



## On the record: Political party representatives challenged

### Part 2: Economic programmes

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Foreword

- 1 Introduction
- 2 Size of government and fiscal policy
- 3 Government ownership in economy
- 4 Labour, poverty and welfare
- 5 Trade and economic integration
- 6 Conclusions
- 7 References



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## 1. INTRODUCTION

This short paper aims to assess the positions of Namibia's political parties on key economic policy issues. It is part of a larger study undertaken in co-operation with the Namibia Institute for Democracy (NID) and funded by the Konrad-Adenauer-Stiftung (KAS). The Institute for Public Policy Research (IPPR) sent questionnaires to the economic spokespeople of eight political parties during the three months between May and July 2004. From the beginning the ruling Swapo party decided not to participate arguing that this research project was designed to help opposition parties. Five parties – the Congress of Democrats (CoD) the Democratic Turnhalle Alliance (DTA), Monitor Action Group (MAG), the South West Africa National Union (SWANU) and the Workers Revolutionary Party (WRP) responded to the questionnaire during face-to-face interviews while the Republican Party (RP) responded to the questions in writing. Transcripts of the five interviews were produced by the IPPR. The interviews were conducted with the party representatives responsible for economic issues namely:

- CoD – Tsudao Gurirab
- DTA – Johan de Waal
- MAG – Kosie Pretorius
- RP – Henk Mudge
- SWANU – Rihupisa Kandando
- WRP – Hewat Beukes

With the exception of SWANU, these party representatives proved difficult to meet and interview. Admittedly they are, or should be at least, people with busy schedules. Yet it was hard not to draw the conclusion that they were not exactly falling over themselves to explain their parties' views to a wider audience, especially perhaps a critical audience of researchers. It was often difficult to distinguish whether the representatives were explaining their own personal opinions or their party's considered views. Some parties are so small – almost "one man band" parties – that

these views are probably the same. Although the interviewer and the questionnaire attempted to draw the distinction, it ended up not always being entirely clear. Two parties – National Unity Democratic Organisation (NUDO) and the United Democratic Front (UDF) did not respond. This paper reports on the findings of these interviews.



## 2. SIZE OF GOVERNMENT AND FISCAL POLICY

### Do you think government spending as a proportion of GDP should be lowered, stay the same or raised?

The Minister of Finance estimates public spending to come down to 34% of GDP in the 2004/05 financial year from 36% during the last three financial years. This is considered high for a developing country (World Bank: 2002). While the WRP argues that public spending "should not necessarily be lowered", only the CoD argues for higher levels of public spending justifying this on the basis of Namibia's developing country status and the need for a more "interventionist state" to develop infrastructure and human resources. The interview suggests that the CoD does not have a clear idea by exactly how much spending should be raised, what it should be used to fund nor how extra tax revenues should be found. The other parties share the belief that public spending is presently so wasteful that it is possible to increase the effectiveness of spending without raising the level of spending.

### Do you think government spending as a proportion of GDP should be lowered, stay the same or raised?

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Lowered a lot</i>			X			
<i>Lowered a little</i>		X			X	
<i>Stay the same</i>				X		X
<i>Increased a little</i>	X					
<i>Increased a lot</i>						

### Do you think company tax should be lowered, stay the same or raised?

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Lowered a lot</i>						
<i>Lowered a little</i>		X		X		
<i>Stay the same</i>			X		X	
<i>Increased a little</i>	X					
<i>Increased a lot</i>						X

### Do you think company tax should be lowered, stay the same or raised?

The corporate tax rate in Namibia is presently 35%, high by the standards of developed and developing countries (World Bank: 2002). With the exception of a single financial year, the ruling Swapo party has steadily brought down the corporate tax rate since independence. Furthermore, the government has introduced a plethora of tax incentives for manufacturers and exporters. The DTA and RP are clear in wanting a further reduction in the corporate tax rate, the DTA arguing that Namibia's rate should "always be lower than company tax in South Africa" and on par with Botswana to remain competitive. SWANU agrees that corporate taxes should be lowered, especially for companies that carry out training and their "social responsibilities to the community". In contrast, the CoD argues that "company tax is not a major consideration for companies to invest here (in Namibia)" and therefore taxes can stay the same or even be raised. This appears to be the main source of the extra tax revenues required to fund the increase in spending mentioned above. The WRP believes corporate taxes should be raised, especially for multinational companies. The one clear exception should be Namibian manufacturing companies, which the



WRP suggests could even be subsidised to promote industrialisation.

