Alternatives to TIPEEG:

Possibilities for Employment Creation in Namibia[1]

Paper by Herbert Jauch, presented at a parliamentary forum hosted by the FES in Windhoek on 6 March 2013

The Labour Force Survey of 2008 has starkly highlighted the unemployment crisis in Namibia. In response, the National Planning Commission presented the "Targeted Intervention Programme for Employment Creation" (TIPEC) in August 2010 to address unemployment in the short to medium-term. The document acknowledged the need for faster economic growth and for another type of economic growth that will result in job creation and proposed to pay "more attention to economic sectors with high potential for growth and job creation". These are identified as tourism, transport and livestock production (NPC 2010: 2). Furthermore, the NPC proposes "broad reforms enhancing Namibia's long-term competitiveness" (ibid: 4).

The NPC advocated for a strategy of "unbalanced growth" for rapid job creation by targeting specific regions or sectors. It suggests that this "approach is advisable where resources are limited and where there are strong back and forward linkages for the identified economic sectors" It also argues that economies of scale are important to become internationally competitive and that an unbalanced growth strategy will be helpful to achieve economies of scale (ibid: 5). In order to finance TIPEC, the NPC proposed to increase the budget deficit from 3% to 7% over a five-year period.

The document pointed out that in the past, many government policies and programmes did not yield the desired results due to poor implementation. The NPC, therefore, calls for consistency in the implementation of TIPEC with Ministerial action plans approved by Cabinet and monitored by the NPC. The document concludes that "it is of utmost importance that if we agree to an increased Government targeted economic intervention; we must also agree to commit ourselves to implement our plans in the most judicious manner, lest we waste scarce public financial resources" (ibid:13-14).

TIPEEG

Based on the NPC proposal, the Namibian government announced a Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) in 2011. Its stated target is to create 104 000 direct and indirect jobs between 2011 and 2014. The budget allocation amounts to N$ 9,1 billion but will rise to N$ 14, 7 billion if the expenditure on public works programmes is added. SOE investments during that period are envisaged to amount to another N$ 4 billion (NPC 2011).

TIPEEG's priority sectors are agriculture (N$ 3.6 billion to be invested and 26 171 jobs to be created); transport (N$ 3,1 billion for 33 276 jobs); housing and sanitation (N$ 1,8 billion for 35

[1] This paper draws on some of the proposals contained in Namibia's Draft Employment Policy 2013

076 jobs), tourism (N$ 649 million for 10 000 jobs) and public works (N$ 5,5 billion for 82 000 jobs). The agricultural projects target crop production, enhanced livestock productivity, forest management and water resources infrastructure. Transport investments target road construction and rehabilitation as well as rail network development and port development in Walvis Bay. The tourism investments aim to increase the number of tourists by 10% through tourism development and wildlife management programmes while the housing and sanitation programmes target the servicing of land, the construction of low cost houses and the creation of urban and rural sanitation (ibid).

The TIPEEG document itself acknowledges that TIPEEG will not provide the solution to unemployment and states that reducing the unemployment rate "to a more acceptable level will require more strategic and long-term thinking and efforts". The document admits that since many TIPEEG jobs will be temporary, "we might not see a rapid decline in the unemployment rate over the next 3 years" (ibid).

The TIPEEG results thus far do not provide reason for too much optimism and the programme is unlikely to reach the targeted 104 000 new (although mostly temporary) jobs. What then are possible options to create thousands of permanent, sustainable and decent jobs in Namibia in the coming years?

The need for pro-employment macroeconomic policies and wage-led growth

Namibia's macroeconomic policies since independence were shaped by the desire to create favourable investment conditions for business and to orient production towards exports. Achieving economic growth was and still is seen as a necessary condition for employment creation. While the conventional macro-economic framework that Namibia implemented over the years achieved an acceptable modicum of macroeconomic stability and growth, it has not delivered on the social front as indicated by the high and worsening levels of unemployment, poverty and inequality.

