

10 BENEFITS AND COSTS OF THE NAMIBIANISATION POLICY

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Abstract

When Namibia gained independence in 1990, the country faced a multitude of decisions regarding how to manage its relatively vast fish resources, and how to facilitate and ensure a greater degree of Namibian participation. The government opted for policies based on economic incentives in the form of quota taxation combined with tax reductions depending on the degree of Namibian involvement in the fisheries ventures. In this chapter, the innovative new policy called Namibianisation is analysed, specifically focusing on the benefits and costs that may have resulted from its implementation. The main benefits of this policy are increasing Namibian ownership and employment, while the losses consist of reduced quota tax revenues. Hailed generally as a success, the Namibianisation policy may offer lessons worth following for those countries whose fisheries resources are still exploited by foreign fishing fleets. The analysis provides some basis for further improvement in the development and implementation of the policy.

INTRODUCTION

After Namibia gained independence in 1990, the country faced serious decisions with regards to how the national marine resources should be managed to offer permanent respite to Namibians. This was deemed crucial because

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of the history of abuse inherited from the old apartheid system. The issue of sustainability in a biological sense of resource management was imperative, but perhaps even more so was the need for an equitable distribution of the benefits from the resources, even though many white Namibians also benefited from the policy. Namibia faced the difficult task of correcting years of unjust resource allocation and policies, where large groups of the populace had been excluded from enjoying the benefits of the country's rich natural resources. At the same time there was an urgent need to modernize the fishing industry to make it capable of meeting the demands of the global market for fish, where most of Namibia's fish products are traded.

There seemed to be at least two possible ways of correcting past injustices; 1) command and control, in the sense of appropriation of previous rights and the redistribution of these rights to the previously disadvantaged, or 2) incentive-based systems, where just reallocations are brought about through economic motivation. The first mode of injustice correction is familiar from other parts of the African continent, but the Namibian government chose to use the second mode in the fisheries sector, applying what has come to be known simply as the Namibianisation policy. This policy gives the stakeholders in the fishery economic incentives to encourage them to increase Namibian participation in fisheries in the form both of ownership and of employment, with particular regard to the previously disadvantaged groups of the population. The incentive is in the form of a tax reduction connected to the quota price the firms have to pay for fishing quota rights, given the level of Namibian employment, ownership and other societal issues applied by the quota holder. Hence, by using the carrot rather than the stick, the Namibian government hoped that social injustices could be remedied. There is, however, a price connected with the success of this policy, in the form of lost tax income to state coffers. The positive and negative impacts of the Namibianisation policy are therefore the focus of this study.

For the rest of the chapter, we will first present the Namibian quota system, and show how the Namibianisation policy fits hand in glove with this management regime. Then we will present some indicators of benefits and costs arising from policy intervention.

THE NAMIBIAN QUOTA SYSTEM

Today, Namibia has a highly managed fisheries sector, where 90% of the catch is determined by total allowable catches (TACs), while the remainder is bycatch managed via effort limitations. The major fisheries are managed after a rigorous biological assessment and entry to the fisheries is 100% limited. Furthermore, Namibia is one of few countries in the world to have suc-

ceeded in capturing substantial economic rent from her fisheries by the imposition of quota fees (Namibia Brief, 1998; Manning, 2000).

Quota fees were imposed for the first time in 1990, after Namibia gained independence. This was possible partly because fortuitously historic rights, which have plagued fisheries management all over the world, did not need to impact upon future management, providing an opportunity for the Namibian fisheries policy to start afresh (Oelofsen, 1999). Thus, from 1994 anyone could apply or re-apply for the rights to fish in Namibian waters as all rights were reviewed that year.

