Two perspectives on Black Economic Empowerment in Namibia

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Prime Minister Theo-Ben Gurirab

I thank the organizers and co-workers for inviting me to this important dialogue forum this morning. I see this encounter as part of the ongoing interaction involving all relevant stakeholders, shareholders and public catalysts to reach a broad-based consensus on Black Economic Empowerment (BEE) interventions in Namibia. We are all deliberately in search of a bold and comprehensive calling that will enable all strata of the society to do the right thing. BEE is a national calling which must be inclusive and dynamic propelling us towards a better future, as well as the realization of Namibia's Vision 2030. Let us march forward hand-in-hand to make that dream come true.

We need to open up our minds and hearts and embrace BEE objectives, seizing opportunities they offer and mitigating associated challenges. "*Black"* is a mere label; it is no threat to stability and prosperity. "*Economic Empowerment*" should not be a problem but a solution. Either way, we ought to and must be ready to deal with it. As far as empowerment itself is concerned, who can really say, 'I can do without empowerment, I have it all'? Even Bill Gates wouldn't dare say such a stupid thing. Certainly, no Namibian, rich or poor, black or white, urban or rural, can claim such confidence. We are on the same life boat and cooperation is the best policy.

I have lifted the following general definition of Black Economic Empowerment (BEE) from a recent publication from some of my worthy Namibian companions:

> "*Black Economic Empowerment is generally defined as an integrated and broad-based economic process aimed at redressing the inequities created by the past discriminatory system, within the context of the country's National Development Programme. It is aimed at redressing imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management, control and development of Namibia's financial and economic resources to the majority of its citizens, to meaningfully reflect the demographics of Namibia. It seeks to ensure broader and meaningful participation in the economy by Previously Disadvantaged Namibians (PDNs) in order to achieve sustainable development and prosperity for all Namibians. BEE should and must be broad-based to accelerate the economic empowerment of previously disadvantaged sections of our society."*

That really says it all at the planning level. In reality, the flesh and blood folks we are talking about are you and me: Namibians except for this. We are talking specifically about victims of past colonial injustices and apartheid policies. Our illustrious Constitution is explicit on who they are, about past brutalities, dispossession, exploitation and subjugation.

The founders of our nation, our Republic and our political system have made a firm commitment to bring about transformation and a new beginning. Social liberation and economic empowerment of fellow humans ought to be an individual and a collective resolve of every Namibian as a noble act of solidarity and reciprocal affirmation.

The past iniquities wrought upon our country and people were vicious acts of exclusion, selfishness and denial of the ideals of equality, democracy, rule of law and justice to the majority. Our shining Constitution and the policy of national reconciliation have enjoined all

Namibians to turn our backs on that ugly past and to move on, straightening up the question mark and begin by declaring that we must unite and work together to make Namibia a land of peace, justice and prosperity for all. I must, however, add, as history has taught us, that to forgive is human, but to forget is out of the question!

Freedom and independence brought Black Majority Rule in Southern Africa, brought by former Freedom Fighters and Ex-Prisoners of yesteryear. To tell the truth, this change has actually benefited the previously advantaged more than the previously oppressed, poor, needy, weak and disenfranchised majority. What is the problem with BEE today or ever? None.

Change has been good and don't you try to give it a bad name, because the majority are demanding justice and bread. The new dispensation in Southern Africa has restored human rights, human respect, human dignity and human decency. It was Sam Nujoma in Namibia in 1990 and Nelson Mandela in South Africa in 1994 who dared open the gates of democracy and showed the way that blacks and whites can live together and cherish the common ideals of a peaceful and prosperous future.

Let us keep our focus on that glorious track of common humanity. Let us never under-estimate the compelling lessons of history, thinking mistakenly that isolated pockets of racial redoubts in Southern Africa represent exceptions in history. Bastille didn't end in France in 1789. Wherever social disparities and misguided attitudes reach a boiling point in the society, the potential for a new social turmoil becomes urgently thinkable. We don't want to go there. Black Majority Rule came to save lives, not to destroy good things in life.