Public investments will have to be the driving force of economic growth and job creation in a country like Namibia. Insufficient investments in the past hampered some sectors of the economy. In the immediate future, public infrastructure assets should be maintained and upgraded while neglected sectors such as agriculture should be prioritised and import sectors should be substituted by local investments and production. The immediate key investment priorities should be:

1.Agriculture (crops, livestock and agri-based industries)
2.Electricity (moving towards renewable energy and self sufficiency)
3.Housing and water (including sanitation) (Seneviratne 2010: 73-74)

In addition, government should continue with budgetary allocations to those sectors which are already contributing to employment growth. The resultant widening budget deficits should not be a long-term phenomenon if they are strategically managed because the increased public expenditure will lead to increased private investments and production which is part of the growth experience of industrialised countries (ibid: 82)

Overall, Namibia must place the reduction of poverty and income inequality at the centre of its economic growth strategy and pay particular attention to the following:

- The utilisation of labour of the poor and unemployed;
- The production of goods and services that Namibians consume;
- The production of goods and services in rural areas where most people reside; and
- The development and expansion of markets in rural areas (ibid: 93)

National, regional and international experiences over the past 30 years have shown that under neo-liberal economic regimes, rising inequalities and a redistribution from labour to capital have taken place. In many cases, high levels of economic openness have negatively affected wage shares in the economy and have undermined sustainable development. While labour market deregulation and export-orientation might lead to increased profitability in some sectors in the short run, economic history has shown the positive effects of wages in the process of industrialisation and achieving sustainability (Stockhammer and Onaran 2012: 2-12).

Priority areas for job creation

1. **Agriculture-led industrialisation**

Despite government efforts, the industrialisation and job creation potential of the agricultural sector has not been realised and it is still characterised by low productivity, poor working conditions and gender disparities. Communal, subsistence farmers have limited access to services and social protection and overall the agricultural sector lacks value addition and investments. Agriculture received an average of only 1.9% of public investments over the past 10 years and its share of GDP and employment declined dramatically (Seneviratne 2010: 26). However, as far back as July 2003 Namibia endorsed the African Union's (AU) Maputo Declaration on Agriculture and Food Security in Africa. Through this Declaration African Heads of State and Government committed themselves to allocate at least 10% of their annual national budgets to the agricultural sector within five years (meaning by 2008). The vehicle to achieve this objective of the Maputo Declaration is the Comprehensive Africa Agricultural Development Programme (CAADP), which was established in 2003 under the New Partnership for Africa's Development (NEPAD). The CAADP focuses on the primary agricultural sector and consists of four pillars, namely:

1. Land and water management (to ensure an increase in production);
2. Market access (for primary agricultural products);
3. Food supply and hunger (to ensure food security); and
4. Agricultural research (to enhance on-farm production).

A formal CAADP Working Group was only established in Namibia in June 2010 but Namibia has not yet met its obligation arising from the signing of the CAADP Compact (NAU 2013).

The continuous import of agricultural products such as noodles, pastas, vegetables and fruits undermines the employment potential of the sector. Maize and omahangu flower based processed goods such as biscuits, pasta, cakes etc provide entry points for manufacturing which have not yet been effectively utilised. A precondition for sustainable manufacturing is the creation of effective consumer demand for such goods and thus production activities have to be linked to markets (NAU 2013). In Asia, for example, there are now about 30 labour intensive rice flour based products which utilise locally fabricated, appropriate technology in production (Seneviratne 2010: 26, 75).

Thus far, agriculture performed poorly in terms of economic and employment growth and the dependency on imported food discouraged local food production. Most Namibians still live in rural areas and depend on agriculture. A deliberate focus on this area can significantly reduce poverty and unemployment. Agriculture should therefore focus on food security as well as on agro-based industries for economic diversification and the creation of a large number of permanent jobs. In the coming years, Namibia needs to move towards agriculture-driven industrialisation with forward and backward linkages to other economic sectors (Seneviratne 2010: 41). Public sector investments in this area will be needed to overcome possible reluctance of the private sector to undertake the required investments. Rural centres have to become the growth poles as part of a sustainable growth and poverty-reduction strategy. Urban areas cannot provide the required large number of jobs as Namibia has not yet initiated its transition to industrialisation (ibid: 54-55).