In 1992 a new policy was introduced, namely, the Namibianisation policy, which was intended to correct some of the pervasive human injustices brought about by the apartheid system in the country prior to independence, as well as to secure greater Namibian involvement in the fisheries of the country. The main policy instrument used to attain Namibianisation was the introduction of rebates on the quota fees, which are determined by the degree of Namibian ownership, employment of Namibian crew, and whether fish was landed and/or processed in Namibia, as well as other less specific conditions.¹ The guiding principles underlying Namibianisation are outlined in the 1992 Sea Fisheries Act, such that rights to fish on specific species are allocated in accordance to whether:

- the applicant is a Namibian citizen;
- the applicant company's beneficial control is vested in Namibian citizens;
- the applicant has the ability to exercise the right of exploitation in a satisfactory manner;
- the applicant must have beneficial ownership of any vessel to be used.

Furthermore, the following special criteria advance the possibility of rights allocations to an applicant:

- the advancement of previously disadvantaged persons socially, economically or educationally;
- contribution to regional development in Namibia;
- cooperation with other countries (especially within SADC);
- the conservation of marine resources;
- the successful performance of the applicant under exploratory right;
- contribution of marine resources to food security;
- any other matter that may be prescribed.

There are no economic criteria for allocation, and no transferability of rights. Leasing is, however, possible for short periods such that if the rights are not utilised by the original rights holder in the period they are allocated, a new application by the holder will not be successful (Les Clark, Fisheries Mana-

¹ In addition, levies per tonne of fish were charged and paid to the Sea Fisheries Fund, for research and training.

gement Advisor, Forum Fisheries Agency, Solomon Islands, pers. comm.). The rights were originally allocated for 4, 7 or 10 year periods depending on a number of conditions listed below. In 2000 these periods were increased to 7, 10, 15 or 20 years, motivated by a desire to make conditions more investor friendly and to bring about more stability to the sector.

Seven-year exploitation rights are granted to: (i) applicants with less than 50% Namibian ownership of vessels or onshore processing plants in the fishery where rights are granted; and (ii) applicants with less than 51% Namibian ownership in ventures without significant onshore investments in the fishery where rights are granted.

Ten-year exploitation rights are granted to: (i) applicants with at least 50% Namibian ownership of vessels or onshore processing plants in the fishery where rights are granted; (ii) applicants with less than 51% Namibian ownership in onshore investments in the fishery where rights are granted.

Fifteen-year exploitation rights are granted to: (i) ventures at least 90% beneficially Namibian owned with significant investments in vessels or onshore processing plants (50% ownership in facilities in the fishery where rights are granted, is seen to be significant); (ii) Namibian rights holders with smaller shares in larger ventures; (iii) majority foreign-owned ventures with the capacity to make a major contribution to economic and overall development in Namibia (e.g. onshore employment of 500 Namibians is seen as a major contribution); and (iv) smaller joint or wholly foreign-owned ventures, which can make innovative contributions to the development of the fishing industry in Namibia, such as developing new products or export markets, and where a long-term right is necessary to secure the investment involved.

Twenty-year exploitation rights are granted for ventures that fulfil the requirements for fifteen-year rights, and employ at least 5,000 permanent employees in onshore processing facilities.

The original terms for 4, 7 and 10 years are equivalent to the existing 7, 10 and 15 year terms. Shorter-term fishing rights could originally also be granted, e.g. in the early stage of a new fishery. Shorter-term fisheries rights could be upgraded to a longer-term right when the operations fulfilled the necessary requirements. If a rights owner who is given a four-year right, fails to increase Namibian ownership or otherwise invest to satisfy the 7-year requirement by the end of the third year, a new application would not be favourably considered.

Hake fees demanded from vessels with access rights in year 2000 were (i) N\$880 per tonne paid by foreign freezer vessels; (ii) N\$680 per tonne paid by Namibia-based freezer vessels (N\$200 rebate); (iii) N\$480 per tonne demanded from fully Namibian-owned freezer vessel (further N\$200 rebate); and (iv) a further rebate of N\$200 is given if the catch is processed on shore.

