under certain defined criteria earns an entitlement regardless of his/her means or resources. Chiripanhura and Niño-Zarazúa (2013) caution that, although concerns around the long-term sustainability of the OAP could make it necessary to introduce some exclusion criteria, this might result in a political backlash and stigmatisation of beneficiaries. In addition, targeting mechanisms such as means testing can result in the deterioration of social cohesion[224] and the collapse of informal support networks.[225] Changes in the social networks can range from the sharing of the benefit with other household members and relatives to situations whereby grant beneficiaries end up receiving fewer remittances from those who previously provided them with support (Bush et al, 2001:2).

Because targeted programmes exclude the middle class, they are likely to have less support from most taxpayers. This means that such programmes are likely to have less political support, resulting in them getting smaller budgets and thereby providing the poor with lower benefits, which reduces the poverty impact. There are numerous cases of targeted benefits gradually losing support, with the nominal values of the benefits not being adjusted regularly (Gelbach and Pritchett, 1995).

With some caution, one could raise as examples the contrast between Namibia's means-tested child benefits and its universal OAP. While benefit values for the universal OAP have been regularly adjusted, the means-tested child grants have not. Rigidly targeted poverty-alleviation programmes often lack political support to the extent that they struggle to maintain the quality of services offered, leading to a case where the poor get 'poor' benefits (Sen, 1995:14). International examples include the case of Sri Lanka's food subsidies (food stamps) programme where, over time, the real value of the benefit was cut in half and poverty and malnutrition increased (Ravallion, 199: 47; Anand and Kanbur, 1990; van der Walle, 1998: 240).

In some extreme cases, targeted programmes can end up being eliminated altogether. Such is the experience in Colombia where a shift of food subsidies to a poverty-targeted food stamp programme reduced political support for the programme thereby leading to its termination (Gelbach and Pritchett, 1995: 32; Grosch, 1994). Targeted programmes become more vulnerable in circumstances when there is fiscal consolidation and pressure to cut budgets is high. For example, targeted social transfers and public works programmes (e.g. Trabajar) were disproportionately hit during Argentina's fiscal adjustment in the 1980s and 1990s, at a time when the poor needed then the most (Ravallon, 2002).

[224] A targeted grant on the other hand will result in beneficiary individuals (and households) 'leapfrogging' the income distribution spectrum such that they become much better off than their neighbours who were only marginally better off before (and therefore would not have qualified for the grant). This could cause resentment and animosity within communities (Ellis, 2008).

[225] Samson et al. (2007) highlight examples from Armenia, Jamaica, etc.

Annex E Examples of benefits for permanent attendants

South Africa – Grant in Aid

South Africa has the grant in aid which is paid to individuals already receiving a disability grant, war veteran's grant or an old age pension and cannot look after themselves. The additional grant is for paying the person who takes care of the grant recipient on a fulltime basis. The recipient must not be cared for in an institution that receives a subsidy from the government for their care or housing. There is no need for means testing for the grant as all recipients' hold another grant for which they would have undergone a means test. The grant is paid directly to the grant recipient, together with their existing social grant. Currently the grant amount is set at R310, which is relatively low compared to the old age pension and disability grants which are set at R1350.

South Africa also has a care dependency grant which is a benefit for children who have severe disability and in need of fulltime special care. A state medical officer must assess the child before the grant can be approved. This grant covers children until they turn 18. The parent, caregiver or foster parent can receive the grant for the child but they do not qualify for the grant in aid. Foster parents qualify for both the care dependency and the foster child grant. The care dependency grant is R1350 and the foster child grant is R830. The caregiver (parent, grandparent or sibling over the age of 16) of the child can also get a child support grant until the child is 18.The child support grant is R310.

