

**An Analysis into the Implementation of Broad Based Black Economic  
Empowerment (BBBEE) in Namibia: Selected Case Studies**

**Pia Mbemurukira Teek**

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**Supervisor:** Dr Ivan Meyer

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## **Declaration**

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## **ABSTRACT**

Black Economic Empowerment (BEE) in Namibia is viewed as an essential poverty reduction strategy in the fight against black disempowerment. However, the concept and practice of BEE in Namibia, prevails in the absence of a national BEE policy. Nonetheless, the government has encouraged the public and private sector to develop their own empowerment initiatives, in accordance with the draft BEE guidelines.

The practice of BEE in Namibia has become controversial amongst the presently disadvantaged Namibians with regard to its implementation. Criticisms on the implementation of BEE are based on the assumption that BEE has resulted in the self-enrichment of a small black elite as opposed to empowering the poor. Breaking the cycle of underdevelopment and marginalization requires a commitment towards Broad-Based Black Economic Empowerment (BBBEE) and broad-based ownership. The ultimate objectives of BBBEE are to achieve significant decreases in poverty, income inequality and unemployment.

The primary objective of the research was to analyze the implementation of BBBEE within two companies in Namibia, namely; Namibia Mineworkers Investment Company Financial Services (Nam-MIC FS) and the National Housing Enterprise (NHE). The purpose was to determine whether the poor are benefiting from their respective BBBEE strategies and to what extent. A descriptive case study approach was used to understand the empowerment process within the identified institutions. Two data collection methods were used, namely; open-ended questionnaires and standardized open-ended interviewing with the Chief Executive Officers (CEOs) of the respective institutions.

The findings reveal that Nam-MIC FS is promoting broad-based ownership in that union members are able to access affordable financial services and products. However, Nam-MIC FS has failed to effectively implement BBBEE, since key areas of empowerment, such as the implementation of a broad-based skills development programme for employees, Small Medium Enterprise (SME) development for union members and community initiatives have been overlooked. The conclusion is that Nam-MIC FS is

promoting a minimalist approach to empowerment, since its main focus is on the provision of affordable financial services and products, which is a short-term and unsustainable approach to reducing income inequalities and poverty. The main recommendations include the need to formulate and implement internal policies in respect of the transformational guidelines and implementing a monitoring and evaluation system.

The findings on NHE reveal that whilst a BBBEE model has been implemented, a shortcoming is the failure to implement a skills development programme for black SME contractors. Moreover, of concern is the failure by NHE to promote broad-based ownership in the provision of housing, since the poor and very poor are directly and indirectly excluded from housing opportunities. The conclusion is that NHE is not promoting the broader participation, capacity building and economic improvement of the poor and very poor, which exacerbates the housing backlog through the emergence of informal settlements. The main recommendations pertain to the need to directly or indirectly include the poor and very poor in the provision of housing opportunities and a need to implement a skills development programme for black SME contractors, in addition to implementing a monitoring and evaluation system.

## OPSOMMING

Swart Ekonomiese Bemagtiging (SEB) in Namibië word as 'n noodsaaklike strategie vir die verligting van armoede in die stryd teen swart verontmagtiging beskou. Die SEB-konsep en die beoefening daarvan staan egter sonder 'n ondersteunende nasionale SEB-beleid. Desnieteenstaande moedig die regering die private en die besigheidsektors aan om self bemagtigingsinisiatiewe in ooreenstemming met SEB-konsepriglyne te ontwikkel.

Vir minderbevoorregtes in Namibië is die beoefening van SEB egter omstrede vanweë die implementering daarvan. Kritiek oor die implementering van SEB word gebaseer op die aanname dat SEB die selfverryking van 'n klein groep swart elite in plaas van die bemagtiging van armes behels. Verbrekking van die siklus van onderontwikkeling en marginalisering vereis verbondenheid tot Breë Basis Swart Ekonomiese Bemagtiging (BBSEB) en breë basis eienaarskap. Die uiteindelige oogmerke van BBSEB is betekenisvolle vermindering van armoede, ongelyke inkomste en werkloosheid.

Die primêre doelwit van hierdie navorsing was om die implementering van BBSEB in twee maatskappye in Namibië, die *Namibia Mineworkers Investment Company Financial Services (Nam-MIC FS)* en die *National Housing Enterprise (NHE)*, te ontleed. Die doel was om te bepaal of die armes enige voordeel uit die onderskeie BBSEB-strategieë trek en in hoeverre dit gebeur. Die navorsing is met behulp van beskrywende gevallestudies benader om die bemagtigingsproses in die betrokke instansies te kan verstaan. Twee insamelingsmetodes is vir die verkryging van data gebruik: ope-vraag vraelyste en gestandaardiseerde ope-vraag onderhoude met bedryfshoofde van die onderskeie instansies.

Die bevindings toon dat *Nam-MIC FS* breë basis eienaarskap bevorder deur vakbondlede in staat te stel om toegang tot bekostigbare finansiële dienste en produkte te bekom, maar nie daarin geslaag het om BBSEB effektief te implementeer nie, aangesien sleutelareas van bemagtiging, soos implementering van breë basis vaardigheidsontwikkelingsprogramme vir werknemers en ontwikkeling van vaardighede vir Klein en Medium Ondernemings vir vakbondlede, sowel as gemeenskapsinisiatiewe, oor die hoof gesien is.

Die gevolgtrekking is dat *Nam-MIC FS* 'n minimalistiese benadering tot bemagtiging bevorder – hulle is hoofsaaklik op die verskaffing van bekostigbare finansiële dienste en produkte gerig, wat as 'n korttermyn en onvolhoubare benadering tot die vermindering van inkomste-ongelykheid, en tot armoede, beskou word. Die vernaamste aanbevelings betrek die behoefte om 'n interne beleid ten opsigte van transformatiewe riglyne te formuleer en 'n stelsel vir die monitering en evaluering daarvan te implementeer.

Bevindings oor die *NHE* toon dat 'n BBSEB model geïmplementeer is, maar die firma tekortsiet aangesien hulle nie 'n vaardigheidsontwikkelingsprogram vir swart KMO-kontraakteurs kon instel nie. Verder is dit sorgwekkend dat die *NHE* nie geslaag het om breë-basis eienaarskap deur voorsiening van behuising te bevorder nie, aangesien die armes uiters arm is en direk sowel as indirek uitgesluit word wanneer geleenthede vir behuising ter sprake is. Die gevolgtrekking is dat die *NHE* nie breër deelname, die ontwikkeling van kapasiteit, en ekonomiese verbetering van armes en uiters armes bevorder nie, waardeur die behuisingsagterstand vererger, en informele nedersettings ontstaan. Die vernaamste aanbevelings betrek die behoefte aan direkte of indirekte insluiting van armes en uiters armes by die voorsiening van behuisingsgeleenthede en die behoefte om vaardigheidsontwikkelingsprogramme vir swart KMO-kontraakteurs, tesame met 'n monitering- en evalueringstelsel, te implementeer.

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## **List of Acronyms**

BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CGP	Codes of Good Practice
LaRRI	Labour Resource and Research Institute
MoLSW	Ministry of Labour and Social Welfare
Nam-MIC FS	Namibia Mineworkers Investment Company Financial Services (Pty) Ltd
NDP	National Development Plans
NEPAD	New Partnership for Africa's Development
NFIS	Namibian Financial Institute Services
NFSC	Namibian Financial Service Charter
NHE	National Housing Enterprise
NPC	National Planning Commission
OECD	Organization for Economic Co-operation and Development
SME	Small Medium Enterprises
SOE	State-Owned Enterprise
SSME	Small Small Medium Enterprise
UNDP	United Nations Development Programme

## CHAPTER 1 INTRODUCTION

### 1.1 Background to the Study

On 21 March 1990, Namibia joined the international community of sovereign States, thus ending a uniquely convoluted colonial and apartheid history that spanned more than a hundred years. The new Namibian government inherited a divided society in which the socio-economic structure was not only racially and ethnically fragmented, but also characterized by gross inequalities in all spheres of life. At independence the Namibian economy was mainly engineered to serve the needs of the white minority, deliberately subjugating blacks to a vicious cycle of poverty, unemployment and underdevelopment (Gaomab, 2004). The history of apartheid in Namibia is commonly referred to as institutionalized and purposeful disempowerment in which blacks were excluded and denied access to opportunities of employment, skills development, ownership and control of businesses and natural resources (Gaomab, 2004). The apartheid policy created racial disadvantage and underdevelopment for the majority of blacks due to the Bantu education system.

At independence, Namibia was faced with the dilemma that, despite attainment of majority rule, economic power was still concentrated in the hands of the white minority. Compounding the situation was the absence of redistributive policies in order to spearhead government's intentions for wealth redistribution. Consequently, the new Government relied on the Constitution of 1990 to guide its commitment in redistributing wealth to the disempowered black majority. Article 95 of the Namibian Constitution is clear on the role of the State in enacting legislation that would directly or indirectly lead to the advancement of people who have been socially, economically and/or educationally disadvantaged (Government of the Republic of Namibia, 1990). The extent of socio-economic disparities and distortions required policies that would restructure and transform the inherited inequalities in the distribution of, and access to income, productive resources and services, and establish the conditions for sustainable growth. The fundamental premise of any redistributive policies was to ensure that no racial or

ethnic group would lose out or be victimized while the necessary fundamental changes are carried out. In addition, no effort would be spared to ensure collective participation of all segments of the Namibian population in the process of desegregation and integration (Kofi, 1998:25).

Consequently, the government of Namibia committed itself to the alleviation and reduction of poverty through the adoption of a number of legislative measures, programmes and policies in order to redress the apartheid legacy. Ramaphosa (2004:74) states that “the majority of African countries are in urgent need of empowerment initiatives given the depth of centuries of economic disempowerment they are intended to redress.” Hobbs, Sherbourne, Hansohm and Frodema (1999:3) assert that the best policies to reduce poverty are those that address the causes of poverty and empower the poor to earn their own livelihoods and are given the opportunity to participate fully in society. The diverse causes of poverty imply that no one policy in itself will eliminate poverty and therefore, a poverty reduction strategy should include a range of means to effectively address poverty in all its dimensions. Any policy that redresses existing inequalities and poverty should lead to the development of a new Namibian economy that provides incomes and employment for all, not just a few.

Black Economic Empowerment initiatives are among the measures taken to redress inequality and poverty. However, the term BEE in Namibia presents a complex scenario in that not only is there no formal definition of BEE, but also because BEE in Namibia prevails in the absence of a national policy. Nonetheless, one should take cognizance of what has transpired thus far under the name BBBEE. While it is worrisome that no formal policy exists six years (since 2002) after engaging in the use of the concept, a number of public and private institutions have been encouraged to develop their own empowerment initiatives in accordance with the draft BEE guidelines of 2005 as to how they intend on empowering the marginalized Namibians.

Broad Based Black Economic Empowerment in Namibia is generally viewed as an essential transformational and developmental tool that is integral to the fight against black economic disempowerment and poverty reduction. A credible BBBEE initiative

should address all apartheid and post-apartheid legacies to create the right counterbalance to ensure true economic progress, complete with a broader scope for the equitable creation and distribution of wealth amongst the poor. Gurirab (2004:2-3) asserts that “BEE 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 the pursuit of reducing poverty and unemployment by implementing socio-economic transformation programmes.”

A number of redistributive policies were introduced during the post-apartheid era, yet, despite these advances in policy formulation and implementation the benefits of economic growth have been distributed inequitably and development has been uneven. Namibia remains plagued by high levels of inequalities, which hinder growth, economic development, employment creation and ultimately poverty reduction. Attempts to reduce poverty and unemployment remain urgent challenges in the efforts towards more equity and equality. Statistics about the socio-economic conditions in Namibia reveal continued inequalities and gross social discrepancy in all spheres of life, implying that human development is yet to be experienced by the majority of Namibians. With a Gini-coefficient of 0.67, Namibia has the highest recorded unequal distribution of income in the world (Melber, 2006:1). High wealth and extreme poverty continue to exist side by side with the richest 5 percent of Namibians controlling 70% of the Gross Domestic Product while the poorest 55 percent control 3 percent resulting in  $\frac{2}{3}$  of the population being classified as relatively poor (Melber, 2006:1). The latter is a direct reflection of extremely low levels of black majority participation in the economy and is a clear indication of the highly unequal nature of the distribution of wealth amongst the poorest sectors of the society.

The conclusion is that Namibia has not yet overcome the apartheid crisis of poverty and inequality. The challenge facing Namibia demands a fundamental change in the socio-economic structures within all sectors of society, which requires the need for people to believe in the need for BBBEE and realize that BBBEE presents itself as an opportunity to break the cycle of underdevelopment and continued marginalization of the majority of Namibians within the mainstream economy. Broad Based Black Economic



Empowerment remains a vital transformational tool in launching the country onto a course of sustained rates of economic growth and poverty and inequality reduction, if effectively implemented. The implementation of BBBEE requires a people-centered approach to ensure that economic benefits and opportunities are evenly distributed in order to empower people to become constructive and valued contributors to the economic mainstream (Setiloane, 1999:8-9). The challenge for Namibia is how the various sectors implement BBBEE so as to ensure that the poor are brought on board so that they can escape poverty and become economic agents. The point is to make BEE initiatives broad-based, which entails a wide span of beneficiaries (broad-based ownership) and various methods through which empowerment can be achieved (BBBEE) (Kalula & M'Paradzi, 2007:2). Only then can BBBEE address the problems of poverty and unemployment that affects many Namibians.

Hence, the aim of the study was to analyze the implementation of BBBEE in the identified institutions in order to determine the extent to which BEE is broad-based. The outcome of the study provides an understanding and overview to the implementation of BBBEE in the identified institutions, despite the absence of a national BEE framework.

## **1.2 Motivation for the Study**

The subject of BEE is a fairly contentious issue, considering the prevailing debates by advocates on all sides on the current status of BEE in Namibia. Debates over BEE are starting to take centre stage in Namibia's economic discourse. Not only is it an emotive issue for the majority of Namibians but it has also become a controversial topic in that it gives rise to much suspicion amongst the presently disadvantaged with regard to its implementation. Although BEE in Namibia is a relatively new concept and exists in the absence of a national framework, the majority of the population has come to feel excluded from the processes of BEE within the various sectors that have introduced BEE initiatives. This contention is confirmed by the National Planning Commission (2006:ii),

which concluded that "... there are vast disparities between a wealthy minority and the majority who live below the poverty line." The nature of BEE is particularly a thorny issue that stands to hinder economic development if it does not address the socio-economic ills confronting the Namibian society. Increased inequality and uneven development pose a serious economic danger for any society. The domination of business activities by a select few and the exclusion of the poor from the mainstream economy are of grave concern for the transformation and development process in Namibia.

The rationale for the research follows from the widespread debate and accusations that BEE in its current form has favoured a small elite of blacks and in the process disempowering the masses, who are in dire need of empowerment. Accepting that BEE should be seen as a broad-based strategy to empower disadvantaged Namibians and reduce poverty, it is right to ask and in this case, research on whether BBBEE initiatives within the identified institutions are benefiting the marginalized majority of Namibians. The debate on BEE centers around the question of who is supposed to benefit and to what extent should beneficiaries be empowered. The research seeks to analyze how BBBEE initiatives have been implemented within the identified institutions and particularly the extent to which poverty and inequality have been addressed.

In addition, there seems to be limited research conducted on the practice of BBBEE within the various sectors in Namibia. This in itself presents a need in literature for increased understanding and dialogue about the issue. The findings from the research are intended to enhance and enrich the knowledge base on the topic and enable future researchers in conducting studies in the same area.

### **1.3 Research Problem**

Rossi (quoted in Singleton & Straits, 2005:411) states that “a societal condition becomes a social problem when it draws the attention of a significant portion of the public.” This is exactly what the practice of BBBEE has managed to do over recent years. The topic BEE has gained impetus in Namibia, evoking deep emotions amongst many people and different sectors. The prevailing debate on BBBEE in Namibia is premised on the assumption that the practice of BBBEE has merely resulted in a slight diversification of the local class structure. Melber (2006:11) argues that BEE in its current form has translated into “a class based interest policy to legitimise the self enrichment of a small black elite while the majority of the people remain poor.” In a similar vein, Gurirab (2004:4) states that “what is condemnable as unjust is class divisions and lack of fair distribution of wealth and opportunities among all members of the society.”

Breaking the cycle of underdevelopment and marginalization requires a commitment to the broad-based philosophy of BEE. Broad Based Black Economic Empowerment should not be about self-enrichment for a few black ‘fat cats’ but instead should serve as a catalyst for helping to create a critical mass of a black middle class. Naidoo (cited in Labour Resource and Research Institute & the National Union of Namibian Workers, 2003:2) points out that a misguided definition and implementation of BBBEE allows vested interests to secure benefits for themselves, in the process sidelining those who really need empowerment. Clearly, the test for BBBEE should be about transformation and the development of the majority of the poor in the country. Only then can BBBEE be assessed for whether it is contributing to broader empowerment or not. If BBBEE does not make significant inroads into the swelling masses of the poor and unemployed it will have failed. Enrichment of a few individuals defeats the purpose of BBBEE.

Consequent to the above, it is imperative to conduct an analysis aimed at determining how BBBEE has been implemented. The research was carried out with the purpose and aim of finding out the extent to which BEE initiatives of Nam-MIC FS and the NHE (National Housing Enterprise) are broad-based and how the challenges of poverty and inequality have been addressed.

## **1.4 Research Questions**

In order to assist the research process, the following main question will be addressed:

How have the identified institutions, namely Nam-MIC FS and the NHE implemented BBBEE despite the absence of a national BEE policy framework?

In order to address the main question, three sub-questions were used, namely:

- 1.4.1 What is happening?
- 1.4.2 How is it happening, and
- 1.4.3 Why is it happening?

## **1.5 Research Objectives**

Broad Based Black Economic Empowerment requires effective implementation if it is to address the socio-economic challenges in Namibia. Failure to do this represents a threat to socio-economic stability. Without the involvement of the majority of its citizens in the economy, Namibia will continue to face entrenched inequalities, which undermine economic growth and ultimately development. The main objective of the research was to analyze the implementation of BBBEE within Nam-MIC FS and the NHE with regard to whether the poor are benefiting and to what extent they are benefiting. In essence, the research provides an understanding of the empowerment process within the two institutions. Hence, the objectives are to:

- 1.5.1 Determine the approach adopted by the selected institutions in the implementation of BBBEE;
- 1.5.2 Determine what the selected institutions aim to achieve with their BBBEE initiatives;
- 1.5.3 Determine the extent to which selected institutions are promoting broad-based ownership and broad-based BEE;

- 1.5.4 Determine how the BBBEE initiatives of the selected institutions are addressing any of the poverty challenges confronting Namibia;
- 1.5.5 Identify the challenges that hinder effective BBBEE implementation within the selected institutions;
- 1.5.6 Compare BBBEE implementation within the selected private and public institutions; and
- 1.5.7 Suggest recommendations on effective implementation of BBBEE.

## **1.6 Delimitation of Study**

The research was of a descriptive nature with the primary intention to understand BBBEE implementation within the identified institutions. The information obtained from the research pertains only to the institutions covered. The research was mainly approached from a developmental perspective rather than a policy perspective, considering that BBBEE in Namibia operates in the absence of a national policy framework.

The research focused only on determining whether the BBBEE initiatives within the identified institutions are progressing towards poverty, inequality and unemployment reduction in Namibia. In other words, the process of analyzing the implementation of the respective BBBEE initiatives adopted a monitoring and process evaluation role with the aim to answer the questions of; what is happening, how is it happening and why is it happening?

It was not the ambition of the research to ascertain the social impact of the BBBEE initiatives on the various beneficiaries. In other words, an impact evaluative research was not conducted, therefore, the question of what impact and difference have the BBBEE initiatives made, did not form part of the study.

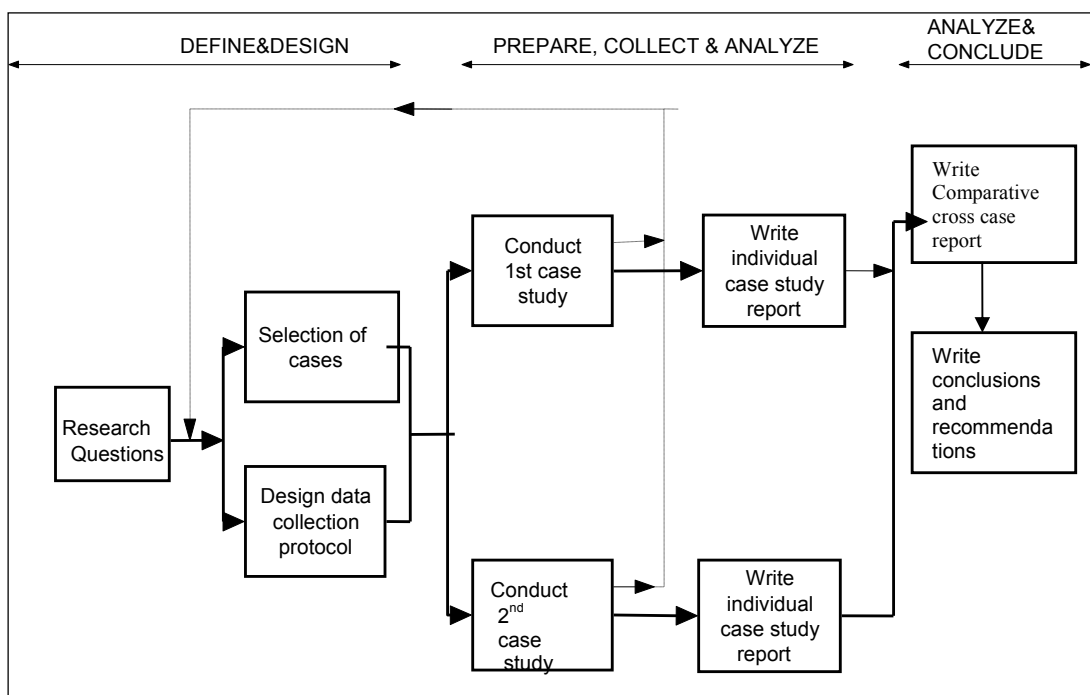
## **1.7 Research Design and Methodology**

### **1.7.1 Research Design**

A research design is defined as a “plan that describes how, when and where data is to be collected and analyzed in order to answer the research question(s) or test the research hypothesis” (Parahoo, 1997:142 & Polit, 2001:167). The research was conducted within the qualitative paradigm through the use of collective intrinsic case studies. Bogdan and Biklen (1992) identify five key features of qualitative research. Firstly, that the natural setting is the data source and the researcher is the key data collection instrument. Secondly, qualitative research aims primarily to describe and secondly to analyze. Thirdly, it is concerned with the process rather than the outcome. Fourthly, the data is analyzed inductively in that what is discovered influences what is sought through data analyses and theory development proceeding simultaneously, and finally, it is concerned with what things mean. Rist (cited in Spencer, Ritchie, Lewis & Dillon, 2003:35) maintains that qualitative research is relevant throughout the different phases of the policy-making process, contributing in numerous ways to policy or programme formulation, implementation, evaluation and accountability.

The use of case studies is a useful approach when focusing on contemporary issues wishing to answer the “how and what” is going on questions (Yin, 1994) and to generate knowledge and understanding of the issue intrinsic to the case itself (Stake in Schwandt, 1997:13). What defines a case study is neither the data collection technique nor the nature of the collected evidence, but the form of the research question (how and why), the degree of control over the behavioural event and the time span (contemporary issue) (Yin, 1994). Schramm (cited in Yin, 1994) maintains that “the essence of a case study is that it tries to illuminate a decision or set of decisions; why they were taken, how they were implemented and with what result.” Using this as a framework the two case studies used in the research were selected with the aim of understanding and comparing how the two institutions have implemented BBBEE in the absence of a national BEE policy.

The case study design used is proposed by Yin (1994) based on five steps, namely the research question(s), which form the bases for data collection for each case study; the propositions, which pertain to the objective(s) of the study and the criteria by which explanation will be judged successful (literature review); unit of analysis, which is a clear description of who and what the research will focus on; establishing a logical link of the data to the theoretical propositions and finally the criteria for interpreting the findings. The model framework used is shown below in Figure 1.



**Figure 1: Case Study Design (Yin, 1994)**

## **1.7.2 Research Methodology**

### **1.7.2.1 Units of Analysis**

The units of analysis were BBBEE initiatives of two institutions, namely; Nam-MIC FS (financial sector) and the NHE (State-Owned Enterprise (SOE)). Initially, the intention was to analyze the BBBEE initiatives within the Ministry of Fisheries and Marine Resources and the Ministry of Mines and Energy. However, due to lack of cooperation and willingness to participate by the aforementioned Ministries, the researcher opted for Nam-MIC FS and the NHE as they were the institutions that were forthcoming and cooperative. Although a number of institutions in Namibia within various sectors have introduced BBBEE initiatives, Nam-MIC FS is hailed “as the single largest broad-based empowerment grouping in Namibia” (Bank Windhoek, 2007), which presents itself as an interesting case study to understand the various financial empowerment provisions for their respective beneficiaries. Similarly, the NHE was chosen on the basis that housing is one of the most basic needs, yet housing costs are escalating and informal settlements in Namibia are on the increase. The researcher was thus interested to investigate the extent to which the NHE is providing affordable housing equitably amongst the poor and very poor.

Personal contact was made with the CEO of each institution to explain the purpose of the study and gain their cooperation during the research, after-which verbal confirmation was provided as to the usage and retrieval of information. The CEO of the respective institutions were chosen as research participants as they are better positioned to provide comprehensive information on the implementation of their BBBEE strategies.

The use of multiple case sampling enabled the researcher to conduct a comparative cross-case analysis to outline the similarities and differences between the two cases selected. This enabled the researcher to follow a replication strategy where if a finding holds in one setting but does not hold in a contrasting case, the findings are more robust (Miles & Huberman, 1994:29).



### **1.7.2.2 Data Collection**

The research made use of multiple data collection methods through the use of open-ended questionnaire and standardized open-ended interviewing. Organizational documents and reports were initially part of the data collection process in order to corroborate or contradict the questionnaire and interview data. However, no organizational documents and reports were forthcoming from both CEOs. An attempt was made by the researcher to obtain the annual reports of the NHE from the Auditor-General's Office, however, according to Coetzee (Telephonic conversation, 14 October 2008) no annual reports have been provided by the NHE. In addition, the employment equity data for Nam-MIC FS was obtained from the Affirmative Action Report of 2008, which was provided by the CEO. The employment equity data for the NHE was obtained from the Employment Equity Commission of Namibia due to the failure by the CEO to avail the necessary data. Prior to the data collection phase, research participants received an introductory letter, which stated the aim of the research, the main research question and the methods for data collection (See Appendix "A1-2").

A questionnaire is a formalized schedule for collecting data from respondents in order to meet the aims of the research by accurately reflecting information on the topic. The questionnaire consisted of open-ended descriptive questions, which were derived from the main research question, the objectives of the research and the literature review. The purpose of formulating open-ended questions is to enable the researcher to understand and capture the points of view of the research participants without pre-determining those points of view through prior selection of questionnaire categories. The fact that data collection is not constrained by pre-determined response categories of analysis contributes to the depth and detail of qualitative data (Patton, 1990:165).

The questionnaire, which can be viewed in Appendix "B1-3", was presented to the CEOs of the respective organizations since they were regarded as key informants to understanding their BBBEE implementation. The CEO of Nam-MIC FS has been in his respective position for two years whilst the CEO of the NHE has occupied his position for two and half years. Although both CEOs were given the questionnaire, the CEO of

the NHE was for six weeks unable to respond to the questionnaire. Due to time constraints, it was decided to conduct two interviews for the NHE, where the first interview used the questionnaire in its exact format and included the initial interview questions. No clarifications were sought during the first interview with the CEO of the NHE. The first interview lasted for two and half hours and was tape recorded.

The questionnaire was divided into sections A, B and C and consisted of 42 open-ended questions. Section A required biographical data of the research participant and institution, section B posed questions on the implementation of their BBBEE strategy and section C provided the participant an opportunity to share their general perception on the practice of BBBEE in Namibia and to make relevant comments and suggestions.

The questionnaire was followed by standardized open-ended interviewing in which additional questions were posed, in addition to follow-up questions from the questionnaire. Fontana and Frey (2000:646) maintain that interviewing results in true and accurate pictures of respondents' selves and situations, provided that the interviewer has not unduly biased the information collected. The standardized open-ended interview refers to questions that are pre-determined and carefully sequenced with the aim of retrieving "focused data" (Patton, 1990:280) from the CEOs, based on consistency and uniformity. Any clarifications or elaborations on the questionnaire were written into the interview itself and probing questions were placed in the interview at appropriate places, thus enabling flexibility during the interview (Patton, 1990:285). The use of standardized open-ended interviewing reduces the possibility of bias that comes from having different interviews for different people and obtaining more information from one institution than the other. In addition, it enabled the researcher to compare the data of the two institutions.

The interview with the CEO of Nam-MIC FS lasted for one hour. The interview was tape-recorded and brief notes were taken to enrich the taped discussions and the accuracy of the data collected. Tape recording the interview enabled the researcher to concentrate and interact with the interviewee instead of over concentrating on note taking. Additionally, it provided a more detailed record of the verbal interaction, which the researcher can replay for analytic and interpretation purposes (Patton, 1990:349). The

second interview for the NHE was for clarification purposes and lasted for thirty minutes. The interview questions can be viewed in Appendix “C.”

### **1.7.2.3 Data Analysis**

Data analysis requires the researcher to make meaning from the data collected by converting raw empirical data into qualitative research as a thick description. A thick description is defined as one that gives account of a phenomenon, that is coherent and that gives more than facts and empirical content but also interprets the information in the same study as well as from the basis of a theoretical framework that locates the study (Ryle cited in Henning, Van Rensburg & Smit, 2004:6). Researchers construct from this analysis, informed, vivid and nuanced reports that reflect what the research participants have said and that answer the research question (Rubin & Rubin, 2005:201).

The analysis of the data is based on an in depth study and description of each case study and its setting, which is referred to as ‘within the case analysis’ followed by an interpretation of each case study. In the interpretation phase, the researcher presents the personal and theoretical understanding and lessons learned from the cases (Patton, 1990:430). Subsequently, an analysis across the two case studies is provided and is referred to as a cross-case analysis or comparative cross-case analysis (Cresswell, 1998:63) followed by the conclusions and recommendations.

Qualitative content analysis was the tool used in the analysis of the data. Mostyn (cited in Thomas, 2006:83) states that “qualitative content analysis is used when researchers are faced with a mass of open-ended material to make sense of.” The purpose of content analysis is to identify specific characteristics of communication systematically and objectively in order to convert raw data into scientific data. Although qualitative analysis often analyzes data inductively by which themes are generated from the raw data obtained, the researcher made use of deductive content analysis where initial themes were derived from the literature review. Berg (cited in Zhang, 2006:2) maintains that “qualitative data is not insulated from deductive reasoning. Generating concepts (themes)

from theory or previous studies is also useful for qualitative research especially at the inception of data analysis.”

Each case study was analyzed on the basis of the literature review. The 5C protocol, which is discussed in the literature review, was used in the generation of themes in order to analyze the respective implementation of Nam-MIC FS and the NHE’s BBBEE strategy. Each question in the questionnaire and interview was classified according to the objectives of the research and discussions in the literature review as the basis for data analysis. Using content analysis, the 5C protocol was broken down into six themes beginning with content, clients, context, coalitions, commitment, and administrative capacity with an added theme on BBBEE perceptions.

Data analysis commenced after the questionnaire responses was handed back to the researcher. The responses from the questionnaire was typed out and were re-read several times in order to obtain a general understanding of the data, where-after a memo was prepared for each case study based on the seven identified themes. The exact process was applied to the interview data, where the tape recorded data was transcribed verbatim and classified according to the seven themes. A memo was also prepared and integrated with the questionnaire memo. A final memo on the comparisons of both cases was prepared and was based on identifying similarities and differences between the cases and possible explanations for the differences. The memos formed the basis for analyzing the data in the final case study reports. After having prepared the preliminary memos from the questionnaire and interview, some issues required further clarification, which was done via e-mail.

#### **1.7.2.4 Reliability and Validity**

Reliability is the extent to which a research fact or finding can be repeated given the same circumstances and validity is the extent to which a research fact or finding is what it is claimed to be (Bassey, 1999:74). Bassey (1999:74) maintains that the concepts of reliability and validity are vital in surveys and experiments but not in case study research. As an alternative to reliability and validity, Lincoln and Guba (cited in Bassey 1999:74-75) introduce the concept of trustworthiness for case study research. A research case study is trustworthy when it reflects the reality and ideas of the participants. A set of criteria for judging the trustworthiness of case study research are credibility, transferability, dependability and confirmability.

Credibility, which is parallel to internal validity, addresses the extent to which the researcher has truthfully presented the findings and interpretations of the case study. For this, Yin (1994) proposes the use of multiple methods for data collection, which is referred to as triangulation. Although, both CEOs received the draft case study report, only the CEO of the NHE verified the findings and interpretation. Moreover, both CEOs failed to provide organizational reports in order to corroborate or contradict the research findings. Thus, the researcher was unable to distinguish facts from fabrications.

Transferability is parallel to external validity and deals with whether the findings can be generalized to the greater population. Generalizing the findings to the greater population is not a requisite in case study research because findings are context specific and therefore generalizations in qualitative research are based on assertional rather than probabilistic logic. In other words, generalizations are not based on statistical representativeness and sampling theory but on careful comparison and unassailable analysis (Spencer, *et al.*, 2003:67). Hence, the researcher opted for generalization within the case to determine whether findings from the one case can be generalized to another. The context of each case is described in detail (thick description) and a comparison of the similarities and differences between the cases are made in order to determine whether the findings in the one case are applicable to the other case (Spencer, *et al.*, 2003:68). The provision of a thick description of the cases provides the reader with knowledge on which

to base judgment as to whether the findings in the one case are applicable to the other case.

Dependability is parallel to reliability and is focused on the process of inquiry. Yin (1994) advocates maintaining a case study protocol that details each step in the research process. The discussion on how data was obtained and analyzed, and interpreted serves as the case study protocol.