Black Economic Empowerment is in practical terms the flip side of Black Majority Rule. It is a development strategy to complete the unfinished business of decolonization and eradication of the past social deficit in order to level the national playing field in our pursuit of eradicating poverty and implementing socio-economic transformation programmes.

South Africans have taken a lead in this and today they are consolidating national consensus around BEE objectives and programmes.

I want Namibia not to lag too far behind. We led the way in liberation and our neighbours followed, because what happened here was good. Now, they are on the right track with BEE. We must seize the moment to emulate what is clearly timely and necessary to further enrich what I have called a new beginning. In addition to our excellent bilateral relations, our countries and leaders are true believers in Millennium Development Goals and Targets as well as in NEPAD programmes. For Namibia, they are commitments we have undertaken because they are consistent with and complementary to Vision 2030 and NDPII.

Fear of the unknown should not be allowed to hijack clear thinking and become a handicap inhibiting moving forward with conviction. Land redistribution and BEE are two specific and pressing areas that demand determined action. The way forward must be built on unity of purpose and dedication to our common future. The expectations will not go away. We must all deal with them not by resorting to any esoteric list of imponderables but by proffering solutions through dialogue and initiatives.

There will be no disasters and there will be no reversals. We are going forward with firmness and through hard work. This generation of political leaders brought freedom and democracy.

They are not about to torpedo stability and progress. Good faith dialogue and cooperation will dispel any lingering anxieties and replace them with confidence.

I believe Government's intervention is mandatory in economic growth, poverty eradication, employment creation, expansion of infrastructure and social transformation. These are other crucial areas of public policy. It is, of course, best when smart partnership collaborative efforts are combined to generate wealth and make productivity and distribution possible, in the spirit of a social contract.

This is neither the time nor the place to present to you the agenda of Government's policy objectives and intentions. My Office is very much seized of the BEE matter. We are busy consulting on the content of Namibia's Black Economic Empowerment policy and legislative framework. We will, when we are ready, update Cabinet and Parliament and especially also to conduct consultative road-shows with as many stakeholders, opinion-makers and grassroots activists as possible. Experience has shown that the final chapter and verse of any public policy are not written on the basis of theoretical postulates but through the fruits of delivery to the people. We will adhere to that.

That said, our work will not be complete until Cabinet adopts a policy document and Parliament approves a relevant Act to superintend and validate our commitments and programmes aimed at promoting public interest. For now, we will soon be putting a roadmap in place and announce a timetable, covering all the bases: socio-economic, financial, cultural, logistical, SME's, capacity building and others.

One more thing, though. BEE is not anti-profit nor anti-property. Far from that. Money-making and entrepreneurial assertiveness and innovation must continue to bloom to benefit all.

By the same token, BEE is not about self-enrichment crusade for a few black fatcats. At the same time, BEE can and must serve as a catalyst for helping to create a critical mass of black middle class. Socialists and capitalists alike have historically relied on a vanguard role of a middle class for take-off, transformation and industrialization. Neither the Bible, the Koran, nor Das Kapital ever condemned money per se. What is condemnable, as unjust and cruel, is greed, class divisions and a lack of fair distribution of knowledge and wealth among all members of the society. Money is good, if you have it! Use it to help others.

With BEE and other interventions, we want to be able to eradicate poverty, create employment, eliminate income disparities, contain and overcome HIV/AIDS pandemic, streamline gender inequality, promote youth development, provide for people with disabilities, and transform village environment. The list is long but these are some of the critical tasks that we must focus on. When there is understanding and teamwork, the multiplying factor is greater and the outreach goes out far and wide. Things happen in life when they will happen. Now is the time for BEE. No quick fix, let me add, but also no protracted consultations that may kill the baby before it is born.

I have noticed that IMF is rearing its ugly head by preaching the usual stuff, this time about BEE initiatives in Southern Africa. Its scare tactic is to broadcast a falsehood that BEE interventions in economic and financial sectors will scare off foreign investors. IMF's so-called Structural Adjustment Programme has created social dislocations in Africa and scared

off foreign investors. We will continue to honour our promise to keep IMF out of Namibia, by ensuring macro-economic stability and reducing budget deficit.