Agriculture-led industrialisation requires the necessary enabling environment, research and development, technology dissemination and adaptation and well as the development of agro-industrial clusters. This has to become the anchor for Namibia's economic transformation and diversification. Public investments in agriculture have to be enhanced substantially to reach at least 10% of total budget as set out in the AU's Maputo declaration (ibid: 76; NAU 2013).

A very effective intervention of increasing agricultural produce in Namibian shops was the introduction of quotas by the Namibian Agricultural Board. At the time the first quota was introduced in 2004, about 95% of horticultural products on sale by retailers were imported while today this figure dropped to about 60%. Thus about 40% of horticultural produce sold in Namibian shops is now locally produced, creating new jobs in the agricultural sector. This quota could be increased to about 60% in the years to come to fully utilise Namibia's productive potential.

The quotas are reviewed regularly in negotiations with retail traders and agricultural producers and have been a very effective stimulus for local production. Maize self-sufficiency has now reached about 60% compared to only 25% a few years ago and the imports of potatoes was significantly reduced. Likewise, the ban on imports of flower has successfully protected local millers (currently 28) from potentially destructive international competition. Thus the Agriboard model of intervention which is based on reaching consensus as well as systematic checks and balances has shown how local production and employment creation can be enhanced.

2. Value-addition

A more forceful and deliberate approach will be adopted to channel investments into the conversions of local raw materials into final products. An export levy was already introduced to discourage the export of raw materials and Namibia's export incentives are currently being reviewed. By 2010, the country's export processing zones (EPZs) had only created 2 145 jobs (ODC 2010) and thus fell far short of the initial expectations. Public investments and in particular government's infrastructure investments will be geared towards achieving local value-addition, coupled with substantial protection of infant industries and support for emerging industries. Industrialisation remains an essential government objective as a basis to achieve sustainable wealth and job creation. By 2030, Namibia is envisaged to export value-added and service-oriented products while most of the country's GDP is made up of manufacturing and services. This will require a change of Namibia's narrow economic structure which still relies on the export of raw materials and thus is vulnerable to external shocks (MTI 2012: 3-4)

The processing of those raw materials with the greatest potential for employment creation should be given first priority, namely agricultural processing (as outlined above); diamond cutting and polishing (already undertaken by 13 companies in 2010) as well as jewellery manufacturing, fish processing, copper and gold smelter; zinc processing etc. Investments in raw materials that offer little employment potential and rely on the import of technology and expertise from abroad (such as uranium processing) should be de-emphasised. Deliberate emphasis must rather be placed on those sectors which either already contribute substantially to economic and employment growth or have the potential to do so in the years to come, like agriculture.

Namibia's industrial policy of 2012 points to the need to proactively intervene if the private sector is reluctant to invest in transformative economic ventures (MTI 2012:7). Private investments might focus too narrowly on immediate profits and thus medium to long-term public investments might be required to initiate new manufacturing industries and a large number of manufacturing jobs. Such industries should be awarded infant industry protection to safeguard them from ruthless and unfair completion from transnational corporations.

3. Public works: housing and sanitation

Public works programmes are one of the most immediate intervention strategies to create a significant number of jobs and thus public works programmes to create housing and sanitation facilities were identified as a key component of TIPEEG. As about 500 000 Namibians are currently living in shacks, unable to afford decent housing, there is a massive potential for public works programmes in this area. The are two Government housing programmes, namely, the Build Together Programme (BTP) and initiatives taken under the aegis of the state-owned housing organisation, the National Housing Enterprise (NHE). The BTP started in 1992 and was decentralised to the Regional Councils and Local Authorities in 1998. The BTP targets urban and rural low income groups. By July 2011, a total of 9,609 houses were completed under the Decentralised Build Together Programme (DBTP) and the effectiveness of the scheme was hampered by the non- availability of affordable serviced plots, lack of technical staff, high cost of building material, cumbersome and outdated planning and proclamation processes. Thus the DBTP has not been able to address the backlog of about 80 000 houses in Namibia (Nakuta 2013).