Confirmability is parallel to objectivity and is concerned with establishing whether the data and interpretations of the researcher were not merely figments of the researcher's imagination. Lincoln and Guba (cited in Mertens, 2005:257) recommend an audit test or a chain of evidence to ensure that the data and interpretation is linked to the original sources. The questionnaire responses and interview transcripts were reviewed to determine if interpretation and conclusions supported the data.

## **1.8 Limitations of the Study**

### **Sample Size**

Although, it may be argued that the size of the sample was too narrow and therefore no broader generalizations could be made, it should be remembered that case study research does not necessarily aim to generalize but merely to understand the specific case intrinsically. Therefore, the findings of both institutions studied are not representative of all other financial institutions or SOEs in Namibia.

### **Data Collection Process**

An advantage of case study research is its ability to use multiple data collection methods in order to establish the overall validity or credibility of the findings. Hence, the initial data collection methods were open-ended questionnaires, standardized open-ended

interviewing and organizational documents and reports. Organizational documents and reports were intended to corroborate or contradict the data from the questionnaire and interview. However, both CEOs failed to provide the researcher with these documents and reports, despite several promises from the respondents and numerous attempts by the researcher to obtain them. Moreover, the NHE as a SOE has not produced nor provided the Auditor-General's Office with annual reports. The absence of these documents and reports may have undermined the credibility of the findings since the researcher could not distinguish between facts and fabrications.

Moreover, as part of ensuring the internal validity of the findings, the research report was presented to both CEOs in order to detect any unintended omissions or distortions. However, the CEO of Nam-MIC FS failed to provide any feedback. The last two limitations occurred, despite the fact that personal contact was made with the CEO of each institution to gain their cooperation, explain the purpose of the study and outline the data collection methods, after-which both CEOs verbally agreed to provide the necessary documents and reports.

### **1.9 Areas for Further Research**

The research adopted a process implementation approach in order to understand the implementation of BBBEE within the respective institutions. Future researchers could conduct an impact evaluation on both institutions in order to understand the impact or difference that the respective BBBEE strategy has had on the beneficiaries.

Additionally, future researchers could conduct an analysis into the implementation of BBBEE in all or most financial institutions and/or SOEs in Namibia in order to provide a general understanding of the implementation of BBBEE and make the necessary generalizations.

## **1.10 Outline of Chapters**

The chapter outline of this research is as follows, apart from the introductory part:

Chapter 2 is the literature review, which begins with a philosophical context for the practice of BBBEE. The chapter further explores the notions of poverty and social exclusion followed by discussions on the notions of development and underdevelopment, which will include a discussion on the development theories of modernization, dependency and people-centered development. Discussions on the role of the government and market in poverty alleviation and reduction are presented, followed by a discussion on policy implementation and monitoring and the impact of corruption on human development.

Chapter 3 is part of the literature review and presents the socio-economic profile of Namibia at and after independence, and the causes of poverty, followed by a discussion on the existing poverty reduction initiatives to drive empowerment. Subsequently, a comprehensive discussion on the concept and practice of BEE and BBBEE are presented.

Chapter 4 is divided into two sections where the findings and interpretation of Nam-MIC FS and the NHE respectively are presented.

Chapter 5 presents a comparative cross-case analysis between the implementation of BBBEE initiatives of Nam-MIC FS as a private financial institution and the NHE as a SOE.

Chapter 6 presents a summary of the main findings, conclusions and recommendations based on the problems identified in the implementation of BBBEE in the institutions studied.



## **1.11 Chapter Summary**

This chapter served as an introductory part to familiarize the reader with the research topic to be undertaken by providing a background to the study of BBBEE. The discussion implies the need for Namibia to value BBBEE as a necessary poverty reduction strategy that can ameliorate the many socio-economic challenges confronting Namibia. The contention is that BEE should promote broad-based ownership and BBBEE. The former pertains to the need to include the poor and very poor whilst the latter pertains to the need to implement various measures through which the poor and very poor can benefit in order to enhance their socio-economic capacities. Broad Based Black Economic Empowerment will fail in its implementation if the poor are not given opportunities to escape poverty and become economic contributors.

Furthermore, an explanation on the motivation for the study, research problem, questions, objectives and delimitation of the study and the research design and methodology was provided. The main research question is, how has BBBEE been implemented in the two institutions despite the absence of a national BEE policy in Namibia? Based on the main research question, the research aims to further answer the questions of; what is happening, how is it happening and why is it happening? The main research objective is to determine whether the poor are benefiting from the two institutions' BBBEE strategy and to what extent. Essentially, the research aims to determine the extent to which poverty, inequality and unemployment have been addressed by the respective institutions through its BBBEE strategies. In addition, the limitations of the study and areas for further research were discussed.

The following chapter presents the theoretical framework and literature review. The chapter outlines the various concepts and issues relevant to the study.

## **CHAPTER 2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the various theories and perspectives in relation to the research being conducted. The discussions form part of the theoretical framework and literature review, which is the normative aspect of the research and constitutes the body of the research required to undertake the study. Fink (cited in Brunnette, 2006:15) defines a literature review as “a systematic and reproducible method of identifying, evaluating and interpreting the existing body of a variety of recorded sources about a specific topic produced by researchers.” The literature review is an essential part of the research as it lays the foundation upon which the study will proceed and investigated.

The purpose of this chapter is to provide a conceptual understanding of poverty and development as part of outlining the ultimate aim of BBBEE as a socio-economic transformation strategy. Understanding what development is and the kind of development required constitutes the bases upon which BBBEE should proceed. The chapter also provides an understanding of the role of the various sectors in addressing poverty and the implementation of poverty reduction strategies. The discussion on policy implementation and monitoring is an important part of the chapter since the study aims at analyzing the implementation of the BBBEE initiatives of the selected institutions.

The chapter covers a number of theoretical issues, beginning with a discussion of the philosophical perspective for BBBEE, conceptualization of poverty and social exclusion, the meaning of development and underdevelopment, the role of government and market in poverty reduction, policy implementation and monitoring, concluding the chapter with a brief discussion on the impact of corruption on human development.

## **2.2 A Philosophical Context: Justice, Equality and Utilitarianism**

Theoretically, Broad Based Black Economic Empowerment is a redistributive strategy that should be premised on the principles of justice, equality and utilitarianism, all of which provide a moral and philosophical underpinning for the implementation of BBBEE. Poverty and inequality have been provocative factors in social upheavals. Hence, an indispensable condition for correcting an unacceptable situation is the pursuit of justice and equality (Henry, 1991:2). Aristotle (quoted in Van Rooy, 1997:1) states that “it is when equals are assigned unequal share or people who are not equal have equal share, that quarrels and complaints break out.”

The notion of justice postulates that “it is unjust to treat people differently in ways that deny some significant social benefits unless it can be proved that there is a difference between them that is relevant to the differential treatment” (Mackinnon, 2001:241). Rawls states that justice is essentially about fairness, which is the first virtue of social institutions followed by efficiency. It is about the appropriate criteria for producing and distributing goods, opportunities and resources. According to Rawls (cited in Mackinnon, 2001:277-278), an economic system is judged as just or unjust based on two principles, namely; political liberties and economic arrangements. Political liberties requires each person to have an equal right to the most extensive total system of equal basic liberties whilst economic arrangements pertain to socio-economic systems, which are to be practiced under conditions of fair equality and arranged to the greatest benefit of the least advantaged.

The contention is that an economic system is more just in the degree to which it better advances the economic interests of the least advantaged and therefore inequalities are only permitted if they are to the advantage of the least advantaged (Freeman, 2007:99). Rawls (cited in Waldron, 1999) distinguishes between a “well ordered and poorly disordered society.” A society is not well ordered simply because most people in it are prospering. If there is nothing convincing or credible that the well off majority can say or do for the impoverished so as to advance the interest of all, than the society is poorly disordered. The assertion is not solely about redistributing resources but also how social

institutions could be designed so as to create a just society, which eliminates the marginalization of certain groups (Robeyns, 2003:6). Bell (cited in Barrow, 1982:112) notes that the question of justice arises when those at the top convert their particular social role into means for acquiring large discrepant social and material advantage.

The second principle of justice connotes the need for equality of opportunity, which seeks to correct social disadvantage. The key factor to promoting justice is whether people have a fair chance or equal opportunity to attain positions of greater income and wealth. An opportunity is a chance to obtain some benefit or goods, when there are no barriers to prevent one from attaining them (Mackinnon, 2001:272-273). Similar to “equality of opportunity” is Sen’s (cited in Roemer, 1996:36) “equality of functionings and capabilities,” which enables people to realize their plan of life. “Functionings” and capabilities are the “doings and beings” that enable people to escape morbidity, to be adequately nourished and partake in community life.

Utilitarianism attempts to bring about the most favourable consequences to the greatest number in society. Social policies are judged by the extent to which they promote good to the greater majority, not just for the upper class (Mackinnon, 2001:43). The extent to which resources are distributed equally depends on who can do more with a given resource. Some inequality in the distribution of resources is justified by utilitarianism based on the principle of the “Declining Marginal Utility of Resources,” which is the difference in a certain person’s happiness that an additional unit of resource will make. Thus, the Declining Marginal Utility of Resources for a person declines the more of a resource the person already has (Sensat, 2001). When one implements poverty programs, it is because the poor will benefit relatively more than the rich will suffer.

## 2.3 UNDERSTANDING POVERTY AND SOCIAL EXCLUSION

### 2.3.1 What is Poverty?

Poverty is a multidimensional term, which has economic, social and psychological aspects. Shaffer (1998) states that, poverty is not a single, measurable and universal phenomenon, but rather a complex concept, which varies over people, place and time and includes both physiological and social dimensions. Thus, poverty is defined according to a **material or income dimension** (income or assets); a **basic needs dimension** (food, housing, health and education) and a **capability dimension** (empowerment) (Lindahl, 2005:44).

The **material or income poverty**, which is analyzed in terms of absolute and relative poverty, refers to a lack of sufficient income to meet minimum consumption needs. Absolute poverty is the inability of a person to secure the minimum basic needs, which is exacerbated by highly unequal distribution of income. Relative poverty, on the other hand, is material poverty measured against the average living standards of a particular society (Henry, 1991:30). Relative poverty concerns itself with having sufficient income to meet one's basic human needs.

The **basic needs approach** states that, although, poverty is in part a result of not having adequate income to satisfy minimum basic needs, the lack of income is not the only deprivation people may suffer (Coudouel & Hentschel, 2000:94). The concept of needs includes what is conventionally regarded as necessary to lead one's life as an integrated member of society (Watt, 2000:15). Poverty should be viewed in terms of adequate standards of living, which are influenced by the degree to which households have access to basic services such as food, housing, clean water and health services amongst others (Coudouel, *et al.*, 2000:94). The basic needs approach should not be seen as an end in itself but rather as an instrument in developing human resources (Van Rooy, 1997:13).

The **capability dimension** refers to the lack of fundamental capabilities such as lack of opportunity to attain basic "functionings". It focuses on social obstacles or personal

circumstances that limit the capabilities of individuals to fully participate in society (Fusco, 2003:8). Sen analyzes the concept of absolute poverty in relation to capabilities and not only to average incomes (Streeten, 1995:33). Sen's perspective on capability does not deny the view that low-income is one of the major causes of poverty since lack of income can be a primary reason for a person's capability deprivation. Instead, Sen (1990:87 & 90-92) acknowledges the interrelationship between the two by stating that enhanced capabilities would expand a person's ability to be more productive and earn a higher income. This close connection establishes an important indirect linkage through which capability improvement helps both directly and indirectly in enriching human lives and in making human deprivation less acute.

Likewise, the United Nations Development Programme (UNDP) (1998:25) introduces human poverty which is defined as the denial of opportunities and choices most basic to human development. It includes the need for a long, healthy and creative life, a need for a decent standard of living, dignity, self-esteem, and the things that people value in life. Human poverty thus looks at more than lack of income, since income is not the sum total of human life and therefore the lack of it cannot be the sum total of human deprivation (UNDP, 1998:25). The capability perspective aims to enhance the understanding of the nature and causes of poverty and deprivation by shifting focus away from means (income) to ends that people have reason to pursue to be able to satisfy these ends (Sen, 1990:90). Poverty reduction is therefore best approached as an exercise in raising people's capabilities or enhancing freedoms. The corollary of this approach to development is that of empowerment-helping people in poverty to acquire the tools they need to meet their needs, is the long-term solution to poverty (Watt, 2000:15).

### **2.3.2 Understanding Social Exclusion in relation to Poverty**

While social exclusion and poverty are distinct concepts, they remain deeply connected. The difference between the two concepts lies in the understanding that everyone who experiences poverty is socially excluded to some extent but not everyone who is socially excluded is poor. Davids (2005:40) defines social exclusion as a process in which some groups are excluded from the mainstream processes and benefits of society, which prevents people from fully enjoying general prosperity. It refers to circumstances of deprivation and disadvantage that extend beyond lack of material resources.

Similarly, Narayan, Patel, Schafft, Rademacher and Koch-Schulte (2000:229) state that social exclusion refers to the norms and processes that prevent certain groups from equal and effective participation in the social, economic and political life of societies. Thus, it involves four factors, namely: the excluded, the institutions from which they are excluded, the agents whose actions result in the exclusion and the process through which exclusion occurs. Dinitto (1995:87) adds that institutional and structural components are core factors in fostering its continuation through the effects of institutional marginalization and discrimination, which refers to practices that are deeply embedded in organizations that serve as gatekeeper functions in society.

The marginalization and discrimination process results in the emergence of elites who create socio-economic relations of superior versus subordinate or dependent through manipulations of labour and distributions of social resources reinforcing socio-economic inequality (Price & Feinman, 1995:88). Social exclusion implies not just differences in levels of resources but also the development of undesirable gaps between social groups, which suggest an unacceptable state of affairs requiring a socio-economic policy that would raise people's capabilities and freedoms. A policy that focuses on empowering people is the long-term solution to addressing social exclusion as a dimension of poverty.

### 2.3.3 Measuring Poverty

Measuring poverty entails determining which yardstick is to be used in assessing living standards and determining who is poor and who is not. Shimeles and Thoenen (quoted in Newaka, 2007:16) maintain that policy makers are faced with a fundamental question of, “how can poverty be measured and represented in order to efficiently target poverty reduction measures during the policy-making process?” The three dimensions of poverty namely income, basic needs and capabilities will be used as the basis for how poverty should be measured in the context of each dimension.

The commonly used income measures are the poverty line and the Gini-coefficient. The poverty line is the minimum level necessary to meet basic needs (Coudeoul, *et al.*, 2000:94). The minimum level is the “poverty line,” which is measured in monetary terms. The Gini-coefficient assesses the distributional effects of people below the poverty line by measuring the differences of different income quintiles of the population in relation to the average per capita income. A Gini-coefficient of 0 indicates a perfectly equal income distribution while 1 stands for total inequality. Countries with a value between 0.2 and 0.35 are regarded as having a relatively equal income distribution (Gaomab, 2004). Other income measures are the head count index and the poverty gap index. Measures based on income provide information on how a transfer policy could be implemented to enable poor people to reach the poverty line. These policies are useful to a limited extent in that they can only alleviate poverty in the short-term (Fusco, 2003:12) and therefore multi-dimensional measurements of basic needs and capabilities are imperative.

The basic needs measure is one alternative to addressing the one-dimensional poverty measure, which involves supplementing the information on low-incomes with expenditure or deprivation and hardships in order to determine actual living standards of the poor (Saunders, 2004:8). The expenditure poverty index collects information on household expenditure and income, health, education, employment, ownership of assets, access to proper sanitation, electricity and clean water (Coudouel, *et al.*, 2000:99-100).



The capability measurement determines the extent to which individuals in society are denied what Sen and the UNDP call “functionings” or capabilities respectively. Its main feature is to interpret “functionings” as a matter of abilities in “beings and doings” instead of income or affluence (Fusco, 2003:4). A functioning index is one tool used to identify social obstacles or personal circumstances that restrict the capabilities of individuals to participate fully in society (Fusco, 2003:12). Similarly, the Human Development Index measures the capabilities of individuals by using four essential dimensions to human life, namely; longevity, knowledge, a decent standard of living and the extent of participation in community life (Levine, 2007:2). Longevity relates to the life expectancy at birth, knowledge relates to the weighted average of the literacy rate over fifteen years and gross enrollment ratio between six and twenty four years, a decent standard of living refers to the adjusted per capita income whilst the extent of participation remains difficult to quantify (Levine, 2007:2). The Human Development Index is a better measure of economic development than the Gross Domestic Product.

The Human Poverty Index is used to measure the extent of deprivation by concentrating on the first three essential dimensions of human life, namely; longevity, knowledge and a decent standard of living (Levine, 2007:8). Longevity relates to survival or vulnerability to early death, which is defined as forty years. Knowledge relates to the adult literacy rate whilst a decent standard of living pertains to overall economic provisioning and share of the population living in households below the national poverty line (Chambers, 2006:8). Whereas the Human Development Index or functioning index provides a measure for the capabilities of individuals, Human Poverty Index focuses on the extent of deprivation using the three dimensions essential to human life (Levine, 2007:8).

## **2.4 THE MEANING AND NATURE OF DEVELOPMENT AND UNDERDEVELOPMENT**

Persistent poverty is attributed to the lack of development, which is often characterized by ambiguity in terms of what development or underdevelopment really means. To comprehend the two terms, it is imperative to understand the change in its real conceptual meaning over the years, following the introduction of the modernization and dependency theories in the early 1950s and 1970s respectively. Both theories have distinct perspectives, each claiming to provide a conceptual analysis in explaining the persistent underdevelopment of Third World countries. In the early 1980s it was suggested that the modernization concept be replaced with the people-centered conception of development to ensure that the poor benefit directly from development interventions through their direct and active inclusion and participation (Kothari & Minoque, 2002:60).

### **2.4.1 The Modernization Theory**

The modernization theory, which dominated development practices in the 1950s and 1960s, emphasized the need for newly independent developing nations to adopt Western ideas and practices, in order to “catch up” with the developed nations (Chitnis, 2005:232). Modernization refers to the transformation, which takes place when a traditional or pre-modern society changes to resemble the technological and socio-economic characteristics of advanced societies (Coetzee, 2004:27). The modernization theory used the term Third World to refer to countries, which shared a number of characteristics that were not equivalent to those of the capitalist First World countries. Third World countries were characterized by low per capita incomes, which translated into low human development (Rapley, 2002:10), which was a result of excessive concentration on the agriculture sector, resulting in the secondary and manufacturing sectors occupying a less important place in the economy.

Modernization portrayed an ultimate stage of socio-economic development for Third World countries with emphasis on economic growth and industrialization to impel

societies to meet basic human needs, since the inability to develop Third World countries was due to lack of exposure to capitalism (Marcus, 2007:75). Rostow proposed the five stage model for Third World countries, which was based on a number of assumptions, namely, that all countries experienced underdevelopment before development; growth and development were assumed to be synonymous, before the take off stage; society will consist of a dual economy, which is the existence of a modern commercial economy alongside a primitive agricultural economy; and finally, at some stage in the development process there will be a trickle down effect of growth and development from more developed to less developed areas, which would ensure the replacement of the dual economy by a single interdependent modern economy (Davids, 2005:11).

The first stage was the “Traditional Stage” where society is characterized by high agricultural engagement, low savings and high illiteracy, which are obstacles for development for the Third World (Rostow 2003:124). Similarly, Lindahl (2005:91) argues that agriculture has a diminishing relative share of an economy both in terms of its share in the Gross Domestic Product and employment. The informal economy is a reflection of failed development in that it is a depository of people who are not absorbed in gainful and productive formal sector employment. Such an economy is characterized by low returns and low ability to enhance productivity.

The second stage is the “Preconditions for Take Off,” which embraces societies in the process of transition where significant progress towards economic growth is made by overcoming the limitations of tradition (Davids, 2005:10). The third stage is the “take off,” which refers to an economy characterized by rapid economic growth and the spread of Western technology in the agricultural and industrial sectors of the economy, which are rapidly expanding and yielding profits to be reinvested in new industries (Rostow, 2003:127).

The fourth stage is the “Drive to Maturity,” which is reached when an economy has technological and entrepreneurial skills to produce anything it chooses to produce (Fair, cited in Davids, 2005:10). The economy demonstrates the capacity and ability to move beyond the original industries which powered its take off and apply the most advanced

technological and entrepreneurial skills over a wide-range of resources, enabling it to compete in the international economy as goods that were formerly imported are produced locally and new import requirements are developed (Rostow, 2003:129).

The final stage is the “Age of High Mass Consumption,” which denotes a society in which leading sectors shift towards durable consumer goods and services. The high-income per capita gives the economy command over consumption resulting in drastic changes in basic food, shelter and clothing comparable to Western nations. This stage would enable the country to become a welfare State in which the growth generated would trickle down to less developed areas of the country (Rostow 2003:130).

The five stages of growth and development, premised on the abovementioned four assumptions, resulted in widespread development aid that characterized most Third World countries. Rostow’s argument was that underdevelopment in Third World countries was due to “obstacles in the way” whose removal would allow development to take its natural course. Protagonists of development aid used this assumption to justify foreign aid programmes, which would be used to remove any “obstacle” to development as the aid would enable steady economic growth, which would lead to development (Davids, 2005:11).

The modernization theory was criticized for having failed to achieve a trickle down growth effect within Third World countries. Many argued that development as modernization exacerbated income inequalities between individuals, urban and rural areas and regions where most Third World countries exhibited the scenario of the wealthy minority alongside the impoverished majority (Mabogunje, 1980:39). The criticisms of modernization led to the dependency theory, which helped explain the underdevelopment of Third World countries by emphasizing the relationship of unequal bargaining, multilayered exploitation and extraction of natural resources by the First World countries.

### **2.4.2 The Dependency Theory**

The dependency theory challenged the modernization approach by stating that the fundamental cause of underdevelopment is the joint condition of dependence and exploitation (Muriithi, 1997:49). The dependency theory counter-argues the assumptions of the modernization theory by accusing this theory of being the cause of underdevelopment in Third World countries. The first assumption was that lack of capitalism was because economies occupied spaces in a pre-structured system, based on power relations, which make it impossible for countries to develop. Exploitation is undertaken through unequal conditions of trade resulting in capital being transferred from the periphery (Third World) to the core (First World) (Graaff & Venter, 2004:82). Such negative terms of trade constitutes an external dependency that the periphery has to overcome in order to develop (Muñoz, 1981:2).

Consequently, the causes of underdevelopment are not to be found in national systems alone but also on the pattern of economic relations between hegemonic or dominant powers and the Third World countries where the perpetuation of inequality between countries is managed by First World countries (Black, 1999:28). Ferraro (1996) distinguished between underdevelopment and un-development where the latter refers to a condition in which resources of a country are not being used in relation to its potential whilst underdevelopment refers to a situation in which resources are actively used but instead used in a way, which benefits First World countries rather than the Third World countries in which the resources are found. Ferraro (1996) states that Third World countries are poor not because they lagged behind the scientific transformation of First World countries but mainly because they were coercively integrated into a Western economic system only to be producers of raw materials and to serve as repositories of cheap labour, which are essential for the continued economic growth of core regions.

Baran (cited in Rapley, 2002:17) states that imperialism had not exported capitalism to Third World countries; rather it had drained the colonies of the resources that could have been used for investment and had killed local capitalism through unfair competition. Similarly, Frank (cited in Rapley, 2002:44) asserts that such relations create dependent

growth or development rather than autonomous development. The economy of Third World countries is distorted so that internal linkages are destroyed and weakened and linkages with external sectors are established which leads to internal fragmentation of Third World countries. Such dependent relations do not enable Third World countries to move along the same development path as First World countries. Whereas modernization theory regards foreign investment and aid as critical to the development of Third World countries, dependency theory views such investment and aid as a means of exploitation. Likewise, Diescho (2002:54) maintains that “foreign aid has never developed a single economy and investments have been made because investors have confidence that they will benefit from their investments.”

The contention is that the success of First World countries does not serve as a model for Third World countries since it is a pretext for uneven distribution of growth, profits and the monopoly of Third World resources. Instead, Third World States should be more concerned with national interests by addressing the needs of the poor within society rather than the satisfaction of external needs. It was argued that for as long as Third World countries were linked to the First World they could never break free of their dependence and poverty. Dependency theory proposes two strategies to be adopted by Third World countries in order to overcome or reverse underdevelopment. The first was the disregard for the sole focus on economic growth, which is not synonymous with economic development of which the latter ensures that economic growth benefits all citizens and not a select few (Ferraro, 1996).

Secondly, Third World countries should pursue policies of self-reliance to ensure controlled interaction to enable Third World countries to establish terms of trade that promise to improve the social and economic welfare of all citizens (Ferraro, 1996). Third World countries should erect ‘walls’ that insulate national economies from the First World which would require the State to drive development rather than leaving it to the whims of the First World and their capitalist system. In Rapley’s (2002:18) words “the State could crush the domination of the parasitic local bourgeoisie and stand up to the might of foreign capital so as to engineer a development strategy that is in the national interest rather than in the interest of a single class.”

The self-reliance proposition is supported by the New Partnership for Africa's Development (NEPAD), which amongst its principles advocates the integration of Africa into the global economy to enable the continent to own its development and extricate itself from the malaise of underdevelopment (Diescho, 2002:2). Keet (quoted in Jauch, 2003) states that "the fundamental problem facing Africa is not its exclusion, but rather the subordinate and exploitative nature of its inclusion into a profoundly asymmetrical global economy." Unless this fundamental problem is addressed, Africa's hopes of achieving development through international trade and investment hold little prospects.

Diescho (2002:44) compares the factors that propelled the success of Europe after the Second World War and those that are needed to ensure development in Africa. He states that, "while Europe only needed reconstruction and rehabilitation, the crisis in Africa calls for a different strategy called *renovation ab initio*- which means starting from scratch or renovation from the bottom-up." This means building anew and transforming the African polity, the African economies and establishing the essential infrastructures and institutions required for development to take off and be sustainable. The proposition of self-reliance encompass socio-economic transformation, which should be accompanied by the politics and policy of restitution, holistic human development and the democratization of the institutions and policy-making processes that will under-gird development (Diescho, 2002:44).

### **2.4.3 The People-Centered Conceptions of Development**

By the 1980s, development was not only viewed as raising per capita income but more importantly to reduce poverty by satisfying basic needs (Mabogunje, 1980:39). The pre-occupation with economic growth pushed people to the periphery of the development process forgetting that development should be about people. Human development is of the people, for the people and by the people. Development of the people builds human capabilities, development for the people translates the benefits of growth into people's lives and development by the people emphasizes that people must actively participate in the process that shape their lives (UNDP, 2003:23). Development should be more people-centered which focuses on socio-economic transformation and empowerment.

Seers (cited in Nafziger, 2007:2) conceived socio-economic development as involving not only economic growth but also conditions in which people in a country have adequate food and jobs and the income inequality among them is greatly reduced. He advances three questions about a country's development, namely; what has been happening to poverty, unemployment and inequality? If two of these problems have not declined from high levels, then it would be a misconception to call the results 'development.' Economic growth should accompany overall development by expanding the capabilities of poor people to enable them to participate in the growth (Watt, 2000:21). The UNDP (2003:22) uses the phrase "growth with equity", which pertains to the quality of growth that is crucial for human development, as opposed to quantity. Johan (quoted in UNDP, 2003:25) states that "growth can be jobless, rather than job creating; ruthless, rather than poverty reducing; voiceless, rather than participatory; rootless, rather than culturally enshrined; and futureless rather than environmentally friendly. Growth that is jobless, ruthless, voiceless and futureless is not conducive to human development."

Empowerment is viewed as an alternative approach to development, which encompasses public participation, social learning and sustainability. Empowerment entails the participation of people for whom developmental initiatives are intended. Without their participation, one cannot claim to be empowering. The empowerment process imparts to beneficiaries the necessary skills and knowledge, which contribute to social learning,



after which people are better equipped to understand the interaction between them and their immediate environment. Freire (cited in Chitnis, 2005:238) states that, the basis of development is to free people from oppression and marginalization by sensitizing them to their circumstances. He uses the term ‘conscientization,’ which refers to people becoming aware of their surroundings thereby enabling them to exercise agency over the oppressors.

Oakley (2001:43) defines empowerment according to participation, capacity building, economic improvement and democratization. Participation connotes emancipatory politics in which people are allowed access to the resources in order to overcome oppression, exploitation and inequality (Chitnis, 2005:244). Capacity building is about creating the conditions conducive to enhancing the performance of individuals by imparting the necessary skills and knowledge, which would enable people to become active rather than vicarious players in the socio-economic processes (Onoge, 1995:1). Economic improvement requires interventions that focus on microfinance and small business development activities whilst democratization refers to the existence of democratic structures and practices (Oakley, 2001:43).

The need for empowerment implies that some people are disempowered by the way power relations in society shape choices and opportunities. Power in development is in binary opposition with empowerment. Giddens (1984) defines power as the transformative capacity held by collectives or elites to bring about societal change. Transformation occurs as people are empowered through consciousness-raising to see alternatives (Lee, 1994:14).

Power is conceptualized in four ways, namely: power over, power to, power with and power within. Foucault (cited in Du-Pisani, 2005) understands ‘power over’ within the context of the interest of a few, mainly the elites who exercise power as a form of domination over marginalized groups in society. The elites who concentrate power within themselves restrict equal sharing of resources and the full participation of all. He advocates a re-conceptualization of power that moves from *potestas* (control) to *potencia* (potential). ‘Power to’ is defined as the ability and resource to capacitate and empower

individuals in order to create a win-win situation for all involved as opposed to seeking obedience or control. The notion of ability, according to Morriss (1987:49) is that one's powers are capacities to do things when one chooses.

'Power with' asserts that power should not be viewed as an individual asset but rather as a collective asset. This implies that power originates from groups and no individual can have power on their own without the support from a group. Arendt (cited in Du Pisani, 2005) equates 'power over' with coercive power and 'power with' with co-active power, which is created when there is an interactive influence between people. In her words, "coercive power is the curse of the universe; co-active power, the enrichment and advancement of every human soul."

'Power within' has been used to interpret the connection between gender and power. Gender is often used as a power structure where women are subordinated to men because men are regarded as superior (Du Pisani, 2005). This perception leads women to think that it is normal and necessary for them not to have any kind of power. Hannan (cited in Pilawa-Podgurski, 2003:9-10) states that "a group of people who are systematically denied power and influence in the dominant society will internalize the messages it receives about its supposed roles and capacities, and will come to believe the messages to be true." Having 'power within' means feeling that one is valuable and important, which enables individuals to have self-esteem and confidence.

#### **2.4.4 The East Asian Development Model- A Success Story**

According to the World Bank (1993) and Hong-Jong (2003:38) the East Asian development model is hailed as successful in achieving high rates of economic growth alongside economic development without the former taking precedence at the expense of the latter. The success of the model has been attributed to its disregard for most of the principles of the modernization theory, which claimed that underdevelopment in Third World countries, was due to their “traditional values,” which acted as obstacles to the realization of economic growth and therefore required the “importation” of Western practices and values. Instead, the East Asian countries pursued what Tiryakian (cited in Zapf, 2003:4) calls neo-modernization, which relied on free political and economic development without converting to Western practices and culture. The East Asian countries owned their own economic development strategies as opposed to them being imposed onto them.

A number of factors are identified as prime movers of the development process, which includes Confucianism values, education, adoption of export oriented policies and State-led development. Confucianism values have been debated and perceived as a stimulus or impediment to the development of capitalism in East Asian countries. These values are based on the principles of benevolence, “familism”, authoritarianism and national consciousness, all of which are fundamentally different from Western values of individualism, rationalism, human rights, and legalism (Hong-Jong, 2003:31).

Modernization theorists have argued that the inability for East Asian countries to modernize was due to the Confucianism values, which inhibited change and the development of industrial capitalism (Zurndorfer, 2005:3). In contrast, Confucianism values have been praised for their ability to create a development State for the East Asian economies. A benevolent government, which is one of the values of Confucianism, enabled the economies to meet its people’s basic needs, which led to East Asian economies adopting State-led development.

A commitment towards education raised management capability and technological expertise, which all expedited economic development through increased productivity

(Hong-Jong, 2003:32). Education enabled the agricultural labour force to move out of primary products to manufactured products, which in turn led to an export orientated practice. An emphasis on export promotion forced the local people and industries to learn how to compete with First World countries through the imposition of import restrictions to protect domestic industries (Ramos, 2004:171-172). Such a process paved the way for the East Asian countries to integrate their national economies, thereby enabling a process of interdependence among the various segments of society. Many of the rural industries were woven into the fabric of economic success, enabling East Asian economies to adjust to changing global market conditions and creating competitive markets for themselves (Pempel, 2004:74).

The agricultural sector was not neglected as it was regarded as the mechanism for obtaining resources that were needed to develop all the other sectors within the country. The role of the agricultural sector was to generate an agricultural surplus, which could finance all the other industries within the respective countries. This was in contrast to the Third World pattern in which the agricultural sector was unmercifully exploited by exporting raw materials to First World countries and importing manufactured products (Thorbecke & Wan, 2004:29). Unlike Third World countries, the East Asians implemented strict policies that prevented the exploitation of their limited raw materials.

The World Bank (1993) defined the East Asian model as “a functional framework of growth in which macroeconomic stability, superior accumulation of physical and human capital, efficient allocation and catching up with advanced foreign technology were important elements that supported growth with equity.” Similarly, Hong-Jong (2003:38) asserts that the East Asian economic development model was seen as fundamentally different, but yet superior to the Western model of development.

The next section presents a discussion on the role of government and market in poverty alleviation and reduction.

## **2.5 THE ROLE OF GOVERNMENT AND MARKET IN POVERTY REDUCTION**

Every country is confronted with the challenge of developing its people, given the extent of poverty in the world. The African continent is caught up in a complex development situation in which it is facing numerous socio-economic challenges. Contemporary debate on addressing developmental issues centers on opposing views on the role of government and the private sector in addressing poverty. Governments are required to play a major role in the development of its people. However, the private sector has an equally indispensable role in development alongside government. It is therefore imperative to identify the strengths and weaknesses of both sectors to enable each sector to form a better understanding of the type of development programmes to be performed (Kauzya, 2005:1). The challenge is to make public policy work in collaboration with the private sector to promote a better quality of life for all citizens.

