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Namibia NGO Forum

Basic Income Grant Coalition

Secretariat: c/o Desk for Social Development (ELCRN) - 5069 Windhoek - +264 (61) 235466 - +264 (61) 235499 - E-mail: cd.haarmann@gmx.net

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- Press Conference -

BIG Coalition dismayed about IMF's lack of seriousness in addressing poverty in Namibia

The Basic Income Grant Coalition is taken aback by the International Monetary Fund's inability to substantiate its social policy advice to Namibia. During its second meeting with the BIG Coalition on Monday November 13th 2006, the IMF's Article IV Mission failed to produce economic calculations or even to show understanding of the widespread and devastating poverty in Namibia.

The BIG Coalition was represented by Bishop Dr. Z. Kameeta (ELCRN), Rev. W.N. Diergaardt (ELCAP-ELCRN), Mr. H. Jauch (Director LARRI), Rev. Dr. C. Haarmann (DfSD-ELCRN), Rev. Dr. D. Haarmann (DfSD-ELCRN), Rev. P. Strydom (General Secretary, CCN), Rev. Dr. T. Kapolo (CCN), Mr. E. #Unaeb (DHK-ELCRN), and two international economic experts Prof. Dr. M. Samson (Director of Research Economic Policy and Research Institute (EPRI) South Africa / Prof. Williams College, USA) and Ms. I. van Niekerk (Co-Director EPRI South Africa).

During our first meeting, which took place in 2005, the IMF presented calculations apparently showing that the BIG in Namibia would cost 5.5% of GDP and would thereby be unaffordable. However, the BIG coalition refuted these calculations and explained that they were confusing gross and net costs. The IMF at that meeting admitted that their figures were based on oversimplified gross-cost calculations and that the real cost to the state are the net-costs, which amount to 2.2% to 3.8% of GDP as verified by independent research commissioned by the BIG Coalition. In last years meeting, the IMF agreed to redo its calculations and change them accordingly. The BIG Coalition was dismayed to find that the IMF in its report to Government published the already proven wrong calculations. Based on these wrong calculations, the IMF advised the Namibian Government, that the BIG would not make economic sense as "IMF's staff calculations" apparently found that it could compromise fiscal sustainability in Namibia.

When confronted by the BIG Coalition on Monday, November 13th, the IMF's chief of the Article IV Mission, Mr. J. Müller, conceded again that the IMF overstated the costs in its report to the Namibian Government by at least 2% of GDP. Nevertheless, he was adamant that the IMF would not correct its mistake, as it would not change [sic!] the IMF's position on the affordability of a BIG. When Prof. M. Samson asked for the research evidence, on which the IMF bases its advice, the IMF admitted that they did not do any real cost calculation, nor have they done a tax effort analysis in order to determine affordability and sustainability levels. The IMF further had to concede that the costing models and the tax effort analysis done by EPRI for the BIG Coalition are the standard economic tools usually applicable in evidence based policy advice. Despite this economic evidence by the BIG Coalition and the arguments for the positive social and developmental impact of a BIG to curb the high and unsustainable levels of poverty in Namibia, the IMF delegation made its opposition to the BIG clear. The IMF insisted that it will continue to advise government accordingly. It thus is obvious that the IMF opposes BIG on ideological grounds, rather than due to economic or social considerations!

Bishop Dr. Z. Kameeta expressed his disappointment in the IMF's unwillingness to seriously and constructively engage in the debate about the cost and affordability of the BIG. The IMF's intervention lacks rigorous and honest economic arguments, and instead seems to be characterized by ideological prejudice. He explained that the BIG Coalition believes that sound and honest economic research was pivotal for policy makers to take the right decisions in addressing the serious problems of poverty in Namibia. Therefore the BIG Coalition has devoted much time, energy and resources in thoroughly researching the economics of the BIG proposal. Bishop Kameeta continued that Namibia's poor do not need, nor ask for sympathy from the IMF. The deliberate ignorance of economic facts and social conditions, while advising the Government, is a disgrace for the poor, the ex-PLAN combatants and people infected and affected by HIV. The further delay in the implementation of the BIG, through unsubstantiated advice by the IMF to the Namibian Government, condemns people to continue to be trapped in poverty, like for example the people in the DRC (Swakopmund), who are forced to look for their daily bread among medical waste on the dumping site.

The IMF contradicted itself when it cited the Brazilian example of cash transfers, and refused to acknowledge developments in South Africa. Although the economic calculations regarding poverty reduction through unconditional cash grants could not be refuted by the IMF, it still remained opposed to the BIG.

The Labour Research and Resource Institute (LARRI), the Evangelical Lutheran Aids Programme (ELCAP) and the Desk for Social Development (DfSD) further provided the IMF with thorough research about the living conditions of the majority of people in Namibia. Based on this thorough research Mr. H. Jauch (Director LARRI) explained that the BIG is currently the only workable proposal, which is capable of yielding concrete results in the short to medium term and impacting on mass-poverty in Namibia directly. The blueprints of the IMF's remedies, says Mr. H. Jauch, have caused worldwide hardship and further devastation among the poor and were shown to be ill-suited for the Namibian conditions. During the discussions, the IMF conceded under pressure that its structural adjustment programmes (SAPs) of the 1980s and 1990s did not succeed and that poverty actually worsened during that time. The IMF claimed to have changed since 1999, but there was no indication of such changes during the meeting and in its actions. On the contrary, the IMF still follows the same neo-liberal dogma and openly opposes any significant attempts of redistribution. The IMF is thus still an opponent of the poor and influences governments without taking responsibility for or learning from its massive policy failures over the past 30 years. The current IMF remedies were shown to be neither geared to local conditions, nor meant to effectively empower the poor, as the only rational behind the IMF's advice was to limit effective redistribution in Namibia.

The IMF in its closing remarks said that the they might work on calculations for its next years Article IV Mission to Namibia. However, the IMF said that it is not in the position to report about the outcome of this years meeting in any detail, as its mission was under-staffed and did not have the capacity to engage meaningfully in the debate at this point in time.

In conclusion, the meeting revealed that the IMF is dishonest and hides the true figures on the costs of the BIG as supplied by the BIG Coalition during the meeting in 2005. In its attempt to falsely discredit the BIG as unaffordable, it went as far as publishing inaccurate and misleading figures. We thus wonder if such an institution deserves to advise our government. Namibia's poor are certainly not on the priority list of the IMF and seem to be accepted by the IMF as collateral damage! The IMF should thus not be allowed to have a say on Namibia's much needed social policies, which once implemented will lead to greater equality, alleviate the misery of the poor, and would be a first step towards redistributive justice.