#### Do you think individual income tax should be lowered, stay the same or raised?

The top marginal tax rate for individuals in Namibia is presently 35%, low by the standards of high-income countries. None of the parties argued for higher income taxes. Four party representatives argued that individual income tax should be lowered while two argued for status quo. The DTA once again argued that Namibian income taxes should always be slightly lower than the South African equivalents.

#### Do you think better-off people should pay a higher marginal rate of tax than the present 35%?

Namibia's top rate of income tax has traditionally been pegged to the corporate tax rate. At 35% it is low compared to top rates in high-income countries with substantially lower levels of income inequality. None of the parties interviewed believed the top individual marginal tax rate should be increased from 35%. The WRP argues

taxation "should not be individualised". SWANU goes so far as to state the top rate should come down to 32%. There appears to be little belief among the parties that raising the top rate of individual income tax can do much to redistribute income.

#### Under what circumstances should government borrow to finance a budget deficit?

Government has run a budget deficit every year since independence. In principle, all parties are happy for government to borrow provided these borrowings are invested productively. All parties stated they were against borrowing to pay salaries. The WRP believed that the source of borrowing was important and warned against borrowing from the World Bank and International Monetary Fund. All parties interviewed agreed that borrowing should only take place to finance productive investment although it was not always clear exactly what that meant. The DTA believes it is now time to balance the budget for a number of years since government has "depleted (the country's) reserve funds". The DTA also believes government should borrow to facilitate strategic investments.

#### Do you think individual income tax should be lowered, stay the same or raised?

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Lowered a lot</i>						
<i>Lowered a little</i>	X	X		X	X	
<i>Stay the same</i>			X			X
<i>Increased a little</i>						
<i>Increased a lot</i>						

#### Do you think better-off people should pay a higher marginal rate of tax than the present 35%?

	CoD	DTA	MAG	RP	SWANU	WRP
Yes						
No	X	X	X	X	X	X

#### Under what circumstances should government borrow to finance a budget deficit?

CoD	DTA	MAG	RP	SWANU	WRP
Only for development projects, infrastructure and skills development	Only for productive investment	To finance economic growth	To finance economic development	For manufacturing investment not for salaries	For productive investment



#### On a scale of 0-10 (where 0 represents high taxation/big government and 10 represents low taxation/small government) where would you place:

To complete the section on the size of government and fiscal policy, representatives were asked to place themselves, their parties, their average party supporter and the average Namibian voter on a scale of 0 to 10 where 0 represented high tax and big government and 10 low tax and small government. All parties assessed themselves, their parties and supporters to favour lower taxation and smaller government than CoD. Parties clearly have very different perceptions of the electorate with only SWANU assessing the average Namibian voter to be in favour of high taxation and big government. The parties' responses are broadly consistent with their responses to questions on government spending and taxation where the DTA, MAG and the RP broadly in favour of lower taxes and smaller government and CoD generally in favour of higher taxes and larger government.

### 3. GOVERNMENT OWNERSHIP IN THE ECONOMY

#### Do you think some private industries should be taken into public ownership? Which ones? Why?

Many newly independent states around the world have taken private industries into public ownership, ostensibly to better direct national development and reduce the role of foreign-owned businesses in the economy. However, none of the parties questioned favoured taking more industries into public ownership. Most representatives were very clearly of the opinion that nationalisation leads to poor management and low productivity. Even when pressed in the case of natural resources, none of the parties appeared to be particularly convinced that nationalisation would be a positive step.

