

REPUBLIC OF NAMIBIA



STATEMENT BY

**HIS EXCELLENCY DR HAGE G. GEINGOB,
PRESIDENT OF THE REPUBLIC OF NAMIBIA,**

AT THE OCCASION OF THE

**OFFICIAL OPENING OF THE CABINET WORKSHOP ON THE NATIONAL
EQUITABLE ECONOMIC EMPOWERMENT FRAMEWORK (NEEF)**

**27 FEBRUARY 2018
WINDHOEK**

- **Director of Proceedings;**
- **Comrade Nangolo Mbumba, Vice-President of the Republic of Namibia;**
- **Comrade Saara Kuugongelwa-Amadhila, Prime Minister of the Republic of Namibia;**

- **Comrade Netumbo Nandi-Ndaitwah, Deputy Prime Minister and Minister for International Relations and Cooperation;**
- **Comrade Ministers and Deputy Ministers**
- **Comrade Sophia Shaningwa, Secretary General of the SWAPO Party;**
- **Ms Yvonne Dausab, Chairperson of the Law Reform and Development Commission;**
- **Esteemed invited Guests;**
- **Members of the Media;**
- **Ladies and Gentlemen;**

Good morning to all of you.

Income and wealth disparities remain a global and local concern. According to the World Economic Forum's Global Risk Report of 2017, the growing increase in income and wealth distribution is the trend most likely to determine global developments over the next decade. Furthermore, a report released by Oxfam on the 22nd of January this year, states that 82 percent of the wealth generated in 2017 went to the richest one percent of the global population, while the 3.7 billion people who make up the poorest half of the world population saw no increase in their wealth.

Namibia is no exception to income disparities and inequalities. In fact, according to the World Bank - in terms of the Gini Coefficient - Namibia is unfortunately one of the countries with the highest levels of income

disparities in the world. Yes, since 1990, we have made good progress in reducing poverty, with the overall poverty rate declining from 70 percent in 1993/94 to 18 percent in 2015/16. However, the fall in income disparities as measured by the Gini-Coefficient, has only seen a marginal decline from 0.70 to 0.58 during the same period. This amply demonstrates that while poverty and income disparities are inter-related, the two should not be conflated.

With poverty on the decline, the argument is advanced that there is no need to proceed with reforms aimed at addressing underlying structural inequality. This argument is faulty. A World Bank Report on the Distributional Impact of Fiscal Policy in Namibia, released in 2017 argues correctly that the main reasons for the decline in poverty and the minimal decline in income disparity may be attributed to Government interventions, such as our relatively progressive tax policy and a system of comprehensive social safety nets. In terms of the progressiveness of our tax system, the World Bank report states that the top ten percent income earners accounts for 70 percent of tax collection.

The Namibia Statistics Agency reinforces the earlier point I made in its 2009/10 Report on Income and Expenditure. It highlights that about 16 percent of the population directly and indirectly benefited from social grants back then.

Don't forget an elemental fact: these grants are directly funded by the state from the national budget. In the current Financial Year - that is 2017/18 - an amount of N\$6.7 billion was allocated for the administration of various social safety nets.

We are proud that we are able to cater for most of our vulnerable citizens, through social grants. But we cannot build a prosperous nation around that model. We have to address the underlying structural impediments, which make it difficult if not impossible for many Namibians to effectively participate in the economy, and engage in wealth creating opportunities.

Income inequality is aggravated by our unique political history, including the burning land question. It is an unfortunate reality and daily experience - black Namibians continue to bear the biggest brunt from this dark period of our history. It is why we will intensify corrective interventions during the remaining period of the Harambee Prosperity Plan. Later this year, we will convene the second Land Conference. The conference will aim to deal with inefficiencies and challenges around land redistribution; restitution and tenure. I shall not dwell on that here.

The NEEEF consultations and the implementation of the strategy constitute a necessary intervention in dealing with structural inequality, of which income disparities and lack of participation of the black majority in

the economy remain a glaring legacy of our past. We will not allow the *status quo* to continue.

The final leg of the consultation is now before us. It is disturbing to note that there are some who have cast aspersions on the National Equitable Economic Empowerment Framework (NEEEF), even before consultations were concluded.

- First, they insinuate that NEEEF targets a particular segment of our population.**
- Second, they argue that NEEEF will affect our economic competitiveness.**
- Third, they allege that Government does not take the land issue and concomitant income inequalities seriously.**

I was recently asked what Government has been doing about the land question. I found the question odd as it suggested that Government had done nothing to address the land question and the issue of income inequalities.