Let us, therefore, be forward-looking and constructive in embracing BEE. Recently, I was with my Comrade and Brother Cyril Ramaphosa at a BEE event in Windhoek. On that occasion, Cyril made an inspiring and optimistic speech on South Africa's experience with BEE. And he wanted us to have a look at it. In summary, this is what he said about BEE benefits:

- More and more black South Africans are beginning to enter into business because of a stable political and economic climate created by the Government.
- Ownership of resources is done on a negotiated basis. In addition, value is paid for the assets that are being transferred. There is no "smash and grab".
- Skills are being learnt and transferred. BEE is giving people opportunities to acquire skills. These newly gained skills ultimately help the economy to grow.
- More and more transactions are broad-based. This is the case, not only for few individuals, but for the many communities.
- Increasingly, white business continues to embrace BEE. White business sees this as a business imperative which makes a good business sense.
- South Africa has put in place policy database on BEE. Effective policy formulation is seen as critical in ensuring that positive results are derived from BEE initiatives.
- BEE's aim is to make sure that majority of the people have meaningful stake in the economy.
- BEE is new but unstoppable. It has enough support from the Government, business, tertiary institutions and Trade Unions.

Cyril Ramaphosa concluded by noting that the challenges are enormous, however, South Africa has started correctly and will be using a completely different language in 25 to 30 years. I thought I should share this helpful insight with you all.

I conclude by reassuring the organizers and participants alike that our Government is firmly committed to BEE. BEE also requires accumulation of domestic savings. By policy and example, Government will take the lead to accelerate this process and encourage all partners and friends to actively participate in resource mobilization for peace and development. We will succeed but we must want to be a winning nation of enlightened people. I believe we are.

*** This speech was presented at a joint Namibia Economic Society and Friedrich Ebert Stiftung breakfast meeting held on the 28 July 2004.**

President of the Namibia Economic Society MIHE GAOMAB II

Economic Transformation and Development

I have been requested to give you a historical synopsis of economic transformation and development of Namibia, since independence. As you know, Namibia's economic transformation and development can augur only well if it has policy dimensions in place that would propel our economy on a sustainable and equitable economic growth and development. It is within this context that I will first give you a view on the structure of our economy, and then take you through the need or challenges for economic transformation and the factors essential to achieve that, with particular emphasis on black economic empowerment as an essential vehicle for poverty alleviation to the majority of the population.

Economic Structure of Namibia

Sustainable economic development and transformation remains an essential cornerstone for increased economic growth that translate into increased standard of living and prosperity for its citizens in an economy. Namibia is certainly no exception. This is enshrined in the economic Bible of Namibia, namely the NDPI and II. The objectives of Namibia's macro-economic development are thus to sustain a high level of economic growth, increase employment, reduce poverty and achieve a satisfactory income distribution. The importance of these objectives were decided in view of the fact that Namibia faces still at present low economic growth, high unemployment, abject poverty and skewed income inequality.

Despite this obscure economic situation, Namibia can be termed resource rich and is classified as a middle-income country with per capita income of little over US$2 000. Namibia's GDP per capita represents more than three times the average of Sub-Saharan Africa and is on 92nd place out of 206 countries (World Bank 2000)[1].

Since independence, Namibia's overall macro-economic performance has been broadly satisfactory. Its macro-economic policies such as fiscal, monetary and trade policies have generally been supportive of ensuring a stable and improved investment climate and for sustained increased economic growth. Despite a stable macro-economic environment, Namibia however experienced a continuing decline in its economic growth from a high of 5 per cent on average during the 1991-1995 period to around 3.5 per cent in 1996-2003. The economic growth rates realized after independence is however more welcoming when compared to the decade before independence when real GDP growth recorded little over 1 percent on average.