#### Do you think some state-owned companies should be privatised? Which ones? Why?

Privatisation has become a worldwide trend over the past two decades as countries have sought to reverse the problems caused by nationalisation. Most parties favoured the mixed economy. The CoD described itself as "not rapid privatisers" believing that companies such as Telecom had a developmental role to play and should therefore remain in state hands. The CoD did not appear to differ in any significant respect with the prevailing pattern of ownership in the economy. The DTA, on the other hand, was very clear that any state-owned company competing with pri-

#### On a scale of 0-10 (where 0 represents high taxation/big government and 10 represents low taxation/small government) where would you place:

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Yourself</i>	5	8	10	10	6	n/a
<i>Your party</i>	5	8	10	9	6	n/a
<i>Your average party supporter</i>	5	6	10	10	5	n/a
<i>Average Namibian voter</i>	5	5	10	9	3	10

#### Do you think some private industries should be taken into public ownership? Which ones? Why?

CoD	DTA	MAG	RP	SWANU	WRP
None	None	None	None	None	None



vate companies should be privatised but also that monopolies should be carefully regulated to avoid excessive pricing. The DTA singled out Nam-water as a parastatal that should be converted back into a government department. The DTA believed that there should be one water price around the country and that rich consumers should cross-subsidise poorer ones. One striking policy of the DTA is the suggestion to privatise communal land. According to De Waal this will again form part of the DTA programme for the forthcoming elections as it did in 1999. Such a policy if implemented would have far-reaching consequences for the majority of Namibia's population. MAG expressed concern about resettlement farms where clear private ownership did not exist. The RP stated that "the less state interference the better productivity and profitability". The WRP insisted that "basic services" should not be privatised and that corruption in parastatals "should not be used as a reason to privatise state-owned enterprises".

**On a scale of 0-10 (where 0 represents total government ownership/no privatisation and 10 represents no government ownership/full privatisation) where would you place:**

**Do you think some state-owned companies should be privatised? Which ones? Why?**

CoD	DTA	MAG	RP	SWANU	WRP
None	<ul style="list-style-type: none"> <li>Air Namibia</li> <li>Telecom</li> </ul>	<ul style="list-style-type: none"> <li>Meatco</li> </ul>	<ul style="list-style-type: none"> <li>Air Namibia</li> <li>Roads Contractor Company</li> <li>Namibia Development Corporation</li> </ul>	None	None

**On a scale of 0-10 (where 0 represents total government ownership/no privatisation and 10 represents no government ownership/full privatisation) where would you place:**

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Yourself</i>	5	8	10	10	3	4
<i>Your party</i>	5	8	5	10	3	4
<i>Your average party supporter</i>	5	8	2	10	4	4
<i>Average Namibian voter</i>	5	5	2	7	5	6

On the question of ownership in the economy, the DTA, MAG and the RP generally believed in less state ownership than the CoD, SWANU or the WRP and also that the electorate believed in more public ownership than they did.

#### 4. LABOUR, POVERTY AND WELFARE

**Who has the main task of creating jobs in the economy: the government, private business or both?**

Since independence Namibia has seen tremendous employment growth in government and the parastatals but only limited employment growth in the rest of the formal economy (IPPR: 2003). The CoD and MAG stated that both government and private business have the task of creating jobs in the economy. The DTA and the RP believe that government's job is to create the environment within which private industry can flourish and create jobs although the DTA sees a more interventionist role for government in new industries and major infrastructure.



**Should government introduce a minimum wage to help low-paid workers? How much should it be in N\$ per hour?**

Minimum wages have been introduced in many countries as a way of helping low-paid workers but the measure is controversial since it can impact negatively on employment or end up helping the already better off. Namibia has introduced minimum wages in the construction and agriculture sectors. The DTA and MAG were adamantly opposed to the introduction of a minimum wage since they feared this would lead to a reduction in employment. The other parties were in favour with the RP, SWANU and the WRP wanting different minimum wages for different sectors of the economy. Only the WRP was prepared to state an actual monetary amount of N\$2,000 a month as a "living wage" for a 40-hour week.