The delivery rate of affordable housing by the NHE to low and medium-income groups similarly fell short of expectations. Instead of the envisaged 1 200 houses per year, the average number of houses delivered per annum by the NHE since 1990 stands at only 457 (ibid). Thus the current delivery rate falls considerably short of the annual housing target and thus a systematic intervention in the form of public works programmes will not only assist to speed up housing delivery for low income households but will also create ongoing employment opportunities. In order to curtail the costs and to ensure sustainability, the use of local building materials, preferably cost-cutting inventions like K Bricks or locally produced housing panels will be critical. Using local labour, for example the beneficiaries of low-cost housing, is another aspect of sustainable housing delivery. Thus the delivery of housing as a public works strategy will provide various social and economic benefits, with a target of 300 000 houses as stated in Namibia's second MDG Progress Report (NPC 2008).

Until recently, the issue of sanitation received little attention or resources in Namibia. However, the 2008 Water Supply and Sanitation Policy (WSASP), and the 2009 National Sanitation Strategy (NSS) 2010-2015 recognise the critical importance of acceptability, availability and affordability of water. It provides for water supply and sanitation to become available to all Namibians, at acceptable quality and affordable costs. The policy also emphasizes "equity" as an overarching principle, and specifically provides for community participation. It further explicitly prioritises water for personal and domestic uses over all other uses.

The Sanitation Strategy identified 20 strategic objectives with accompanying performance indicators, and 186 initiatives to transform the country's hitherto under-performing sanitation subsector. This includes the allocation of responsibilities to key Government Ministries and the costing of each of the initiatives to be undertaken to ensure that the requisite funds are raised, allocated and spent to realize the right to sanitation in Namibia. The Minister of Finance, during her tabling of the 2012/13 budget, already announced the creation of a new budget line/vote called Housing and Sanitation, as a strategic sector under the current Medium Term Expenditure Framework (MTEF) has to continue for years to come with a targeted focus on the servicing of land, construction of low-cost houses, and urban and rural sanitation (Nakuta 2013). This will undoubtedly create significant number of medium-term jobs across the country.

4. Job creation in the informal economy

A number of factors have contributed to a growth in Namibia's informal economy which now accounts for about half of all jobs in Namibia. This sector faces a host of challenges such as lack of recognition, lack of inclusion in decision making, lack of skills and capital to move beyond survivalism, low wages, lack of access to finance, lack of social protection, poor health and occupational safety etc. However, the informal economy presents opportunities for employment creation if it is systematically supported.

Support for the informal economy will depend on the macro-economic framework in which informal businesses have to operate. Open free market economies and fierce competition may undermine the development and growth of SMEs as was shown in many countries. The "South-East Asian Tigers", for example, advanced their economic growth on the basis of state interventions in the economy, coupled with systematic support and protection for local companies. This only changed gradually once local companies had grown and were firmly established, able to survive international competition.

Such experiences hold relevant lessons for Namibia since our markets are dominated by imports in virtually all sectors. Retail, banking, mining and fishing, for example, are almost completely dominated by transnational corporations (TNCs). Namibia's manufacturing sector remained very small despite the various attempts to kick-start local processing through Export Processing Zones (EPZs) and other incentives for (mostly foreign) investors. The potentially damaging impact of free trade agreements was highlighted during the negotiations regarding the proposed Economic Partnership Agreements (EPAs) with the European Union (EU). For Namibia to succeed with employment creation through SMEs in both the formal and informal sector, it is crucial to protect them against unfair competition from mass produced goods of industrialised countries.

In addition, a systematic support strategy for the informal economy needs to be based on a comprehensive needs assessment, for example amending bylaws and regulations to support informal businesses instead of undermining them. Planning and zone decisions, access to public facilities like market stalls and industrial areas with easy lease agreements and affordable electricity, water and sanitation facilities are important steps.