Challenge of Economic Transformation and Development

The challenge of economic transformation lies in how to ensure increased economic growth of around 7 percent as indicated in *Vision 2030* to achieve broad based development. In order to address this challenge, it would be imperative to look at which factors are causing such low economic growth. The first factor that may be of interest is to recognize the fact that our economic growth depends on external influences, ranging from unfavorable climatic and

[1] Although Namibia's high per capita income places it in the group of middle-income countries, Namibia remains an uneven society with one of the highest income inequality levels of a *Gini coefficient* of 0.7 (UNDP, 1996). Despite government efforts to create jobs, the rate of unemployment in Namibia is still high, representing around 34.5 percent (Namibian Labour Force Survey, 1997).

marine conditions to international and regional fluctuations. Such influences tend to have adverse effects on the production and exports of mainly primary sector minerals (diamonds, uranium, copper, zinc) and manufactured produce (beef, fish, textiles etc).

It would be in our best interest to guard against such influences in order to minimize any adverse effects. Namibia seems to address this problem by having an economic expansion of production activities in areas less vulnerable to some of the external influences. Manufacturing and provision of services now play a more prominent role but not significantly than at the time of independence. Agriculture and mining, in contrast, have relatively reduced their role in overall economic activity. As part of ensuring more private and commercial activity, the share to overall GDP in terms of the Government services has also drop (partially attributed to outsourcing of some government services), although it does still remain the largest contributor to GDP.

Another challenging factor concerns the prioritization of sectors and gearing policies to take maximum advantage from such sectors. With the advent of globalization and regional integration configurations as regards to SACU, SADC with US and EU (our main trading partners), it would be in the best interest for Namibia to consider niche strategies for future economic expansion. This would involve identifying specific products and services that would be essential for increased economic growth and development. Namibia may have to consider agro-business processing of agricultural produce (such as grapes, dates, cotton, spaghetti etc) as key products in order to ensure broad based agricultural modernization, where 70% of the majority of the population lives.

This is in line with the economic strategy outlined in *NDPI & II* as well as in the *Vision 2030 Macro-economic Framework*, the government needs to be applauded for attempting to diversify the economy from a mainly South African manufactured goods import and primary export commodity dependent economy to an expanded manufacturing base and modernized agricultural sector led economy. This strategy is aimed at raising the future economic growth and to attract sufficient foreign direct investment for the ultimate realization of increased employment opportunities, poverty alleviation and of addressing socio economic imbalances inherited from the colonial times.

Namibia can also market itself as a true cosmopolitan country which boasts a relatively stable government, with an attractive foreign investment environment and a good communication network. Namibia should look more closely towards South Africa and exploit economic advantages whilst piggy backing on some of the economic potential that is mutually complementary with that of South Africa.

For economic expansion and development to succeed, five key areas need to be considered as an essential part for the future. This relates to (a) the conduciveness of an enabling macroeconomic policy environment and the regulatory framework; (b) the public management, good governance and accountability issues; and (c) the appropriateness of the monetary and financial system in Namibia; (d) the need to ensure a formalized private public partnership that is concerned about economic transformation and development; and (e) effective accounting and auditing systems.

It is quite clear from the onset that Namibia’s economic growth performance needs to improve further if it wants to see real returns in terms of increased employment, poverty

alleviation, and income equality. The anomalies that Namibia faces today remains however a reflection of the extremely low levels of black[2] people participation in the economy.

Even though commendable strides have been made in re-orienting the economy, the economy is still fundamentally rigid in the sense that it neither has nor fundamentally transformed itself from the Apartheid years. If one would termed the fundamental cause of this system was the marginalization of the black majority, it follows that insufficient measures are still taken in the post-independent era to significantly increase black participation in the mainstream economy. Hence, this could also explain the continued low economic growth rate.

One should be mindful therefore that Namibia cannot attain sustained high levels of economic growth without the presence of broad based participation of the majority of the population.

Status of BEE in Namibia

One crucial question that I want to touch at length is, whether economic transformation and development also meant empowering people, thus bringing the majority of Namibia's population within the mainstream of the economy.

Economic empowerment as an essential tool for broad based economic transformation should remain an integral part of Namibia's developmental process, which is based on encouraging the redistribution of wealth and opportunities to previously disadvantaged communities and individuals, including blacks, women and people with disabilities.

The empowerment process should be formally identified as crucial to the future viability of the country's economy. At the moment, there is no formal Black Economic Empowerment Policy and Laws for Namibia. In addition, there is no uniform and written definition of BEE which is acceptable to all in Namibia.