### **2.5.1 The Role of Government in Poverty Alleviation and Reduction**

The existence of government is justified on the Latin concept of, *pro bono publico* (for the benefit of the people), which suggests that the role of government is to provide goods and services in the interests of the people (Davids & Maphunye, 2005:52). The doctrine of public interest describes shared interests of society and the removal of social barriers that oppress people's capacity to securing certain advantages in society. Thus, government has a moral responsibility to formulate and implement effective poverty reduction strategies to relieve the plight of the poorest segments of society.

Formulating effective poverty reduction strategies requires a distinction between poverty alleviation and reduction, terms which are closely linked and often taken to mean the same thing, yet they connote different societal scenarios. Given that poverty is also defined as the inability to satisfy basic human needs due to lack of income, than poverty alleviation refers to "lifting the poor out of poverty through direct (redistribution) or

indirect (economic growth) measures” (Dada, 2005:12). Poverty alleviation is merely a means of meeting the basic survival and material needs of the poor. The common slogan is “giving a man a fish in order for him to survive.” Poverty reduction is the creation of opportunities for the poor to develop their social capital to obtain basic needs for themselves rather than it being given to them (Kaen, 2007:4). It is the creation of wealth, which includes the provision of income generating skills (teaching the poor how to fish); availing the necessary tools required by the poor (directing the poor to the river) and creating a demand for the skills obtained (Dada, 2005:18), all of which form part of empowering as opposed to merely assisting the poor. Worthy of note is that the two concepts are intertwined such that the one is an extension of the other.

Enhancing the welfare of citizen’s, means that a democratically elected government will adopt policies of socio-economic development, in order to address issues of social profitability, economic viability and political profitability (Nsingo, 2004:10). The World Bank (2000:38) states that poverty reduction is an outcome of social, economic and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation of the poor. Social profitability is the process in which government ensures that society benefits from goods and services that it expects to receive as part of the social welfare agenda. This is done through the creation of legal, regulatory and policy frameworks that promote social inclusion in order to ensure that public expenditure addresses basic human services, such as *inter alia*, housing, health, sanitation and education.

Economic viability requires governments to ensure that the productive capacities of communities are improved in a sustainable manner (Nsingo, 2004:10). It means removing the barriers that work against particular groups and building the assets of poor people through land ownership and access to financial services to enable them to engage effectively in markets. Expanding economic opportunities for poor people contributes to their empowerment; however, efforts should be made to strengthen the administrative and regulatory capacity of social institutions to work in the interests of the poor (World Bank, 2000:39).

Political profitability requires governments to ensure that communities are governed properly and their consciousness to participate in national politics is raised in a manner that will enable them to make correct social, economic and political choices (Nsingo, 2004:10). This requires the establishment of structures that promote and support participation of people in determining the direction and content of their development (Kauzya, 2005:9). The dictum that development is about people implies that the people themselves should play the most extensive role in their own development, which differentiates between entitlements (hand-outs) and empowerment. The former creates dependency whilst the latter creates independence and self-determination (Gergis, 1999:i).

The obligation to pursue the above objectives remains a challenge for government, considering the lack of financial and administrative capacity to effectively perform. Governance is a multifaceted concept, one of whose principles is the promotion of public-private partnerships, which shows a government that creates an enabling environment for the private sector to jointly address poverty. Kauzya (2005:4) maintains that an effective government focuses its capability on the fundamental tasks it must perform and leverages its capacity shortfalls by creating partnerships and networks with the private sector in order to redefine and determine the mission, mandate and challenges that the respective actors should concern themselves with. The formation of public-private partnerships is a means to make commercial forces work for the poor in the most effective manner (Lindahl, 2005:155). The East Asian development model is an example of pro-active governments that established the direction of the economies and manipulated the market forces to drive economic development alongside equity, demonstrating that government can perform best in cooperation with the private sector (Khan, 2001:10).

### **2.5.2 The Role of the Private Sector in Poverty Alleviation and Reduction**

The general public expects the private sector to be socially responsible by ensuring that social goals are part of their overall business operations (Post, Frederick, Lawrence & Weber, 1996:36-37) in order to enhance public services and improved development. The corporate social responsibility principle infers that the private sector is an important development agent considering the benefits offered in the form of resources and capabilities required for development purposes. Feldberg (cited in Le Bruyns, 2007:2) addresses the relationship between “business profits and social responsibility” in which he claims that the business in its functioning depends upon public consent and therefore, it is compelled to contribute to the well-being and development of the greater society. The principle of corporate social responsibility does not mean that a company should abandon its primary economic mission of profit making; instead, a balance between the costs and the benefits to be gained should be made in order to ensure that business and society gain from being socially responsible (Post, *et al.*, 1996:36-37).

The inability of poor people to accumulate assets as part of wealth creation has been a contributing factor in widespread poverty, which is often blamed on financial institutions that fail to avail the necessary financial services to the poor. Access to financial services promotes economic opportunities for the poor, resulting in an increased asset base thereby reducing their vulnerability to external shocks (Okyere, 1993). Financial institutions are often perceived as merely serving the needs of formal businesses, in the process neglecting the social and economic needs of poor people. Among the reasons for the financial exclusion of poor people is the perception of them being a high-risk group who lack usable collateral, lack a credit history and the inability to raise the minimum deposit required for opening a savings account (Mutua & Oyugi, 2006:1). Such high requirements merely aim to further disadvantage the poor as they restrict socio-economic development and limit the opportunity of talented poor people to start profitable projects. To address the financial constraints, the Organization for Economic Co-operation and Development (2006:53) maintains that financial institutions can adopt practices that improve opportunities for the poor to expand their capacity for self-development. The Organization for Economic Co-operation and Development (OECD) recommends two



roles of financial institutions. The first role recommended by the Organization for Economic Co-operation and Development is that financial institutions should develop financial systems that are all inclusive in that they enable poor people to have access to a wide-spectrum of affordable financial services, such as savings, credit, insurance facilities and affordable payment instruments.

Savings facilities act as a precaution against unforeseen events that enable the poor to meet emergency consumption needs (Adongo & Deen-Swarray, 2006:8) and used to finance investments in housing, development of SME and education, of which the former two can be used as collateral. Flexible and convenient credit facilities enable the poor to borrow funds to cover emergencies and start income generating activities, which enable them to build a reliable credit history for purposes of loans from large financial institutions (Adongo, *et al.*, 2006:8). Von-Pischeke (1997:7) differentiates between constructive and irresponsible credit. The former promotes entrepreneurship in the form of SMEs and productive investment and expenditures that improve human welfare, whilst the latter results from lenders who fail to manage credit risk. Small Medium Enterprises are the backbone of most economies because they provide employment opportunities, technological innovation and the expansion of export activities (Arnold, Grossman, Mwatotele, Stork, & Tobias, 2005:2). The East Asian countries have shown the success of SMEs, which account for 60 percent of output whilst most African countries have developed policies to promote SME development; yet statistics reveal that the development of SMEs is inhibited by the absence of a business environment, which disadvantages the poor (Inside Southern Africa Trade, 2006:16).

Insurance facilities are a way of dealing with credit risk since they enable the poor to protect themselves against risk management, social security and loan protection (Adongo, *et al.*, 2006:8). The lack of sustainability due to faulty financial strategies in risk management has often resulted in asset sales of the poor, and damages their long-term income prospects (Organization for Economic Co-operation and Development, 2005:53). Equally important is the need for affordable payment instruments that would lower the cost of payment transactions thereby allowing the poor to divert income to other pressing needs. Access to the above facilities are instruments that directly and indirectly empower

the poor to have ‘power over’ their own income and property, power to become self-reliant and inculcate self-esteem, which creates awareness of their own potential and individuality.

The Financial Usage Index is used to measure the degree of financial sophistication, which determines the financial services offered and difficulties experienced with using financial services. The higher the index, the broader the financial services and instruments used to advance access to financial services. The index is composed of four key requirements, namely, the sources of start up funds, sources to fund shortfall in cash flow, sources to fund business expansion and the usage of other known financial services (Arnold, *et al.*, 2005:30).

The second role proposed by the Organization for Economic Co-operation and Development (2005:54) is that financial institutions should move away from a narrow focus on financial provision to non-financial services, which should augment the services of government. Non-financial services should facilitate the financing of investments for basic services to the poor, such as improving housing, health, and education through training and skills sharing. Education increases the productivity of their enterprises and income earning power. Hence, financial institutions should promote business-training courses such as management courses, business skills, and offer specific training courses in construction or welding, amongst others (Arnold, *et al.*, 2005:41). If a poor person’s business is to be sustainable; training, skills upgrading and marketing support are all vital for the success of the business. Failure to provide non-financial services undermines any development strategy.

The next section presents a discussion on policy implementation and monitoring which are key determinants of the effectiveness of any development strategy geared towards poverty reduction.

## **2.6 POLICY IMPLEMENTATION AND MONITORING**

The socio-economic challenges in Africa require governments to recognize the significance of the policy-making process upon which poverty reduction is dependent. The eroded policy capacities of government presents a challenge to formulate and implement “good public policy,” which is defined by Peters (1996:9) as one that can be implemented successfully to achieve positive impacts on the public issues it was intended to address. Of concern in the policy process is policy implementation and monitoring, which are often undermined, yet are amongst the key determinants to good public policy. Moreover, government’s eroded capacity implies that the many socio-economic challenges cannot be solely managed within the public sphere; hence, the need to promote the practice of good governance, which includes, *inter alia*; participation, consensus reaching, transparency and responsiveness (Adrein & Jobin, 2008:146).

### **2.6.1 Policy Implementation**

Policy implementation is defined by Van Meter and Van Horn (quoted in Brynard, 2000:4-5) as “actions by public or private individuals directed at the achievement of intended objectives.” The definition makes a distinction between policy implementation and evaluation. The latter determines the policy impact by asking, “What happened?” whereas policy implementation asks, “why and how did it happen?” Cloete (cited in Sixolo, 2007:4) opines that together with policy development and evaluation, policy implementation is the most important pillar on which the policy process is based. Pressman and Wildavsky (cited in Brynard, 2000:177) define implementation as a noun and verb in which the former refers to a state of having achieved the intended goals of the policy whereas the latter pertains to the process of implementation, which is everything that happens in trying to achieve the policy objectives.

Brynard (2000:165) identifies five key variables or 5C protocol used to study the implementation process. These are: content, context, commitment, capacity, and clients and coalitions. The ‘content’ of the policy refers to goals and objectives outlined, how

directly the goals relate to the issue (causal theory) and the manner in which the perceived problem will be solved (method). The institutional 'context' relates to the standing operating procedures through which the policy must travel and by whose boundaries it is limited in the process of implementation. The 'commitment' refers to those entrusted with carrying out the implementation at the various levels of the goals, causal theory and methods of the policy. The administrative 'capacity' relates to the capability of implementers to carry out the changes desired whilst 'clients and coalitions' is the support from those whose interests are enhanced or threatened by the policy and the strategies employed to strengthen or deflect the implementation process (Brynard, 2000:165).

Khosa (cited in Brynard, 2005:10) asserts that ineffective implementation is a result of unrealistic policies, lack of expertise, the absence of people driven processes and insufficient coordination, which ultimately undermines service delivery. To minimize implementation constraints, policy-making should be undertaken in a cooperative and interactive manner between and within public and private sectors (Sixolo, 2007:1). Klijn and Koppenjan (2000:136) maintain that the policy process should be a result of interplay among a multitude of actors who have the relevant capacity and knowledge to formulate and implement good public policies.

The network approach in policy implementation is in contrast to the traditional top-down and bottom-up approaches of implementation. The top-down approach is a bureaucratic form of implementation in which policy takes place at the top level of government disregarding all other actors and beneficiaries of the policy whilst the bottom-up approach allows local actors and target groups in the policy process (Mngxali, 2006:5). The bottom-up approach is a response to the top-down approach but has been criticized for being inconsistent and one-sided in that it emphasizes the retreat of government, resulting in what Kickert, Klijn and Koppenjan (1997:8-9) refer to as "throwing the baby out with the bath water" for the benefit of local actors. Sabatier (1993:279) maintains that just as the 'top-downers' overemphasize the importance of politician's *vis-à-vis* the local actors, the 'bottom-uppers' over-emphasize the ability of local actors to frustrate the center. The weaknesses of both approaches require incorporating the strengths of each

approach. Consequently, the network approach, which recognizes that no single model of policy implementation will generate policy accomplishment, is a response to this conflict. The network approach proposes that policy implementation is a result of interaction and collaboration among separate but mutually dependent actors (Pülzl & Treib, 2006:11).

Hood (cited in Lane, 1995:101) provides factors that would ensure “perfect implementation” but states that such a scenario would not be possible in reality. “Perfect implementation” requires a unitary administrative system, enforcement of uniform rules or objectives, clear and authoritative objectives implementable on the basis of perfect obedience, control, coordination and information within and between administrative units, absence of time pressure and unlimited material resources for tackling the problem. According to Lane (1995:101) and Kickert, *et al.*, (1997:8) the “perfect implementation” model is an ideal construct to understand implementation failure since implementation is approached from a narrow focus, when in fact it requires symmetrical relations of exchange and negotiation, considering the limited capacities, uncertainties and complexities involved in implementation. Similarly, Edwards and Sharkansky (cited in Brynard, 2000:164) identify the necessary pre-conditions for successful implementation and obstacles, namely; communication, resources, dispositions and bureaucratic structure.

Hjern and Porter (quoted in O’Toole, Hanf & Hupe, 1997:140) state that “there is no single implementation structure for national policies; rather there is a collection of localized implementation structures, each comprising a distinctive array of public and private actors.” The required ethos is a ‘policy implementation network,’ which is highly differentiated and consists of a complex array of public and private organizations involved in the translation of policy intentions into appropriate outcomes (O’Toole, *et al.*, 1997:141). Korten (1990:143) uses the concept of “agency” in development, which is the network of institutions and actors that through their actions and interactions produce development. Development agency reveals the “open secret” of development in which results are determined by power relations. Diescho (2002:56) emphasizes the need for a “common room culture,” which is an environment of dialogue wherein no one person knows the truth but every participant contributes as an equal in search of the truth.

A success criterion for policy implementation is the realization of collective action to establish a common purpose or avert common threats. In policy implementation networks, the lack of incentives to cooperate, existence of blockades to collective action, vague goals, the absence of important actors and conflicting interests are all causes of implementation failure (Kickert, *et al.*, 1997:9). However, Klijn, *et al.*, (2000:139) maintain that cooperation requires game management and network constitutions for a common purpose to be reached to ensure that each actor understands its role, contribution and resources required. The role of government in networks is that of a network manager or builder that arranges and facilitates interaction in such a way that problems of under and non-representation are properly addressed and interests are dealt with in an open, transparent and balanced manner. This requires flexibility in communication with other actors and on the basis of acquired information, is able to learn from the situation that arise and mobilize the necessary innovative resources to make joint solutions possible (Kickert, *et al.*, 1997:181) so that each actor plays a constructive role.

### **2.6.2 Process Monitoring and Process Evaluation**

Process monitoring and process evaluation both aim at determining the relationship between policy formulation and implementation. Process monitoring is defined as the routine documentation of data describing the characteristics of the population served, the services provided and the resources used to deliver those services (Mutua, 2005). Process evaluation, on the other hand, is the assessment of a programme's conformity to its design, programme implementation and the extent to which it reaches its intended beneficiaries (Mutua, 2005). The implementation process requires information to determine whether the policy or programme is progressing towards achieving its intended objectives and reveal the obstacles and constraints of the implementation process (Segone, 2008:7).

Both process monitoring and process evaluation perform fundamental functions of compliance and auditing by addressing the questions of "What is happening, how is it happening and why is it happening" (Dunn, 1994:335). Compliance helps determine whether the actions of policy implementers are in accordance with the standards, procedures and programme formulation (United States Government Accountability Office, 2005:2) whilst auditing determines whether resources and services intended for certain target groups and beneficiaries have actually reached them and are benefiting from the policy (Dunn, 1994:336).

Effective process monitoring and process evaluation should ask specific questions of: did the policy meet its process objectives, is the program being implemented according to plan, what are the type and volume of services provided, and who was served among the population at risk (Handler, 2002). Failure to monitor and evaluate the process of implementation undermines effective implementation, which hampers the achievement of positive policy impacts. Cracknell (2000:71-72) asserts that policy impact evaluation can only be conducted effectively, if policy monitoring has been done during the implementation stage.

The next section briefly discusses corruption and its impact on human development.

## **2.7 CORRUPTION AND ITS IMPACT ON HUMAN DEVELOPMENT**

Poverty and inequalities constitute immense challenges for most governments. One root of the problem is the dysfunctional public and private institutions characterized by endemic corruption, which undermines development efforts (Ellis, 2001:1). Transparency International (cited in Ellis, 2001:1) defines corruption as “a legal wrong, which arises from a particular conduct or activity suggesting moral bankruptcy of an individual, government or private sector.” It is the abuse of power and authority by those entrusted with responsibilities in the respective sectors, who violate their duties aimed at obtaining undue advantage of any kind for themselves and/or others.

Corruption is measured by using the International Transparency Index and Public Integrity Index. The International Transparency Index collects data on the perception of corruption in a given country and ranks the country from 10-0, with 10 equating “no corruption”, and 0 meaning “highly corrupt.” The Public Integrity Index provides a quantitative scorecard of governance practices in a given country (Zero Tolerance for Corruption Campaign, 2004). High corruption is detrimental to economic growth, income equality and the allocation of government expenditure. Corruption undermines the achievement of intended objectives by diverting public resources away from the intended purposes and beneficiaries (Transparency International, 2005:3) to a small group of well connected elites.

Furthermore, corruption undermines good governance. In order to minimize or eradicate it, there needs to be political, social and economic systems that fully institutionalize the principles of governance, and to ensure that the needs of the most vulnerable are effectively responded to (Sheng, 2004:2). Endemic corruption corrodes the trust and legitimacy of government since it results in the government apparatus being used for personal enrichment at the expense of the poor. Minimizing corruption is a pre-requisite for ensuring the consolidation and sustenance of Africa’s hard won political independence (Tjingaete, 1997:6).



## **2.8 Chapter Summary**

The chapter began with a discussion on the moral and philosophical underpinnings of Broad Based Black Economic Empowerment followed by a discussion on the concept and measurement of poverty. The discussion implies a need for poverty reduction strategies that address the diverse causes of poverty in all its dimensions. The broader objective of development was also discussed by outlining some of the reasons why Third World countries are subjected to widespread poverty and underdevelopment. The people-centered development, which connotes empowerment, proves to be the best manner in which people's socio-economic circumstances could be improved in a sustainable manner. Moreover, the East Asian development model serves as an emulation model for Third World countries, provided that the emulated practices are contextualized to ensure economic growth alongside equity.

The roles of the government and market were discussed in an attempt to comprehend the respective roles of each, as representatives of the public interest. The conclusion is that government cannot achieve overall development on its own, since the private sector, through the provision of financial and non-financial services, has an equally important role to play in the ultimate empowerment of the poor. Subsequently, the concepts of policy implementation and monitoring were discussed as key determinants of good public policy. The section emphasized the need to establish policy network implementation in order to ensure effective implementation. A discussion on corruption concluded the chapter by outlining the negative consequences of endemic corruption on good governance and human development, which characterizes most poverty reduction strategies. The contention is to eradicate or at least minimize endemic corruption in the implementation of poverty reduction strategies, if development efforts are to benefit the least advantaged members of society.

The following chapter discusses the current (2008) development practice in Namibia. It reviews Namibia's socio-economic profile at and after independence, with a discussion on the various poverty reduction initiatives undertaken, followed by a comprehensive discussion on the concept and practice of BEE and BBBEE.

## **CHAPTER 3 THE DEVELOPMENT PRACTICE IN NAMIBIA**

### **3.1 Introduction**

As part of the literature review, chapter three represents the descriptive part of the study in which the nature of socio-economic challenges in Namibia is presented. The objective of the chapter is to impart an understanding on the role of BBBEE in the socio-economic discourse of Namibia, in light of the prevailing socio-economic challenges. In other words, how could BBBEE be implemented and practiced so that it ameliorates the socio-economic challenges facing Namibia?

Section one presents an overview of the socio-economic profile of Namibia at and after independence, and the main causes of poverty. The aim is to acquaint the reader with the prevailing and extent of the socio-economic conditions, which constitute the point of departure for understanding the role of BBBEE. Section two discusses some of the poverty reduction strategies adopted during the post-apartheid era to redress the socio-economic disparities. A brief discussion on the performance of the respective poverty-reduction initiatives is provided in order to outline the existing challenges. The final section discusses the concept and practice of BEE and BBBEE and the proposed models for implementation for both the public and private sectors. The section delineates the role of BBBEE in narrowing the poverty and inequality gap. The section concludes with a general synopsis on the perception and practice of BEE in Namibia.

Although the discussed models for BBBEE implementation are of South African origin, the aim is not to encourage a “copycat culture” but rather to understand how BBBEE could be implemented in all sectors, be it in South Africa or any other African country. The suggestion is that Namibia should learn from the models but contextualize them in relation to the unique circumstances of both the public and private sectors in the country.

### **3.2 The Economy of Namibia at Independence**

The current (2008) economic, social and political situation of developing countries cannot be properly understood without an adequate understanding of their historical background. The poor economic performance of Africa remains a major concern facing development practitioners, Namibia being no exception. The primary reason often used to explain Namibia's socio-economic challenges is its apartheid history of exploitation and extraction. Paul (quoted in Nunn, 2003:2) maintains that "a large number of structural features of the process of economic underdevelopment have historical origins going back to European colonization," which impacted on the post-colonial patterns of growth, capital accumulation and human development.

Namibia underwent more than hundred years of colonialism and apartheid under the German and South African regimes respectively. It has been argued that the socio-economic underdevelopment, which prevails today is a result of key structural and economic factors that prevailed during the apartheid era, which included, *inter alia*; land dispossession, repressive labour systems, capital accumulation facilitated by the establishment of reserves for cheap labour and discrimination and the imposition of the Bantu education system (Office of the Prime Minister, 2008:7). At independence, Namibia had a population of 1.4 million of which the aforementioned factors served to consign the black majority to severe poverty and inequality.

The attainment of political independence was not accompanied by economic independence in that the economy remained under the control of South Africa. Testimony to this was the failure of South Africa to give up control over Walvis Bay in the early 1990s, thus enabling South Africa to retain substantial power over Namibia's external trade by controlling the money supply and trade flows (Freeman, 1992), which undermined Namibia's position in the global market. The productive sectors of the economy were controlled by the South African oligopoly, resulting in the export of 80 percent of raw materials and the import of 90 percent of goods and services from South Africa (Jauch, 1998:50). Freeman (1992) describes the situation as "an economy that

produces what it does not consume and consumes what it does not produce”; creating an economy that is highly volatile to uncertain international market prices.

The control of key productive sectors by foreign companies caused wealth to be exported rather than reinvested in productive industries in the economy (Adams, 1990:26), since the economy was shaped by the imperialist interests of both South Africa and the Western transnational corporations (Jauch, 1998:52). This analysis corroborates the view of dependency theorists, who argued that the cause of underdevelopment in Africa was a result of the joint condition of dependence and exploitation by the “core”. In Namibia’s case, South Africa was the “core” and Namibia was the periphery in which exploitation was undertaken through the imposition by the “core” of unequal conditions of trade, which led to capital being transferred from the periphery (Namibia) to the “core” (South Africa). Such relations of exploitation led to Namibia experiencing acute underdevelopment as a result of dependent growth and development rather than autonomous development.

Compounding the structural constraints was the application of South Africa’s apartheid policy in Namibia, which denied blacks access to land, employment, entrepreneurship opportunities and access to basic social services, such as quality health, housing and education (Gaomab, 2004). The dispossession of blacks of their land and the imposition of the Bantu education system are blamed for crippling the capacities of blacks since the latter created an inferior education and training for blacks to that of whites and coloureds (Brunnette, 2006:45). Namupala (2000:17) states that Bantu education was a deliberate attempt intended to confine blacks to basic and irrelevant training that ensured that they remained farm workers for the whites. The long-term effects of this policy were that blacks were not geared to serve the needs of an economy devastated by the negative consequences of apartheid.

At independence, Namibia had the most unequal income distribution in the world, coupled with a denial of access to productive resources and social services (Jauch, 1998:65), despite a per capita income of US\$ 1 960, ranking Namibia as a lower middle income country (National Planning Commission, (NPC) 1994:4). The whites had an

annual average per capita of US\$ 16 500, compared to the US\$ 750 earned by blacks, resulting in 38 percent of the population being relatively poor and 9 percent extremely poor. The Gini-coefficient was estimated at 0.701 whilst the Human Development Index and Human Poverty Index was estimated at 0.607 and 29 percent respectively (Levine, 2007:8 & 11) and unemployment was at 19.5 percent (Ministry of Labour & Social Welfare (MoLSW), 1997:47).

Marcus (2007:80) analyzed the apartheid regime and advanced the thesis of “Colonialism of a Special Type,” which portrays a relationship between the white South Africans who had all the features of an advanced capitalist State and the black South Africans who were subjected to extreme oppression, poverty and exploitation. Colonialism of a Special Type is used to explain the symbiotic relationship that existed between the Apartheid State and capitalism, which pursued the systematic exclusion of the black people from the mainstream economy. For capitalism to accumulate wealth, it relied on the Apartheid State to provide cheap labour by blacks. Similarly, Mbuende (quoted in Haidongo, 2000:13) states that “in Namibia capitalism developed alongside a system of racial stratification resulting in socio-economic stratification. The majority of blacks are peasants, the coloureds are tradesmen and the whites are managers and capitalist farmers.” Apartheid ensured for the political, economic and social disempowerment of blacks whilst the whites accrued all economic resources.

Consequently, at independence, Namibia faced the daunting challenges of overhauling the socio-economic fabric severely distorted by apartheid in order to extend the benefits of development to the black majority who were excluded from the mainstream economy and the enjoyment of basic human needs. The challenge was to avail economic opportunities to the black majority to ensure that they became active participants in the development process.

### **3.3 The Present (2008) Socio-Economic Profile of Namibia**

Poverty reduction and human development have been at the centre of government's initiatives since independence, yet current statistics reveal saddening conditions and prospects for Namibia's overall development given the high rate of poverty and inequality. With an estimated population of 1 830 000 people, Namibia is at present classified as a lower middle income country with an income per capita of US\$ 2 975, which is one of the highest in Sub-Saharan Africa after South Africa and Botswana (Harris, 2007). However, the high-income per capita is dampened by the high rates of poverty and inequality in the country.

The national poverty line of between N\$ 250 and N\$ 500 per month is used to separate the 'poor' from the 'non-poor.' Similarly, the food consumption ratio, which measures the food consumption as a proportion of overall consumption states that, if 60 percent or more of the household's total consumption is spent on food, then the household is considered poor while a household is considered as very poor if 80 percent or more of household consumption is spent on food (NPC, 2006:121). Based on these ratios, 4 percent of households are classified as very poor while 24 percent are poor. The proportion of very poor households is 6 percent in rural areas and 1 percent in urban areas whilst 36 percent of rural households are classified as relatively poor and 6 percent of urban households are relatively poor (NPC, 2006:121).

The ability for Namibia to make substantial progress in reducing poverty is complicated by the highly skewed income distribution, given that the Gini-coefficient stands at 0.604 (NPC, 2006:vi), which is among the highest in the world. The bottom 20 percent of households receive only 1.85 percent of total expenditure per capita whereas the top 20 percent are receiving 74.8 percent of expenditure (Van Rooy, Roberts, Schier, Swartz, & Levine, 2006:14). Income inequality in Namibia has geographical dimensions to it. For example, the most affluent region (Khomas) has an income per capita of N\$ 22 367, which is six times higher than that of the worst-off region (Ohangwena), with an income per capita of N\$ 3 467. Furthermore, urban areas have incomes per capita averaging N\$ 15 393, which is three times higher than the average of N\$ 4 919 per capita of rural areas.

Over and above the rural-urban income divide, it has been found that there is a wide disparity in income among different language groups. A specific example is that of German speaking Namibians, whose income is, on average, N\$ 77 630. This is thirty times that of the San speaking people, whose average per capita income is N\$ 2 570 (NPC, 2006:97).

Apart from the income definition and measures to poverty, Namibia has not devised a contextualized and multidimensional definition of poverty, despite a regional study on Participatory Poverty Assessment, which was conducted in 2004 (NPC, 2005). Nonetheless, Namibia relies on the Human Development Index and Human Poverty Index proposed by the UNDP to measure the extent of capabilities and deprivation respectively. According to the UNDP (2007) Namibia has lower levels of human development compared to its level of income. The Human Development Index is estimated at 0.650 for 2005, ranking Namibia 58<sup>th</sup> among 108 developing countries whilst the Human Poverty Index is at 26.5 percent (UNDP, 2007). Although the estimates of both the Human Development Index and Human Poverty Index show an improvement compared to those of 1994, they still indicate that more than a third of the people suffer from human poverty (Levine, 2007:1). Wangwe (2003:35) states that Namibia, with its ever increasing level of income, can achieve high levels of human development, considering that countries such as Cuba and Malaysia, with similar or lower levels of income respectively, have managed to achieve high levels of human development than Namibia.

With a population of less than two million and a relatively high-income per capita, Namibia should not have extreme poverty in its midst. Although at independence Namibia could justifiably blame the massive poverty and inequality on apartheid, 18 years after independence; the blame is no longer justifiable. Indeed, at times it is even misleading and often negates the real issues.

### **3.3.1 The Main Causes of Poverty in Namibia**

Poverty in Namibia takes on several socio-economic dimensions, of which the main causes are the inadequate economic growth, high levels of unemployment, income inequality, HIV and AIDS, and corruption. Significant economic growth accompanied by equity benefits the poor substantially. However, Namibia's annual economic growth rate of 4.1 percent has fallen short of what is required to accelerate development (Mueller, Dwight, Strauss, Clausen & Ramcharan, 2006:18). According to the United Nations (cited in Mueller, *et al.*, 2006:18), the slow growth rate makes it impossible for Namibia to halve the extent of poverty by 2015, since an average growth rate of 5½ percent is required. The NPC, (2007:10) attributes the sluggish growth rate to an economy dependent on exporting raw materials in exchange for manufactured goods. Apaulard (2003:14) recommends effective trade policies, inflation regulation and provision of basic services to enable adequate economic growth.

The high rates of unemployment indicate that the economy has not produced enough jobs. In the broadest sense, unemployment is a term that is used to define those aged between 15 and 65, and are without work, but are available for work regardless of whether they are looking for work or not (MoLSW, 2004:22). Based on this broad definition, unemployment in Namibia stands at 36.7 percent, which is a significant increase from the 19 percent at independence. Moreover, unemployment has gender and geographical dimensions as 43.4 percent of women are unemployed compared to 30.3 percent of men. Rural areas have an unemployment rate of 44.7 percent compared to 29 percent for urban areas (MoLSW, 2004:39-44). The youth are the most affected since 61 percent of those between the age group of 15 and 24 are unemployed (MoLSW, 2004:64). Common causes of high unemployment are low levels of education, lack of relevant training and skills, which further result in less economically productive and low-income earners.

The high-income inequality remains a great challenge since it hampers sustainable economic growth and poverty reduction. Alweendo (2005) states that the limited economic growth achieved have not been evenly distributed. He reaffirms the



relationship between economic growth and income inequality in that economic inequity leads to income inequality and high-income inequality slows economic growth. Greater investment in human capital would enhance the growth potential of Namibia's economy.

The HIV and AIDS pandemic has emerged as the main obstacle to economic development and poverty reduction efforts. The prevalence rate is estimated at 23 percent amongst the adult population aged between 15 and 49 (Ministry of Health & Social Services, 2006:10), which results in loss of productivity and skills; and diminished growth prospects. The challenge is to mitigate the impact on socio-economic development by intensifying national poverty reduction efforts and continued support for those infected.

Corruption in Namibia is on the increase given the number of media reports. According to the Namibian Institute of Democracy (2005:20) "Namibia as a small economy has a high rate of corruption perpetuated by government officials who have more resources at their disposal with weak control measures." In 2003, the Transparency Index ranked Namibia 41 out of 133 countries, which represents a drop of 11 places from 30<sup>th</sup> position in 2002 and scored 4.7 out of 10, which indicates that the country has a "corruption problem." The Public Integrity Index, which tracks corruption, openness and accountability, gave Namibia a "weak" integrity rating (Zero Tolerance for Corruption Campaign, 2005).

The extent of poverty, unemployment and inequality evidently implies that not much development is taking place since the aforementioned have shown limited or no decrease since independence. Hence, Namibia is bordering on being classified as a "poorly disordered society." A poverty reduction strategy should focus on raising productivity through training and employment, alongside a rapidly growing economy and mitigating the negative effects of HIV and AIDS, and corruption on development efforts. The diverse causes of poverty imply that no one policy in itself would ameliorate poverty. For this reason, Namibia needs to implement broad-based poverty reduction strategies in order to address the multi-faceted causes of poverty.

### **3.4 POVERTY ALLEVIATION AND REDUCTION INITIATIVES IN NAMIBIA**

#### **3.4.1 Vision 2030 and the National Development Plans**

Given the dimensions of poverty and inequality, the formulation and implementation of redistributive policies was imperative as efforts aimed at further emancipation. The Constitution of the Republic of Namibia of 1990 is the foundation upon which redistributive policies are premised in order to address the apartheid disparities. Article 10 of the Namibian Constitution advocates the promotion of non-discrimination and equality for all people, irrespective of race, gender and ethnic origin, religion, or socio-economic status (Government of the Republic of Namibia, 1990:8). Article 23 (2&3) stipulates that “nothing shall prevent Parliament from enacting legislation for the advancement of persons who have been socially, economically and/or educationally disadvantaged by past discriminatory laws or for the implementation of policies and programmes aimed at redressing existing imbalances wherein women will be accorded preference to play a full and equal role in all spheres” (Government of the Republic of Namibia, 1990:14-15).