Systematic support for informal businesses will help them to grow into formal business over time. Such support should include not only technical and legal support for informal businesses but also the extension of social security protection to informal economy workers. Informal businesses must be assisted to reduce their vulnerability, to improve the job quality, and access to markets and services. Informal businesses need “peer support” though business membership organisations and informal worker organisations. Informal enterprises should be considered in all development policies, strategies and programmes and also need finance in the form of small loans at low interest rates that are affordable to the sector. A possible model could be the Grameen Bank in Bangladesh which lifted millions of poor people out of poverty through the promotion of self-employment, utilising micro credit without collateral but with community commitment. Those who received loans are producing goods and services for local consumption and are thus sustainable. To date, about 36 countries have replicated the Grameen Bank model (Seneviratne 2010: 46-47).

5. Green jobs

Green jobs are defined as decent jobs that contribute substantially to preserving or restoring environmental quality, including jobs that help to protect ecosystems and biodiversity, reduce energy, material and water consumption through high-efficiency strategies, de-carbonize the economy and minimize or altogether avoid generation of all forms of waste and pollution (ILO 2012: 11). Namibia’s green economy process started in 2009 with the aim of identifying green opportunities including biotrade, eco-tourism, biochar (converting bush encroachment into carbon offsets) and green labelling. A national green economy process was initiated in 2011 and working groups were established to look into different aspects. Although no coherent green economy policy framework is in place yet, there are various existing policies and opportunities that should be harnessed immediately for the creation of green jobs across various sectors. These include:

- Accelerated development of waterless sanitation systems, particularly in rural areas;
- Use of alternative building materials, technologies and housing types for mass housing projects;
- Promotion and provision of renewable energy, particularly solar, with production of solar panels and maintenance taking place in Namibia. This is especially relevant for rural communities without electricity from the national grid;
- Recycling and waste management;
- Debushing for employment creation though Independent Power Producers (IPP) and for use as alterantive fuel, charcoal, and source for building school furniture;
- Promotion of water-use efficient technologies such as drip irrigation;

- Low carbon transport initiatives such as hybrid and electric transport (private and public) (MET 2012: 64-65, 73)

A shift towards renewable energy will also lessen Namibia's dependency on energy imports (most from South Africa and generated by environmentally damaging fossil-fired power plants) and thus contribute towards greater energy self- sufficiency. Thus provision for renewable energy sources in all new buildings should be legislated and financial incentives for conversion of existing buildings should be created.

There is no doubt that renewable energy technologies that convert the country's abundant solar, wind and biomass resources into electrical energy will not only address Namibia's short-term energy needs but will also provide opportunities for the country's long-term development. Investments in renewable energy and energy efficient technologies will result in long-term energy price stability, lessen Namibia's import dependencies and the creation of new local jobs through the establishment of innovative local value chains. Namibia's excellent solar regime can be harnessed by solar heaters, solar photovoltaic technologies and solar power plants. Invader bush represents a significant and sustainable biomass energy source as the systematic use of invader bush can generate thousands of long-term jobs in rural areas. Power plants fuelled by invader bush can operate similar to the tradition coal-fired power plants, generating electricity and jobs in the process (V.Oertzen 2012: 4).

The deliberate setting up of value chains focusing on the processing of biomass in rural areas will create new jobs and business opportunities in rural areas and at the same time help to clear rangeland. Using this local biomass resource for the generation of electricity will thus create new developmental economic opportunities. Private and public investments in this area to create new value addition will create sustainable energy supply as well as long-term jobs. Therefore targeted investments in renewable energy and energy efficient technologies will be supported by targeted tax and investment incentives. These will help to develop labour-intensive, sustainable renewable energy enterprises (v. Oertzen 2012: 4-7)

In terms of waste management, biogas should be produced from landfill sites and such gas could be used for cooking purposes in rural areas. Increased emphasis on recycling by local authorities and private companies will create additional jobs and so will the construction of dry toilets and closed wet sanitation systems whereby biodigesters are installed to generate gas from toilets. The launch of the Recycle Namibia Forum (RNF) in 2011 was a step in this direction (MET 2012: 69, 72)

There are more opportunities for systematic employment creation in Namibia in the coming years and the five areas of intervention presented here could form the cornerstones for the creation of thousands of sustainable and decent jobs. Unlike TIPEEG, these 5 priority areas offer opportunities beyond temporary, low skill jobs and thus could lead to a significant reduction of unemployment.

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