**Should government provide a financial safety net for the poor? How much should it be?**

All parties agreed that government should provide a financial safety net for the poor. The DTA was the most specific stating that the idea of a basic income grant should be investigated further and that pensions should be raised to N\$500 a month. MAG supported the idea that 10% of the budget should be set aside for cash transfers to the poor, especially

**Should government introduce a minimum wage to help low-paid workers? How much should it be in N\$ per hour?**

CoD	DTA	MAG	RP	SWANU	WRP
Yes	No	No	Yes	Yes	Yes

**Should government provide a financial safety net for the poor? How much should it be?**

CoD	DTA	MAG	RP	SWANU	WRP
Yes	Yes	Yes	Yes	Yes	Yes

pensions. The RP believes all companies should be forced to introduce pensions for their employees but government should continue to pay the state pension. SWANU talked of the need for communalism and the spirit of African solidarity.

**Do you think people should pay the full cost, some of the cost, none of the cost for health, education and water? If less than the full cost, who should pay the rest?**

The cost of water and education featured highly in the responses of most parties. The CoD believes in free universal education up to university level. The DTA believed water should be subsidised by the taxpayer through a government department not a commercialised parastatal company. The RP believes basic services must be affordable to employed people but should be free to the unemployed. MAG and SWANU believe people have to make a contribution to the costs of basic services while the WRP believes they should be free to the very poor.

**On a scale of 0-10 (where 0 represents a comprehensive welfare system and 10 represents no welfare system) where would you place:**





Most parties believe in a welfare system and furthermore believe most Namibian voters want such a system. How it should be funded and administered, for example, who should be counted as unemployed in a country of widespread underemployment, are not issues the parties appear to be troubled by.

## 5. TRADE AND ECONOMIC INTEGRATION

### Should government encourage free trade with the region and the rest of the world? Even when it damages a local industry?

The past decade has seen trade barriers come down around the world in general and in the Southern African Customs Union (SACU) region in particular as the benefits from freer trade have been recognised. All parties shared the belief that trade was basically good but that some degree of protection was necessary to develop industries (especially manufacturing industries) that could become internationally competitive. The CoD and DTA specifically mentioned the infant

industry protection clause in the SACU agreement.

### Should government impose import tariffs or other restrictions to protect local industries? Which industries?

All parties agreed that a certain amount of tariff protection was necessary to protect new industries, especially manufacturing. None appeared concerned about the cost this would impose on consumers. MAG stated that "strategic industries" required protection but declined to state what they were.

### Should Namibia try to become self-sufficient in certain things like staple grains, water and electricity or should it rely on other countries if they can produce these things more cheaply?

The two main opposition parties were not convinced that self-sufficiency was worth striving for since the costs were likely to outweigh the benefits. Production should concentrate on where the country has an advantage. SWANU and the WRP thought Namibia should strive towards more self-sufficiency in food, water and electricity.

On a scale of 0-10 (where 0 represents

Do you think people should pay the full cost, some of the cost, none of the cost for health, education and water? If less than the full cost, who should pay the rest?

CoD	DTA	MAG	RP	SWANU	WRP
Education should be free	Water should be subsidised	Some contribution	Must be affordable but free to unemployed	Some contribution	Free to very poor

On a scale of 0-10 (where 0 represents a comprehensive welfare system and 10 represents no welfare system) where would you place:

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Yourself</i>	5	5	10	5	4	0
<i>Your party</i>	5	5	5	5	4	0
<i>Your average party supporter</i>	5	5	5	5	4	0
<i>Average Namibian voter</i>	5	3	0	3	4	0

Should government encourage free trade with the region and the rest of the world? Even when it damages a local industry?

CoD	DTA	MAG	RP	SWANU	WRP
No	No	No	No	No	No



## fully regulated trade and 10 represents completely free trade) where would you place:

The DTA, MAG and the RP assessed themselves to be more in favour of free trade than the CoD and SWANU. MAG and the RP saw themselves as more liberal when it came to trade than the average Namibian voter.

Drawing together the results of the questionnaires and interviews, a number of tentative conclusions can be drawn:

The CoD representative consistently rated his own and his party's views to be completely in line with the views of the average voter. By contrast, the other party representatives were generally happy to admit that their personal views or their party's views were not entirely in line with those of the average voter. In particular the DTA, MAG and the RP generally put themselves more to the right (smaller and less interventionist government with lower taxes and welfare) of the average voter.