Since independence, the government has pursued a number of socio-economic policies and strategies to encourage the redistribution of wealth and opportunities to previously disadvantaged Namibians. In 2004, Namibia introduced Vision 2030, a roadmap, which aims to improve the quality of life of all Namibians and promote human development comparable to that of the developed world. Vision 2030 will be achieved through the establishment of legislation, multiple alternative development strategies that eliminate marginalization and promote equity in access to social services and productive resources (Government of the Republic of Namibia, 2004:9). The Vision, therefore serves as a broad unifying vision, which guides all development strategies and provides direction to all relevant sectors based on the formation of partnerships and policy synergies to effectively link long-term perspectives to short-term planning (Government of the Republic of Namibia, 2004:10).

The national development policies are enshrined in the National Development Plans (NDPs). These are five year horizon plans that present national, sectoral and regional objectives, strategies and targets to promote sustainable economic growth, employment creation and the reduction of poverty and inequality. The NPC is responsible for overall planning and directing of the NDP whilst line ministries are responsible for implementing the development activities within their respective jurisdiction (Swedish International Development Cooperation Agency, 2004:11). The NDP1 and 2 ran for the periods of 1995 to 2000 and 2001 to 2006 respectively, while NDP3 runs from 2008 to 2012. According to the NPC (cited in Swedish International Development Cooperation Agency, 2004:11), NDP1 failed to achieve any of its targets due to the absence of an integrated implementation approach by line ministries. This resulted in the introduction of the poverty reduction strategy to identify sector specific initiatives underpinned by a common framework shared by line ministries and stakeholders wherein subsequent efforts at poverty reduction could proceed and be accelerated.

The poverty reduction strategy focuses on three areas, namely; fostering more equitable and efficient service delivery of public services; acceleration of equitable agricultural expansion, particularly on food security and crop development options, and finally, expansion of options for non-agricultural economic empowerment, with emphasis on the informal sector and self-employment. The strategy outlines specific actions and short to medium-term strategies for poverty reduction to be pursued through the promotion of export oriented manufacturing, investment in people, crop cultivation, tourism and SME development (NPC, 2002:5). Although NDP2 performed better in comparison to NDP1, the absence of a monitoring and evaluation system, poor coordination between and within government and stakeholders, and the lack of trained professionals were among the reasons for its poor implementation (NPC, 2007:10). The problem is that all too often several development policies and plans are formulated but efforts are not focused on implementing them.

### **3.4.1.1 The Millennium Development Goals**

In tandem with the NDPs, is Namibia's commitment to the attainment of the Millennium Development Goals by 2015, which are all directly linked to Vision 2030. The Millennium Development Goals consists of eight goals, all of which are associated with a series of time bound targets and a number of indicators to enable the systematic monitoring of global and national progress made (NPC, 2004). The NPC (2004:2) outlined the progress made towards the Millennium Development Goals by ranking each goal as 'good, slow or worsening.' 'Good' means, if the rate of progress since 1990 continues then the target will be met; 'slow' means, progress is positive but not strong enough to reach the target; and 'worsening' means that, the situation is deteriorating.

The first goal of eradicating poverty and hunger has made progress although, not significant. Absolute poverty and relative poverty have been reduced, yet unemployment has risen considerably. The NPC has ranked this Millennium Development Goal's progress as 'worsening.' Achieving universal primary education has made significant progress but the quality of the education system remains a challenge. The education sector receives the highest public expenditure, yet language group disparities are evident since only 18 percent of San children obtain education compared to the 92 and 89 percent of German and Oshiwambo children respectively (Harris, 2007:4). The NPC has ranked progress as 'good'.

The promotion of gender equality and women empowerment has made progress as indicated by the 2005 gender related development index, which ranked Namibia at 107 and the gender empowerment index was at 36. However, discrepancies between female and male income and workforce participation, and the extent of violence perpetrated against women remain obstacles. The NPC has ranked progress as "good." Reducing child mortality is hampered by HIV and AIDS. Addressing this goal requires stringent measures in HIV and AIDS prevention and treatment, access to safe drinking water, sanitation and access to public health facilities (Harris, 2007:5). Progress towards this goal is ranked as 'slow.' Improving maternal health is ranked as 'slow' since mortality rates have risen from 225 per 100 000 in 1992 to 271 in 2000. The birth rates are

declining as a result of HIV and AIDS and increased use of family planning (Harris, 2007:5).

Combating HIV and AIDS and other diseases is one of the greatest challenges for the Namibian government. HIV and AIDS is the leading cause of death in the country, and currently (2008) Namibia has the second highest Tuberculosis incidence in Sub-Saharan Africa after Swaziland. In May 2008, the Ministry of Health and Social Services reported eight cases of the Deadly Extensively Drug-resistant, which is the worst form of Tuberculosis since it has limited treatment options and chances of cure (Maletsky, 2008:1). The NPC ranked progress as ‘worsening.’

Environmental sustainability is hampered by the effects of rural-urban migration, which result in informal settlements in urban areas, creating several challenges with regard to access to basic services such as proper sanitation, housing and safe drinking water. The lack of basic services leads to poor health conditions and negative effects on the environment, which are further compounded by the inconsistencies in applying environment impact assessments study findings and the lack of nation-wide awareness campaigns on environmental preservation (Harris, 2007:7). Progress is ranked as ‘slow.’

Developing global partnerships is hampered by the decline in international aid, which has fallen from US\$ 130 to US\$ 90 in 1992 and 2003 respectively. The decline in aid is due to Namibia’s relatively high-income per capita, which is considered sufficient to address extreme poverty. The NPC ranks progress in this area as ‘worsening.’ Although, some progress has been made towards the attainment of the eight Millennium Development Goals, the rate of progress is generally slow. This may jeopardize Namibia’s chances of achieving all or most targets by 2015. Harris (2007:8) attributes the slow progress to the limited effort accorded to building local partnerships for development rather than giving preference to global partnerships. He recommends the creation of an environment conducive to local partnerships in order to accelerate progress in all eight goals.

### **3.4.1.2 The Land Reform Policy**

To address the land question, a National Conference on land reform took place in 1991 to achieve national consensus on the land question, as access to land was viewed as a necessary condition to improve the productive capacities of landless blacks. The Conference culminated into five different legislative frameworks for land reform, which include, *inter alia*, the Affirmative Action Loan Scheme and the National Resettlement Policy of 2001, which aims to promote poverty alleviation, self-sufficiency, employment creation and productive farming (Adams, 2000 & Ojo Okafor, 2006:3-6). The land reform process is based on the ‘willing seller willing buyer’ principle complimented with expropriation with fair compensation.

The many legislative frameworks for land redistribution, have not according to Werner (2001:18) met the demands of the poor due to the slow process, which at times deviates from its initial objectives. So far, only 157 commercial farms have been acquired and 1 500 families resettled, despite an annual allocation of N\$ 20 million, which continues to be under-spent by the Ministry of Lands, Resettlement and Rehabilitation (2006:10). This leisurely pace slows economic development and raises the chances of racial tension.

Some of the main causes to the slow progress include government’s limited financial and human capacity, lack of proper criteria to identify suitable beneficiaries, improper coordination within government, exclusion of relevant stakeholders and lack of effective monitoring and evaluation systems. The Ministry of Lands, Resettlement and Rehabilitation does not have adequate capacity to purchase and allocate land on a large scale in order to satisfy the land demands. The lack of financial capacity results in limited support to resettled farmers who lack farming skills to become productive farmers. Resettled farmers need a “package of support measure” to become self-reliant and self-sufficient. Instead, most resettled farmers have become social welfare projects, which are dependent on government hand-outs after years of being resettled (Werner, 2001:9).

The lack of proper criteria for identifying suitable beneficiaries has resulted in accusations of corruption. Adams (2000) maintains that the land process has resulted in the ruling elite acquiring land for themselves when over 90 percent of San people, who

are the most marginalized group in Namibia, are landless. Horthemke (cited in Ojo Okafor, 2006:49) opines that the land redistribution process has resulted in opportunism as opposed to opportunity. The former refers to elites who have vested land ownership interests, which indicates how something intended to produce positive results is converted into negative results. The exclusion of relevant stakeholders hampers effective implementation considering the limited capacity of the Ministry of Lands, Resettlement and Rehabilitation. Werner (2001:16) warns that without any financial and human assistance from outside the parameters of government, the land reform process is doomed to fail.

Although a monitoring unit is established within the Ministry of Lands, Resettlement and Rehabilitation, the activities are limited to resettlement projects without regard for monitoring the progress of the resettled people. Impact assessment of land redistribution on improving the well-being of those resettled, determining agricultural output and environmental sustainability have not been made. This is further complicated by the absence of baseline data and records since its inception (Werner, 2003:17). This deficiency makes it difficult to accurately and reliably inform whether land redistribution has contributed to poverty reduction and if so, to what extent. Ekandjo (quoted in Werner, 2003:114) states that “we had hoped resettlement would empower the landless majority to improve their livelihoods, yet, not so many of resettled beneficiaries have realized changes for the better. Instead, most of them have degraded the land allocated.”

The slow progress suggests a lack of political and social commitment towards land redistribution. Commitment is judged on the extent to which policies are effectively implemented to the benefit of the intended beneficiaries. The post-apartheid enthusiasm for land redistribution seems to have waned considerably, seemingly only being revived when elections are nearing.

### **3.4.1.3 The Small and Medium Enterprise Policy**

In 1997 the government endorsed the Policy and Programme on Small Business Development to alleviate the financial plight of previously disadvantaged Namibians, many of whom made a living from SMEs. It was recognized that SME development would contribute to the country's socio-economic development (Ministry of Trade and Industry, 1997:3) since it is necessary to stimulate sustainable economic growth, employment and empowerment of individuals to participate in business ventures (Gaomab, 2004). Small Medium Enterprise development requires the provision of finance, markets, skills training, technology transfer and infrastructure in the form of sites and premises. The leading government institution for SME development is the Ministry of Trade and Industry, whose main role is to guide, direct and coordinate industrial promotion activities in collaboration with approximately 46 implementing institutions from all sectors (Polatajko, 2007).

The SME sector has proved to be a socio-economic engine, which has managed to exceed the targets for economic growth and employment set out in NDP2. It is estimated that SMEs contribute 12 percent to the Gross Domestic Product, exceeding the target of 5 percent whilst employing 20 percent of the labour force. Similarly, the growth rate in the SME sector was expected to be at 2.8 percent per annum. However, the growth in the sector has been recorded at 4.8 percent exceeding the target (Ministry of Trade & Industry, 2005:42). Additionally, 37 percent of businesses surveyed are owned by women, 93.4 percent of whom are from previously disadvantaged groups (Alweendo, 2005). Despite a flourishing SME sector, challenges of access to capital, entrepreneurial development, deficiencies in business support, lack of business linkages and effective collaboration hamper potential growth and development (Alweendo, 2005).

The Financial Usage Index for Namibia indicates a "low financial sophistication," which means that few financial institutions offer a broader range of financial services, since 76 percent of businesses surveyed funded their business using their own resources or used loans from friends and family whilst only 21 percent used bank loans (Arnold, *et al.*, 2005:30). Alweendo (2005) suggests the use of private equity and venture capital as



alternative sources of finance alongside the provision of business expertise necessary for the success of businesses at the initial stages. In 2001 the Special Industrialization Programme was introduced to enable local manufacturers to competitively market their products in relation to foreign products. However, this did not yield much success due to low productivity and quality of local products (Gaomab, 2005), which were a result of lack of entrepreneurial and production skills. Arnold, *et al.*, (2005:63) recommends the formation of “Business Idea Exchanges” led by teams of business experts to help in business plans preparation, offer entrepreneurial lessons and related matters.

Business linkages promote the growth of SMEs, yet only 37 percent of businesses have formed linkages, of which only 38.9 percent have written contracts with the external partners (Arnold, *et al.*, 2005:33). This suggests that most linkages are simple and casual. The limited number of structured partnerships and networking suggests that there is a need for the mobilization of the private sector and international firms to establish linkages with the SME sector. In 2005, the Development Bank of Namibia established the “SME EXPO” as an annual event to provide SMEs with a platform to interact and exhibit their products and services. It is an opportunity for networking that enables individuals to make contacts, which could be translated into business deals (Development Bank of Namibia, 2007).

While there appears to be a proliferation of SME support agencies, they are only covering a fraction of SME needs. This happens because of poor coordination among the various supporting institutions. Small Medium Enterprise development requires that the capacity of supporting institutions be improved so that they can deliver their services effectively and efficiently. Of essence is the need to enhance the capacity of the Ministry of Trade and Industry in overseeing the coordination and implementation of the SME development policy and programme (Development Bank of Namibia, 2007). Equally important is the creation of awareness campaigns to increase the knowledge and usage of business support services. The lack of business usage is a consequence of lack of information and awareness about existing business services. The Ministry of Trade and Industry could create and disseminate information in this regard by using the different radio stations and the distribution of pamphlets in the different vernacular languages.

#### **3.4.1.4 The Affirmative Action Policy**

The widespread inequalities in all spheres of life in Namibia culminated in the formulation of the Affirmative Action (Employment) Act No 29 of 1998 to redress racial and ethnic discrimination by according equal employment opportunities and rewards for previously disadvantaged Namibians. The Act considers all private and public institutions with 25 or more staff members as 'relevant employers' required by law to prepare three year Affirmative Action plans by February 2001 (Gwari & Shikongo, 2005:22) with the exact details as to expected goals, numerical targets, measures to eliminate employment barriers and inequitable representation of previously disadvantaged Namibians (Tomei, 2005:15). The aim of Affirmative Action is not only to change the numerical representation of previously disadvantaged Namibians but also institutionalize measures that provide training and skills opportunities for them to be able to compete on an equal footing with previously advantaged Namibians. This is to ensure that performance standards are not overlooked whereby positions are given to incapable and incompetent people.

The Employment Equity Commission of Namibia was tasked to oversee that the requirements of the Act are implemented. In 2000, the Employment Equity Commission tasked the Labour Resource and Research Institute (LaRRI) to determine the extent of implementation by the 'relevant employers.' LaRRI (2005:59) grouped the 314 organizations visited into three categories, namely, "the conservative organizations with racist or don't care attitudes towards Affirmative Action; middle of the road organizations that only implement basic requirements set out in the Act; and committed organizations that want to implement Affirmative Action and view the policy as an opportunity for renewal and change." The study revealed that the work profiles in the private sector remained unchanged as white males still dominate management positions while black women are concentrated in the lower job categories. The study also found that in the education and health sectors, which are traditionally dominated by women, women are under-represented in managerial positions, whilst people with disabilities remain poorly represented in most organizations, with virtually no employment for them in the mining and agricultural sectors.

The public sector is at the forefront in the appointment of previously disadvantaged Namibians in senior and middle management positions. The LaRRI study (2005:10) revealed that 70 percent of management posts in the civil service are held by previously disadvantaged Namibians. However, criticisms surrounding the reasons for appointment in the public sector prevail, since perceptions are that Affirmative Action in the public sector are done on the basis of tokenism and patronage where positions are distributed to loyal members of the ruling party. Such practices undermine the principle of merit. Melber (2006:12) warns that corruption and nepotism under the disguise of Affirmative Action limit the potential of an inclusive society and workplaces, whilst Tomei (2005:10) advocates an individualized approach to implementing Affirmative Action, which not only takes account of group membership but also socio-economic conditions to justly determine who qualifies for Affirmative Action measures.

The LaRRI study (2005:106) further revealed that Affirmative Action measures are not broad-based because they solely focus on changing numerical representations as opposed to imparting ownership and control, and offering training opportunities. The failure to effect meaningful organizational change results in “window dressing,” which implies the need to develop a broader understanding of Affirmative Action as an instrument for change, that goes beyond the “numbers game” (Fleermuys, Nakusera, Shangula, & Steytler, 2008:139).

The LaRRI (2005:108) recommends the abandonment of “managerial prerogative” in favour of a participatory approach. In addition, the Employment Equity Commission should continually monitor the implementation of Affirmative Action, which could be strengthened by forming ad-hoc institutions with specific expertise in areas of worker education, management training and routine audits (LaRRI, 2005:108). Moreover, the failure to meet the requirements of the Act should be sanctioned with stringent administrative penalties. Redressing racial and ethnic discrimination is certainly not an overnight process, however, where political and social commitment is strong and consistent; Affirmative Action has the potential to positively change employment and skills inequities.

### **3.5 THE CONCEPT AND PRACTICE OF BEE AND BBBEE**

The practice of Black Economic Empowerment has been at the center stage of most African countries as part of a moral, legal and socio-economic imperative to redress the disparities caused by colonialism and apartheid, and perpetuated and reproduced by the post-independence administration. The attainment of independence created the “expectation problem,” a term referring to the growing disillusion of black people who expected their problems to vanish once colonialism and apartheid were defeated. Consequently, BEE was coined as the ideal strategy to address the race, poverty, inequality and declining economic growth issues.

#### **3.5.1 The Origin and Objective of Black Economic Empowerment**

The 1980s was a pivotal era for black South Africans where BEE was practiced under the term “Black Advancement.” According to De Beers (cited in Leonard, 2005:67) black advancement was triggered by the realization that the political and economic futures of all races were interwoven and failure to integrate the blacks in the mainstream economy would result in international economic sanctions. The practice of black advancement was regarded as a mechanism by whites to create a black middle class with interests in the economy. The rationale was that partly re-arranging the racial composition of the ownership structure of the economy would result in a stable market economy and political environment (Engdahl & Hauki, 2001:13). Butler (2005:2) asserts that the creation of a small influential black business was the main pillar around, which large Afrikaner enterprises were to take shape. Blacks were given access to the formal economy but the underlying structures of the economy remained unchanged as power and control remained in the hands of the whites. The main agenda was to create a false impression of advancement and benefits to blacks intended to convince them that capitalism was in their interests (Nzimande, 2007:182).

In 1996 the African National Congress government in South Africa replaced the term black advancement with BEE after the realization that ‘advancement’ did not constitute

black empowerment in the real sense of the word (Gqubule, 2006:3). It was felt that black advancement did not impart the necessary control and ownership to black people and therefore, real empowerment did not take place. Gergis (1999:10) compares the practice of black advancement with entitlement as opposed to empowerment. Entitlement, in the form of hand-outs does not breed economic empowerment and overall human development; instead, it creates a dependency attitude, which undermines the power of positive thinking of one's own abilities and perpetuates the feeling of helplessness and disempowerment.

Black Economic Empowerment implied the need to bring more black people who were excluded from the development pillars and resource allocation under the apartheid and black advancement practice into the mainstream economy. However, in the late 1990s the government of South Africa was accused of perpetuating the apartheid legacy. It was argued that BEE had failed to address the transformational challenges but had instead perpetuated the creation of an elite bourgeoisie, which was based on the same practice as the abolished system of apartheid (Engdahl, *et al.*, 2001:69).

Acknowledging the South African BEE pitfalls, Namibia defines BEE as “an integrated and coherent socio-economic process that directly contributes to economic transformation and brings about significant changes in the management, ownership and control of the economy by previously disadvantaged Namibians as well as bringing about significant decreases in poverty, income disparities and unemployment” (Office of the Prime Minister, 2005:3). The objective is to promote BBBEE, a concept, which is centered around six key pillars, namely, direct ownership, management and control of enterprises, SME development, human resource and skills development, achieving employment equity, preferential procurement, and corporate social investment in HIV and AIDS prevention programmes and community development initiatives (Office of the Prime Minister, 2005:4).

### 3.5.2 The Different Approaches to Black Economic Empowerment

To comprehend the practice of BEE, two different approaches, namely the minimalist and maximalist approaches, help one understand how a good intended initiative meant to create opportunities for all, develops into opportunism for a few. The minimalist approach is viewed as the first phase of BEE whereas the maximalist approach or BBBEE is the second phase. Edigheji (cited in Gqubule, 2006:4) defines the minimalist approach to BEE as one that focuses on racial rearrangement of privileges and exploitation to create a new circuit of racial capital accumulation for a few blacks, instead of altering the apartheid conditions for all blacks. In the same vein, Gqubule (2006:5-6) states that the minimalist approach to BEE focuses on the acquisition of wealth rather than on the creation of wealth. Whereas the latter promotes empowerment from below by changing oppressive institutional cultures and creating inclusive and democratic structures, the former focuses on the enrichment of a select few.

Conversely, Macozoma (quoted in Gqubule, 2006:6) states that “BEE was not meant to cure all the ills of society, since it is just one policy amongst many and its criticisms for not being broad-based is not justifiable.” He questions, “Where have you seen a capitalist system producing socialist results?” To this, Atkinson (cited in Gqubule, 2006:6-7) responds by arguing that society cannot be divided into a socialist society with a perfectly equal distribution and a capitalist society which chooses whatever distribution of income. If one chooses a market economy, it does not mean one should accept market outcomes and allow them to invade every area of the economy. According to him, only losers pursue a narrow perception of capitalism, which fails to prioritize the interests of the people above the irrational whims of global capital.

Essentially, the minimalist approach is one that is individualistic and thus fails to promote the unifying African concept of *Ubuntu* (humanness), which, *inter alia*, promotes the need for collectivism as opposed to individualistic needs. Collectivism enables people to grow as persons so that the human dignity of all individuals is uplifted. The *Ubuntu* concept is one that obligates society to empower communities that are poor. Southall (2005:6) proposes a humane BEE practiced under the discourse of democratic capitalism,

which is people driven and fosters the creation of an entrepreneurial culture among the poorest in order to deliver real economic empowerment. Empowerment is an alternative to development. It humanizes the system of exclusion by transforming power structures and therefore, links neatly with the maximalist approach, which advocates “the redistribution of resources to all people ranging from skills, educational training, land redistribution, employment opportunities and access to financial resources and the transformation of institutional cultures” (Edigheji, cited in Gqubule, 2006:11).

Gqubule (2006:12) locates the maximalist BEE within an economic growth framework, given that any economic policy should aim to increase the Gross Domestic Product to achieve high standards of living. Evaluating the success of BEE policies depends on economic growth rate, progress towards achieving full employment and a Gini-coefficient that is less than 30 to demonstrate real reduction of wealth and income inequalities in South Africa and one that is between 0.2 and 0.35, which demonstrates relative equal income distribution in Namibia.

Moreover, a pro-active State that uses its leverage to transform power relations is imperative (Gqubule, 2006:20). Southall (2005:6) attributes the failure of the minimalist approach to poor State intervention, which has left the implementation of BEE in the hands of unreliable market forces. Market forces had their chance to prove the successful implementation of BEE during the first phase and it is now time for government to drive socio-economic development. Shilowa (cited in Gqubule, 2006:8) disregards the *laissez faire* unfettered capitalism as it is contradictory to the entire developmental experience of the twentieth century where East Asian and European countries demonstrated that reconstruction and development require massive State involvement, which focuses on human development. The challenge is for government to maintain its rightful place in the economy whilst demonstrating that it can perform best in cooperation with other relevant actors.

### **3.5.3 The Draft Guidelines for Black Economic Empowerment in Namibia**

The overall success of BEE is primarily dependent on an enabling environment to ensure effective implementation in a coordinated manner in all sectors. Namibia has failed to create an enabling environment for BEE, which would prevent the prevailing loose definitions and interpretations of the concept and its practice. Nonetheless, the government has encouraged both the public and private sectors to develop their own sectoral charters demonstrating how they intend to implement BEE, in accordance with the draft BEE guidelines. The draft BEE guidelines set out a BEE Scorecard, which forms part of the Codes of Good Practice (CGP) and the sectoral charters, where the CGP is used to assist the implementation of BBBEE objectives by all sectors whilst the BEE Scorecard is used to measure and rank progress towards BBBEE.

The CGP consists of four components, each with its given weights in percentages, which reflect the relative importance that government attaches to each component. The four components of the CGP and their respective weights are broken down as follows:

- 30 percent direct empowerment through ownership (20%) and, control and management (10%) of enterprises and assets;
- 30 percent of human resources development through employment equity (10%) and skills development (20%);
- 30 percent indirect empowerment through preferential procurement (20 percent) and enterprise development (10%); and
- 10 percent residual, which allows enterprises to create sector specific indicators of their choice (Office of the Prime Minister, 2005:14).

The sectoral charters facilitate collaboration between government, the private sector and trade unions based on an understanding and agreement on programme interventions as well as support for the implementation of BEE objectives, with the inclusion of set performance targets. The sectoral charters will include specific mechanisms indicating how to achieve BEE objectives within the sector concerned while providing measurement indicators and targets in a comprehensive and appropriate manner (Office of the Prime Minister, 2005:16).



### **3.5.4 The Namibian Financial Service Charter**

The goal of the Namibian Financial Service Charter (NFSC) is to guide the transformation of the Namibian financial sector by establishing the principles upon which BEE will be implemented in the financial industry. Eight factors are considered as transformational guidelines in effecting the objective of the charter. These are; human resources development, procurement policies and practices, access and affordability of financial services and products, ownership and control, empowerment financing and enterprise development, corporate social responsibility, and consumer protection and education (Namibian Financial Institute Services (NFIS), 2007:5).

To achieve the human resources development factor, the NFSC aims to have at least 50 percent of blacks in executive management positions (25% by 2011), of which at least one should be a woman. At least 60 percent of middle and junior management should be black persons (30% by 2011), of which at least one should be a women. In addition, each participant of the NSFC is required to spend at least 2 percent of its total annual payroll on training black employees according to the needs identified, which could include leadership programmes, mentorship programmes, targeted recruitment, cultural diversity and gender sensitivity programmes and entrepreneurship training, amongst others (NFIS, 2007:13). The NFSC's procurement policy seeks to identify, develop and promote sustainability of BEE businesses through procurement with the ultimate aim of fostering entrepreneurship in black communities and increasing participation of BEE suppliers to the Namibian financial services. Each financial institution will spend at least 60 percent of its procurement budget with BEE companies by 2016 (30% by 2011) (NFIS, 2007:14).

Promoting access and affordability of financial products and services is to be achieved by addressing access and usage, access but no usage, no access, transactional issues, safe-keeping and wealth creation, risk mitigation and credit provision. Each financial institution, with the exception of SOEs shall have a target of a minimum of at least 26 percent black ownership by 2017. A minimum of at least 15 percent shall be met by way of direct ownership of black people, provided that the financial institution complies with the additional criteria to be developed concerning the appointment of black directors.

Furthermore, for control purposes, each financial institution shall have a target of 40 percent black people on the board of directors, with a target of a minimum of 11 percent black women on the board (NFIS, 2007:17, 19, 22-23). Empowerment financing will require each bank to commit 10 percent of its loans towards investing in or financing BEE transactions (5% by 2010) on a net basis alongside the provision of services and products designed specifically to assist black Namibians in acquiring interest in well-established entities. As part of enterprise development, financial institutions adhering to the NFSC will allocate at least 0.45 percent of after tax profit to the development of entrepreneurial skills, investment and financial market education and business management skills for black persons.

The consumer protection and education component requires financial institutions to implement financial literacy programmes in order to educate individuals on finance accountability by protecting the interests of individuals when making deposits or taking loans with financial institutions. The corporate social responsibility component requires financial institutions to implement specific programmes to uplift the living standards of disadvantaged and marginalized communities through developmental projects and investment in strategic social infrastructure (NFIS, 2007:22, 25-26).

The NFSC is underpinned by five governing principles, namely; growth promotion, achievement of broad-based transformation, promotion of equal opportunity as an inclusive process, promotion of local decision-making and ensuring high standards of corporate governance. With regard to implementation, monitoring and evaluation of the charter, the NFSC Council has been charged with that responsibility. The NFSC Council will select board of directors from amongst themselves who will ensure the implementation, monitoring and enforcement of the NFIS (2007:29).

### **3.5.5 The Implementation of BBBEE in the Private and Public Sectors**

The point of departure for how BBBEE could be effectively implemented is to outline the requirements for each of the four components of the CGP. The ownership component calls for a distinction between broad-based ownership and broad-based empowerment. In Namibia, broad-based empowerment would be achieved by implementing BEE as described in the definition and objectives provided. Broad-based ownership refers to an empowerment shareholder that represents a broad-base of members, where the benefits support black women, people living with disabilities, the youth, trade unions and employees. Shares are directly or indirectly held in non-profit organizations and trusts and the executive management of the organizations is mostly black people (Brown, 2003:36).

Marcus, Mangcu, Shubane and Hadland (2007:230) state that broad-based ownership will not only depend on changing ownership but also by how the new ownership defines its role, responsibilities and objectives in order to contribute to development objectives. Assessing BEE ownership transactions requires the interrogation of four critical factors, namely; have the shares been used by the BEE shareholder, does the BEE shareholder have voting rights, has the right to economic interest been transferred, which refers to equity ownership on the company with the relevant person assuming full liability for risk and profit and finally, what value is transferred? Transactions that adhere to these indicators will be able to promote sustainable BEE practices (Brown, 2003:36).

The human resources development component is comprised of employment equity and skills development. Employment equity is the racial breakdown of the total staff in accordance with the various occupational levels, workplace skills and development plans. It involves the establishment of a certain percentage of black participation across all levels of the company with a focus on women. Skills development is the mechanism developed to facilitate skills transfer such as professional development and job specific training (Woolley, 2005:98-100).

Indirect empowerment consists of preferential procurement and enterprise development. Preferential procurement is the total percentage of procurement expenditure allocated to

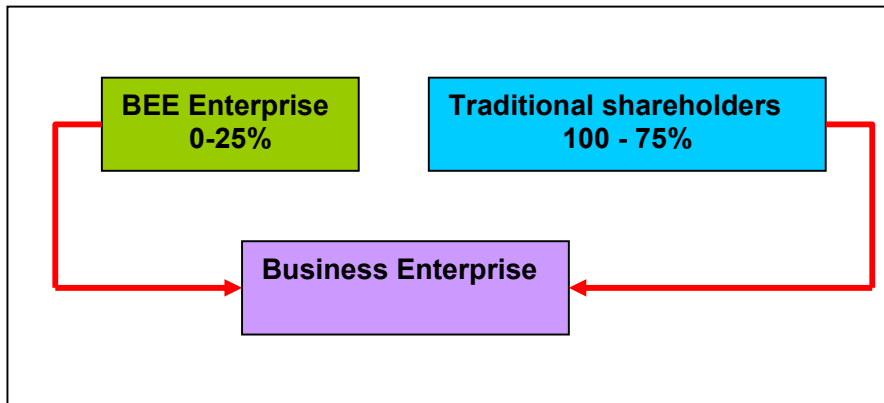
enterprises that are BEE compliant in order to equalize market accessibility of these enterprises to ensure that they are not excluded from playing a meaningful role in the economic mainstream. Enterprise development aims to develop the capacity of black suppliers and is measured by the total direct investment or indirect investment in the form of joint ventures and capacity building of enterprises that are BEE compliant (Woolley, 2005: 100-101). The residual component, which is also referred to as the corporate social responsibility or investment, explores the broader social context of the business and social needs (Woolley, 2005:102). These could include infrastructural support to suppliers and enterprises, community labour intensive production and construction methods, investments and support to enterprises in rural areas (Ministry of Trade & Industry in South Africa, 2004:16-17) and community projects.

#### **3.5.5.1 An Implementation Model for BBBEE in Financial Institutions**

Financial institutions have been criticized for failing to adequately support the objectives of BEE, mainly because they view BEE as an administrative and compliance burden as opposed to an opportunity to strategically position the business to make it more competitive. The challenge for financial institutions is to view BEE as an opportunity of transforming their organizations into what Koolen (2003:5) terms “Business Economic Empowerment.” In other words, what starts out as Black Economic Empowerment turns into Business Economic Empowerment. This is what distinguishes a committed BEE financial institution from a non-committed financial institution.

Mashiatsidi (2003:17) maintains that good BEE practice is not synonymous with entitlement, enrichment or the prescriptive for value transfer without compensation. In other words, good BEE transactions should not only avoid value destruction but also create value platforms. Hence, financial institutions that understand the business environment will take advantage of BBBEE to grow their businesses in order to create win-win situations for all the parties involved. The target BEE partner should be capable of adding value to the target enterprise that exceeds the target enterprise’s cost of capital

(Reddy 2003:iv). A committed BEE financial institution requires strategic thinking about the possible BEE partners that are most beneficial to the business as can be seen in Figure 2 below.

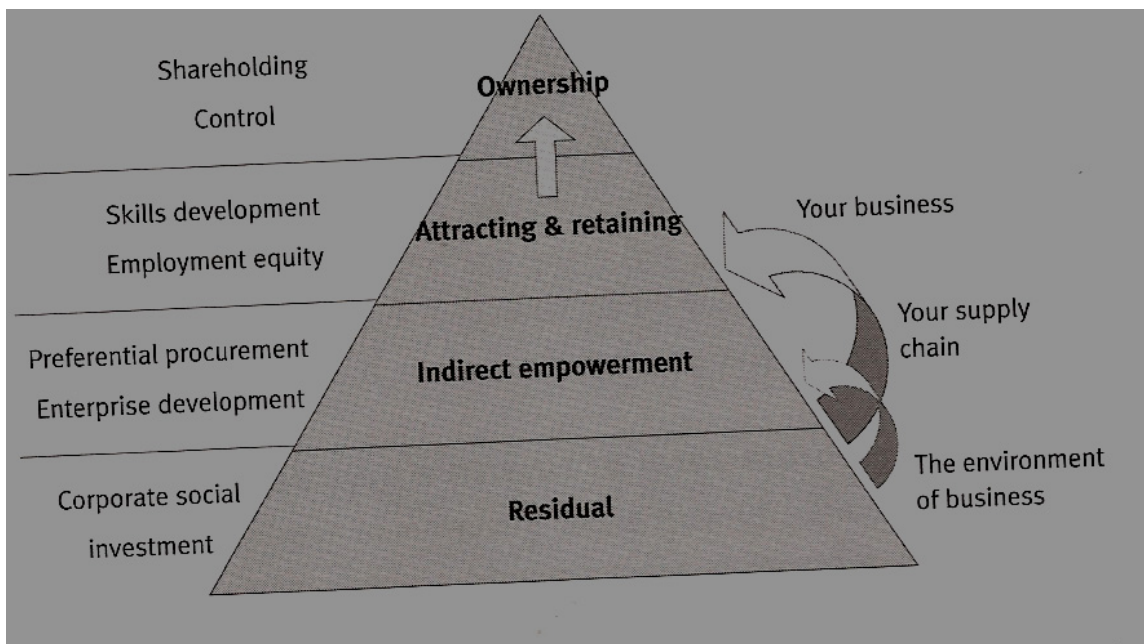


**Figure 2: The Empowerment Transaction Model** (Mashiatsidi, 2003:17)

Central to creating a win-win situation is the component of broad-based ownership in financial institutions, which according to Cargill (2003:15), can be risky because of the lack of alignment between the business and the communities or individuals due to the limited broad-based knowledge of shareholding and investment possessed by the respective owners to assume normal commercial risk. Koolen (2003:4) addresses the aforesaid issue, stating that it is necessary to inculcate a culture of diversity and nurturing entrepreneurship where the former enables a realignment of a firm's culture with that of the BEE culture. Failure to do this is detrimental to the performance of both partners. The excuse of strategically using politically connected elites as partners who add value through the easy access of licenses is an unsustainable and corrupt way of promoting empowerment. Instead, both government and businesses should explicitly aim to nurture commercially oriented entrepreneurship in their sectoral charters through SME development.