BEE companies are adequately well-represented in the fishing sector. Some equity partnership agreements have recently being concluded with BEE partners in the financial services sector, mining, hotel and catering, properties, manufacturing, and energy. But this equity participation remains small in number and is not necessarily aimed at broad based empowerment.

According to the Employment Equity Commission Reports, the proportion of top managers who are racially disadvantaged relative to their racially advantaged counterparts grew at a slow rate from 67% to 69% between 2001/02 to 2002/03, whilst middle management grew from 40% to 49%. These figures may indicate that empowerment in the workplace is continuing, albeit very slowly. But care should be taken that most of the top and middle management is however from the public service and the parastatals. Excluding such sectors still give a view that the previously racially advantaged group still enjoys highest representation at the top levels of employment and that management and skilled levels are still dominated by them whilst the bottom levels of employment are mostly, if not exclusively occupied by the racially disadvantaged groups.

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[2] Meaning racially disadvantaged people of the Namibian population.

Anecdotal evidence is also showing that progress is also slow in extending black ownership to companies, whilst the proportion of the previously racially disadvantaged directors of private and public companies remains very small. Generally, the Black Economic Empowerment (BEE) companies have shown little growth even on the Namibian Stock Exchange (NSE).

As far as women are concerned, their progress in the workplace has been equally slow. The proportion of women was 18% and 34% of top managers and middle management respectively in 2002/03 which remained unchanged from 2001/02.

Anecdotal evidence also shows that there is visibly little progress in professionals, associated professionals and technicians of the racially disadvantaged groups. There is still a relative scarcity of skilled black candidates, and, as a result of the high demand for qualified black managers and professionals, salary packages have risen fast and there has been very high job mobility. The recently planned National Training Authority aims to correct this problem by developing the technical skills of the Namibian workforce, and improving the employment prospects of previously disadvantaged individuals.

How can we empower ourselves?

With the advent of political independence in Namibia, there is a need for broad based economic approach where black economic empowerment should not be viewed as purely at the top of our social strata, but with a differentiated focus on ensuring empowerment at grass roots levels through regional or local authorities and SME development. It has become clear that in our economy there is no scope for parallel development, racial and tribal alignment and economic fragmentation in any way.

Giving the reality that we are a developing economy, there is a strong requirement for all of us to be visionary in one direction. Anything other than developing a common purpose and a shared plan of action will render the Namibian economy useless. There is a dire need for synergy, inculcation and convergence of ideas and values within our business environment which will undoubtedly catalyze economic growth and development.

In order to get BEE going, there is a need to define BEE within the Namibian context to ensure that it becomes an integrated and coherent socio-economic process of the country. BEE should be viewed within the broad scope of empowerment processes including job creation, rural development, urban renewal, poverty alleviation, specific measures to empower black women and the disabled, skills and management development, education, meaningful ownership, and access to finance for households and for the purpose of conducting business.

The role of organized business in Namibia must have at its core a purpose to accelerate real and effective empowerment. Empowerment is about developing mechanisms, pathways and people so that access to the main stream of the economy is a real possibility. The real issue at hand is the lack of sufficient economic growth together with the constant threat of unemployment, poverty and income inequality as a consequence of narrow economic participation of the Namibian population. Hence, we should be mindful of the fact that we are currently living on the fruits of independence and that there is a need for more fruits to grow to ensure prosperity for all.

Black economic empowerment should be seen as a long-term process that will only work if sound business and economic principles are followed. Artificial means to achieve empowerment at this level would be detrimental for the economy that desperately needs higher levels of sustained local economic growth and development. It is important to look for long lasting solutions rather than ones of a quick fix nature.

We should take into account that in recognition of the need to encourage and nurture the participation of black persons in the economy, companies that become BEE oriented should not just become "black-owned businesses" but should also expand their focus to accommodate avenues that will retain the experience, expertise and knowledge of the original racially advantaged owner.