Our response to those that try to discredit Government interventions at every opportunity is: what are your solutions? Sadly, very often, the reply is a deafening silence.

I am glad to note that some have made use of the consultative sessions to provide inputs on how to address this difficult issue. In addressing the issue of income inequalities, we are not starting on a blank page. We can draw from the comparative experiences of Singapore, Malaysia and closer to home, South Africa. Even as we draw from their experiences, we will do it the Namibian way, context-specific and in a sustainable manner, where all feel included.

We have allowed ample time for consultations on NEEEF. This workshop demonstrates the difficult road we have travelled. There are two key aspects here:

- **First, we need to get feedback on the outcome of the nationwide stakeholder consultations on the National Equitable Economic Empowerment Framework (NEEEF), and the Draft Bill. This will involve a brief analysis of the difficulties stakeholders had with regard to the interpretation or the logic of certain empowerment provisions in the Framework and the Bill.**
- **Second, we shall use this opportunity to provide feedback to the Technical Team on key policy and legal issues, which may need to be revisited, revised, replaced or even jettisoned. These include feedback surrounding four problematic questions:**

- 1. Definitional issues – such as Previously Disadvantaged Person and Private Enterprise;**
- 2. Whether all aspects of NEEEF should be mandatory – some argue that the ownership and management representation pillars should be voluntary – let us debate this matter. My view is that the entire framework should be mandatory, given the past failed experience of voluntary transformation;**
- 3. The role of sectoral charters [we must be flexible in our approach]; and**
- 4. Monitoring and funding mechanisms. The framework makes provision for a monitoring mechanism, while it is absent from the Bill. I support a proposal that a monitoring mechanism should be included in the Bill. On the funding mechanism, we must be flexible, and hold hands. Government cannot carry the sole burden on financing empowerment. It must be a collective responsibility, including Government, development finance institutions such as the Development Bank of Namibia, AgriBank, the Government Institutions Pension Fund, private sector financial institutions, and participating enterprises.**

Our debate should be guided by the principle of accelerated broad based economic empowerment. Broad-based economic empowerment should include impoverished communities and workers in envisaged empowerment schemes.

We should also focus on the plight of farm workers, domestic workers and all disenfranchised Namibians when we discuss empowerment.

Provision of decent housing, through housing schemes and savings towards retirement through the introduction of pension schemes will also go a long way in the empowerment of our people, and creation of wealth for citizens to be able to retire in dignity.

We are acutely aware of the unintended consequences arising, for example where only a minority of already empowered Previously Disadvantaged Persons would benefit from NEEEF provisions, specifically through the Ownership Pillar. As we discuss the definitional issue of Previously Disadvantaged Persons, we should keep in mind that Government has the dual responsibility to take care of the most needy, and it must create an environment where those with ability can prosper. Genuine empowerment should cascade downwards to empower communities and groups, rather than individuals. Wealth distribution downwards is more sustainable than wealth distribution upwards. This is the type of model that we would like to promote in Namibia.

NEEEF and the attendant Bill were drafted in line with the provisions of Article 23(2) of the Namibian Constitution. It is similar in intent to the Affirmative Action (Employment) Act 29 of 1998. I have to remind you

that Article 23 authorises Government to enact legislation providing directly or indirectly for the advancement of persons within Namibia who have been excluded from educational opportunities and economic activity by past discriminatory laws and practices. In the same vein, it also calls for the implementation of policies and programmes aimed at righting social, economic or educational imbalances in our country.

This is further supported by an exemption provided under the Racial Discrimination Prohibition Act 26 of 1991, which permits the preferential treatment of any person pursuant to a policy or programme contemplated in Article 23(2) of the Namibian Constitution.

When you consider those provisions carefully, it is clear that the legal foundations and equity considerations, enacting the NEEEF legislation cannot be disputed. Our employment equity provisions have never been legally challenged.

I am aware that there are some who have made it their mission to 'prove' that certain provisions in the NEEEF Bill are unconstitutional. Our Republic is founded on the rule of law. I must, however, express my disappointment with the way we approach the deep-seated predicament - our country is faced with shocking income and wealth inequalities – in the company of Haiti and South Africa. It is not a sustainable position.

We have a history of deep racial divisions. The primary impulse of Apartheid was to perpetuate inequalities in virtually all facets of our territory. This includes segregated spatial planning and untold barriers to economic inclusion; disparities in access to and quality of education and health care. The inhuman practice of separate development entrenched income and wealth inequalities. They are still evident today. If left unattended, high rates of income and wealth inequalities would threaten our social cohesion, political inclusion and peace. It is for this reason that our Constitution made provision for affirmative action to rectify the inherited dilemma of inequality and underdevelopment of the majority.