Woolley (2005:49) provides an organic model to achieve transformation over the long-term. The model approaches BEE from a bottom-up perspective where a financial institution would use its residual as a tool to influence the environment of the business

and also be influenced by the environment of business as depicted in Figure 3 below. The company embarks on initiatives in its community in a way that exposes the business to the needs and views of the community and builds a reciprocal relationship with the environment of the business. This sensitizes the business to live in symbiosis with its environment, thereby enabling the business to embark on transformation initiatives in its supply chain. The sensitization creates a business environment that enhances the chances of attracting and retaining black talent through developing the employees in the business. Over time, the development of black employees will allow the best and most able employees to develop into shareholders and when coupled with employee ownership, will result in a stable transformed business that makes the most of the competencies in the business (Woolley, 2005:50).



**Figure 3: The Organic Model** (Woolley, 2005:49)

### **3.5.5.2 The Implementation of BBBEE in State-Owned Enterprises**

Black Economic Empowerment in SOEs is commonly promoted through affirmative action and preferential procurement. The buying power of the State has increasingly been used as a source of promoting empowerment since procurement places emphasis on empowerment ownership, which enhances operational black business expertise as opposed to reinforcing the passive investment approach that characterized the traditional empowerment transactions (Woolley, 2005:23).

The restructuring process of SOEs provides alternatives to the empowerment process. Friedman (cited in Rumney, 2003:43) states that “political reality dictates that privatization will either retain expanding black economic participation as a key goal or it will cease.” The reality is that using State intervention for BEE through privatization in the sense of divestiture is not an easy process, and it is often accompanied by accusations of corruption. Acknowledging the failures of BEE as equity transfers in restructuring to advance BEE, Radebe (cited in Rumney, 2003:43) proposes “multifaceted” and “alternative service delivery” approaches. The focus is primarily on greater participation by employees and client communities. Furthermore, the State has a great deal of leverage in its framing of contracts and licenses for operation in the formation of public-private partnerships, which have an empowerment obligation at all levels (Rumney, 2003:44).

An imperative requirement in both the public and private sectors is strengthened collaborations and monitoring and evaluation systems, which continue to undermine effective implementation of BBBEE initiatives. Engdahl, *et al.*, (2001:74) affirm that government has not been sufficiently well organized and coordinated to ensure systematic implementation of preferential procurement programmes. Hence, a great deal still needs to be done to coordinate the various government departments.

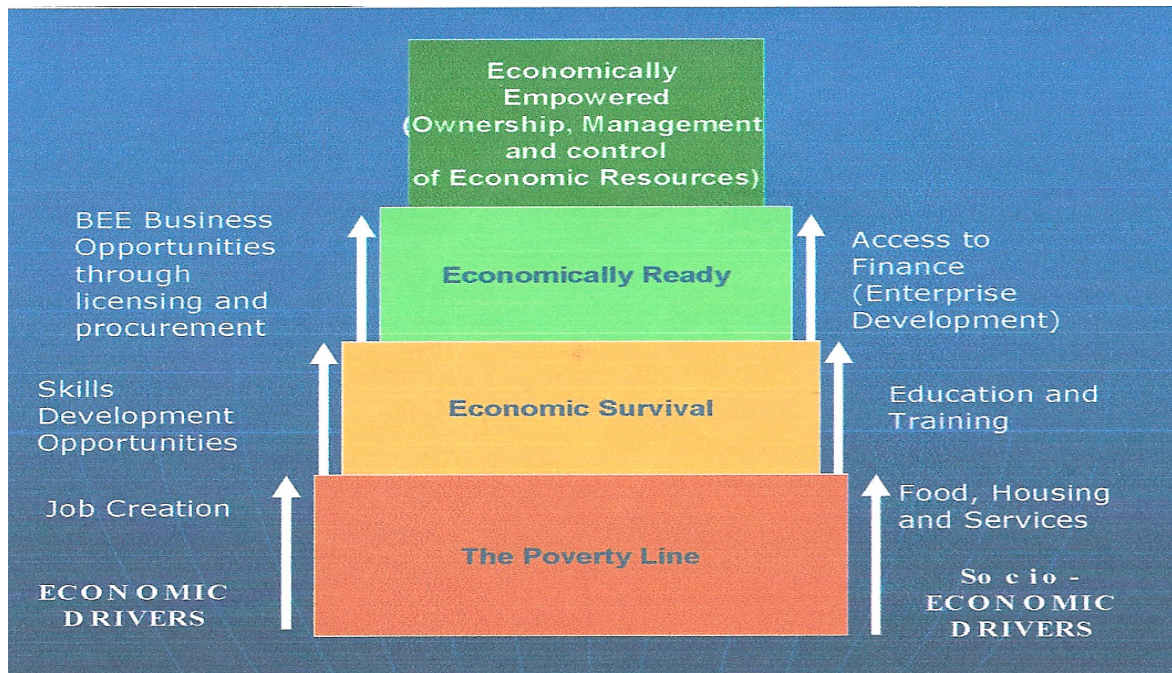
### **3.5.5.3 The Sustainable Economic Empowerment Implementation Model**

The Sustainable Economic Empowerment implementation model promotes a broad-based inclusive approach of economic empowerment for the public and private sectors by identifying four socio-economic categories, namely; the poverty line, economic survival, economically ready and economically empowered. A number of socio-economic drivers are identified, which are used to empower and graduate people from the different categories. These include, *inter alia*, basic income levels, access to housing, safe-drinking water, sanitation, education levels, job creation, skills development and business opportunities (Jack, 2006:4).

Reaching the poverty line requires drivers such as job creation, food provision and housing, amongst others. Failure to secure these basic needs makes it difficult for people in this category to acquire new skills required for advancement and engage in business opportunities and consequently, the economic contributions by these people remains insignificant (Jack, 2006:15). People in the economic survival category, are those who have stable jobs and income but require skills training opportunities for further advancement since the economic contribution made is limited.

Individuals in the economically ready category possess the prerequisite skills and intellectual resources to develop and expand their ownership and control over economic resources but lack the right business opportunities and networks to expand and grow. The economic contributions made by these individuals is fairly substantial but will require drivers such as access to finance, the creation of business opportunities through preferential procurement and enterprise development in order to become economically empowered. Lastly, economically empowered people are the previously disadvantaged individuals who exercise ownership and control over economic resources and are fully integrated into the mainstream economy. The economic contributions made by these individuals are significant (Jack, 2006:15-16). Figure 4 below shows how individuals move from a poverty line stage to an economically empowered stage.





**Figure 4: The Sustainable Economic Empowerment Implementation Model** (Jack, 2006:14)

### 3.5.6 A Synopsis of Black Economic Empowerment Perceptions in Namibia

Black Economic Empowerment in Namibia is a topical issue, which has connotations of race, ethnicity and social class with respect to its practice. It is perceived as a paradox since it is both a solution to the restructuring of gross socio-economic inequalities, yet it portrays itself as a nuisance in that it lacks a moral and social character because only a few individuals benefit from it. The main criticism is that the practice of BEE thus far, has failed to address any of the socio-economic challenges.

Melber (2006:2) contends that thus far, BEE has sidelined the poor because it has been translated into “the enrichment of a new black elite, deliberately excluding the disempowered majority.” He exemplifies a BEE deal between the South African Oil Company and Namibia Liquid Fuel whose principal beneficiaries are a small group of

politically high ranking government officials operating in what he terms “within an intricate web of pseudo-enterprises.” Melber concludes that “it is the concentration of economic and political power in the hands of a narrow privileged group that produces inequalities and poverties.”

Similarly, Jauch (2003:10) states that addressing the concerns of the overwhelming black workers under the current practice of BEE is a major challenge as the current capitalist economic structure makes socio-economic redistribution difficult. Redressing the status quo requires a radically transformed Namibian structure that is more equitable by addressing living wages, access to training, proper housing and health care as these are issues that have a direct impact on a black worker’s quality of life. Sherbourne (2004:15) emphasizes the need for BEE to be more transparent and free of corruption when identifying beneficiaries. He states that empowerment should not be about getting rich quickly simply because of who one knows or who one is related to, because such a process dubs empowerment initiatives as patrimonial and corrupt.

Lister (2005:7) states that Namibia has shamefully failed to achieve the goals of a just and equitable society in which the gap between the rich and poor is substantially narrowed. Lister asserts that the term “previously disadvantaged” is misused to the advantage of those who already have more than enough. Similarly, Hengari (2006:6) contends that the role of government in regard to BEE is not only to identify who is to be empowered, but also to clarify who is already empowered, who has been empowered and who is not. The practice is such that those who continue to be empowered already have comfortable public and private sector jobs and therefore, it makes no sense empowering the already empowered amidst the disempowered.

Kaure (2006:16) questions the extent to which BEE has adopted a utilitarianism approach. He further questions whether government has instead opted for the creation of private enterprises where the notion of equity in the broad sense becomes equity in the narrow sense. The current situation does not indicate a political or social will to serve the poor and consequently, BEE is doomed to fail if it perpetuates the apartheid menace.

### **3.6 Chapter Summary**

The chapter began with a discussion on the socio-economic conditions at and after Namibia attained its independence. This was followed by a discussion on the main causes of poverty as a basis for understanding the need and role of BBBEE. Evidently, the existing socio-economic conditions mean that human development has not taken place sufficiently, irrespective of the various poverty reduction initiatives, which have been implemented. The discussion on the post-independent poverty initiatives reveal a number of obstacles in the implementation process, which have contributed to the rather sluggish “empowerment” of previously disadvantaged Namibians, in particular, the poor. These challenges range from limited government capacity, poor collaboration, corruption, and the absence of a political and social will to serve the poor. The last two are primarily blamed for perpetuating, and reproducing poverty and inequality in the country.

The final section discussed the concept and implementation of BBBEE. The accepted view is that BEE should be broad-based in its implementation to ensure that it addresses the many socio-economic challenges as opposed to enriching a few individuals. Proposed BBBEE implementation for both the public and private sectors were discussed in an attempt to ensure that transformation does indeed take place and discourage the prevailing perception and implementation of BEE in the private sector, which is viewed as an administrative and compliance burden as opposed to an economic opportunity to strategically position organizations in the ever-competitive business environment. A general synopsis on the perceptions and practice of BEE in Namibia was discussed, which revealed a worrying situation in Namibia with regard to people’s perceptions of BEE. Evidently, with no overall BEE policy in Namibia and the proposed BEE draft guidelines not being binding and enforceable, BEE undertakings are considered a precarious endeavour.

The subsequent chapter presents the findings and interpretation of Nam-MIC FS and the NHE respectively.

## CHAPTER 4 PRESENTATION OF FINDINGS AND INTERPRETATION

### 4.1 Introduction

Chapter four is the empirical part of the research in which the findings from the open-ended questionnaires and standardized open-ended interviews are presented and interpreted. The aim of this chapter is to describe, explain and interpret the implementation of BBBEE in Nam-MIC FS and the NHE in order to answer the research question. In presenting the findings, a “thick description” of how BBBEE is implemented in the respective institutions is provided. The provision of a “thick case description” for each institution is referred to as “within case analysis.”

The chapter is divided into two sections. Sections one and two present the case reports of Nam-MIC FS and the NHE respectively. The findings of each case report are presented in relation to the seven themes mentioned in the research methodology, namely content, clients, context, coalitions, commitment, administrative capacity and BBBEE perceptions. The first six themes fall under the 5C protocol discussed in the literature review, all of which enable one to understand the process of BBBEE implementation. The theme on BBBEE perceptions provides an understanding on the general perceptions of the research participants with regard to the practice of BBBEE in Namibia, which may explain their respective approach to BBBEE implementation. Each case report begins with an introductory vignette on the respective institution, followed by the presentation of the findings.

The interpretation of the findings entails a discussion on the positive aspects and shortfalls in the implementation of the respective BBBEE strategy with reference to the extent to which broad-based ownership and broad-based empowerment are being promoted. In interpreting the findings, reference is made to the literature review.

## **4.2 Case Report: Namibia Mineworkers Investment Company Financial**

### **Services**

Namibia Mineworkers Investment Company Financial Service (Nam-MIC FS) is a BEE company, which was established in 2002 as the first Namibian Financial Service Company controlled and owned by previously disadvantaged Namibians. The conceptualization of Nam-MIC FS started with the Mineworkers Union of Namibia in early 1997 and subsequently included all the unions affiliated to the National Union of Namibian Workers (Don, 2008). The conceptualization started with the recognition that the Mineworkers Union of Namibia had failed to actively participate in the development and restructuring of the Namibian economy, since it had negated its obligation to provide its members, their dependents and respective communities with any direct material and social benefits, considering the declining employment levels and persistent employment and income insecurity for mineworkers (Don, 2008). Hence, it was decided to create an investment company that would enter into joint business ventures with credible and visionary partners to jointly service identified emerging markets and at the same time empower the previously disadvantaged members affiliated to the National Union of Namibian Workers by imparting skills that would enable them to develop new industries and broaden the economic base through the creation of new job opportunities. The institution views itself as having the ability and technical support to play an important role in the transformation of financial institutions in the country (Don, 2008).

### ***Content***

The goal of Nam-MIC FS is to be “the leading Namibian broad-based BEE Company, creating opportunities for building and distributing wealth to all its stakeholders.” The ultimate goal is to ensure that Nam-MIC FS becomes the vehicle for the empowerment of many and not the enrichment of a few individuals. This is to be achieved by initiating business initiatives and strategies that are centered on the provision of direct financial benefits to the workers, past members and their dependents. According to Don (2008) the objective is to select the best financial institutions to deliver quality financial services and products to its members and empower them economically by improving their living

standards and giving them access to financial resources. Nam-MIC FS aims to address the numerous causes of poverty in Namibia through the creation of job opportunities, redress income inequality and educate the Union members on HIV and AIDS.

The goal and objectives of Nam-MIC FS are to be achieved through the provision of a wide-range of tailor-made financial services and products that suit the union members' specific needs and circumstances (Don, 2008). These include loans, legal cover, short term insurance, provision of banking facilities and life insurance cover, retrenchment and disability cover, amongst others, for all union members and their dependents affiliated to the National Union of Namibian Workers, which is the umbrella Union in Namibia. The performance indicators used to measure Nam-MIC FS's BBBEE implementation are the return on investment to shareholders and the number of beneficiaries that have benefited from the financial services and products (Don, 2008).

Nam-MIC FS has given loans to previously disadvantaged union members who could previously not have obtained a normal loan from a bank without collateral. At the time of writing this thesis, the institution has a clientele of 25 000 members who according to Don (2008), would never have been able to settle their debts. The maximum amount given for loans is N\$ 30 000 (equivalent to R 30 000), which is mainly used to consolidate existing debt. The provision of a loan is accompanied by a retrenchment cover to ensure that union members who become unemployed are covered and those who die have the debt written off and not "transplanted" to the family. Loans are amongst the most used financial services whilst short-term insurance is the least used (Don, 2008). Data on the biographical information of union members and the extent of use of the different financial services and products was not provided.

Although, its primary objective is to address access and affordability of financial services and products, having been involved in the conceptualization and subsequently a signatory to the NFSC, Nam-MIC FS is only partially addressing some of the transformational guidelines contained in the NFSC. With the exception of access and affordability of financial services and products, the institution does not have internal policies with regard

to each of the transformational guidelines. Much of what has transpired thus far has relied extensively on the NFSC.

The employment equity component shows a workforce composition of 61 staff members (permanent & part time) with 98.4 percent black representation in the various occupational levels and workplace skills with the CEO being a black male. Women constitute 62.3 percent representation all of whom are black women, whilst 1.6 percent hold senior management positions, 33.3 percent fall within the skilled job category and 1.6 percent fall within the semi-skilled job category. In total, 42.6 percent of black women are in permanent positions whilst 19.7 percent fall under the casual/ temporary and seasonal workers. The composition of white men is 1.6 percent while black men representation is 36.1 percent, 3.3 percent hold senior management positions, whilst 31.1 percent fall within the skilled job category with no representation in the semi-skilled and casual categories. People with disabilities are not represented (Nam-MIC FS, 2008). The employment equity composition of Nam-MIC FS can be viewed in Table 1 below.

Job Category	PREVIOUSLY DISADVANTAGED NAMIBIANS		PREVIOUSLY ADVANTAGED NAMIBIANS		PERSONS WITH DISABILITIES		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women
Executive Directors	1.6%						1.6%	
Senior Management	3.3%	1.6%	1.6%				4.9%	1.6%
Middle Management								
Specialized/Senior Supervisory								
Skilled	31.1%	33.3%					31.3%	33.3%
Semi-Skilled		1.6%						1.6%
Unskilled								
<b>Total Permanent</b>	<b>36.1%</b>	<b>42.6%</b>	<b>1.6%</b>				<b>37.7%</b>	<b>42.6%</b>
Casual		19.7%						19.7%
<b>TOTAL</b>	<b>36.1%</b>	<b>62.3%</b>	<b>1.6%</b>				<b>37.7%</b>	<b>62.3%</b>

**Table 1: The Employment Equity Composition of Nam-MIC FS (2008)**

Nam-MIC FS recognizes the importance of enhancing the performance of the institution by investing in training and capacity building amongst its staff. The development of staff capacity forms a vital component of the institution's overall business strategy, in ensuring the existence of sufficient skills and talent in terms of future organizational leaders (Don, 2008). Don (2008) maintains that "we need to empower our human capital to become more business like in order to understand and address business issues in the tough economic times we are facing." So far the institution has spent N\$ 150 000 since 2005 on its skills development component (Don, 2008). The training provided include leadership, sales and personal finance skills; of which 26.2 percent of black men have received training compared to 18 percent of black women.

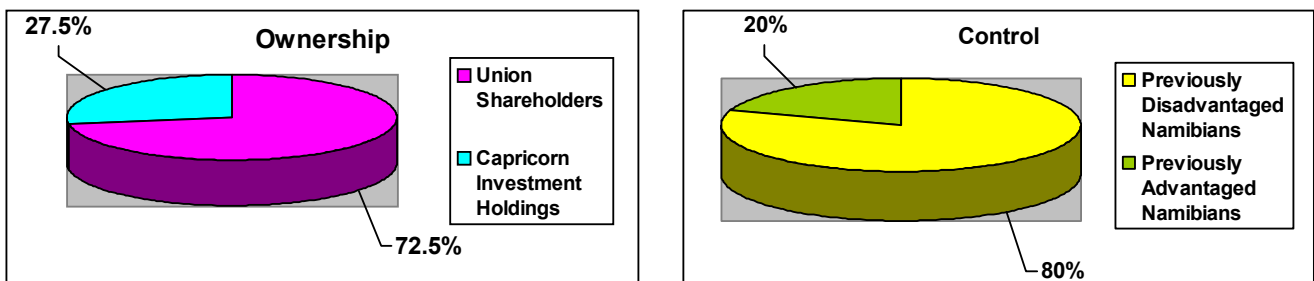
The procurement policies and practices component shows annual increases in spending. In 2005, 2006 and 2007, procurement spending was N\$ 56 000, N\$ 90 000 and N\$ 123 980 respectively. The products procured are mainly caps and t-shirts for promotional purposes from a black-owned company. Don (2008) admits that although efforts have been made in procuring from a BEE company, "the institution does not procure a lot since procurement is not a big business opportunity."

The enterprise development component has not been addressed by Nam-MIC FS, given that financial and entrepreneurial skills have not been provided for the development of SMEs amongst union members. Don (2008) maintains that the institution has not provided "seed capital" for SME development due to the N\$ 30 000 maximum given for loan acquisition, but admits that there is a huge need for SME development. At the time of writing this thesis, Nam-MIC FS only supports what Don (2008) terms "Small Small Medium Enterprises" (SSMEs) such as starting a "vetkoek" business. No data was provided on the number of union members who have benefited so far from "SSMEs." Similarly, the empowerment financing component has not been addressed.

The ownership and control component shows a direct ownership of 72.5 percent black shareholding whilst indirect ownership is vested in the union members, the majority of whom constitute previously disadvantaged Namibians who benefit from the shareholding through the annual dividend payments by Nam-MIC FS to the union shareholders. No



data was provided on the percentage of union members who are previously disadvantaged Namibians. Capricorn Investment Holdings, which is one of the shareholders, is a previously advantaged owned company with a shareholding of 27.5 percent. With regard to control, 80 percent of the board of directors are previously disadvantaged Namibians, with 20 percent black women representation with the CEO being a black male. All the directors on the board are non-executive directors. The ownership and control composition is shown in Figure 5 below.



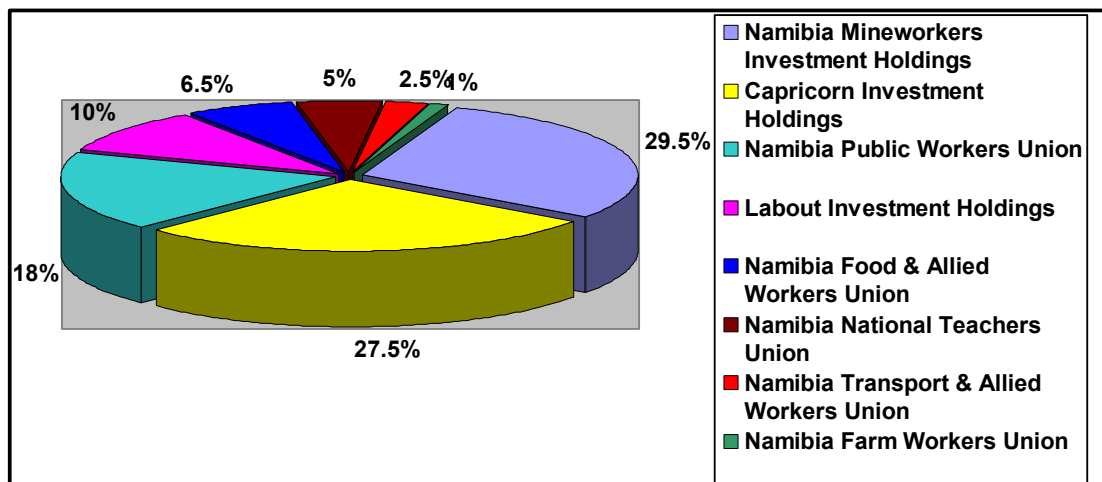
**Figure 5: Nam-MIC FS Ownership and Control Composition (2008)**

The consumer protection and education component is promoted through a program called “money sense” where union members are trained and empowered on how to borrow responsibly and draw up personal budgets. Don (2008) asserts that “as a responsible financial institution owned by the union members, we cannot see that we assist the union members to have access to finance but not have a responsibility to train and educate them on how to manage their financial affairs.” In 2005, 2006 and 2007, consumer protection and education spending was N\$ 34 000, N\$ 50 000 and N\$ 100 000 respectively.

With regard to the corporate social responsibility component, Nam-MIC FS signed a sponsorship agreement in 2007 with the National Union of Namibian Workers and its affiliates as the principal sponsor of all national congresses and events for a period of three years. In addition, Nam-MIC FS pays a monthly commission to the respective union shareholders for operational purposes (Don, 2008).

### ***Clients***

Nam-MIC FS is comprised of seven industrial unions and Capricorn Investment Holdings, each with its respective shareholding. The industrial unions and their respective shareholding include Namibia Mineworkers Investment Holdings (29.5%), Namibia Public Workers Union (18%), Labour Investment Holdings (10%), Namibia Food and Allied Workers Union (6.5%), Namibia National Teachers Union (5%), Namibia Transport and Allied Workers Union (2.5%) and Namibia Farm Workers Union (1%). This amounts to a total union shareholding of 72.5 percent. The remaining 27.5 percent is held by Capricorn Investment Holdings. The percentage of union shareholders who have voting rights is 57 percent, which is based on having a shareholding percentage of more than 5 percent (Don, 2008). The shareholding composition can be viewed in Figure 6 below.



**Figure 6: Nam-MIC FS Shareholding Composition (2008)**

The union members and their dependents are eligible beneficiaries of the financial services and products offered by the various business partners of Nam-MIC FS. According to Don (2008) union members are amongst the very low-income earners in the country, the majority of who are concentrated in rural areas. At the time of writing this thesis, there are a total of 25 000 union members who are eligible to access the financial services and products offered by Nam-MIC FS's business partners. A minimum basic income of N\$ 750 per month is required from the union members in order to qualify for

the various financial services and products. A payroll deduction agreement is entered into with the employers of the respective union members. To date more than 312 payroll deduction agreements have been signed with private sector companies, SOEs and government, all of which were facilitated by the unions (Don, 2008).

Don (2008) states that the beneficiaries of Nam-MIC FS have added value and provided network support to the institution, which without them, Nam-MIC FS would never have been able to achieve what it has. The unions are continuously negotiating payroll deduction agreements with employers where installments are directly deducted from the members' pay and paid over to the respective loan providers, of which a certain percentage is paid to Nam-MIC FS based on its respective shareholding (Don, 2008). A certain portion of the profit made by Nam-MIC FS is then paid out as dividends to the union shareholders. In addition, the shop-stewards identify newly established companies for Nam-MIC FS to attend to the workers of the new company and promote its services amongst the union members during national congresses and events. For the periods of 2005, 2006 and 2007, the combined business partners paid out dividends of N\$ 4 897 784, N\$ 7 203 720 and N\$ 32 413 000 respectively to Nam-MIC FS. Consequent to the foregoing financial achievements, the institution does not view its shareholders and beneficiaries as risky in its BBBEE deal (Don, 2008).

Each union shareholder has established a union trust fund in which annual dividends are deposited. These dividends are ploughed back to the respective union members in terms of the objectives of each trust (Don, 2008), which include, but are not limited to education through bursaries, training, community projects, housing and health programmes such as HIV and AIDS education. The annual dividends paid out to the union shareholders since 2005, 2006 and 2007 are N\$ 300 000, N\$ 750 000 and N\$ 1.2 million respectively. However, despite the expectation that trust funds be used for development purposes, a number of unions have not carried this expectation through due to their limited shareholding percentage (Don, 2008). Only 42.9 percent of union shareholders have invested in training and education programmes. The Namibia Mineworkers Investment Holdings, which is the majority shareholder, is at the forefront

of investing in productive areas through the establishment of a bursary scheme for union members and their dependents (Don, 2008).

### ***Context***

Nam-MIC FS operates within the Namibian Financial Sector and is guided by the NFSC, which came into effect in January 2008. Although the charter is still in its infancy stages, Nam-MIC FS, having been involved in its conceptualization, has from “inception geared itself towards addressing each of the transformational guidelines contained in the NFSC” (Don, 2008).

The implementation of Nam-MIC FS’s BBBEE strategy is guided by a shareholders agreement, which could not be revealed. However, Don (2008) maintains that the board of directors and the CEO are ultimately responsible for the implementation of its BBBEE strategy. The board of directors is responsible for any investments made with the business partners and to ensure that sufficient finance is obtained and a maximum return on investment is achieved. The board of directors has to negotiate the best deals in the interest of the union members and shareholders (Don, 2008).

### ***Coalitions***

Nam-MIC FS has formed strategic partnerships with a number of selected financial institutions in order to provide the best services and products for their respective beneficiaries (Don, 2008). The institution has formed partnerships with five different financial institutions with Nam-MIC FS having a certain shareholding percentage in each of the business partners. All business partnerships have office branches in all the thirteen regions of the country. Don (2008) maintains that “the formation of partnerships has proved to be successful in achieving our objectives through the provision of affordable financial services and products and a strong backing in terms capital requirements.” The business partners formed are all Namibian owned companies and are amongst the leading financial services organizations with reputable management (Don, 2008). However, 80 percent of the business partners are owned and managed by previously advantaged Namibians. The business partnerships formed and their product offerings and Nam-MIC FS’ respective shareholding in each of the business partners can be viewed in Table 2.

<p><b><u>Capricorn Investment Holdings (Banking) 10.5%</u></b></p> <ul style="list-style-type: none"> <li>• Property Finance/Housing</li> <li>• Asset Management (capital &amp; money markets)</li> <li>• Short-term insurance &amp; credit life cover</li> <li>• Personal &amp; business banking <ul style="list-style-type: none"> <li>- Cheque &amp; savings accounts</li> <li>- Investment &amp; lending products</li> </ul> </li> </ul> <p><b><u>Welwitschia Nam-MIC Insurance Brokers 22%</u></b></p> <ul style="list-style-type: none"> <li>• Basic Package (Pre. N\$ 50.00 per month) <ul style="list-style-type: none"> <li>- Household contents N\$ 80 000</li> <li>- Personal Accident (insured) N\$ 20 000</li> <li>- Legal Liability N\$ 1 million</li> </ul> </li> <li>• Optional Cover <ul style="list-style-type: none"> <li>- Buildings, all risk, vehicle insurance &amp; mechanical breakdown</li> </ul> </li> <li>• Motor-only policy &amp; commercial insurance</li> </ul>	<p><b><u>Sanlam Namibia 16.6%</u></b></p> <ul style="list-style-type: none"> <li>• Tailor made insurance &amp; investment products <ul style="list-style-type: none"> <li>- Individual &amp; family funeral cover    - Medical &amp; hospital benefits</li> <li>- Retrenchment &amp; life cover            - Savings &amp; investment</li> <li>- Group &amp; legal access benefits    - Retirement cover &amp; education plan</li> <li>- Pregnancy &amp; unemployment benefits</li> <li>- HIV and AIDS cover for health care workers</li> </ul> </li> </ul> <p><b><u>Santam Namibia 10%</u></b></p> <ul style="list-style-type: none"> <li>• Short-term insurance underwriting</li> <li>• Legal access cover</li> </ul> <p><b><u>Capricorn Asset Management 20%</u></b></p> <ul style="list-style-type: none"> <li>• Unit trusts</li> <li>• Pension fund investment</li> </ul>
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**Table 2: Nam-MIC FS Business Partners & its respective Shareholding**

### ***Commitment***

Don (2008) describes the level of internal and external commitment of those tasked to implement Nam-MIC FS's BBBEE strategy as high. High commitment amongst implementers is attributed to the process of relationship management, which is achieved through regular shareholders' meetings. The contribution made by the unions through the facilitation of payroll deduction agreements indicates the high level of commitment by the unions in making Nam-MIC FS a success (Don, 2008). The board of directors who continually oversee the implementation process, reflect the level of internal commitment because they ensure that the institution does not deviate from its ultimate goal. Also, the annual dividends paid out over the past three years to union shareholders, is testimony of Nam-MIC FS's commitment to improving the living standards of union members (Interview conducted with Don, 13 August 2008). The sponsorship agreement and monthly commission provided to the National Union of Namibian Workers by Nam-MIC FS indicates the commitment towards its shareholders and beneficiaries whilst the wide-range of tailored financial services and products offered by the business partners reflect the high level of external commitment by ensuring that very low-income earners are offered financial opportunities that suit their needs and circumstances (Don, 2008).

### ***Administrative Capacity***

Don (2008) maintains that Nam-MIC FS has the necessary human capacity to carry out its BBBEE strategy. The board of directors and the business partnerships have successfully enabled the implementation process. The wealth of experience amongst the board of directors in negotiating the best BEE deals and identifying investment opportunities for the shareholders and the union members enables the institution to overcome many of its challenges, particularly the negotiation process, which is a "tough process since established companies often like to push their views on BEE companies with the mentality of you either accept or leave it" (Interview conducted with Don, 13 August 2008). The formation of business partnerships with some of the country's leading financial service providers has proved to be the most important factor in the implementation process (Don, 2008).

A high level of commitment by the unions through the facilitation of payroll deduction agreements and the referrals of Nam-MIC FS to new established companies is fundamental in the creation of capacity for the institution. Nam-MIC FS and its business partners in all the thirteen regions of the country have decentralized the operations and activities with a view to ensuring that all union members in the respective regions are offered affordable and tailor-made financial services and products (Don, 2008). The fact that 98.4 percent of the institution is staffed with previously disadvantaged Namibians reduces the conflict between organizational and BEE culture since the majority of the staff have “a sense of belonging and view BEE as relevant to the institution’s existence” (Interview conducted with Don, 13 August 2008). In addition, 64.4 percent of the staff composition falls under the skilled workers job category. The advantage of this is that it contributes to the efficiency and effectiveness of the implementation process (Interview conducted with Don, 13 August 2008).

On the financial capacity of Nam-MIC FS, Don (Interview conducted with Don, 13 August 2008) maintains that the organization has the financial capacity to implement its BBBEE strategy, despite the debt of 70 million, which is attributed to the cost of financing. Although the best rates are negotiated between the financiers and BEE partners the challenge remains with the current volatile economic state and high interest rates. Don maintains that being an investment company, the institution does not have a specific budget for its BBBEE strategy since its main objective is “to look for investment companies where we could benefit from. Instead, we rather make use of our strength as a BEE owned financial service to embark on investment opportunities” (Interview conducted with Don, 13 August 2008).