If allocated quota is not caught, the rights holder must pay N\$800 per tonne for the uncaught part of the quota regardless of fee rebates, unless more than 20% of TAC is left uncaught, when fees are waived (Scheepers, 1998). Failure of a rights holder to harvest his or her full quota allocation in a given allocation period is an invitation to a quota cut in the future.

In order that the benefits from Namibia's fisheries directly impact the previously disadvantaged groups of the population, the Ministry of Fisheries and Marine Resources (MFMR) has enacted a so-called empowerment policy (Erastus, 2002), where it has attempted to allocate fish quota to Namibian newcomer applicants. In 1994-1995 the MFMR allocated 25% of the TAC to newcomers, which otherwise would have been allocated to existing companies. The new entrants are a varied group of business people, fishers and people in prominent positions. It has been observed that some of the newcomer firms have subsequently leased their quotas to more established firms. In the absence of many financing options, this may have been done to build up capital for investment in their own harvesting potential (Erastus, 2002) but this essentially means that some attributes of individual transferable quota systems may have unintentionally crept into the system (Manning, 2000).

Benefits from Namibianisation

The gains from Namibianisation are many and varied, and not always easy to quantify. In the ensuing discussion, we will limit ourselves to an analysis of trends in Namibian employment and ownership development since the introduction of the Namibianisation policy. It is, however, clear that an analysis of policy gains would have to take into account income tax revenues from the employment enhancement that Namibianisation presumably facilitates. There are also more non-tangible issues such as what ownership amongst previously disadvantaged Namibians does to the self-confidence of both those who directly benefit and those who do not, as well as the potential future generational gains that cannot be clearly visualised today. Hence, this analysis of benefits is only a first step towards studying the topic fully.

Figure 1 plots the percentage of Namibian ownership from 1993 to 1998. We see from this figure that the percentage of Namibian-owned licensed fishing vessels has increased from about 60% in 1993 to 85% in 1998.

From Figure 2, which graphs the percentage Namibian employment on land and sea from 1991 to 1998, we see that the share of Namibian employment in the fishing industry increased from just under 55% in 1991 to more than 75% in 1998. We observe that the share of Namibian employment declined in the years 1994-1996, before increasing again. In absolute numbers Namibian employment increased by 6,000 in this time period, doubling the number of Namibians employed in the fishing industry (Erastus, 2002).

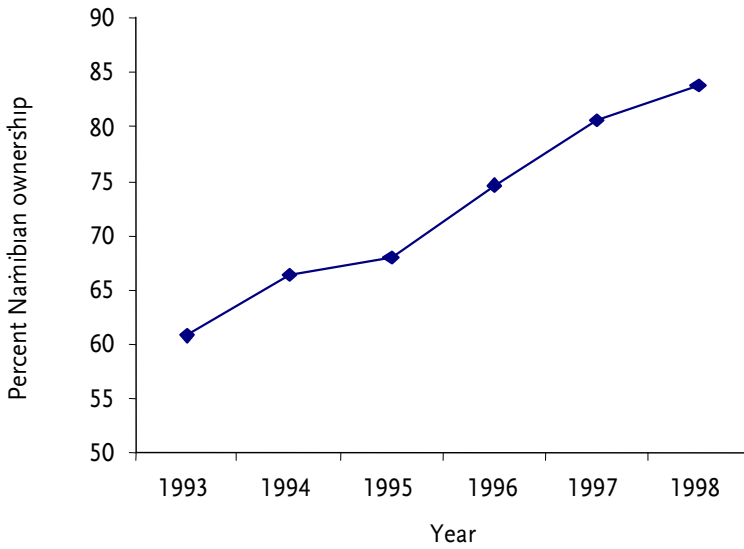


Figure 1. The percentage of Namibian ownership² of licensed fishing vessels, 1993-1998.

