

Universal Social Protection

The Basic Social
Grant for all older
persons in

Namibia



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Namibia's old age social pension, renamed in 1998 as Basic Social Grant (BSG), guarantees all Namibia's residents over 60 years of age a monthly unconditional allowance of 1 100 Namibian dollars (N\$) per month. It corresponds approximately US\$ 78 per month lifting the grant beneficiary well above the poverty line. She or he however shares the grant with the extended family, especially by supporting the schooling and well-being of possible grandchildren.

What does the system look like?

Namibia gained independence 26 years ago and currently has a population of 2.1 million people, 57 percent of whom live in rural areas. Over the 2001 to 2011 period, the population growth rate declined from 2.6 percent per annum to 1.4 percent, while the Total fertility rate (TFR) declined from 4.1 children per woman to 3.6 children per woman.

Since gaining independence in 1990, Namibia's economy has enjoyed strong and stable growth. Its nominal gross national income per capita stood at US\$ 5 870 in 2013, with a purchasing power parity value of US\$ 9 490. Based on this single indicator, Namibia was upgraded to an Upper Middle Income Country (UMIC) in 2009. However, this masks the high level of inequality in Namibia, which has a Gini coefficient of 0.60 (2013), one of the highest in the world.

Main lessons learned:

- The universal social pension combined with social services can be an effective instrument to lift older people out of extreme poverty, to strengthen their dignity and to stimulate local economies.
- The impressive impact the pension has had on the reduction of poverty in old age motivated the government to nearly double the Basic Social Grant from N\$ 600 to N\$ 1 100 in 2015/2016. Further increases are planned.
- The provision of a regular and adequate pension benefit can also benefit other members of the extended family, especially grandchildren.
- The payment system must be made accessible e.g. by using modern ICT technology, biometric identification and mobile pay points in order to minimize transaction costs to both rights holders and duty bearers.
- Importantly, universal pensions addressed the plight of the poor older persons who were denied opportunities during the more than 100 years of colonialism and Apartheid, giving them a sense of dignity and full citizenship.
- The challenge is still to address the high inequality between different population groups.
- Namibia has had significant flow of income from Southern Africa Customs Union (SACU) and the mining industry but has to find a new balance as both of these are on the decline. In a country with very high inequality, unemployment and informality the challenge is how to finance social protection without burdening the poor through high consumption taxes.
- The government's increased current investments in social protection, health and education contribute to the reduction of inequalities in opportunities and incomes and to the development of a comprehensive and

inclusive national social protection system.

Structure of the overall system

The system of Namibia's social protection is rather comprehensive compared to other countries in the region. The system consists of non-contributory (social assistance), and contributory schemes (social insurance, including state managed and private systems). The public sector social assistance also involves extensively professional social welfare services.

In Namibia there is at least one programme covering seven out of the eight essential life course risks¹. Unemployment is not covered by any major programme. The unemployment rate was 28.1 percent in 2014 and affected particularly the youth. There are close to 30 schemes that can be classified as social protection measures and the administration of them fall under several Ministries or agencies.

Coverage

The actual coverage figure of the old age pension varies depending on data source used but is most likely well over 90 percent. There are regional variations. Remote areas are underserved while some urban centres exhibit figures over 100 percent.

Benefits

Every woman and man 60 years of age and older resident in Namibia is eligible to this non-contributory old age grant. The Basic Social Grant is financed through the State budget. The cash transfer has been increased steadily but not systematically as it is not regularly adjusted to inflation. In 2015-2016

¹ These eight risk areas to be covered are identified in ILO Social Protection Reports as sickness; maternity; old age; employment injury; invalidity; survivors; family allowances; and unemployment.

the amount was increased from N\$ 600 to N\$ 1 100 (approximately US\$ 78) as part of the social provisions of the *Harambee Prosperity Plan* prepared by the Office of the President. Persons with disabilities with a doctor's certification receive the same amount as older people. War Veterans' Subvention is about double the amount. Older persons, persons with disabilities and war veterans are also exempted from paying for any health services and are beneficiaries of the state financed funeral benefit scheme that pays for a burial amounting to N\$ 3 000 (US\$ 215).