### ***BBBEE Perceptions***

According to Don (2008) the prevailing perceptions that BBBEE in Namibia is benefiting only the elite groups is not supported by Nam-MIC FS as the company’s focus is to continue empowering the previously disadvantaged Namibians through the BBBEE model. However, he does acknowledge that in general, there is a problem with the practice of BBBEE in Namibia, which comes as a result of individuals who are selected

for BEE deals but are unable to add business value to an organization. Such a scenario, according to Don (2008) leads to “guys being locked up into investment deals or debts that they cannot get out of.” He maintains that BBBEE is “a business imperative, which can assist in transforming our economy” but the process is compromised by the inclusion of “groups that do not understand the business jargon.” This merely contributes to the failure of BBBEE. In addition, a major stumbling block for BBBEE in Namibia is that the process is “too slow” and remains focused on a few individuals or groups. This scenario is further complicated by the absence of what Don terms a “watch dog” to monitor and evaluate progress on BBBEE deals.

Don (2008) recommends that the practice of BBBEE should be compulsory and enforced. Financial institutions should set up different funding strategies to finance BBBEE deals and the existence of a monitoring and evaluation body to regularly monitor BBBEE deals cannot be emphasized enough. The overall success of BBBEE in Namibia should be measured against tangible returns on investment, real benefits to target groups and beneficiaries, alleviation of socio-economic challenges faced by the target groups and beneficiaries and ultimately the enforcement of proposed BEE charters (Don, 2008).

#### **4.2.1 Interpretation**

The findings on Nam-MIC FS present an interesting case in regard to its BBBEE implementation. Based on the findings, Nam-MIC FS has included very low-income earners by providing them with access to affordable financial services and products, which they were previously denied by the financial sector. Considering the traditional practice of financial institutions merely serving the needs of middle to high-income earners, the provision of affordable financial services and products to union members demonstrates an innovative approach by the business partners as part of contributing to the reduction of income inequality. The practice by Nam-MIC FS and its business partners demonstrates an all inclusive process in that poor people across the country are given the opportunity to access affordable financial services and products such as loans,



banking, savings and insurance facilities without the stringent financial requirements imposed by the mainstream financial services industry. The alleviation of poverty through expanding access to financial services and products to poor people is confirmed by Adongo, *et al.*, (2006) since insurance and savings facilities play an important role in alleviating the effects of shocks caused by death and illness, thus reducing vulnerability to poverty.

Additionally, the implementation of a “money sense” programme for union members represents a responsible financial institution considering the differences across the population in terms of education about financial services and products. The poor often lack advice on appropriate financial services and products, which generally creates apathy towards financial service providers. The promotion of “money sense” amongst union members is vital in ensuring that poor people have “power over” their resources by making informed choices that reflect their individual preferences and needs, particularly in addressing the prevailing apathy towards short-term cover, which is often not viewed as necessary by poor people due to their limited understanding of the service.

Nam-MIC FS disputes the perception that poor people are “no go sectors” as the cost of providing financial services and products to poor people is high relative to the returns. The institution, in collaboration with its business partners, has proved that a win-win situation can be achieved between Nam-MIC FS and its shareholders. The beneficiaries of Nam-MIC FS and union shareholders have managed to add significant value to enable the institution to make annual dividend payments to union shareholders. Essentially, this practice proves that Black Economic Empowerment can be converted into what Koolen (2003) terms Business Economic Empowerment, which is what distinguishes a committed financial institution from a non-committed financial institution. The value addition achieved by shareholders and union member’s discounts Cargill’s (2003) argument on the risk associated with promoting broad-based ownership. A broad base of beneficiaries, and in this case union shareholders and union members, is a socially responsible investment as opposed to a few individuals benefiting, of which the latter often do not constitute the poor.

The annual dividend paid to union shareholders, although not sufficient to some union shareholders, has enabled some of the unions to establish training and education programmes, which are essential in promoting skills development. The establishment of a bursary scheme by Namibia Mineworkers Investment Holdings is vital in addressing the skills and knowledge gap amongst the youth since education is the best form of empowerment as it helps individuals overcome their oppressive circumstances. Essentially, investing in the education of the youth enables them to move from dependence to independence and from being recipients of society's services to becoming national economic contributors.

Besides the provision of financial services and products, Nam-MIC FS has addressed the matters of employment equity and skills development. The former indicates black population representation at every level of organizational employment and job category. However, the non-representation of people with disabilities confirm the LaRRI's study (2005) on the exclusion of people with disabilities, which is a major impediment in advancing employment equity amongst the most socially excluded members of society. Moreover, the skills development component is not broad-based in that bursaries and study aid opportunities, which are essential in addressing the strategic and managerial skills shortage amongst black employees, are not offered to staff members.

Promoting the aforementioned skills programmes will enable black employees to compete on an equal footing with previously advantaged Namibians and promote broad-based Affirmative Action, which goes beyond the numbers game since previously disadvantaged Namibians are given training opportunities to become economically empowered. The fact that more black men have benefited from the training could explain the non-representation of black women in senior management positions.

Whilst 80 percent of the board of directors consists of previously disadvantaged Namibians, the 20 percent black women representation on the board implies a male dominated composition. A fundamental objective of BBBEE is the transfer of ownership and control of enterprises to previously disadvantaged Namibians. Nam-MIC FS has majority ownership and control by previously disadvantaged Namibians.

The formation of strategic business partnerships, which according to Don (2008) has proved to be successful in implementing Nam-MIC FS' BBBEE strategy confirms the argument by Hjern and Porter (cited in O'Toole, *et al.*, 1997) that effective implementation of BBBEE lies in the collection of localized implementation structures, with each having its respective roles and responsibilities to produce the intended outcomes. Without the formation of strategic business partnerships, the provision of affordable financial services and products and annual dividend payments would not have been possible.

It can be deduced that Nam-MIC FS is promoting broad-based ownership in that wide-spectrums of union members from different sectors are able to benefit from the provision of financial services and products, including their dependents. In addition, union shareholders receive substantial financial support in order to ease the operational expenses of the respective shareholders, thereby strengthening the administrative capacities of the unions to implement their empowerment initiatives, all of which are commendable undertakings by Nam-MIC FS.

However, although Nam-MIC FS shows a broad acceptance of the necessity of BBBEE, the findings on its BBBEE implementation indicate limited results in terms of promoting BBBEE. Firstly, whilst significant efforts have been made to enable union members with very low-income to access affordable financial services and products, the point remains that the main focus on availing financial services and products is not sufficient in terms of promoting BBBEE in order to address the slow economic growth, poverty reduction and unemployment in Namibia.

Secondly, the results are also limited in that some of the most critical areas of empowerment are not receiving sufficient consideration, which could be attributed to the absence of internal policies on the transformational guidelines. Although Don (2008) maintains that Nam-MIC FS "has from inception geared itself towards addressing each of the transformational guidelines" limited efforts have been made to implement all of the transformational guidelines. The reason for this is that Nam-MIC FS has primarily relied on the assumption that the ultimate responsibility for empowering union members and

their respective communities lies with the union shareholders through the annual dividend payments. But there seems to be a flaw in this relationship because it is unidirectional. Ideally, the relationship between Nam-MIC FS and the union shareholders should be reciprocal, based on the philosophy of “shared burden” where both parties take full responsibility in promoting BBBEE in order to address unemployment, slow economic growth and poverty reduction. Therefore, Nam-MIC FS should be at the forefront of broad-based empowerment and pushing this agenda vigorously, as opposed to leaving the matter in the hands of the union shareholders. As has been indicated, this way of doing things slows the pace of transformation and development. The prevailing practice by Nam-MIC FS is the primary focus on the provision of financial services and products to union members, as opposed to a binary provision of financial services and non-financial services as advocated by the Organization for Economic Co-operation and Development (2006). The mere focus on providing financial services and products and meeting the shareholders annual dividends treats BBBEE as a transaction shareholding process isolated from broader developmental objectives.

Based on the definition of empowerment by Oakley (2001:43), Nam-MIC FS is promoting only one aspect of empowerment, namely, participation, in that union members are allowed access to financial services and products in order to overcome existing income inequality. However, capacity building and economic improvement, which are vital for empowerment, are not adequately addressed. Some of the key empowerment areas that have been overlooked are enterprise development, empowerment financing and corporate social responsibility.

Thirdly, financing the operational capacity of black SMEs is critical to economic growth, due to the number of jobs that could be created, and because SMEs have proven to be the backbone of Namibia’s economy. Yet, Nam-MIC FS has not addressed the area of SMEs sufficiently to enable union members to enter into viable businesses that are economically meaningful. The exclusion of SME development means that some union members are not graduating from the poverty line stage since the majority of potential SMEs are limited by the N\$ 30 000 maximum loan grant and the lack of necessary skills and training opportunities required for further advancement. Providing union members with a loan of

N\$ 30 000 to “consolidate existing debt” only indebts the individual further as opposed to promoting wealth creation for individuals to become self-reliant. In fact, the practice of debt consolidation merely “alleviates poverty” but does not reduce poverty because no economic opportunities are created for union members to become self-reliant.

The lack of support provided to potential SMEs confirms the perception that seed capital is often a problem for the majority of potential SMEs, coupled with the lack of necessary skills and training to run a profitable business. The limit of N\$ 30 000 disadvantages union members as it restricts socio-economic development by limiting the opportunity of a talented person to start profitable projects. Sen (cited in Roemer, 1996) refers to such a scenario as restricting an individual’s “functionings” and capabilities to fully participate in society. The reliance on savings facilities for union members to start income generating projects is not justifiable because a poor person does not need the money in three to five years; they need the money today. However, this view does not negate the importance of promoting investment of money over time by the union members, which is necessary for educational purposes for their dependents and unforeseen eventualities.

The “vetkoek” business is an opportunity to convert “SSMEs” into SMEs, provided that individuals are given the necessary funding, entrepreneurial lessons and infrastructural support in the form of technology, sites and premises. Of cognizance is the fact that the majority of “SSMEs” operate in unsuitable environments such as under trees and shacks to conduct their business; this is not conducive to business growth and development. Although limited support has been given to “SSMEs” it is not an area of priority for Nam-MIC FS, and therefore, based on the Financial Usage Index by Arnold, *et al.*, (2005), the provision of affordable financial services and products represents a low level of access since no priority is given towards SME development among union members. If the objective is to provide a “wide-range of affordable financial services and products” then access to all kinds of credit should be widened as opposed to merely giving loans to consolidate existing debt. The aim should be to ensure that businesses develop into viable opportunities for union members in order to promote sustainable wealth creation. Without the necessary support, “SSMEs” will not translate into viable SMEs, which is a fundamental requirement of BBBEE. The ultimate objective of SME development is to

ensure that the sector is converted into large businesses that are export oriented as part of addressing Namibia's import syndrome.

Considering that union shareholders such as Namibia Food and Allied Workers Union, Namibia National Teachers Union, Namibia Transport and Allied Workers Union, and Namibia Farm workers Union have not been able to implement some of the empowerment obligations because of their limited shareholding percentage, implies a need for empowerment financing for these unions in order to strengthen their capacities. Empowerment financing would require the provision of business loans towards investing in or financing BBBEE transactions of the union shareholders in order to financially capacitate the respective unions. Moreover, the exclusion of the last three union shareholders in having voting rights limits their full participation in that their concerns are not adequately represented. This limitation, coupled with the low dividend value transferred, hinders sustainable BBBEE (Brown, 2003).

A critical aspect of BBBEE is that an institution should consciously seek to invest in areas that are productive in terms of creating jobs so as to grow the economy. Nam-MIC FS is not doing this. In fact, it can be seen from the foregoing that the organization has overlooked broader community needs. One cannot claim to empower an individual without due consideration and inclusion of the respective community in which the individual resides. The exclusion of respective communities in empowerment initiatives means that the twin challenges of creating jobs and reducing poverty are not being addressed. Community or grassroots empowerment initiatives are necessary in order to create enabling conditions for a more equitable distribution of wealth and economic opportunities. Also, community initiatives promote a people-centered approach to empowerment by building human capabilities in order to enable unemployed community members to get out of poverty and become active players in society. Clearly, if according to Don, the overall success of BBBEE in Namibia should be measured on the extent to which "beneficiaries receive tangible benefits and the alleviation of socio-economic challenges"; then an urgent need exists to implement broad-based empowerment initiatives. Furthermore, Nam-MIC FS's current debt of N\$ 70 million implies that cash

surplus is being diverted into debt through equity acquisitions, instead of being invested in productive and empowerment oriented initiatives.

Worthy of note is that promoting broad-based ownership is not equivalent to BBBEE; instead ownership should be geared towards addressing development goals and achieving tangible empowerment in the form of house financing, SME development and community projects, amongst others. The last two are innovative ways of addressing slow economic growth and unemployment. Therefore, it is not ownership *per se* but its priorities and the uses to which such ownership is put that indicates broad-based empowerment or not. If Nam-MIC FS aims to become a constructive financial institution, it needs to seriously promote productive investment in the form of SME development and expenditures that directly improve human welfare. Moreover, if Nam-MIC FS was founded on the basis of “providing direct material and social benefits and creating job opportunities,” then the organization must do more to ensure that the founding principles are implemented and achieved.

One possible explanation on the failure for Nam-MIC FS to promote BBBEE could be the limited total dividend payment by the business partners of N\$ 4 897 784 and N\$ 7 203 720 in 2005 and 2006 respectively. However, a limited annual dividend payment does not justify the lack of support for SME development amongst union members and community initiatives. The former could be provided by the business partners whilst an annual allocation towards corporate social responsibility does not have to be in millions. If the 2005 and 2006 dividend payments were too low for Nam-MIC FS to implement BBBEE, then the 2007 payment of N\$ 32 413 000 should have enabled the organization to begin to change course and implement BBBEE, yet there was no evidence or mention to this effect.

A second explanation is that the absence of an internal monitoring and evaluation mechanism limits the capacity of Nam-MIC FS to ensure effective implementation of the organization’s BBBEE strategy. Although the board of directors is said to be monitoring the implementation of the BBBEE strategy, no systematic monitoring mechanism is in place to reveal crucial data necessary to understand Nam-MIC FS’s BBBEE

implementation. Currently (2008), no monitoring data exists in regard to the biographical data and gender differences in accessing the numerous financial services and products, and in determining how Nam-MIC FS' services are being received and perceived by its beneficiaries. A monitoring and evaluation system would provide information about the performance of Nam-MIC FS's BBBEE strategy in satisfying the needs and creating the necessary empowerment opportunities for the beneficiaries. Hence, in agreement with Cracknell (2000), the absence of conducting regular monitoring limits effective policy impact evaluation, which would reveal areas of success and failures, in addition to giving direction on redesigning a more BBBEE strategy.

An important lesson and deduction from the foregoing is that Nam-MIC FS is merely alleviating poverty by assisting union members to access financial services and products. It is not reducing poverty, which is defined by Kaen (2007), as the creation of opportunities for poor people to develop their social capital to obtain basic needs for themselves rather than having "things" given to them.



### **4.3 Case Report: The National Housing Enterprise**

The National Housing Enterprise (NHE) was established in 1993 by an Act of Parliament to provide and finance affordable housing to low and middle-income groups (Interview conducted with Hailulu, 18 August 2008). The establishment of the NHE was based on the realization that the commercial banks were not interested in getting involved in promoting and/or financing the low-cost housing market. The mandate of the NHE is to facilitate access to adequate and affordable housing for all Namibians, particularly previously disadvantaged Namibians, as part of promoting basic service delivery in the country. In this respect, and with particular reference to provision of affordable housing, the NHE acts as the executing agent of the central government and assists in the undertaking of the responsibilities and functions of local and regional authorities and the private sector where such institutions are unable or unwilling to fulfill their respective functions and roles (Interview conducted with Hailulu, 18 August 2008). In addition to its core mandate of housing provision and finance, the NHE also promotes the development of black SME contractors through procurement initiatives in order to contribute to the growth of the economy in respect of job creation in the construction industry in which the NHE operates (Interview conducted with Hailulu, 18 August 2008).

#### ***Content***

In the context of housing provision and financing, the goal of the NHE is to house more Namibians by constructing 26 400 houses by 2030 in order to contribute towards addressing economic growth and development, unemployment and income inequality in the country (Interview conducted with Hailulu, 18 August 2008). The objective is to increase the housing stock by constructing a minimum of 1200 houses a year. The second goal is to promote the growth and development of black SME contractors and service providers through their involvement in the housing construction process (Interview conducted with Hailulu, 18 August 2008). The performance indicators used to measure the NHE's objectives are the number of houses constructed per year, the number of black SME contractors participating in the execution of housing projects, the budget allocated

towards the execution of housing projects and the interest shown by the target groups in working with the NHE (Interview conducted with Hailulu, 18 August 2008).

In the absence of a national BEE policy in Namibia, the NHE has taken a different approach in promoting empowerment, compared to most organizations in the country. Hailulu (2008) maintains that the traditional approach to BBBEE in most organizations is promoted through shareholding offerings. According to Hailulu (2008), “the most important way of empowering a human being, particularly the previously disadvantaged Namibians, is to enable individuals to own long-term assets, which could be used for wealth creation. Housing provision is aimed at significantly addressing poverty since housing has three value adding components.

Firstly, as Hailulu (2008) notes, houses have an economic value in that they are economic assets, which increase in value compared to other forms of investments. Secondly, housing is a financial asset in that it enables individuals to raise financial resources to be used on a household’s specific need. And thirdly, housing has a social value, which according to Hailulu (2008), is the most “powerful component” in respect of how children should be raised. Additionally, housing provision indirectly addresses HIV and AIDS in that individuals or children, who are in the streets, contributes to their vulnerability and social evils. Having a roof over one’s head; and living in a stable and safe environment reduces one’s vulnerability to social evils. Ultimately, the NHE will not only house more Namibians, but will also contribute to economic growth and social uplifting through the increase in jobs for black SME contractors and suppliers, which will in turn lead to more taxes paid to government, thus enabling government to create more public facilities such as schools and clinics (Interview conducted with Hailulu, 18 August 2008).

The current objective of the NHE is to produce a minimum of 1 200 houses per year, which is an increment from the 300 minimum housing target prior to 2006. Since 2006, the institution has only been able to build an average of 420 houses a year, which falls far short of the housing demand in the country (Interview conducted with Hailulu, 18 August 2008). The NDP2 required the NHE to build 8000 houses in five years; however, the

NHE only managed to build less than 2000 houses. The under-production of housing stock was primarily attributed to the limited capital budget allocation of N\$ 13 million; N\$ 17 million, N\$ 33 million and N\$ 76 million in comparison to the operational budget of N\$ 42 million, N\$ 46 million, N\$ 49 million and N\$ 50 million from 2004 to 2007 respectively. The current capital budget is N\$ 233 million whilst the operational budget is N\$ 53 million (Interview conducted with Hailulu, 04 September 2008). The capital budget is shared between housing provision and procurement initiatives. No data was available on the number of houses constructed since the NHE's inception, the biographical data of housing beneficiaries and the actual housing spending since 2004 to 2007.

Although its core mandate is housing provision, the NHE is addressing most of the CGP as part of its obligation to promote BBBEE in order to contribute to economic transformation. Internal policies in respect of human resources development, procurement, and corporate social responsibility have been developed. With regard to the employment equity composition, the NHE has a staff total of 114 (permanent & part-time), of whom 96.4 percent are previously disadvantaged Namibians compared to 2.7 percent of previously advantaged Namibians with 0.9 percent being a non-Namibian understudy male. Black women representation is 54.3 percent compared to the 1.8 percent representation of white women. No women are represented in senior/top management positions. A further breakdown reveals that 5.3 percent of black women are in middle management positions; 9.6 percent occupying specialized/skilled senior supervisory positions and a combined 30.7 percent occupying skilled, semi-skilled and unskilled positions. In total, 45.6 percent of black women occupy permanent positions compared to 2.6 percent and 6.1 percent occupying the casual and contract categories respectively.

The composition of black Namibian men is 42.1 percent, with 1.8 percent in senior/top management positions, 5.3 percent in middle management positions, and 13.2 percent are in specialized/skilled/senior supervisory positions. A combined 13.3 percent occupy skilled, semi-skilled and unskilled positions. In total, 36 percent of black Namibian men are in permanent positions compared to 6.1 percent in the casual category. The

representation of black Namibian men living with disabilities is 1.8 percent (NHE, 2008).

A complete breakdown of the employment equity composition of NHE can be viewed in Table 3 below.

Job Category	PREVIOUSLY DISADVANTAGED NAMIBIANS		PREVIOUSLY ADVANTAGED NAMIBIANS		PERSONS WITH DISABILITIES		NON NAMIBIANS		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Executive Directors	0.9%								0.9%	
Senior Management	1.8%								1.8%	
Middle Management	5.3%	5.3%					0.9%		6.2%	5.3%
Specialized/Skilled/Senior Supervisory	13.2%	9.6%		0.9%	1.8%				15%	10.5%
Skilled	5.3%	10.5%	0.9%	0.9%					6.2%	11.4%
Semi-Skilled	6.2%	19.3%							6.2%	19.3%
Unskilled	1.8%	0.9%							1.8%	0.9%
<b>Total Permanent</b>	<b>34.2%</b>	<b>45.6%</b>	<b>0.9%</b>	<b>1.8%</b>	<b>1.8%</b>		<b>0.9%</b>		<b>37.8%</b>	<b>47.4%</b>
Casual		2.6%								2.6%
Contract	6.1%	6.1%							6.1%	6.1%
<b>TOTAL</b>	<b>40.3%</b>	<b>54.3%</b>	<b>0.9%</b>	<b>1.8%</b>	<b>1.8%</b>		<b>0.9%</b>		<b>43.9%</b>	<b>56.1%</b>

**Table 3: The Employment Equity Composition of the NHE (2008)**

The skills development component consists of a training policy, study aid policy and a bursary policy. The annual budget for the training policy is N\$ 500 000, which is used for special training, seminars, conferences and any other relevant training to enhance the knowledge and skills of the staff (Interview conducted with Hailulu, 18 August 2008). The study aid policy has an annual budget of N\$ 150 000 whilst the bursary policy has an annual budget of N\$ 250 000. When combining the three skills development components, 87 percent of women have undergone training (Interview conducted with Hailulu, 18 August 2008). No data was provided on the actual spending of the respective skills development budgets from 2005 to 2007.

The indirect empowerment component shows that the NHE has a procurement policy designed to promote the development of black SME suppliers and contractors. Although this is the policy, it is interesting to note that the only building materials procured from black SMEs owned by women and men are bricks. Prior to 2006, the NHE focused primarily on the use of private contractors from specific areas only, such as Windhoek and Rehoboth to supply and build houses. This trend was abandoned in 2006 in order to include black SME contractors from all areas in which the NHE is building houses, provided that the black SME contractors have the required skills to meet the housing standards (Interview conducted with Hailulu, 18 August 2008). Currently 95 percent of the NHE's housing services are executed by black SME contractors whilst 80 percent of the professional construction services such as land surveyors, engineers and town planners are executed by previously advantaged Namibians due to the limited existence of skilled black people in the aforementioned areas (Interview conducted with Hailulu, 18 August 2008).

With regard to the enterprise development component, the NHE has not implemented a skills development programme for black SME contractors other than the provision of on-site training and mentoring, which is provided by site agents in order to ensure that black SME contractors meet the housing standards (Interview conducted with Hailulu, 18 August 2008). However, financial contributions of N\$ 40 000 have been given to local brick-making enterprises owned by black men and women in rural areas in order to increase the production of bricks, which could then be supplied to the NHE. The black

SME contractors that are supported are viewed as possible executors of the NHE's housing projects provided that they have the necessary knowledge and expertise (Interview conducted with Hailulu, 18 August 2008).

In terms of ownership and control, the NHE is 100 percent wholly owned by government. The control component shows 100 percent black representation at the board level with 10 percent black women representation. All board directors are non-executive directors while the CEO is a black male (Interview conducted with Hailulu, 18 August 2008).

The corporate social responsibility component, which used to be allocated a mere allocation of N\$ 60 000 in the past, now has an annual budget of N\$ 800 000. Hailulu (2008) asserts that the NHE has "positioned itself to predominately be the corporate citizen in terms of supporting youth related development and enterprises, simply because of the belief that the youth are the future of the nation." In light of this, the NHE has, in collaboration with the Ministry of Youth, Sports and Culture set aside N\$ 500 000 for youth projects. An additional N\$ 10 000 was donated to the "Youth Expo" whilst computers have been donated to urban schools and financial assistance totaling N\$ 10 000 has been donated to a child in need of medical attention. As part of assisting housing beneficiaries, certain building materials are donated (Interview conducted with Hailulu, 18 August 2008).

### ***Clients***

The beneficiaries of the NHE housing provision are the low to middle-income earners who are required to have sufficient monthly income of plus/minus N\$ 4 000. About 70 percent of housing provision focuses on low-income groups, with the exclusion of the very low-income earners who, according to Hailulu (2008) are catered for by the government's Build Together Programme. Those who earn between N\$ 20 000 to 30 000 a month are excluded because they can be catered for by commercial banks (Interview conducted with Hailulu, 18 August 2008). The loans offered to clients range between N\$ 85 000 to N\$ 500 000 in order to ensure that the NHE caters as far as possible for middle-income earners. Hailulu (2008) maintains that "although the intention is not to include the

elite members of society in housing provision, it has been a tricky thing to work on and one way of ensuring that the NHE does not give support to elite members of society is the limit of N\$ 500 000 set.”

The institution provides basic core houses as well as fully furnished homes with up to three bedrooms, depending on the needs and circumstances of the client. The future home-owners are given an opportunity to take part in the decision-making process in order to ensure that the housing design reflects the needs and affordability of the clients (Interview conducted with Hailulu, 18 August 2008). Additionally, the NHE has expanded its range of housing products so that people have more to choose from, as opposed to the traditional practice of what Hailulu (2008) terms a “matchbox house” that was forced upon clients because of the philosophy of “you are in need, so take it or leave it.” As part of providing affordable housing, the NHE provides “competitive” home-loans at an interest rate equal to 1 percent below the prime rate offered by commercial banks (Interview conducted with Hailulu, 18 August 2008).

The majority of the clients served are government employees, who are required to either have a 5 percent payable deposit or 20 percent collateral that the employer provides in the form of a guarantee (Interview conducted with Hailulu, 18 August 2008). For those who are unable to secure the collateral or deposit, the NHE uses the loan-to-valuation ratio to ensure that it is not more than 100 percent in the event that clients become unemployed for whatever reason. The institution currently has a clientele of 14 000 of whom 95 percent are previously disadvantaged Namibians and 70 percent are government employees, which reduces the chances of payment default since the NHE executes direct deductions from its clients’ salaries (Interview conducted with Hailulu, 18 August 2008). The current default rate is 4.5 percent and in such cases the NHE implements its credit control policy, which is more lenient compared to that of commercial banks in that clients are given more time to arrange for alternative payment measures (Interview conducted with Hailulu, 18 August 2008). In cases where it becomes impossible for clients to pay their monthly installments, the NHE repossesses the houses, which are then sold at public auctions. Besides the provision of property insurance, future house-owners are provided with life insurance in the event of a client’s death. It is important to not that people living

with HIV and AIDS are not discriminated against in terms of housing finance (Interview conducted with Hailulu, 18 August 2008).

In terms of procurement, the beneficiaries of tenders and procurement practices are black suppliers and black SME contractors. On the issue of whether “small guys” are risky in the housing construction business, Hailulu (2008) maintains that the traditional practice was to exclude black SME contractors as beneficiaries of the NHE projects because of their lack of necessary expertise and machinery, which naturally hinders SME contractors from completing projects in time and increases the cost implications. However, Hailulu (2008) discounts this practice by stating that “the risk of not including black SME contractors is even greater in the long-run if the sectors that can make an economic contribution through job creation are not allowed to participate. We have no choice but to work with those guys and help them to grow and acquire the expertise and skills so that they can become proficient. The challenge is to minimize the risk so that institutions are able to engage black SME.”

### ***Context***

The NHE is a SOE, which operates within the public sphere. The draft BEE guidelines encourage the NHE as a SOE to promote socio-economic development in the country in whatever manner possible. The NHE’s BBBEE strategy is implemented at three different institutional levels. The Technical Services and Property Management Department is responsible for designing and delivering the housing products. The department ensures that the NHE adheres to its procurement policy by involving black SME contractors and ensuring that tendering requirements are met. The Corporate Communications and Marketing Department oversees the corporate social responsibility component whilst the Human Resources Department is responsible for implementing the employment equity and skills development components (Interview conducted with Hailulu, 18 August 2008). The CEO is ultimately responsible for ensuring that the institution implements its BEE initiatives according to the respective policy developed whilst the board of directors monitors the performance of the executive management and assists in aspects of risk



management, policy-making and human resources related issues (Interview conducted with Hailulu, 18 August 2008).

### ***Coalitions***

As part of improving the NHE's implementation capacity, the institution has formed business partnerships with some of the local banks to co-finance the NHE housing products in order to broaden the participation of local banks in the implementation of the NHE's housing programme. Hailulu (2008) maintains that the objective of forming business partnerships is to "enable our enterprise to manage the supply value chain in an efficient and effective manner in order to speed-up the delivery of housing. We want to partner with financial service providers, not to compete with them, but rather to maximize private capital investment in housing in order to increase the impact of our development efforts. The idea is to make public-private partnerships work in the interest of the majority of Namibians."

One of the NHE most important strategic partners is the local authorities who provide and service land and assist in mobilizing clients for the NHE. Additionally, since 2007 the NHE has formed partnerships with financial service providers such as the Development Bank of Namibia and Standard Bank in order to co-finance housing development initiatives. Within the supply industry, the NHE has partnered with Pupkewitz, Mega Build and Ceramic Tile Mark to supply some of the building materials (Interview conducted with Hailulu, 18 August 2008).

### ***Commitment***

Hailulu (2008) describes the level of internal commitment of the institution's management and leadership as very committed, which is demonstrated through the allocation of resources, policy and procedural requirements adherence, the organization's corporate strategy, and the passion amongst management and the board of directors. The substantial annual increase in budgetary allocations is a clear demonstration by management to ensure that empowerment does indeed take place by fully engaging black

SME contractors who were previously excluded, and supporting youth enterprises (Interview conducted with Hailulu, 18 August 2008). The corporate social responsibility budget of N\$ 800 000, of which 70 percent is spent on youth development, is a testimony of the institution's willingness to significantly contribute to social uplifting amongst the youth in Namibia. The development of a corporate strategy has enabled the organization to redefine its role from a mere technical perspective to a development oriented perspective to ensure that previously disadvantaged Namibians, particularly the youth, are included in the NHE's development initiatives (Interview conducted with Hailulu, 18 August 2008).

The restructuring of the organization's management team in 2007 demonstrates professionalism in an organization that is geared towards effecting change in housing development projects. Hailulu (2008) maintains that "as new management we have committed ourselves to raising and adhering to the standards of expertise within the organization." The management team and board of directors have a common understanding about the role of the NHE in Namibia's overall development, which is based on the reasoning that "the sustainability of our society and development is not possible if we do not broaden the opportunities to the majority who are not part of the mainstream economy, hence, the drive to make sure that we make a difference in realizing our ultimate goal. This common understanding is based purely on the passion that the majority of the team has in the organization" (Interview conducted with Hailulu, 04 September 2008).

### *Administrative Capacity*

Prior to 2007, the NHE did not have the necessary human capacity to implement its BBBEE strategy, which according to Hailulu (2008) was primarily due to the fact that 68 percent of the operational budget was allocated towards salary expenses, while only 27 percent of the total budget was allocated towards housing development projects. Fifty percent of the staff complement at the time did not have the necessary expertise and knowledge to effectively implement the housing mandate and respective BBBEE components (Interview conducted with Hailulu, 18 August 2008). In 2007, the NHE

focused on business reorganization, which resulted in the retrenchment of 31 employees as part of enhancing the capability and resourcefulness of the organization. Consequently, 90 percent of senior and middle management now consist of new employees, which according to Hailulu (2008); will enable the NHE to “soon reap the benefits” in housing provision.

Hailulu (2008) asserts that the challenge is not from an infrastructural capacity perspective but rather a “mindset issue” to ensure that individuals in an organization accept and appreciate the importance of empowering previously disadvantaged Namibians. The high level of commitment and motivation amongst the new management team and board of directors will enhance the NHE’s capacity and contribute to the speedy implementation of the organization’s overall BBBEE strategy (Interview conducted with Hailulu, 04 September 2008). Creating a common understanding in the organization is the best way of addressing organizational and BEE culture since “the lack of understanding sets a limit to which one can act on something, but if people’s understanding is enhanced to a point where their motivation can be engineered, then BBBEE becomes the responsibility of the majority in the organization” (Interview conducted with Hailulu, 04 September 2008).

An added advantage to the NHE’s operations is the fact that the organization is not for profit and the only requirement is to ensure that operational expenses are covered. Any cash surplus made by the NHE is reinvested into its social development projects as opposed to paying a dividend to government (Interview conducted with Hailulu, 18 August 2008). However, the NHE does not receive any subsidies from government, which creates the dual task of servicing the community from a social perspective while running the organization as a sustainable business to continue servicing the low to middle-income groups (Interview conducted with Hailulu, 18 August 2008).

With regard to financial capacity, the NHE has seen a substantial increase in its capital budget, which will enable the institution to increase its housing stock to meet the annual target of building 1200 houses. Hailulu (2008) maintains that although the NHE has managed to increase its capital budget significantly, it would still like to have more

financial resources in order to do more in terms of implementing their various BBBEE initiatives. In 2007, the NHE implemented a centralized structure for debt and revenue management, which has been effective in collecting over N\$ 4 million in bad debts so far, which according to Hailulu (2008) is a “dramatic improvement in our collection efficiency.” Prior to 2007, the NHE did not have any business partnerships with local banks to co-finance housing development projects, which naturally slowed the housing construction process. Moreover, the NHE has the challenge of accessing enough serviced land on which to construct houses. This scenario, coupled with the limited capital budget in past years, hindered the construction process. In 2007, the NHE adopted the strategy of acquiring land in advance only to be serviced so as to speed-up the housing process (Interview conducted with Hailulu, 18 August 2008).