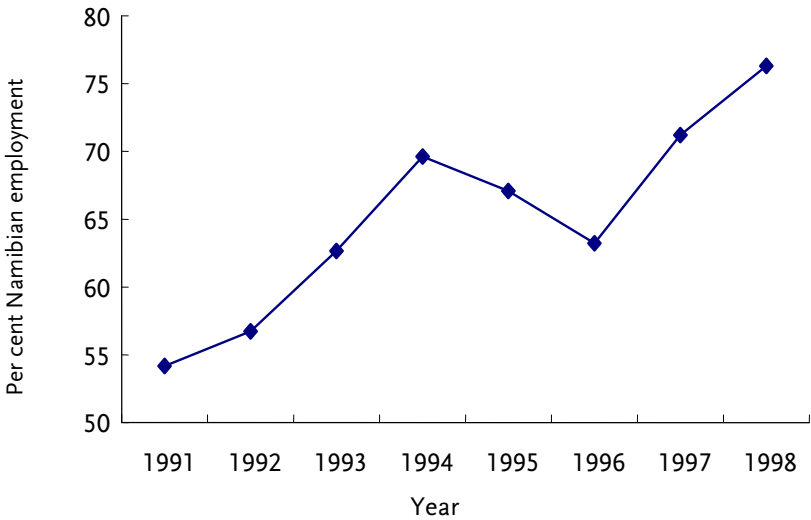


Figure 2. Percentage Namibian employment on land and sea in the Namibian fishing industry, 1991-1998 (Erastus, 2002).

² Namibian ownership is defined as 51% Namibian beneficial ownership and 80% Namibian crew (Erastus, 2002).

Table 1 shows that employment in some parts of the Namibian fishing fleet consisted of a large proportion of Namibians even as early as 1994, while others have increased the proportion of Namibians employed significantly since 1994. The exception to this is the midwater fleet, which in 1999 employed only 9% Namibians out of a total of more than 1,500 employees. Many of the remaining foreign-held posts are most likely to be those requiring higher skills. It is therefore important that complementary policies such as skill-enhancement schemes are implemented in order to further Namibianise these positions.

So far, it seems that the newcomer-empowerment policy functions in such a way that substantial newcomer quota is being leased to established companies, thereby at best limiting the benefits to the channelling of money towards the building of harvesting capacity, i.e. companies or private persons use the income from leasing out their quotas to, over time, enable the financing of fishing vessels. It is, however, clear that even if the empowerment policy fails to succeed in this sense, there will nonetheless be greater national gains, as compared with the allocation of quota to existing companies. This is because allocations to newcomers have been made with the requirement that fish is processed on land, generating greater multiplier effects in the economy, especially in employment.³ Hence over time, the benefits from the empowerment policy can be expected to increase.

Table 1. Percentage Namibian employment (total person-years) in some sectors of Namibian fisheries, in the years 1994-1999 (Central Bureau of Statistics, 2001; MFMR, 1997).

	1994	1995	1996	1997	1998	1999
Pelagic	89 (493)	94 (445)	95 (476)	97 (427)	96 (562)	97 (395)
Demersal	65 (1,967)	72 (2,427)	73 (3,016)	81 (2,649)	84 (2,212)	79 (2,506)
Midwater	1 (2,664)	1 (2,409)	5 (2,141)	8 (2,100)	6 (1,606)	9 (1,531)
Linefish	93 (268)	95 (342)	99 (294)	100 (277)	100 (316)	84 (310)
Crab	57 (190)	46 (147)	53 (118)	64 (73)	65 (101)	71 (76)
Rock lobster	99 (550)	99 (674)	99 (541)	100 (525)	100 (429)	99 (439)
Deep water	N/A	N/A	N/A	70 (261)	78 (139)	72 (156)
Tuna	31 (1,112)	33 (1,356)	65 (940)	63 (957)	76 (1,218)	65 (1,205)

³ In the hake fishery, quota allocated to newcomers is for wet fish harvest, with delivery to onshore processing, rather than onboard processing (Erastus, 2002).

The cost of Namibianisation

In a straightforward sense, the cost of Namibianisation is assumed to be the sum of fee rebates given to Namibian rights holders, as this is the tax revenue which the state foregoes in order to achieve its Namibianisation goals.