The source of BEE for majority of Namibians will not be found in the formal private and public sector, but in alternative economic activities which are entrepreneurial such as SME's which need to be expansive into export markets and oriented in the production of arts, crafts and other exportable items. Enterprise development in the SME sector of our economy is gauged by many to be the most significant future contributor to job creation and economic growth in the country but for such a sector to take off, we need to develop better mechanisms of ensured access to finance, entrepreneurial skills, values, talent and culture.

The role of mentorship and skills transfer cannot be overemphasized in the path to empowerment. Many companies afford these tremendous opportunities to young, newly qualified black managers. The value of experience and hands-on tactics should not be discounted. Certain international companies have also engaged in models of in-house mentorship and incubation of fledgling black entrepreneurs in their field. This model ensures long-term sustainability through strong management being built.

In order to get enterprise development going and subsequently contribute to economic growth and development, we need the organized business such as NCCI and financial (commercial banks) and non financial institutions such as NAMPOST to ensure SME development. The role of NCCI is to ensure networking (relationships); trade and investment facilitation; - procurement information; matchmaking and deal making facilitation; - policy formulation and lobbying and general market research and information dissemination. Financial and non financial institutions can work together to cater adequate financing needs to SME's since they are reasonably the only institutions that has geographic reach into almost every town and city in the country.

State and parastatal institutions should also be encouraged to provide capital for the attainment of BEE objectives. The Government must also introduce tendering out procedures, which facilitate BEE. Special emphasis must also be placed on training, upgrading and real participation in ownership.

Many companies in Namibia tend to take a desired road of offering shares in the new empowered business. At face value this seems to be empowering of black people, but we should question ourselves whether it is empowerment in a real sense. But it is a welcomed initiative to see that there is an urgent need to do something about BEE in Namibia. This model has nevertheless worked with some companies in SA for example that have, for instance, allowed the black shareholder more room to participate actively in the marketing, management and decision making activities of the company.

It is important to stress the need for true commitment to empowerment through understanding our roles as individuals, not feeling threatened by one another from different race and tribal groups, but acknowledging the benefits that could come from working together and growing the economy.

While any possible legislative framework for black economic empowerment has not been formulated as yet, it should be taken into account that the laws governing BEE can only be effective if institutions are put in place to drive the legislative process. This may take a form of Black Economic Empowerment Commission modeled along that of South Africa, who should ensure to arrive at policy proposals and measures that guarantee productive use of capital, positions, and resources. The commission may Endeavour to set targets for a determined period on each of these assets, taking into account gender and disability.

I believe that such a process can broaden Namibia' s economically active population into economic agents worthy of a productive and meaningful role which will grow at rates sufficient to reduce unemployment, encourage rural development, alleviate poverty and promote foreign direct investment.

Conclusion

Allow me to conclude that Namibia needs urgently a BEE Strategy that emphasizes access to productive assets and targeted measures to improve the productivity of those assets.

To realize an integrated BEE strategy, there should be sustained efforts to mobilise all Namibians to arrive at a national consensus on the priorities of economic transformation and the roles and obligations of all stakeholders in helping achieve these objectives. This, I believe needs to be government driven as markets because of their inherent nature of profit motive, tend to reinforce an existing distribution of incomes and assets. The private sector of Namibia needs to recognize its collective responsibility to invest in the country and assist Government in achieving development goals. The private sector should be encouraged to take into account private and social returns and factor longer term and strategic considerations when making investment decisions. This is an inclusive process and its outcomes are for the benefit of the whole nation and future generations.

Government should be responsible for increasing the efficiency of the public sector, state-owned enterprises included. This will result in higher levels of fixed investment and an improvement in the delivery of services. All these would serve as prerequisites to ensure sustained economic transformation in order to take Namibia to a path of broad based development and increased economic growth.

Lastly, in order to track BEE progress, there needs to be concerted effort made to ensure a reliable database for BEE companies. I would complement therefore the NCCI in cooperation with the Ministry of Trade and Industry the initiative taken to develop and maintain such a database in order to contribute to a successful BEE Strategy that Namibia can adopt for the future.

*** This paper was presented at a workshop organised by the Legal Assistance Centre on the 18 March 2004.**