Namibian pensioners celebrated the increase of the national old age pension from N\$600 to N\$1,000 in 2015. Photo by the *Informante* newspaper, 1 April 2015.

Financing

Tax revenues constitute 93.5 percent of government revenues in Namibia. Out of the tax revenues 43.1 percent come from taxes on individual incomes and profits. Income tax yields 27.6 percent units and taxes on company profits 14.0 percent units of the total. The mining sector contributes about 12.6 percent of the GDP. It's contribution to the total of state revenues through direct taxes is 3 percent plus another 3 percent to the state's total revenues as royalties. The contribution of the mining sector has been decreasing while that of the non-mining companies has increased. The share of the latter of government's tax revenue is eleven percent.

Table 1: State tax revenues by source in Namibia (percent 2014/2015 budget estimates)

Source	Percent of tax revenue
01. Taxes on income and profits	43.1
Income tax on individuals	27.6
Company tax (Mining 3.2 percent of the total) (Non-mining 10.8 percent of the total)	14.0
Other tax on incomes and profit	1.6
02. Property tax	0.6
03. Domestic taxes on goods and services	18.8
04. Taxes on international trade and transactions	36.9
05. Other taxes	0.6
Total tax revenue	100

Source: Estimates of revenue, income and expenditure 1 April 2015 to 31 March 2018. Republic of Namibia 2015.

A very specific feature in Namibia is the revenue derived from the South African Customs Union (SACU) totalling to 36.9 percent of the tax revenues of the state. This component has been a very significant source of revenue but is on a declining trend.

Table 2: Expenditure by scheme type (2010/2011)

	Percent of GDP	Percent of SP expenditure
Social Assistance	1,9	28,9
Tax-funded cash grants, run by various ministries		
Contributory Social Insurance (State run)	0,3	4,7
Private insurance	4,4	66,4
(a) Retirement funds	2,9	43,7
(b) Medical schemes	1,5	22,7
Total	6,0 percent	100 percent

Namibia Social Protection Floor Assessment, Report to the Government by ILO and the Oxford Policy Management (OPM) South Africa Office, International Labour Organization, 2014.

Revenues from SACU and taxes and royalties from mining have contributed substantially to the fiscal space for financing social protection. As both of these revenue sources have been declining recently the issue will be to find a solution to the volatility and foreseen further decrease of these sources. Discussion continues on the further potential contribution of the mining industry and the currently rather non-existent property taxation.

The social sector comprising of Education, Gender Equality and Child Welfare; Health and Social Services; Sport, Youth, and National Service; Veterans Affairs, and Poverty Eradication and Social Welfare, was allocated the largest share of the budget in the 2016-2017 financial year, receiving N\$ 28.5bn or 43.2 percent of total planned expenditure. This is due to the significant allocations given to Education, with N\$ 12.8bn for Basic Education and N\$ 3.4bn for Higher Education, and to Health and Social Welfare (N\$ 7.2bn). The high allocation to the social sector is aimed at poverty reduction and improvement of social welfare through, among other interventions, the increase of the old age pension from N\$ 1 000 to N\$ 1 100, the rollout of food banks and the provision of free access to primary and secondary education.

The share of social protection expenditure of Namibia's GDP is higher than that in Sub-Saharan Africa in average. Expenditure on older people is particularly remarkable (3.2 percent compared to the average of 1.1 percent of GDP in the region).

Legal aspects and Institutional arrangements

Namibia has an extensive social protection system, managing client applications, records and payments for more than 15 percent of the population. For this purpose there is a significant legal framework and a range of institutions. There are extensive interactions or partnerships between public organisations and private agencies (including payment agents, banks and Namibian Postal Services) to deliver services.

Already in mid-1990s Namibia introduced a rather advanced technology for the payment system. For instance the cash dispenser machines on mobile vans used biometric identification with fingerprints. While mobile pay points and biometric identification increased security and accuracy, privatization also increased the costs. Further, while access has been improved, yet still some recipients in rural areas shoulder heavy transaction costs as the distance to the pay point can be long and transportation is costly. This also limits the coverage in scarcely populated areas.