Tables 2 and 3 present the total allowable catches (TACs) and the potential quota fees for major Namibian fish species caught from 1993 to 1998, respectively. The potential quota fees are calculated by multiplying the TAC by the quota 'full' fee (that is, the no-rebate quota fee) in the respective years. The actual quota fees collected and the cost of Namibianisation are also reported in Table 3. This cost is defined as the difference between the potential quota fees and the actual fees collected.

Table 2. TAC in 1000 tonnes (MFMR, 1998, 1999).

	1993	1994	1995	1996	1997	1998
Hake	120	150	150	170	120	165
Sardine	115	125	40	20	25	65
Horse mackerel	450	500	400	400	350	375
Tuna	3.5	4.1	2.6	1.8	1.3	-
Crab	4.9	4.9	3	2.5	2	2

Table 3. Full quota fees (N\$/tonne), quota fees collected, the potential total quota fees, and the cost of Namibianisation (N\$1000).

Year	1993	1994	1995	1996	1997	1998	Unit fees
Hake	96,000	120,000	120,000	136,000	96,000	132,000	800
Sardine	17,250	18,750	6,000	3,000	3,750	9,750	150
Horse mackerel	28,148	31,275	25,020	25,020	21,893	23,456	63
Tuna	1,419	1,639	1,053	719	526	-	400
Crab	2,940	2,940	1,800	1,500	1,200	1,200	600
Quota fees collected	97,800	108,466	90,500	46,543	72,239	67,695	
Potential quota fees	145,757	174,604	153,873	166,239	123,368	166,406	
Cost of Namibianisation	47,957	66,138	63,373	119,696	51,129	98,711	
Cost as percentage of quota fees	33%	38%	41%	72%	41%	59%	

We see from Table 3 that since fee rebates were implemented in 1993, the cost of Namibianisation gradually increased as the incentives of the policy of Namibianisation came into effect, resulting in more Namibian employment and ownership, and hence less fees being collected. There was a big decrease in fees collected in 1997. However, this was due more to reductions in the allowable catch than the Namibianisation policy.

The cost due to Namibianisation is the difference between the potential quota fees and the actual collected quota fees. We note that this difference is growing, a sign that the Namibianisation policy is performing well. However, it is also clear that there is a substantial loss to state coffers; for instance, the loss in 1996 is 72% of the potential quota fee revenues. It must, however, be noted that when total uncaught harvests have exceeded 20% of TAC, as was the case in 1996, uncaught quota fees have been waived, making the loss figures biased upwards. Using TACs to calculate the full quota may also be somewhat questionable, as uncaught quota may not have anything to do with the quota system as such.

Determining the net gains of Namibianisation

Given that benefits and costs are in different units (dollars versus employment of previously disadvantaged Namibians), it is difficult to calculate net benefits. We will avoid this problem by comparing (i) the change in Namibian proportion of total fishing sector employment, and (ii) the change in the proportion of Namibian ownership of licensed fishing vessels with the change in the proportion of the potential quota fees that is not captured due to the Namibianisation policy.

In absolute terms the average annual foregone quota fee income is N\$ 74.5 million in the time period 1993-1998. In the same time period the increase in number of Namibians employed was 6000, or an average annual increase of 1000 Namibians employed. Disregarding Namibian ownership increases, the cost to state coffers per unit increase in employment is N\$ 74.5 thousand *per annum*. If labour is scarce, this seems a rather steep price. However, in the case that the alternative for those being engaged is unemployment, the price may not be overly high. And if this is an investment that gives permanent employment increases, as well as ownership changes, Namibians can see this in a positive light. A study that differentiates between the ownership and employment fee rebates would enhance this discussion, but data are unfortunately not available to the authors.