According to Hailulu (2008), the NHE has an implementation challenge with regard to the execution capacity of housing projects. This is attributed to three factors, namely, the work processes, which have not been enhanced to a level at which the NHE can operate optimally. Secondly, prior to the process of business reorganization, the NHE did not have the necessary human capacity to effectively and efficiently implement the housing mandate. Lastly, a contributing factor “but not the primary one” is the fact that 95 percent of contractors come from the black SME sector, many of whom do not always operate efficiently due to the limited skills and knowledge they possess. This imposes a limitation on them with respect to completing housing projects in time (Interview conducted with Hailulu, 04 September 2008). Moreover, the institution is faced with the perception that the houses constructed are becoming un-affordable and are also of poor quality, which are two challenges that have to be addressed (Interview conducted with Hailulu, 04 September 2008).

### ***BBBEE Perceptions***

With regard to the prevailing perception of BBBEE implementation in Namibia, Hailulu (2008) maintains that “I am not sure if we have empowered enough black people to the point where we need to be. Instead, we have jumped to conclusions too quickly in terms of the number of black enterprises that might have benefited, and how far have they been able to accumulate wealth so that they can begin to position themselves in a critical mass in terms of the Namibian economy.” He maintains that, few wealthy black people have accumulated their wealth through their own hard work whilst those who have been empowered through BBBEE are still at a “borderline” in comparison to the whites. However, he asserts that his view on the practice of BBBEE in Namibia does not negate the fact that BBBEE is a necessity and should be broad-based, but individuals should not use BBBEE as an argument to stop empowering those who are benefiting or have already benefited.

He cautions against the use of the word “self-enrichment,” which according to him is the wrong word to use because it connotes a “fraudulent or unduly acquired activity,” which becomes counter-productive to the overall goal of BBBEE. He questions “how can one call it empowerment if politically connected individuals in Namibia cannot even afford to pay a municipal bill or buy a house.” In his view, Namibia is one country that has not gone to the point of enriching themselves whether directly or indirectly. Instead, Namibia has not done enough to even empower those who are politically connected because to what proportion can one claim to have empowered them sufficiently (Interview conducted with Hailulu, 18 August 2008)?

According to Hailulu (2008) the main problem with BBBEE in Namibia is the current practice of offering shareholding percentages to blacks and black enterprises. He states that organizations need to look beyond shareholding offerings because some of the structured BBBEE deals can easily be manipulated and might not have long-term effects. The long-term requirement for BBBEE is to ensure that the wealth ownership is in the hands of the local people and one way of achieving this goal is “to enable those who are not yet powerful to merge with those who are powerful.” He further asserts that BBBEE is just one form of addressing the problem of poverty and inequality, adding that what is

required is an economic transformation change, which is broad-based in redefining the structure of the economy in order to enable more black people to own and manage companies instead of simply being absorbed by what is there. Moreover, a contributing factor to the problem of BBBEE is the limited resources that are allocated towards BBBEE initiatives. Empowering people requires significant resources in order to train people to become entrepreneurs (Interview conducted with Hailulu, 18 August 2008).

Hailulu (2008) recommends that “special funds” should be established in order to impart knowledge and skills at a very high level so that black people are exposed to sophisticated industries in the world in order for them to be able to understand how to run an economy if the goal is to takeover the economy. Secondly, organizations need to implement what they have set out to do, because execution remains a problem in many BEE initiatives. Finally, according to Hailulu (2008), a national BEE framework that will champion BEE and promote cohesion in its practice, is required.

The overall success of BBBEE in Namibia should be measured against the number of companies and businesses owned by black people. He states that “I want to walk down Independence Avenue and see businesses that are owned by black guys rather than just hearing that a group of black people have received shares or tenders worth millions.” The most powerful form of BBBEE intervention is through ownership of long-term assets, which could be used to access financial, economic and social opportunities as part of further enhancing the socio-economic status of previously disadvantaged Namibians (Interview conducted with Hailulu, 18 August 2008). He further maintains that Namibia has not done enough to promote economic transformation in order to create sustainable opportunities for empowerment.

### **4.3.1 Interpretation**

The implementation of the NHE's BBBEE strategy is twofold in that prior to 2006, the NHE had failed to implement a BBBEE strategy comprising of all four CGP as outlined in the draft guidelines for BEE in Namibia. Prior to 2006, the NHE focused primarily on the financing and construction of housing without implementing the human resources development, indirect empowerment and corporate social responsibility components. Based on the findings, the current implementation of the NHE's BBBEE strategy is showing significant progress towards the empowerment of low to middle-income earners through house financing and construction and the empowerment of black SME contractors and youth enterprises through its procurement and corporate social responsibility components respectively. The aforementioned components have received substantial budgetary increments compared to the annual allocations prior to 2006. A possible explanation to the implementation of a BBBEE strategy comprising of all four CGP is the new leadership takeover in 2007 that led to the total restructuring of the organization. The restructuring of the organization confirms Rumney's (2003) view on the need to change operational responsibilities to ensure greater employee and client community participation for effective BBBEE implementation.

The core mandate of financing and constructing houses for low to middle-income earners, albeit at a slow pace, is a commendable approach in that housing is a fundamental basic need, which contributes to improved living standards. The ownership of a house goes beyond the mere existence of a house in that it provides home-owners with economic, financial and social opportunities for improved living conditions and ultimately poverty reduction. Moreover, the inclusion of potential home-owners in the decision-making process is fundamental to the concept of empowerment in that individuals are given an opportunity to be part of the building process and make the necessary decisions relevant to their needs and affordability. This approach is in contrast to the often-cumbersome bureaucratic housing provision processes that are used to justify the non-participation of potential house-owners in the housing process.

With regard to the human resources development component, the NHE has devised internal policies in respect of employment equity and skills development. The employment equity data clearly indicates that blacks are represented at every level of the organization. However, the employment of two black males with disabilities is not an achievement, considering that the NHE has a staff complement of 114. Furthermore, although only black men occupy senior management positions, a balance is maintained between black men and women in middle management positions with minor gender differences in specialized/skilled senior supervisory categories. Despite these milestones, however, major gender differences exist between black men and women in skilled to unskilled job categories, which confirm LaRRI's findings that black women tend to occupy low skilled job positions compared to men.

The skills development component shows broad-based offerings of study options for employee development, with more black women benefiting. However, it is worrying that although more women access the training opportunities offered by the NHE, more black women still occupy unskilled job categories. Furthermore, although, the board of directors is 100 percent black representation, only 10 percent of the board comprises black women, suggesting a male dominated board where women tend to remain in the minority.

The indirect empowerment component of the NHE shows progress in promoting the development and empowerment of black SME contractors compared to previous years where the organization relied solely on private contractors to supply the building materials and build the houses. The use of black SME contractors creates job opportunities while imparting the necessary skills and knowledge to the informal construction industry, which is particularly underdeveloped. The inclusion of black SME contractors from the respective areas in which the NHE constructs houses is fundamental in promoting BBBEE, particularly in considering the general practice of excluding black SME contractors due to the perception that they lack the necessary knowledge and expertise. The approach by the NHE to employ black SME contractors in all the areas where the NHE has a presence promotes a people-centered approach within the informal construction industry in that it enhances participation, economic improvement and



capacity building for respective communities through the transfer of skills rather than confining it to a few SME contractors from Windhoek and Rehoboth. Moreover, this approach according to Jack (2006) will enable SME contractors to graduate from the economically ready stage to the economically empowered stage. Additionally, the involvement of black women through procurement is fundamental in addressing the gender imbalances characterizing the construction process.

However, the partnerships formed with the supply industry reveals that all three companies are owned and controlled by previously advantaged Namibians, instead of also forming supply partnerships with a previously disadvantaged owned and controlled company such as the Benz Building Suppliers. Moreover, the failure to implement a skills development programme for black SME contractors alongside the limited financial and technological contributions made, limits the competitiveness of black SME contractors and possible advancement within the construction industry, which is characterized by inequalities of opportunities in addition to perpetuating the perception that black SME contractors are risky. If some of the challenges of housing provision include the slow completion of housing projects and poor quality housing, then a skills development policy for black SME contractors is necessary for the enhancement of skills and knowledge. Additionally, implementing a skills development programme for black SME contractors should focus training on how to use locally produced building materials, which are better suited for the poor and very poor as opposed to the sole training in the use of conventional building materials.

The corporate social responsibility annual budget of the NHE has received a substantial increment compared to previous years. This enables the organization to assist the development of schools and invest in the development of youth enterprises, considering that the youth in Namibia are the most affected by unemployment and lack opportunities to skills development. The practice by the NHE in promoting youth enterprise development is in line with the organic approach to empowerment advocated by Woolley (2005) in that a substantial amount is spend on youth and black SME contractors from which the NHE procures some of the building materials and employs the very same SME contractors to construct houses. According to Woolley (2005), this approach enables an

organization to live in symbiosis with its environment, thus enabling it to embark on transformation initiatives in its supply chain, thereby contributing to national economic growth and development.

However, the failure for the NHE to compile annual reports and disclose its actual spending in respect of each of the BBBEE initiatives undermines transparency and public accountability. These two are very important variables, which a SOE like the NHE must adhere to, and be able to explain, and justify activities and their results to the public. Hence, no secrecy should characterize public institutions and their activities as this could suggest the presence of corruption and an inability to spend budgets efficiently. These two scenarios are counter-productive to the efficient and effective implementation of BBBEE. The failure to compile and disclose annual reports is certainly one example why the Public Integrity Index gave Namibia a weak integrity rating, which is a result of lack of openness and accountability. Although one of the NHE's performance indicators includes the budget allocation towards the execution of respective empowerment initiatives, of more importance is the actual spending with regard to each of the CGP. Under-spending has a negative impact on the effective implementation of policy objectives and the ultimate achievement of goals whereas over-spending of budgets is only justifiable if it is spent on intended objectives with specific outputs and outcomes.

Moreover, the absence of a systematic monitoring and evaluation mechanism limits the extent to which the NHE can be a responsive public enterprise in that a monitoring mechanism would enable the organization to have data on the characteristics of the population served, the number of houses constructed since the NHE's inception and the resources used to deliver those services. The last one will assist the NHE to detect, at an early stage, whether the organization is under or over-spending. Similarly, an evaluation mechanism should enable the NHE to improve on the overall effectiveness of its BBBEE strategy by determining the impact of its BBBEE initiatives on the beneficiaries and the extent to which societal problems in respect of housing needs are being adequately addressed. Furthermore, a monitoring and evaluation system would enable the NHE to determine the contributions its BBBEE strategy is making in respect of the institution's ultimate goals.

Despite the aforementioned shortcomings, it is justifiable to say that the NHE is implementing BBBEE in that efforts are being made to address most of the CGP, despite a failure to implement a skills development programme for black SME contractors. A fundamental issue and shortcoming is whether the NHE is promoting broad-based ownership with regard to the beneficiaries of housing provision and the extent to which innovative housing solutions are pursued. The researcher found that, the NHE is not providing housing opportunities to the poor and very poor. The limit of N\$ 4 000 is not broad-based in that it excludes those who earn less, the majority of whom constitute the unskilled labourers. In addition, the NHE charges high interest rate, which is only 1 percent below the prime rate offered by commercial banks. The 1 percent difference in market rates is not an innovative approach to promoting housing affordability, particularly for low-income earners. Given the uneven income distribution in the country, the set income targets and interest rates fail to take account of income disparities in that the poor and very poor do not have the necessary disposable income to perform the debt service involved in the purchase of housing, which further restricts access to home-loans.

The argument that the Build Together Programme caters for individuals who earn less than N\$ 4 000 is not justifiable and should not preclude the NHE from devising additional mechanisms to address the housing needs of the very poor groups either directly or indirectly. Being a national housing institution implies more creative measures to ensure that the poor and very poor segments are given the opportunity to affordable housing. A direct approach would require the NHE to be at the forefront of affordable housing provision to the very poor, while all other institutions that provide housing should merely augment the activities of the NHE. An indirect approach would require the NHE to at least financially support the Build Together Programme in order to further capacitate them in implementing poverty oriented housing. Housing provision by the NHE and the Build Together Programme should be built on the philosophy of “equitable burden sharing,” which implies that both institutions should provide housing opportunities to the poorer sectors of societies rather than leaving it to the confines of one institution.

Given the present levels of housing needs and costs, the Build Together Programme on its own cannot address the housing backlog for the poor and very poor and therefore, the NHE should also target those who constitute the lowest socio-economic rungs of the development ladder as opposed to catering for individuals who can access housing loans from commercial banks. The current practice by the NHE points to a situation where its loans are directed mostly at public servants who have regular income and in most instances have housing allowances rather than implementing poverty oriented housing programmes or at least indirectly supporting such programmes. As a SOE, the NHE has a moral and socio-economic responsibility towards promoting access and affordability of housing opportunities to the poor and very poor in order to promote the concept and practice of “pro poor” in all its empowerment initiatives. The current practice by the NHE is the focus on providing housing opportunities to previously disadvantaged Namibians to the exclusion of presently disadvantaged Namibians, which confirms Lister’s (2005) argument that the term previously disadvantaged in Namibia is being misused to the advantage of those who already have enough.

The above argument is based on the concept of fairness, in that, it is not fair to cater for individuals who can access commercial loans at the expense of the very poor who are the least advantaged in society. The extent to which the NHE is an economically just institution remains questionable, considering the definition of justice, which states that an economic system is just in the degree to which it better advances the economic interest of the least advantaged. In addition, it raises the issue of equality of opportunity in that housing opportunities for the very poor are not on equal footing given the high minimum disposable income and interest rate charged. The practice of catering for individuals who can access commercial housing loans may result in “housing opportunism” as opposed to housing opportunity through the implementation of poverty oriented housing programmes that cater for the very poor for whom empowerment should be focused on.

Moreover, the NHE is not promoting innovative housing solutions through the use of locally produced materials, which are alternatives to lowering the costs for housing construction. This would enable the NHE to reach the very poor segments of society. Most of the conventional housing materials used are not locally available, which

increases the cost of housing. Cement is the basic material used for construction activities and constitutes over 50 percent of total material cost. One way of reducing building costs is to substitute cement with the use of locally produced materials such as *inter alia*, clay, limestone, and gypsum, particularly in considering that Namibia is currently (2008) facing a shortage in the supply of cement from South Africa. Promoting the use of locally produced materials is one way of addressing the un-development of Namibia's raw materials, which are not being used in relation to its potential and in reducing the practice of importation. Conventional building materials are too expensive to be affordable to the poor and very poor.

In addition, the NHE does not promote the use of renewable energy and water efficient houses through the installation of solar energy and Enviro Loos. The houses constructed are installed with conventional electricity and water borne systems. This approach does not promote socio-economic development and environmental protection, and is unsustainable in the long-term. For home-owners, in the medium to long-term it becomes financially unsustainable because low-income earners often fail to pay water and electricity bills, which leads to permanent water and electricity cuts and at times the repossession of homes. The soaring costs of fuel and water necessitates that alternative and environmentally friendly solutions are considered, particularly in view of the fact that Namibia has water shortages but has high levels of solar energy. Although initial solar energy installation costs are high, the long-term benefits outweigh the initial costs. Therefore, it would be useful for the NHE to form strategic partnerships that would enable it to provide renewable energy solutions and water-saving solutions.

In view of the foregoing, the NHE is not promoting broad-based ownership in its housing provision nor is it creating innovative housing solutions through the use of locally produced housing materials and the installation of non-conventional energy and Enviro Loos. The emergence of informal settlements in Namibia is a result of the burgeoning housing backlog, which requires concerted efforts from all institutions within the construction industry and beyond. If the NHE's philosophy is to "broaden financial, economic and social opportunities to the majority who are not part of the mainstream economy through housing provision as part of contributing towards Namibia's overall

development and sustainability” then it justifies and compels the NHE to broaden housing provision to include poor people who are confined to informal settlements. Hailulu (2008) contends that “the most powerful form of BEE intervention is through ownership of long-term assets”, how can individuals confined to informal settlements own these long-term assets, if sufficient housing opportunities are not created in order to broaden their involvement.

The principal goal of BBBEE is to ensure that the fundamental basic needs and the developmental challenges faced by the poor are addressed and that innovative measures should be implemented in order to create affordable housing opportunities for the least advantaged. The current (2008) practice by the NHE is contrary to Vision 2030, which requires “multiple alternative development strategies that eliminate marginalization and promote equity in access to social services.” Broad Based Black Economic Empowerment in the context of the NHE housing mandate should primarily reverse and change the living conditions of those confined to informal settlements so that they too can enjoy access to affordable housing, and ultimately financial and economic opportunities. An important factor explaining low levels of SMEs amongst the previously disadvantaged Namibians is the low level of asset ownership available to enhance household access to financial opportunities in order to start income generating projects in a safer environment.

In order to reduce wealth and income inequalities amongst the poor, a need exists to expand the ownership of productive assets, in this case housing to the poor and very poor. Failure to do this constitutes an empowerment process that is exclusive of the very poor segments of society, which further contributes to basic service delivery inequalities. It is within this argument that an evaluation mechanism is vital to enable the NHE to modify its housing policy with respect to the beneficiaries so that the poor and very poor are directly or indirectly included. Furthermore, an evaluation mechanism would assist the NHE to determine the difference made in addressing the housing backlog, which is primarily exacerbated by the emergence of informal settlements. For as long as people are confined to informal settlements, the NHE’s goal of “housing more Namibians” will not be achieved nor will Vision 2030 be realized.

#### **4.4 Chapter Summary**

The chapter presented and interpreted the findings of the study in relation to the seven themes identified. The interpretation focused on the positive aspects and shortcomings in the BBBEE implementation of Nam-MIC FS and the NHE respectively. A thick description of each case was presented in order to understand what is happening, how is it happening and why it is happening.

The findings on Nam-MIC FS reveal that the BBBEE approach is the allocation of shareholding to respective unions, in addition to the provision of affordable financial services and products to union members and their dependents. The findings further reveal that Nam-MIC FS has not devised internal policies in respect of each of the transformational guidelines, which explains the failure to implement BBBEE. Hence, the implementation of BBBEE by Nam-MIC FS is poor since no empowerment initiatives have been institutionalized in order to reduce poverty and unemployment. However, Nam-MIC FS is promoting broad-based ownership in that union members with very low-income are included in the provision of affordable financial services and products.

The findings on the NHE reveal that the institution has devised internal policies in respect of most of the CGP, but it has not been very successful in implementing a skills development programme for black SME contractors. Nonetheless, the NHE is promoting BBBEE since clear empowerment initiatives aimed at poverty reduction and employment creation are implemented. Although the NHE is providing housing opportunities for low to middle-income earners, it is not promoting broad-based ownership in that it has not implemented poverty oriented housing programmes either directly or indirectly for the poor and very poor. Moreover, the NHE has not implemented innovative housing solutions through the use of local building materials and the installation of solar energy and Envior Loos, which undermines sustainable socio-economic development and environmental protection.

The following chapter presents a comparative cross-case analysis between Nam-MIC FS and the NHE in order to outline the similarities and differences between the two organizations BBBEE implementation.

## CHAPTER 5 A COMPARATIVE CROSS-CASE ANALYSIS

### 5.1 Introduction

Chapter five presents a comparative cross-case analysis between Nam-MIC FS and the NHE by outlining the similarities and differences in the implementation of the two organizations BBBEE strategies. Miles and Huberman (1994:29) maintain that conducting a comparative cross-case analysis enables the researcher to follow a replication strategy where if a finding holds in one setting but does not hold in a contrasting case, then the findings are more robust.

The aim is to compare how Nam-MIC FS and the NHE have implemented its respective BBBEE strategy, considering that both institutions operate in different sectors; mainly the private financial sector and public sector respectively. The comparative analysis will be conducted on the basis of the seven themes, namely; content, clients, context, coalitions, commitment, administrative capacity and BBBEE perceptions. The aim is to outline the shortcomings and commendable aspects in the BBBEE implementation of both institutions.

The comparative cross-case analysis will begin with the presentation of the similarities followed by the differences and possible explanation/s.



## **5.2 A Comparative Cross-Case Analysis between Nam-MIC FS and the NHE**

### **SIMILARITIES**

#### ***Content***

Based on the findings, the ultimate goals of both institutions are to reduce poverty and income inequality. The employment equity component shows majority black representation in the various occupational categories with black women being in the majority. The majority of black women fall within the skilled and semi-skilled category. The representation of black men is high compared to that of white men, whilst more black men hold senior management positions compared to black women. Both CEOs are black males.

People with disabilities are among some of the much marginalized groups, yet representation of this group in the employment structure of both companies is glaringly absent. Having two employees on a staff complement of 114 in the case of the NHE cannot be said to be an achievement. A possible explanation to this scenario could be because of the common and narrow understanding of what constitutes “disability,” which is often perceived to only refer to people in wheelchairs and mentally disabled people.

The skills development component shows that both CEOs acknowledge the need to develop employee skills and knowledge. The ownership and control component shows that both institutions are primarily owned by previously disadvantaged Namibians. The majority of the board of directors consists of previously disadvantaged Namibians with black women in the minority. Moreover, the boards of both institutions consist of non-executive directors.

The indirect empowerment component shows that both institutions have procured products and/or services from enterprises owned by previously disadvantaged Namibians. The corporate social responsibility component shows that both have made monetary contributions.

A fundamental similarity between the two institutions is the non-existence of a monitoring and evaluation system.

### ***Clients***

The majority of beneficiaries for both institutions are previously disadvantaged Namibians, with both stating that the beneficiaries are not risky to their BBBEE deals. Both institutions have decentralized their offices in all the thirteen regions of the country.

### ***Context***

The CEOs and the board of directors are ultimately responsible for the implementation of the two organizations BBBEE strategies.

### ***Coalitions***

Both institutions have formed business partnerships with local institutions in order to enhance the implementation capacity of their BBBEE strategies, in particular their core mandates.

### ***Commitment***

The level of internal and external commitment of those tasked to implement the two organizations BBBEE strategies is described as high by both institutions.

### ***Administrative Capacity***

Both institutions claim to have the necessary human and financial capacity to implement their BBBEE strategies. A contributing factor to enhancing human capacity is the realignment of organizational and BEE culture, which is mainly due to the fact that both institutions are comprised of majority black representation.

### ***BBBEE Perceptions***

Both institutions agree that BEE is a necessity and should therefore be broad-based.

## **DIFFERENCES**

### ***Content***

Although, both organizations have the ultimate goals of reducing poverty and income inequality, Nam-MIC FS does not have the goal of enhancing economic growth compared to the NHE, which sees this aspect or outcome of BBBEE as one of its goals. Nam-MIC FS's core mandate is the provision of affordable financial services and products to its members, whilst for the NHE the core mandate is the provision of affordable housing and the development of black SME contractors. The empowerment approach for Nam-MIC FS is through union shareholding and the provision of affordable financial services and products to respective union members. The majority of who are very low-income earners. The empowerment approach for the NHE is the provision of affordable housing for low to middle-income earners and the development of black SME contractors through its procurement policy.

The specific goals for Nam-MIC FS is the empowerment of many by building and distributing wealth through the provision of affordable financial services and products whilst the NHE's specific goals are to house more Namibians and promote the growth and development of black SME contractors. Nam-MIC FS has not formulated internal policies nor have they allocated specific budgets for each of the transformational guidelines. In contrast, the NHE has formulated internal policies for most of the CGP with clear guidelines and specific budgets.

The employment equity composition shows that Nam-MIC FS has no representation of previously advantaged women whilst the NHE has 1.8 percent representation of previously advantaged women. Middle management and specialized/skilled senior supervisory positions are not represented in Nam-MIC FS, which could be attributed to the small size of the organization as compared to the NHE, which has a balance of black women and men representation in middle management and specialized/skilled senior supervisory positions. However, Nam-MIC FS has black women representation in senior management positions, which the NHE does not. The unskilled job category is not represented at all in Nam-MIC FS, in contrast to the NHE, which has more black men in

the unskilled job category. Moreover, people with disabilities are not represented in Nam-MIC FS whilst the NHE has only employed two black males with disability, which is not a commendable achievement.

The skills development component shows that Nam-MIC FS has a narrow focus on its skills development for employees, which is only confined to short-term courses. The NHE, on the other hand, has a broad-based skills development policy that enables employees to undergo under or post-graduate degrees. More black men are benefiting from Nam-MIC FS's skills development programme compared to the NHE where more black women are benefiting. In addition, Nam-MIC FS has not spent substantial financial resources on the skills development of employees whilst the NHE has allocated significant financial resources into its skills development, although no data was provided on the actual spending.

The ownership and control component reveals that Nam-MIC FS is 72.5 percent owned by previously disadvantaged Namibians whilst the NHE is 100 percent (wholly) owned by government. In addition, 80 percent of the board of directors for Nam-MIC FS are previously disadvantaged Namibians, with the remaining 20 percent comprising of previously advantaged Namibians. This composition could be attributed to the fact that 80 percent of business partners are owned and controlled by previously advantaged Namibians, compared to the NHE's board, which is 100 percent black.

The indirect empowerment component shows that Nam-MIC FS has only procured products such as caps and t-shirts for promotional purposes from one black-owned company. A possible explanation to this could be that most private financial services do not have mandates that require extensive procuring. In contrast, the NHE has procured products such as bricks from companies owned by black men and women in rural areas and services in the form of labour from black SME contractors. The explanation for the NHE to procure more could be because; its core mandate is within the construction industry, which would require the procurement of products and services from black SME contractors.

With regard to the enterprise development component, Nam-MIC FS has done very little towards the development of “SSMEs” or SMEs compared to the NHE, which ensures that 95 percent of houses are constructed by black SME contractors as part of growing and developing the black SME sector. This scenario explains why economic growth is not a goal for Nam-MIC FS. Evidently, the development and growth of SME is not a priority for Nam-MIC FS, whereas it is a critical goal for the NHE. Nam-MIC FS has implemented a money sense programme for union members whilst the NHE has failed to implement a skills development programme for black SME contractors.

The corporate social responsibility of Nam-MIC FS is narrowly and internally focused in that the focus is only on making financial contributions towards union shareholders as opposed to also implementing community development projects for the broader empowerment of community members. In contrast, the NHE has a broader approach in that the external community (stakeholders) is considered, which is achieved through contributions towards the development of youth enterprises and technical and financial assistance towards urban schools.

The extent of implementing a BBBEE model shows that Nam-MIC FS is not addressing most of the transformational guidelines as outlined in the NFSC. In contrast, the NHE is addressing most of the CGP as outlined in the draft BEE guidelines, with the exception of a skills development programme for black SME contractors. As a result, Nam-MIC FS is only contributing towards a short-term and unsustainable alleviation of poverty (income inequality) as opposed to poverty and unemployment reduction and increasing economic growth, which are critical outcomes of BBBEE that the NHE is attempting to address. Consequently, Nam-MIC FS is not promoting BBBEE whilst the NHE is promoting BBBEE.

### ***Clients***

Nam-MIC FS caters for union members who fall under the very low-income groups with members earning as little as N\$ 750 per month in order to qualify for the various financial services and products. No collateral is required by Nam-MIC FS for union

members to access the financial services and products whilst the maximum loan granted is N\$ 30 000. In contrast, the NHE through its housing provision only caters for the low to middle-income groups with a monthly income of plus/minus N\$ 4 000 to the exclusion of the very low-income groups. In addition, future home-owners are required to have collateral or a 5 percent minimum deposit whilst the loan granted range between N\$ 85 000 and N\$ 500 000. Although access to affordable financial services and products is not the same as access to affordable housing, the difference lies in the income groups catered. Therefore, Nam-MIC FS is promoting broad-based ownership whilst the NHE is not promoting broad-based ownership.

### ***Context***

The BBBEE implementation of Nam-MIC FS is guided by the NFSC and the shareholders' agreement. The BBBEE implementation of the NHE is guided by the draft BEE guidelines, in addition to the three institutional departments.

### ***Coalitions***

Nam-MIC FS has formed business partnerships with five local institutions in order to provide a wide-range of affordable financial services and products to union members. Nam-MIC FS has a certain percentage of shares in each of the business partners since it is an investment company and therefore seeks business partnerships from which they can make profits. The NHE's business partnerships, on the other hand, focus not on shareholding but on arrangements for co-financing loans directed at housing provision.

### ***Commitment***

Nam-MIC FS does not show commitment towards the broader community. Instead, they measure commitment to BBBEE implementation and success in monetary terms, which come in the form of sponsorships, monthly commission and annual dividends to union shareholders. In contrast, the NHE shows commitment towards the broader community and measures commitment through qualitative and quantitative indicators such as the allocation of resources, adherence to internal policy requirements and the passion of the management team.

### ***Administrative Capacity***

Nam-MIC FS does not have a specific budget for its BBBEE implementation compared to the NHE, which has specific budgets for its BBBEE implementation. The only implementation challenge for Nam-MIC FS is the N\$ 70 million debt whilst the NHE has a housing implementation challenge in that the process is too slow, houses are unaffordable and of poor quality. Despite the N\$ 70 million debt, Nam-MIC FS has not implemented financial strategies in order to pay off the debt whilst the NHE has implemented a centralized structure for debt collection and management.

### ***BBBEE Perceptions***

Don, the CEO of Nam-MIC FS concurs that BBBEE in Namibia is focused on a few individuals whilst Hailulu, the CEO of the NHE disputes the perception that BBBEE in Namibia is focused on a few individuals, asserting that not enough black people have been empowered in comparison to the whites. According to Don, the main problem with BBBEE in Namibia is the selection of BEE partners who cannot add business value, the slow process and, the absence of a monitoring and evaluation system. In contrast, Hailulu attributes the problems of BBBEE in Namibia to the traditional practice of offering shares to blacks and the limited resources invested in BBBEE initiatives.

Don recommends that different funding strategies should be established in order to finance BBBEE deals, in addition to having a monitoring and evaluation system. Hailulu, on the other hand, recommends the establishment of special funds in order to impart skills and knowledge amongst black people; organizations should implement their objectives; and the need for a national BEE framework. According to Don the ultimate success factor for BBBEE is the return on investment, real benefits to beneficiaries, and the alleviation of socio-economic challenges and enforcement of proposed charters. In Hailulu's view, the ultimate success factor for BBBEE is when more black people own fixed assets as part of wealth creation and the investment of more resources into BBBEE initiatives.

### **5.3 Chapter Summary**

The chapter presented the comparative cross-case analysis by outlining the similarities and differences and possible explanations between Nam-MIC FS and the NHE based on the seven themes. Based on the cross-case analysis, the differences outnumber the similarities, which in the case of Nam-MIC FS can be attributed to the absence of internal policies.

Clear similarities were observed in the ultimate goals of each institution, which are the reduction of poverty and income inequality. The employment equity composition shows that previously disadvantaged Namibians, in particular, black women are in the majority. However, the majority of black women are concentrated in skilled to semi-skilled job categories compared to black men who occupy senior management positions, whilst both CEOs are black males. Both organizations have not made any significant progress in the employment of people with disabilities.

The ownership and control component shows that both organizations are primarily owned and controlled by previously disadvantaged Namibians. A key similarity is the absence of a monitoring and evaluation mechanism, which is a vital requirement for effective BBBEE implementation.

The differences pertain to the core mandates, specific goals, empowerment approaches and the existence and non-existence of internal policies by the NHE and Nam-MIC FS in respect of the CGP or transformational guidelines. The differences are primarily attributed to the failure by Nam-MIC FS to implement BBBEE whilst the NHE is implementing a BBBEE. However, Nam-MIC FS is promoting broad-based ownership in the provision of affordable financial services and products compared to the NHE, which is not promoting broad-based ownership in its housing mandate.

The following and final chapter presents a summary of the general findings, followed by the conclusions and recommendations for each of the case studies.



## **CHAPTER 6 SUMMARY OF GENERAL FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Introduction**

The study covered a considerable number of issues with regard to the implementation of BBBEE in Namibia. Although BEE is being implemented in the absence of a national framework, in Namibia, it is regarded as imperative to redressing the socio-economic challenges confronting the poorest sectors. The conclusion from the discussion on the concept and practice of BEE is that BEE can only be hailed as successful and effective if a broad-based approach is implemented and poor people are factored into all levels of the programme and tangible programmes of empowerment are effectively implemented. Having poor people as beneficiaries without implementing a BBBEE model is inadequate and it will not address and/or redress the socio-economic challenges faced by the poor. Similarly, having a BBBEE model without the inclusion of the poor means that empowerment opportunities are not equitably and justly distributed, which ultimately slows the pace of socio-economic transformation and development.

The study was undertaken to understand how BBBEE has been implemented by Nam-MIC FS and the NHE with the main objectives of determining the beneficiaries and the extent to which poverty, unemployment and income inequality reduction are being addressed. Seven themes, namely, content, clients, context, coalitions, commitment, administrative capacity and BBBEE perceptions were used to describe and understand the implementation of BBBEE. The findings reveal interesting and contrasting practices in regard to the implementation of BBBEE by Nam-MIC FS and the NHE.

This chapter presents a summary of the general findings based on the aforementioned seven themes, followed by the conclusions and the recommendations. Some recommendations are specific to Nam-MIC FS; others are specific to the NHE. The subsequent recommendations are applicable to both organizations. The recommendations will be given in respect of each of the transformational guidelines or CGP where shortcomings exist and respective implementation challenges.

## **6.2 Summary of the General Findings**

The findings on Nam-MIC FS and the NHE reveal interesting practices regarding the extent to which both institutions are promoting broad-based ownership and BBBEE or not. Whilst efforts have been made to promote the practice of BBBEE, certain shortcomings were identified regarding the manner in which the two organizations studied were implementing their BBBEE strategies.

The theme on content reveals that the ultimate goal of Nam-MIC FS is to create opportunities for building and distributing wealth to all its stakeholders through the provision of a wide-range of affordable financial services and products. Although Nam-MIC FS is promoting broad-based ownership by including union members with very low-incomes to enable them to access affordable financial services and products, the implementation of BBBEE remains poor. A primary explanation for this is Nam-MIC FS's failure to devise internal policies in respect of each of the transformational guidelines as outlined in the NFSC. As already indicated elsewhere in this thesis, these guidelines allude to the implementation of empowerment initiatives geared towards the enhancement of economic growth and poverty reduction through SME development and community initiatives.