A new boost towards eradicating poverty and reducing inequality was given by the new government. In 2015 it established a new Ministry for Poverty Eradication and Social Welfare. Management of social grants have been transferred to the mandate of this new ministry. The newly created Ministry of Poverty Eradication and Social Welfare has plans in place to come up with a comprehensive Social Protection Strategy and monitoring and evaluation framework as well as for looking into issues of systems and governance. A blueprint was adopted that outlines strategies and expected outcomes. As an interim measure, a foodbank was

introduced to mitigate extreme poverty and ensure that all Namibians have access to basic food for survival. New structures such as street committees assessing and registering beneficiaries have been introduced.

How was this achieved?

The elements of the social welfare system in Namibia originate from different historical periods and from diverse philosophies.

The origins for the system are found in the South African pension system that dates back to 1928. Namibia was under South African rule but the South African apartheid government did not extend the social pension to Namibia until 1949. As in South Africa, it was first provided to the white population alone and gradually extended to universal coverage of the elderly population with a racially-defined tiered pension rate. In 1965, the old age benefit was amended to include coloured (non-'native' and non-'white') residents, and in 1973 the benefit was extended to black Namibians.

Removing discrimination from the pension system started after independence in 1990. The pensionable age for both men and women was changed to 60 years in the National Pensions Act of 1992. Further, in 1994 the pension was made equal across all pensioners.

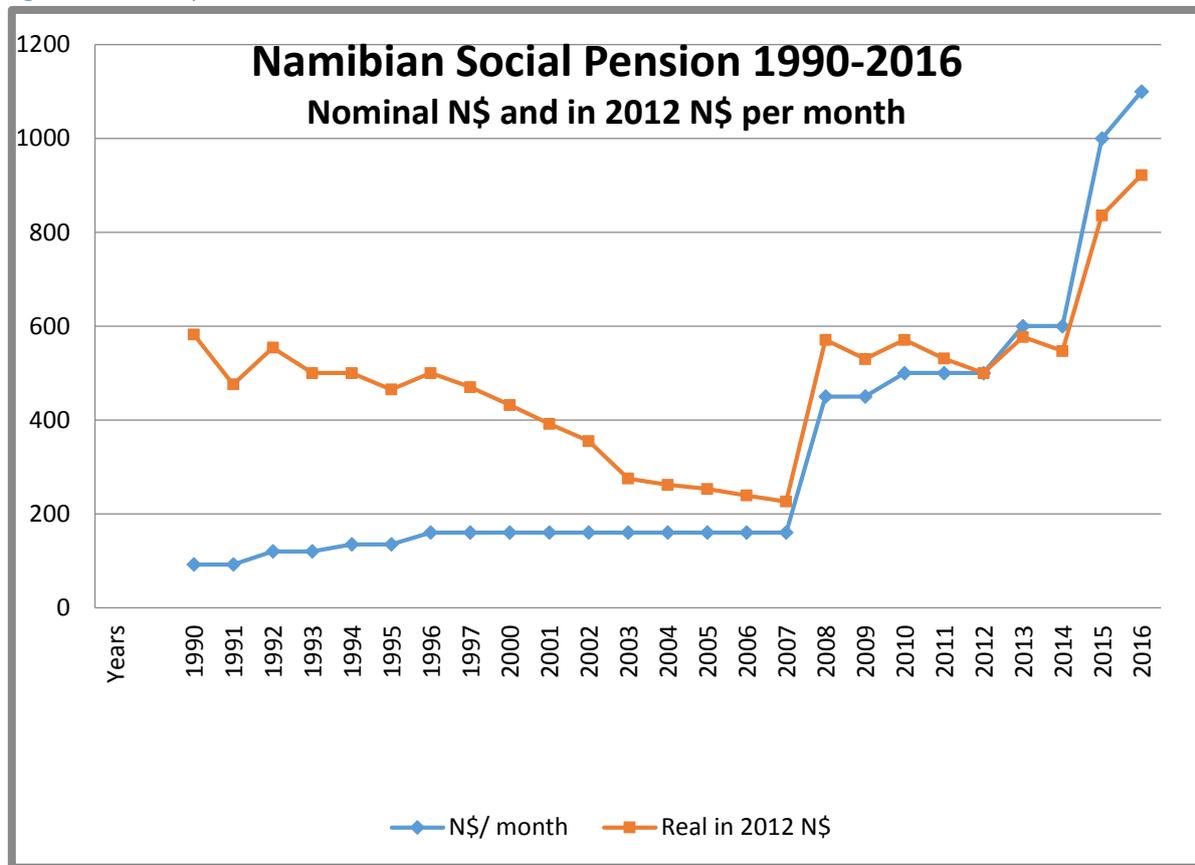
Reduction of poverty and inequalities has been seen by the governments after independence as the major challenge to be tackled and social welfare grants have been one of the instruments towards that goal.