The opposition parties interviewed do not have very clearly worked out and detailed economic policies. They have not put much effort into researching economic policy ideas and fleshing them out into robust and practical policies. One can only conclude that they do not believe that economic policy ideas play much of a role in gaining votes among the electorate. Opposition parties clearly do not represent a source of original thinking on economic policies although the DTA's ideas to turn Nam-

## 6. CONCLUSIONS

Should government impose import tariffs or other restrictions to protect local industries? Which industries?

CoD	DTA	MAG	RP	SWANU	WRP
Unclear	Aggressive protection of new industries	Strategic industries	Food and manufacturing	Manufacturing	Manufacturing

Should Namibia try to become self-sufficient in certain things like staple grains, water and electricity or should it rely on other countries if they can produce these things more cheaply?

CoD	DTA	MAG	RP	SWANU	WRP
Should not try to become self-sufficient	Should not try to become self-sufficient	Unclear	Unclear	More self-sufficient in food, water and electricity	More self-sufficient in food, water and electricity

On a scale of 0-10 (where 0 represents fully regulated trade and 10 represents completely free trade) where would you place:

	CoD	DTA	MAG	RP	SWANU	WRP
<i>Yourself</i>	5	8	10	8	4	n/a
<i>Your party</i>	5	8	10	7	4	n/a
<i>Your average party supporter</i>	5	8	10	7	5	n/a
<i>Average Namibian voter</i>	5	8	5	5	5	n/a

water back into a government department and privatise communal farm land are possible exceptions.

With the possible exceptions of SWANU and WRP opposition parties are not particularly ideological but are rather pragmatic and middle of the road believing neither in the power of capitalist enterprise nor in the power of the state to accelerate economic growth and development. The impression is given that this lack of belief and ideology leaves them with little conviction to fire up the electorate and little on which to base a consistent and practical economic programme.

Opposition parties do not appear to have singled out specific areas of disagreement with the economic policies of the ruling Swapo party and the status quo. None of the spokespersons were eager to differentiate their parties from ruling party policies. Two striking differences are from the DTA which states it wants to turn Nam-water back into a government department and change water pricing policy and also privatise communal farm land.

The problems of loss-making parastatals was recognised by all parties but privatisation did not appear to them to be a solution. This is consistent with the lack of belief in private enterprise and markets.

With the possible exception of MAG, all parties wanted more welfare spending and a more generous welfare state though none had particularly far-reaching or radical ideas about how it should be financed and which groups of beneficiaries should be targeted. Furthermore, none of the parties appeared to recognise the administrative complexities involved in, for example, providing unemployed people with benefits given that large numbers of people are under rather than unemployed. The target group would first have to be clearly defined (who is unemployed?) and administrative mecha-

nisms would then have to be found to target these people and exclude others.

Opposition parties appeared little concerned with the impact of their policy suggestions on different groups. For example, introducing tariff protection can increase prices to Namibian consumers and hit the poorest in society hardest. Forcing companies to introduce pension schemes for employees raises the cost of labour and decreases the incentives to create jobs. The one clear exception to this lack of understanding was on the minimum wage where the DTA, MAG and even the RP (which seemed to favour a minimum wage) recognised that there was a danger that the policy could destroy jobs for the poorest that have nothing to offer but their labour.

While opposition parties do not manifest any strong ideological commitment to small government and free market economics, they are all aware of the dangers of excessively large and wasteful, corrupt and ineffective government as well as the destabilising effects of over-borrowing and high public debts. Thus, although there is a general belief that government intervention through subsidies and tariff protection is required to develop a more diversified economy, especially manufacturing industry, this belief is framed in rather general terms with no very specific ideas on what should be done that is not being done already by the ruling party. This provides, perhaps, one reason why economic debate in parliament is so limited. There is fundamentally little difference between the ruling party's economic policies and those that would be pursued by the opposition parties.





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