The human resources development component shows an employment equity composition that is 98.4 percent black. Minor gender differences exist in the various job categories with 3.3 percent of black men occupying senior management positions compared to 1.6 percent of black women. The skilled job category is occupied by 31.1 percent of black men compared to 33.3 percent of black women whilst 1.6 percent of black women occupy semi-skilled positions with no representation of black men. People with disabilities are not represented.

The skills development component is narrowly approached in that employees are not offered study aid and bursary opportunities, which are crucial in ensuring that blacks become economically empowered. The skills development component has received a total spending of N\$ 150 000 between 2005 and 2007, with more black men having undergone training compared to black women.

The ownership and control of Nam-MIC FS is 72.5 percent owned by previously disadvantaged Namibians and is 80 percent controlled by previously disadvantaged Namibians. All board of directors are non-executive directors, with a black male CEO.

The procurement component shows that the institution has procured products from a company owned by previously disadvantaged Namibians with a total spending of N\$ 270 823 between 2005 and 2007. The enterprise component shows that no priority is given to the need to develop SME amongst union members. This scenario indicates a low Financial Usage Index or access to credit whilst the empowerment financing component reveals that Nam-MIC FS has not assisted union shareholders in acquiring shares in BEE enterprises in order to financially capacitate the unions.

The consumer protection and education component reveals that the institution has implemented a “money sense” programme for union members with a total spending of N\$ 184 000 between 2005 and 2007 whilst the corporate social responsibility shows a mere focus on the provision of financial assistance to the respective unions without due consideration for the external environment.

The theme on clients reveals that the direct beneficiaries of Nam-MIC FS are the seven industrial unions and Capricorn Investment Holdings. The indirect beneficiaries are the union members and their dependents, who benefit from the financial services and products offered by the different business partners of Nam-MIC FS. The minimum monthly income required from union members is N\$ 750 whilst the maximum loan granted to union members is N\$ 30 000, which is mainly used to consolidate existing debt. The total dividend payment to union shareholders between 2005 and 2007 is N\$ 2 250 000. However, only 42.9 percent of union shareholders have invested the dividend payments in training and education programmes. Only 57 percent of union shareholders have voting rights.

The theme on context reveals that Nam-MIC FS operates within the Namibian Financial Service Sector and is guided by the NFSC. The implementation process is guided by a

shareholders' agreement, in addition to a board of directors that is ultimately responsible for the implementation of Nam-MIC FS's BBBEE strategy.

The theme on coalitions reveals that Nam-MIC FS has formed strategic partnerships in which it has a certain shareholding percentage with five different financial institutions in order to provide a wide-range of financial services and products to its members. The business partnerships formed are all Namibian owned companies; however, 80 percent of them are owned and managed by previously advantaged Namibians.

The theme on commitment reveals that the internal and external commitment of those tasked to implement Nam-MIC FS BBBEE strategy is high. High internal commitment is primarily demonstrated through the contributions made by union shareholders through the facilitation of payroll deduction agreements, the board of directors who oversee the implementation process, and the annual dividend payments to the union shareholders. The external commitment is demonstrated through the wide-range of financial services and products offered by the business partners.

The theme on administrative capacity reveals that Nam-MIC FS has the necessary human capacity to carry out its BBBEE strategy. The board of directors, union shareholders and business partners have enhanced Nam-MIC FS's human capacity, with the last having proved to be the most important factor in the implementation process. With regard to financial capacity, Nam-MIC FS has the financial capacity to implement its BBBEE strategy, despite the current (2008) debt of N\$ 70 million, which poses as an implementation challenge. Moreover, Nam-MIC FS does not have a specific budget for the implementation of its BBBEE strategy.

The theme on BBBEE perceptions reveals that the main problems with the implementation of BBBEE in Namibia is the practice of selecting individuals who cannot add business value, in addition to the absence of a monitoring and evaluation system. This ultimately leads to the failure of BBBEE. The recommendations include the need to establish different funding strategies to finance BBBEE deals, in addition to the existence of a monitoring and evaluation system. The overall success factors for BBBEE include

tangible returns on investment, real benefits to beneficiaries and alleviation of socio-economic challenges.

From the aforementioned, it can be deduced that Nam-MIC FS is using the provision of affordable financial services and products, and the annual dividend payments to union members and union shareholders respectively, as a front to promote BBBEE. The loans that are given to union members are primarily used to consolidate existing debt as opposed to creating wealth opportunities for the union members. Moreover, despite the allocation of monthly commissions and annual dividends to union shareholders the majority of the unions have not been able to promote some of their empowerment obligations due to the limited shareholding percentage, which in any case is often used to finance debt and administrative expenses. In essence, Nam-MIC FS has left empowerment initiatives to union shareholders instead of the organization taking the lead in promoting BBBEE.

Although, the provision of affordable financial services and products is a commendable approach, it is however, not a sustainable approach to empowerment; the provisions of non-financial services are also equally important. The failure to promote SME development and community initiatives undermines the fundamental goals of BBBEE, namely, enhancement of economic growth, employment creation and poverty reduction. The manner in which Nam-MIC FS is implementing its BBBEE strategy is contributing only towards the alleviation of poverty and not the ultimate goal of poverty reduction.

With regard to the NHE, the theme on content reveals that the NHE is promoting BBBEE, in that the institution is addressing most of the CGP, although; certain shortcomings accompany the implementation of its BBBEE strategy. The implementation of a BBBEE strategy comprising most of the CGP is attributed to the existence of internal policies and specified budgetary allocations in respect of human resources development, procurement and corporate social responsibility. The ultimate goals of the NHE are to house more Namibians and promote the growth and development of black SME contractors.

The human resources development component shows an employment equity composition that is characterised by blacks, with black women in the majority; whilst a fair balance is achieved between black women and men in middle management and specialised/skilled senior supervisory job categories. However, there is no representation of black women in senior/top management position. Only two black males with disabilities have been employed out of a staff complement of 114. The skills development policy is broad-based in that it consists of training, study aid and bursary policies with specific budgets allocated and more black women having benefited from the respective policies since 2006.

The ownership and control component shows that the NHE is 100 percent owned and controlled by previously disadvantaged Namibians. All board of directors are non-executive directors whilst the CEO is a black male.

The procurement policy shows a reversal of the traditional trend of only procuring labour services from enterprises owned by previously advantaged Namibians to a situation where 95 percent of labour services are procured from black SME contractors. However, the NHE continues to procure over 80 percent of professional construction services from previously advantaged Namibians due to the limited availability of black skills. In addition, the NHE has only formed supply partnerships with companies owned by previously advantaged Namibians. Moreover, a fundamental shortcoming is the failure by the NHE to implement a skills development programme for black SME contractors in order to enhance the skills and knowledge base required for further advancement.

The corporate social responsibility component shows that the NHE, currently (2008) has a budgetary allocation of N\$ 800 000 compared to that of N\$ 60 000 in 2004. This is invested in the development of youth enterprises whilst additional resources have been invested in capacitating brick-making enterprises in rural areas. Additionally technical and financial assistance has been given to external stakeholders. However, no data and supporting organizational reports were provided on the actual spending in respect of housing provision, procurement and employee skills development components.

The theme on clients for the NHE reveals that the beneficiaries for housing provision are the low to middle-income earners who are required to have a monthly income of between plus/minus N\$ 4 000 and N\$ 20 000. The interest rate charged is 1 percent below the market rate offered by commercial banks whilst home-loans offered range between N\$ 85 000 and N\$ 500 000. About 70 percent of housing provision focuses on low-income groups with the exclusion of the very low-income earners. Potential home-owners are required to have a 5 percent payable deposit or 20 percent collateral in the form of an employer guarantee. The beneficiaries for procurement are black SME contractors from different areas in Namibia, with the requirement that they possess the necessary skills and expertise.

The theme on context for the NHE reveals that the implementation of its BBBEE strategy is guided by the draft BEE guidelines. Internally, the implementation process is executed by three different institutional levels namely, the Technical Services and Property Management Department, the Corporate Communications and Marketing Department, and the Human Resources Department. Ultimately, the CEO is responsible for the implementation of the institution's BBBEE initiatives.

The theme on coalition reveals that the NHE has since 2007 formed business partnerships with the Development Bank of Namibia and Standard Bank in order to assist in co-financing the NHE's housing mandate. In addition, partnerships have been formed with local authorities and supply companies.

The theme on commitment reveals that the level of commitment is described as high, which is demonstrated by the allocation of resources, policy and procedural requirements adherence, the organization's corporate strategy and the passion amongst management and board of directors, all of which is attributed to the business reorganization in 2007.

The theme on administrative capacity reveals that prior to 2007 the NHE did not have the necessary human and financial capacity to effectively implement its BBBEE strategy. In 2007, the NHE underwent business reorganization, in order to strengthen the human and financial capacity of the organization. Currently, the NHE has the financial capacity to

implement its BBBEE initiatives, in particular, its housing mandate due to its capital budget, which has substantially increased from N\$ 13 million in 2004 to N\$ 233 million in 2008. However, implementation challenges for the NHE are the execution capacity of housing projects, the perception that the houses constructed are un-affordable and the poor quality of the houses constructed.

The theme on BBBEE perceptions reveals that Hailulu disputes the perception of BBBEE in Namibia only benefiting the elite; because the blacks who have accumulated wealth through BBBEE cannot be compared to the whites. The main problem with BBBEE in Namibia is the practice of offering shareholding percentages to blacks and black enterprises. This practice does not promote wealth ownership. Additionally, limited resources are invested in BBBEE initiatives, hence the need for establishing special funds in order to impart knowledge and skills at a high level for blacks. The overall success of BBBEE should be measured against the number of companies and business owned by black people.

Although, the NHE is promoting BBBEE, a fundamental shortcoming is the failure to promote broad-based ownership in that the poor and very poor are directly and indirectly excluded from housing opportunities. The provision of housing to low-income earners is commendable; however, the monthly income required of plus/minus N\$ 4 000 limits the housing opportunities for informal settlers. In addition, the 1 percent difference in market rates is not a competitive and affordable approach to home-loans, particularly for the low-income earners.

Key challenges in the implementation of the NHE housing mandate are the slow pace of housing construction, the un-affordability and poor quality of housing. The last two are attributed to the failure by the NHE to create innovative housing solutions through the use of locally produced housing materials and the implementation of a skills development programme for black SME contractors. The former will lower housing cost and enable the NHE to broaden its beneficiary base to include the poor either directly or indirectly. The implementation of a skills development programme for black SME contractors will enable the construction of quality housing within the required schedule.



The comparative cross-case analysis reveals clear similarities and differences between the implementation of BBBEE by both institutions, with the differences outnumbering the similarities. The similarities exist between the ultimate goals, employment equity, and ownership and control components.

The goals for both institutions are to reduce poverty and inequality. The employment equity shows that previously disadvantaged Namibians are in the majority with black majority women representation whilst the majority of black women occupy skilled and semi-skilled positions. In addition, both organizations have failed to employ people with disabilities, in comparison to their staff complements.

The ownership and control component shows that previously disadvantaged Namibians are in the majority with all board of directors being non-executive directors, with black women in the minority. A critical similarity is the absence of a monitoring and evaluation system, which is an important component for effective BBBEE implementation in that it reveals areas of success and failures in the implementation process.

The main differences pertain to the core mandates, empowerment approaches and the absence of internal policies for Nam-MIC FS compared to the NHE, which has internal policies in respect of most of the CGP. Moreover, the skills development component of Nam-MIC FS is narrowly approached compared to that of the NHE, which is broad-based. Moreover, more black men are benefiting from Nam-MIC FS skills development programme compared to the NHE where more black women are benefiting.

The corporate social responsibility component shows that Nam-MIC FS's has a narrow and internal focus on the empowerment of its members. In contrast, the NHE reaches beyond just the organization. In addition, Nam-MIC FS is not implementing BBBEE, but is promoting broad-based ownership. This is contrary to the NHE, which is addressing most of the CGP, but has failed to promote broad-based ownership in its housing mandate.

### **6.3 Conclusions**

Broad Based Black Economic Empowerment in Namibia prevails in the absence of a national framework, yet its implementation has become controversial with connotations of race and social class. Much of the criticisms of BEE pertain to the contention that BEE is a solution to the transformation of socio-economic challenges in Namibia yet; the current practice continues to exclude the disempowered majority since only a few benefit from it. The goal of BBBEE in Namibia is to contribute towards socio-economic transformation through significant changes in the ownership and control structures of the economy and decreasing poverty, income inequalities and unemployment.

Consequently, the study was carried out in order to describe and understand how BBBEE has been implemented by Nam-MIC FS, which is hailed as the “single largest broad-based BEE Company” in Namibia and the NHE, which provides housing for low to middle-income earners. The primary objective was to determine the extent to which Nam-MIC FS and the NHE are promoting broad-based ownership and BBBEE. The former pertains to the inclusion of poor people whilst the latter pertains to effectively implementing the transformational guidelines or CGP. The research was conducted within the qualitative paradigm where open-ended questions were used in order to provide a within case analysis of each institution. The detailed research findings have been presented and interpreted in chapter four.

What is apparent is that clear differences exist in the implementation of the two organizations’ BBBEE strategy, in particular, the extent to which broad-based ownership and BBBEE have been promoted or not. The findings show that Nam-MIC FS is promoting broad-based ownership but has failed to implement a BBBEE model. The absence of internal policies amongst other things in respect of each of the transformational guidelines contributes to the poor implementation of BBBEE. Productive areas of empowerment such as the promotion of a broad-based skills development for internal employees, SME development for union members and community projects have been overlooked. The conclusion is that Nam-MIC FS has a minimalist approach to empowerment, which is due to the main focus on the provision of

affordable financial services and products. Hence, the current practice is merely a short-term and unsustainable approach to reducing income inequalities as opposed to reducing poverty where sustainable economic opportunities are created for union members and their respective communities. The fundamental issue underpinning the conclusion is the limited developmental role that Nam-MIC FS is playing in addressing unemployment and poverty reduction amongst union members and their respective communities. Therefore, Nam-MIC FS is not making a significant contribution towards the ultimate objectives of BBBEE and consequently, it cannot be hailed as the single largest broad-based BEE Company in Namibia.

On the contrary, the NHE is implementing BBBEE with internal policies in respect of most of the CGP. However, the NHE has failed to implement a skills development programme for black SME contractors. Moreover, a fundamental shortcoming of the NHE's BBBEE strategy is the failure to promote broad-based ownership in its housing mandate in that the poor and very poor are directly and indirectly excluded in the provision of housing opportunities. Hence, the conclusion is that the NHE through its housing mandate is not promoting the broader participation of the poor and very poor, which exacerbates the housing backlog and restricts financial, economic and social opportunities for the poor. Consequently, as a SOE, the NHE has failed to promote the concept and practice of "pro poor" within its housing mandate. Such a practice will fail to produce the broader opportunities for advancement and social transformation for those confined to informal settlements.

Based on the conclusions the appeal to both institutions is to seriously realize that the struggle for the success of BBBEE is the fight against a process that generates and reproduces poverty, unemployment and inequality. Empowerment priorities should be redirected towards addressing the interests and needs of the poor through a BBBEE model. Finally, the values of *ubuntu* and human dignity should always accompany the implementation of BBBEE, since a common understanding about what needs to be achieved and how are embedded in understanding the two unifying values.

## **6.4 Recommendations Specific to Nam-MIC FS**

### **Formulate Internal Policies**

The absence of internal policies means that whatever is happening is done haphazardly. Therefore, Nam-MIC FS should implement BBBEE by formulating internal policies for each of the transformational guidelines contained in the NFSC. Each policy should outline specific measurable objectives, procedures, and budgets. Promoting BBBEE will be measured by the extent to which internal policies are effectively implemented.

In addition, Nam-MIC FS should strive to involve all necessary stakeholders, such as union shareholders, union members through public forums, internal employees, business partners and non-governmental or community based organizations in giving input and impetus to the formulation of internal policies. Involving stakeholders will promote better understanding of the empowerment activities to be undertaken and will enable Nam-MIC FS to be more responsive to the needs and interests of its respective beneficiaries.

### **Human Resources Development Component**

**Skills Development Component:** There is a need for Nam-MIC FS to implement a broad-based skills development policy consisting of training, study aid and bursary schemes for employees. The aim is to ensure that employees are also offered the opportunity to undertake under and post-graduate programmes in financial services. The approach is essential not only to enhance the employment opportunities of employees within or outside Nam-MIC FS but also to enable the effective implementation of BBBEE.

It is also imperative that Nam-MIC FS encourages more black women to undertake training programmes.

### **Procurement Policies and Practices**

When making procurement decisions, it is important for Nam-MIC FS to broaden the participation of other black suppliers. One way of doing this would be to split contracts into smaller parts to provide assistance to a wider-spectrum of black suppliers rather than

only supporting one black-owned company. In particular, also consider procuring promotional products from black SME vendors operating in Single Quarters.

### **Access and Affordability of Financial Services and Products**

An important area for Nam-MIC FS is to consider increasing the financial usage of financial services and products for union members in order to broaden the range of credit allowed rather than focusing only on credit for “consolidating existing debt” but also for investment purposes (SME start-up funds and funds to expand SME).

It may also be useful to remove the maximum loan of N\$ 30 000. Instead loan limits should be determined by the individual’s income and capacity of repayment, and intended use of the loan.

### **Ownership and Control**

**Ownership:** Nam-MIC FS should consider allowing union shareholders with 5 percent and less to have voting rights so that they can have decision-making powers.

### **Empowerment Financing**

Nam-MIC FS should consider financially assisting union shareholders with less than 10 percent to acquire shares in BEE companies in order to financially capacitate them so that respective empowerment obligations can be effectively implemented.

### **Enterprise Development**

Nam-MIC FS in collaboration with its business partners should prioritize SME development for union members. Giving financial assistance to “SSMEs” once in a while without adequate capacity for development and mentorship programmes will have negative consequences of indebtedness and bankruptcy by the “SSME”.

It is also important for Nam-MIC FS to recognize that BBBEE goes beyond more than just internal employees and/or members. Hence, it is imperative that Nam-MIC considers

reengineering its policies so that they make provision for training and skills transfer to black SME vendors in Single Quarters in order to improve the management of their business.

In addition, financial and operational assistance should not only be given at the initial stages, but should continue until such time that the individual is showing signs of financial stability and the necessary basic skills are understood and mastered.

### **Corporate Social Responsibility**

Good corporate social responsibility requires an institution that focuses on its internal and external stakeholders. Therefore, Nam-MIC FS should not only focus on monetary contributions to its members but also on the broader communities of union members. This is to address the socio-economic challenges faced by respective communities.

With, this in mind, Nam-MIC FS should form partnerships with non-governmental or community based organizations that could offer community skills development projects. These could include training in basic computer skills, financial literacy programmes, welding, construction, food gardening, health programmes and community education facilities. Nam-MIC FS could allocate a specific amount annually to a non-governmental or community based organization to implement any or a combination of the foregoing community training initiatives on its behalf.

### **Challenge of N\$ 70 million Debt**

Broad Based Black Economic Empowerment should not be financed by taking on excessive debt. Financing equity acquisition should be within the financial capacity and based on the rate of return on investment. The current (2008) volatile economic crisis dictates more responsible equity acquisitions and innovative funding strategies to enable Nam-MIC FS to create a sustainable capital base. The failure to do so, limits the efficient and effective implementation of BBBEE. The common funding strategy; is to offer preference shares. However; clear understanding on the short to long-term and positive and negative implications of offering preference shares is required.

## **6.5 Recommendations Specific to the NHE**

### **Housing Mandate**

The NHE should consider including the poor and very poor as housing beneficiaries either directly or indirectly. The underlying contention is for the NHE to identify its role in addressing the emergence of informal settlements in Namibia. Providing direct housing opportunities entails the implementation of poverty oriented housing programmes for the poor and very poor, which requires a broad-based minimum monthly income of plus/minus N\$ 1 200. Indirect housing provision would require the formation of partnerships with the Build Together Programme so that financial support is annually given to the Build Together Programme for the construction of poverty oriented housing.

In addition, the NHE should consider setting a maximum monthly income of plus/minus N\$ 12 000 for middle-income earners so that more of the housing provisions are allocated to the poor and very poor. Those who earn more than N\$ 12 000 should be catered for by commercial banks.

### **Housing Trust Fund**

The NHE should consider establishing a housing trust fund for the poor and very poor. Funding could be sourced from financial institutions, embassies in Namibia, private individuals and international organizations. The money generated should only be used every two years for the construction of poverty oriented housing.

### **Promote Affordable Housing**

The NHE should consider providing competitive home-loans where the interest rate charged is determined by the categories of beneficiaries served. Those earning between plus/minus N\$ 1 200 to 4 000, the interest rate could be reduced by 6 percent of the market rate. Those earning between N\$ 4 000 to 8 000, the interest rate could be reduced by 3 percent of the market rate and those earning between N\$ 8 000 to 12 000, the NHE can maintain the 1 percent interest rate difference.

### **Implement Innovative Housing Solutions**

The NHE should consider promoting the use of local building materials in order to lower the cost of housing and broaden housing provisions directly or indirectly to the poor. A list of SMEs that produce local building materials can be viewed in Appendix “D”.

Additionally, the NHE should consider the promotion and installation of solar energy and Enviro Loos through awareness creation programmes amongst housing beneficiaries so that individuals understand the medium to long-term benefits of non-conventional energy and Enviro Loos. Awareness and education programmes should minimize the negative perceptions associated with Enviro Loos. An example of a house installed with a modernized Enviro Loo, which is cost friendly, can be viewed in Appendix “E”.

### **Annual Reports**

In order to promote transparency and public accountability, the NHE should compile and disclose its annual reports.

### **Indirect Empowerment**

**Preferential Procurement:** The NHE should form supply partnerships with Benz Building Supplies, rather than only procuring supply materials from previously advantaged Namibian companies. In addition, the NHE should procure more locally produced building materials from black SMEs.

**Enterprise Development:** The NHE should consider implementing a skills development programme for black SME contractors, which should include training in the use of locally produced and conventional building materials, in addition to entrepreneurial and business management skills training. In order to assist the NHE in the training and the use of locally produced materials, the organization could consider forming partnerships with the Habitat Research Development Center since they have conducted various studies and undertaken projects in the use of locally produced building materials.



Also, the NHE should implement a credit/loan system for black SME contractors in order to provide financial and technological assistance.

### **Corporate Social Responsibility**

The NHE could consider implementing bursary and/or scholarship schemes for at least two black university students annually to undertake under or post-graduate degrees in the professional construction areas until completion of their studies. In addition, internship programmes could be offered where-after they will have to work for the NHE for a minimum of 3 to 5 years. This approach, which is based on the organic model by Woolley (2005:49), is a strategic investment upon, which the NHE can build the capacity of future employers in the medium to long-term.

Furthermore, the NHE could form partnerships with non-governmental or community based organizations in order to provide community training and skills development in basic construction. Additionally, the NHE should instead donate financial and technical assistance to rural schools rather than urban schools since the former are the least advantaged.

## **6.6 Recommendations Applicable to both Nam-MIC FS and the NHE**

### **Monitoring and Evaluation**

Monitoring and evaluation are important components of the implementation process of which a key element is the existence of a reporting system. The ultimate purpose of policy monitoring and evaluation should be to facilitate the decision-making process in order to improve BBBEE implementation.

To this end, both organizations should implement a monitoring system that would ensure that regular tracking of activities is in place. Such a system would reveal the constraints that may affect the final outcome *vis-à-vis* the company's specific BBBEE objectives. The monitoring process should specifically detail the data describing the characteristics

of population served; the services provided and the resources used to deliver those services.

The process evaluation mechanism should determine whether the specific policy is conforming to its formulation, program implementation and the extent to which it reaches its intended beneficiaries (Mutua, 2005). Additionally, the organization should conduct an impact evaluation every five years in order to determine whether the respective policies are effective by ascertaining its negative or positive impact or difference on the beneficiaries as part of measuring the effectiveness of the policy.

### **Employment Equity**

Although the two institutions have a majority composition of previously disadvantaged Namibians, measures are needed to eliminate employment barriers for black people with disabilities. Broad Based Black Economic Empowerment is meant to reach all sectors of society, including people with disabilities. There are a number of places of information where this group of people can be coursed.

There is a desk for people with disabilities in the Office of the Prime Minister, and both organizations could work with that desk to identify people with disabilities who could be employed by the company.

There are organizations in the country for people with disabilities who could be contacted for the same purpose. In fact, there is an umbrella organization for people with disabilities called the Namibian Federation for People with Disabilities.

Lastly, tertiary institutions of higher learning could also be utilized; they keep information about students with disabilities on their databases.

### **Control**

While it is commendable that both organizations have achieved black majority control on the boards of directors, it is necessary for them to address the gender imbalance that persists by scaling up the representation of black women on the boards.

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## APPENDICES

### Introductory Letter to Research Participants: Appendix “A1”

Hailulu Vinson  
Chief Executive Officer  
National Housing Enterprise

Pia M Teek  
061 224365 (h)  
081 258 0032

**WINDHOEK**

[sadora@mweb.com.na](mailto:sadora@mweb.com.na)

20 June 2008

Dear Mr Hailulu

### **Participation in Research Study: “An Analysis into the Implementation of Broad Based Black Economic Empowerment (BBBEE) in Namibia: Selected Case Studies”**

Having kindly accepted my request to use your organization as one of my research case studies, I hereby provide the main objective of the study.

The subject of BEE in Namibia is a fairly contentious issue with advocates on all sides debating the current status of BEE. In view of this, the aim of the study is to analyze the implementation of BBBEE (process evaluation) within the respective institution in order to determine the extent to which the initiatives are broad-based, in that the causes of poverty and inequality are being addressed. The research will be approached from a developmental perspective as opposed to a policy perspective, considering the absence of a national BEE policy in Namibia.

The main research question is: **How has BBBEE been implemented within the identified institution?** In order to address the main question, three sub-questions are identified namely; **what is happening, how is it happening and why is it happening?**



### **Appendix “A2”**

The research will make use of multiple data collection methods such organizational documents, reports, questionnaire and semi-structured interviews with the Chief Executive Officer of the respective institution. To ensure for the validity of the research findings, I wish to present the research draft to the respective informants to verify that the findings have been factually and accurately reported. Furthermore, I wish to kindly request your permission to record the interview, for purposes of accurate reporting.

The questionnaire will be comprised of approximately 30-35 short to long descriptive questions, which I intend on distributing in the first week of July 2008 after which I would like to conduct the interviews at your earliest convenience.

Any required information from me, pertaining to the above, will be provided.

Yours Sincerely,

---

Pia M Teek  
MPA Student Researcher 15180867  
University of Stellenbosch  
**SOUTH AFRICA**

**Research Supervisor: Dr I H Meyer**  
**University of Stellenbosch**  
**27 21 918 4132**

**Research Questionnaire:**

**Appendix “B1”**

**Research Topic:** An Analysis into the Implementation of Broad Based Black Economic Empowerment (BBBEE in Namibia: Selected Case Studies

The questionnaire is intended to provide information on the implementation of BBBEE in your organization. The questionnaire consists of 42 questions and is divided into sections A; B & C. Section A seeks biographical data of the research participant and respective organization. Section B poses questions on the implementation of your BBBEE strategy and initiatives. Section C provides the participant an opportunity to share his/hers’ general perceptions on the practice of BBBEE in Namibia and any other relevant comments and suggestions.

I have provided spacing for each question, however, if the spacing provided is limited, please feel free to answer on the subsequent blank page, but kindly indicate that you have done so.

**SECTION ‘A’**

1. Name of Research Participant:
2. Name of Organization:
3. Nationality:
4. Gender:
5. Level of Education:
6. Occupation/position:
7. How long have you been working for your respective organization?
8. Provide a background to the core business of your respective organization.

**SECTION ‘B’**

9. How was BBBEE conceptualized as a strategy for your organization?
10. What is the content of your BBBEE strategy (goals and objectives)?
11. How is BBBEE a critical part of your organization?

### **Research Questionnaire: Appendix “B2”**

12. What is your understanding on the term Broad-Based Black Economic Empowerment (BBBEE)?
13. Advice as to whether or not your BEE strategy is broad-based. If yes, to what extent?
14. In the absence of a BEE policy in Namibia, what approach or BBBEE model are you using to implement your BBBEE strategy?
15. Poverty in Namibia has multi-dimensional causes, namely; slow economic growth, high rates of unemployment, income inequality, HIV and AIDS and corruption. How does your BBBEE strategy address each of the mentioned causes of poverty?
16. Who is/are responsible for your BBBEE implementation?
17. What are the institutional standing operating procedures for the implementation of your BBBEE strategy?
18. Who are the BBBEE beneficiaries of your strategy?
19. What criterion is used to select your BBBEE beneficiaries?
20. Are elite members of society also benefiting from your BBBEE strategy and if yes, how?
21. Do you view some of your BBBEE partners or beneficiaries as risky in your BEE deals and how have you addressed the issue of business risk in including BEE partners or beneficiaries?
22. Who are the main beneficiaries of your BBBEE strategy and how have you ensured that your BBBEE strategy is inclusive of your main beneficiaries, in that they have been directly included in the process of empowerment?
23. In your view, what can be gained from including the poor in your BBBEE strategy?
24. What kind of impact is expected from your BBBEE strategy in the long-run?
25. Do you have the necessary and sufficient human and financial capacity to carry out your BBBEE strategy? If no, what have you done to address the issue?
26. Have you formed any partnerships in implementing your BBBEE strategy? If yes, who are they and what are their respective contribution and responsibilities?
27. Are you implementing your BBBEE strategy according to plan?
28. Do you have a mechanism in place to ensure constant monitoring and evaluation of the implementation of your BBBEE strategy?
29. Have you previously conducted an evaluation on the implementation of your BBBEE strategy? If yes, what were the results?
30. What are the performance indicators for your BBBEE strategy?
31. What are the positive factors that have enabled the implementation of your BBBEE strategy thus far?

**Research Questionnaire: Appendix “B3”**

32. What are the challenges in your BBBEE implementation?
33. What have you done to address each challenge?
34. In your opinion, what is the most important requirement for the success of BBBEE? Please choose 1 and briefly explain why
  - a) BEE Legislation
  - b) Political and social commitment
  - c) Formation of Partnerships
  - d) Organization Culture
  - e) Effective implementation
35. Have there been any changes to the content of your original BBBEE strategy? If yes, what are the changes and why?
36. How would you describe the level of internal and external commitment of those tasked to implement your BBBEE strategy at the various levels?

**SECTION ‘C’**

37. The prevailing perception on BBBEE implementation in Namibia is that the process is elitist, in that it has become a self enrichment for a few blacks who are politically connected. What is your view on this statement?
38. What are your general perceptions on the practice of BBBEE in Namibia?
39. In your opinion, what are the problems with the practice of BBBEE in Namibia?
40. What are your recommendations on the practice of BBBEE in Namibia?
41. In your view, how would you measure the overall success of BBBEE in Namibia?
42. I have tried to make the questionnaire as comprehensive as possible, but if you feel that there are issues that I have not raised, please feel free to add comments or suggestions.

## **Interview Questions: Appendix “C”**

The interview questions are divided into sections A and B. Section A is the additional research questions and section B is the follow up questions on the questionnaire.

### **Organization**

### **Research Participant**

### **Date**

### **Starting Time**

### **Ending Time**

### **Section A**

1. How would the existence of a national BEE policy enable the implementation of your BBBEE strategy?
2. What is the total budget allocated towards your BBBEE strategy per annum?
3. Have you overspend or under-spend on your BBBEE budget?

As the Chief Executive Officer;

- a) Do you have voting rights? \_\_\_\_\_
  - b) Do you have economic interest in the sense of taking full liability for risks and profit?  
\_\_\_\_\_
4. What is the role of the board of directors in the implementation of your BBBEE strategy?
  5. How is BBBEE viewed by your staff?
  6. How has BBBEE and organizational culture been reconciled?
  7. What are the challenges experienced in the formation of partnerships?
  8. How have you addressed each challenge experienced in the formation of partnerships?

### **Section B**

Follow-up questions on the questionnaire

**List of SME Producing Local Building Materials: Appendix “D”**

Locality	Name	Materials	Contacts.
Orumana	Primary School	Clay / lime stone	
Opuwo	Community Centre / BTP	Clay / lime stone	
Epukiro	Build Together Programme	Lime tone	
Otjinene	Build Together Programme	Lime tone	
Windhoek	Crocodile slates	Slates (roofing, flooring)	Mr Horn 239233
Khomasdal	Igloo concrete houses	Concrete	Mr Meyer 067 - 303568
Windhoek	Terrasol	Soil blocks	Mr Schultz 239454
Eningu	Lodge	Clay blocks	<a href="http://www.natron.net/tour/eningu/index.html">http://www.natron.net/tour/eningu/index.html</a>
Otjiwarongo	Namibia clay house project	Clay blocks & micro concrete roof tiles	067-304548
Windhoek	Oz bricks	Clay bricks	264223 / 265311
Windhoek	Labour based solutions	Modular shutter system	Mr Muller 275156 / 0811298941
Walvis Bay	Angle moulds system	Paper carton moulds	Mr Dirsuwei 064-2013111
Berseba	Experimental house (1980)	Natural stone	
Ongwediva	Rural Development Centre	Bottle houses	
Windhoek	Farm Krumhuk	Clay blocks / soil blocks	
Leonardville	Build Together Programme	Sakhuise	Village Council
Epalela	House project	Clay blocks & micro concrete rooftiles	
Mariental	factory	Clay bricks	Willem Meyer, Municipality
Tsumeb	Crown Blocks	Precast concrete blocks	Mr Rudloff 067-220143
Noordoewer	Houses	Reed houses	
Khorixas	Craft centre	Local stone	
Aminuis	BTP	Lime stone foundation & soil bricks	
Otjiwarongo	Factory	Wood panels	c/o Mr B. Muller 275156 / 0811298941

**Example of a Modern EL and House Installed with Enviro Loos: Appendix “E”**