The Namibian Government introduced various redistributive laws and policies through a combination of social service provision, social transfers and taxation. We have implemented a number of empowerment initiatives, including employment equity, the land resettlement scheme, affirmative action loans for the purchase of land, granting of fish quotas and mineral exploration licenses, creation of community conservancies, provision of social housing and significant investments in education and training. Comrade Nelson Mandela is right when he says: *"As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest"*. We cannot be a peaceful nation when injustice continues to fester like an open wound. It is a matter of common sense.

Progress in achieving employment equity in the private sector is slow and does not seem to achieve the desired results. According to the Employment Equity Commission's Annual Report of 2015/16, previously disadvantaged persons occupied a meagre 29 percent of Executive Directors positions. Previously advantaged men dominate Executive Director positions with an over-representation of 49 percent. Yet, this component of our population accounts for less than 10 percent of the total population. Racially disadvantaged men occupy 21 percent of these positions and racially disadvantaged women a tiny 8 percent. Previously advantaged women occupy 9 percent of these positions, while non-Namibians occupy 13 percent.

It is against this unpleasant background, that the equitable economic empowerment framework was initiated. Consultations on the Framework and the Bill were held far and wide. We express our appreciation to those that took time to participate, express their opinions and make representations.

Today, we are gathered here to gain insights from the Prime Minister about the evolution of the National Equitable Economic Empowerment Framework Bill (NEEEB) and to consider major concerns expressed by the public. The Chairperson of the Law Reform and Development Commission will lead a presentation on that during the course of this workshop.

It is expected from us - policy makers and bureaucrats, to seriously consider these public concerns and provide guidance as to how best they can be addressed. For example, if we deem our requirements to be too ambitious or too onerous, we must propose alternatives. Three questions could guide the discussion:

- One, is the envisaged institutional setup to administer the empowerment drive manageable and sustainable?**
- Two, do we have the financial means to finance economic empowerment transactions?**
- Three, who should be targeted, to participate in an empowerment scheme?**

It is my expectation that we give direction and pointers to problematic questions. We should not stall the momentum, but leave this workshop having shared excellent ideas and provided urgent answers to the critical questions raised. This is the only way to complete the process on this important matter. If so required, further high-level consultations may be undertaken before Cabinet pronounces itself on the way forward for NEEEB. It is my expectation that the Bill should be tabled in Parliament this year.

Furthermore, very soon I will helm a reformed Economic Advisory Council, whose membership will be drawn from different industries, operating in both global and domestic markets, and enterprises, both large and small.

Director of Proceedings,

I should emphasize that NEEEF must be seen as an essential policy tool to correct the historical racial and gender inequalities in the distribution of economic opportunities, access to wealth, income, assets, capital, skills, and employment. I wish to encourage existing businesses not to wait until the Bill becomes law, but to be proactive and to start structuring and implementing empowerment transactions with their employees. I commend those who have proactively taken steps to bring on board previously disadvantaged Namibians as shareholders through various Employee Share Schemes. That is what is being advocated for, voluntary sharing of economic benefits, without being compelled to do so by law.

The plight of our youth must be considered seriously. They are faced with the double challenge of income disparities attributable to high levels of unemployment and also, the Wealth Gap. As NEEEF moves into modalities of implementation, adequate attention must be given to formulate responses that will enable our young people to effectively participate in the mainstream of the economy.

Let us join hands to elevate this beautiful country to greater heights. It is the only way forward to safeguard social, political and economic stability.

With these words, I urge you all to express your views freely and to give your support to this necessary policy intervention. NEEEB is not about winners and losers. It is a noble win-win policy that will benefit the entire nation. NEEEB has the ability to serve as an anchor and viable tool for enhanced human capital transformation through deliberate and consultative intervention by accommodating the majority of the population into the mainstream of our economy.

The Nobel Laureate in Economics, Prof. Joseph Stiglitz is accurate in his framing: "*Growth that is not shared, will not be sustainable*". Our intent with NEEEB is therefore not only to realize economic growth, empowerment and transformation, but also to do so in a sustainable, inclusive and democratic manner.

Let us multiply our efforts through greater collaboration and mutual understanding to create an effective and implementable economic empowerment law. May this workshop be a step towards that important goal. The exchange of ideas, experiences and knowledge is a process that will bring multiple benefits to this multifaceted topic.

With this in mind, it gives me great pleasure to officially open this workshop. I wish you fruitful and productive deliberations.

I thank you.