What are the main results in terms of impact on people's lives?

The impact of the Namibian social assistance system overall is positive. It is estimated that in 2009-2010 it reduced headcount poverty on the higher poverty line by more than 30

percent, and severe poverty by an even bigger proportion

Figure 1: Development of the Basic Social Grant 1990-2016



On the basis of the 2009/10 National Household Income and Expenditure Survey (NHIES) the individual pension of that time (N\$ 500) lifted the person well above the upper boundary poverty line of N\$ 378.

The Basic Social Grant has had major impact in reducing poverty in old age. Due to the universal nature of the grant, even the wealthy are eligible to it. Exclusion errors are minor – almost all of the poor older people are covered. In fact, many subsistence farmers experience a significant increase of their incomes after crossing the age line of 60 years.

Regular income makes older people even more valued members in families and communities. The National Household Income and Expenditure Survey of 2009 -2010 shows that a large share of this income is used by the elderly to the benefit of grandchildren, and in particular their nutrition and schooling. Interviews conducted by HelpAge International in communities recently testify

concretely also how important the incomes of older people are for the economy of the community. And most importantly, regular pension income guarantees a life in dignity for older people.

What next?

The recent major increase for the Basic Social Grant in 2015-2016 from N\$ 600 to N\$ 1,100 was justified by the evidence on the impressive impact the pension has had to the reduction of poverty in old age. Further increases are being planned. While the Basic State Grant has been very successful, other challenges of the social protection system as a whole have become more obvious.

The discussion continues on the costs and merits of universal versus targeted social protection transfers in a context of high inequality. One of the new initiatives on the table has been the universal Basic Income Grant (BIG) that was given a try in 2008 and 2009 in the village of Otjivero in Namibia.



The Basic Income Grant was distributed through NamPost savings accounts. Photo courtesy of *Basic Income Grant (BIG) Coalition*.

Obviously, while the right to have access to social protection must be universal and equitable, elements of universal provisions and targeted, specific provisions have both their complementary functions in the social protection system as a whole. More research and feasibility assessments will be needed to

design a functional system from existing elements. Also a path out of poverty, an empowering 'graduation' mechanism needs to be baked in. Regional disparities, long distances and uneven administrative capacities will bring more challenges into the equation in the Namibian context.

Furthermore, a systematic management information system based on a single registry is necessary for the consolidation of the social protection system towards becoming equitable, inclusive and sustainable.

In spite of the relative comprehensiveness of the Namibian social protection system, important gaps remain. These are now being addressed, inter alia, through the *Harambee Plan for Prosperity* (HPP) which was developed to complement the *National Development Plans* and the government's *Vision 2030*. The HPP is a focused and targeted approach to achieve high impact in defined priority areas over a four year period with specific outcomes targeting the poor. The Namibian Government has expressed its firm commitment to equality, universalism and the extension of comprehensive social policies as an instrument to reduce poverty and inequality and for reaching prosperity for all.

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<http://www.bignam.org/>

Basic information on the universal social pension in Namibia:
HelpAge International Pension Watch
<http://www.pension-watch.net/country-fact-file/namibia/>

The European Union Social Protection Systems Programme (EU-SPS) website:
www.thl.fi/eu-sps

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