Mauritius – Carer's allowance

An Invalid's Basic Pension is paid to people between the ages 15 and 59, who have been certified by a Medical Board as either permanently or substantially incapacitated to a physical degree of 60% for at least 12 months. The carers of beneficiaries of the Invalid's Basic Pension who need fulltime care receive a carer's allowance. The allowance is also paid to children with disabilities whose parents annual income does not exceed Rs 250 000 and children younger than 15 whose parents annual income does not exceed Rs 150 000. The Invalid's Basic Pension was Rs 3020. The carer's allowance Rs 1828 in 2013, approximately half the old age pension of Rs 3623. (ISSA, 2013)

UK –Carer's Allowance

To receive the Carer's Allowance in the UK the person you care for must be receiving an: attendance allowance, maximum rate constant attendance allowance with their war disablement pension or industrial injuries disablement benefit, higher or middle rate disability living allowance or personal independence payment (which is slowly replacing the disability living allowance). Any person above the age of 16 spending more than 35 hours a week caring for someone with the latter benefits can claim unless they are a fulltime student, earn more than £100 pounds a week or receive other benefits more than £59.75 (e.g. maternity, bereavement, training allowance or a state pension). The carer's allowance is taxable and is currently £59.75 per week. The basic state pension is £110.15. This is different from the constant attendance allowance which if for individuals claiming for the industrial disablement benefit or the war disablement pension, which has four different rates depending on the extent of disability.

Mongolia – Allowance for people caring for the elderly

The programme covers children and adults with disabilities (having lost 50% of their labour capacity) and older people (women over 55, men over 60), who are also in need of permanent care. Carers and care recipients then write an application or a request letter with the help of the social worker. The social workers submit the application to the Livelihood Support Council (LSC). The LSC visits the households to determine the suitability of the proposed carer and to validate the care recipient's status. Anyone over the age of 16 can be a carer, each carer can take care of up to three people. Carers are supposed to receive 10 hour training provided by some teachers or doctors, and in Ulaan Baatar this is given by specialised and contracted agencies. This training programme has only just been developed and is currently being rolled out. Carers receive MNT 48,000 per person cared for per month. Recipients receive MNT 30,000 per quarter (sometimes referred to as 'medicine allowance'). Under the new law, recipients will receive MNT 60,000 per month for children and 60,000 per quarter for adults. The pension amount was aligned with the minimum living standards and the minimal pension level was MNT 103,600 in 2012.

New Zealand –Domestic Purposes Benefits –Care of sick or infirm

As of the 15th of July 2013 the domestic purposes benefit for the care of the sick and infirm and the Invalid's Benefit are now called the Supported Living Payment. This benefit is for people who are severely restricted or unable to work on a long term basis because of health or disability and for people above the age of 16 caring for someone (other than their partner) who needs fulltime care. Parents with significantly disabled children who require fulltime care also receive this benefit. The payment is taxable and paid out weekly. The amount varies depending on the situation of the carer. In 2012, if the carer is single and between the ages 16-17 they get a maximum of NZD 207.32 (after tax); single and 18 or older get NZD 256.19; single parents receive NZD 336.55 and married parents each get NZD 213.49. (Ministry of Social Development statistical report, 2012). The combined after-tax amount of New Zealand superannuation (old age pension) payable to a married couple must be between 65% and 72.5% of the after-tax average ordinary-time weekly wage. A single person living alone receives 65% of the rate payable to a married couple. A single person sharing accommodation receives 60% of the married couple rate. In 2012, a married couple each received a maximum NZD 268.4 if both qualified and NZD 255.09 if only one qualified; single person living alone received NZD 348.92 and NZD 322.08 when living with others.

Australia – Carer Payment

The carer payment is an income support for people who personally provide constant care (a minimum of 6 months) in the home of someone with a severe disability, illness, or frail aged. The carer must satisfy an income and assets test. Australia also has provision for a situation where two parents exchange care of their children, each of the children has a severe medical condition or disability; both parents provide significant level of care to one of these children every day. So if the parents take turns looking after the children they can apply. They also have provision for short term and episodic conditions for children under 16. This is because payments are usually paid if a child needs more than 6 months care. However, payments can be made if the child requires a significant level of care. A health professional is required to provide a medical report which is used to assess eligibility for the payment. Single people get ASD 766 and couples AUD 577.4 each every fortnight. You cannot receive Carer Payments and another income support payment, such as the Age Pension at the same time. The maximum basic Age Pension payments are equal to the carer payments. Australia also has a carer allowance which is a supplementary payment for carers who provide additional daily care and attention for someone with a disability or medical condition, or elderly. The rate is lower than the carer payment at AUD 118.2 (the carer allowance is non-taxable). If the carer is over the pension age you can choose to get either a carer payment or the age pension. However, the carer allowance it can be paid in addition to your age pension.

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