From the previous two sections, we calculated that the share of Namibian employment in the fishing industry increased from 62.7% in 1993 to 76.3% in 1998. That is a gain of about 22 percentage points in 6 years or about 3.6 percentage points per annum. The gains in the proportion of Namibian ownership of licensed fishing vessels increased from 60.8% to 83.8% in the

same period, implying a per annum gain of 6.3%. Finally, a per annum increase in the percentage cost of Namibianisation to total fishing fees collected in the same period is 4.4 percentage points. This is obtained by dividing the cost of Namibianisation by the total fees collected (see Table 2), and calculating the percentage annual increase in this variable. These numbers indicate that there is just under a 1 and 1.5 percentage point gain in employment and Namibian ownership, respectively, for every percentage point loss in fees collected.

DISCUSSION AND CONCLUDING REMARKS

In summary, our results show that there has been a greater degree of Namibian ownership and employment in the country's fisheries since the Namibianisation policy came into existence. However, it is virtually impossible to be certain that the achieved gains are solely a result of Namibianisation. The vagaries of natural resource harvesting clearly also affect employment, and other policies increasing Namibian skills may also have benefited Namibian employment and ownership during the period under discussion.

Regardless, the achievements of the recent years are laudable since they have helped the country to meet one of its cardinal objectives, namely, to open up the fishing sector to previously disadvantaged Namibians. The study has also shown that this achievement, as would be expected, came at a cost in terms of tax revenues lost that otherwise would have accrued to the national coffers.

All the listed positives above notwithstanding, there are strong critiques of the Namibianisation policy, and fisheries management in general (see Manning, 2000). The main points raised are: (i) much more rent could have been captured by Namibia than is currently the case; (ii) the little rent currently captured goes to a few rich operators, rather than to Namibians as a whole; (iii) actual ownership is largely still foreign, as there is evidence to show that many Namibians act as straw men for foreign owners.

As always there are counter arguments to the criticisms listed above (Oelofsen, 1999, and Les Clark, pers. comm.). The points made by these and other people are: (i) Namibia has succeeded in capturing a good percentage of the potential rent from its fisheries compared with other fisheries in the world; (ii) Namibian and black ownership have enjoyed an increase since independence; (iii) shareholders of Namibian fishing companies are mostly Namibian pension and insurance funds, as well as Namibian businessmen; and (iv) Namibian ownership creates greater income/business tax revenues.

Within the limitations of this analysis we claim that the Namibianisation policy has served Namibia well, and there may be some lessons to be learnt

by other developing countries whose fisheries resources are still being largely exploited by foreign fleets.⁴

Issues that have received little attention are how the nationalisation of the Namibian resources may have increased pressure on the managers as regards increasing harvesting in the short term, with possible detrimental long-term conservation effects. Furthermore, a larger analysis remains to be undertaken determining *who* has benefited from Namibianisation. Manning (2000) does an early analysis to this effect, but a further broadly qualitative analysis similar to that of Isaacs and Hersoug (2002) and Isaacs (in press) in South Africa would shed more light on the issue. A central question is whether revenues accruing to state coffers could be reallocated to the needy in the community in a better way than that achieved through the Namibianisation policy. And would *not* implementing Namibianisation have been at all possible from a political point of view? That is, would a policy of purely foreign quota rental have been acceptable in light of the apartheid policy preceding independence? Furthermore, a question that policy makers must ask themselves is whether the benefits from Namibianisation in the form of ownership and employment are now at a point of strongly declining marginal increase, and whether the benefits that are achieved are permanently entrenched. That is, if further rebates only give small increases in employment and ownership, could the rebates be substantially reduced without affecting the existing Namibian employment and ownership? If the costs of hiring foreign labour are greater than that of Namibian labour, the fee rebate incentives for employment may well be reduced or eliminated, without loss of employment, and with a gain of fees. Likewise if the new Namibian owners are *de facto* agents in the fisheries, eliminating fee rebates will not reduce ownership. From the foregoing discussion, it would appear obvious that the longevity of the Namibianisation policy also needs to be investigated. These are important questions that the study raises but nonetheless are outside the scope of this chapter.

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