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WHY SUB-NATIONAL LEVEL POVERTY ANALYSIS MATTERS: A CASE STUDY OF NAMIBIA

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This brief argues that:

- Rapid economic growth and relatively high income per capita can hide a high incidence of poverty, inequalities in income distribution, and low standards of living inside a country or region.
- Analysis of head count at the sub-national level provides policy and decision makers with the evidence on which to base long-term policy and programmatic decisions targeting specific geographic areas.
- Counter-measures are best implemented around pro-poor policy approaches to programmes and projects, capacity development, government support and service delivery, in order to close widening interregional poverty headcount disparities.

Introduction

'Poverty' is a multidimensional concept referring to a lack of resources with which to acquire a set of basic goods and services. Poverty can also be conceptualised as a state of deprivation, and is often defined in both absolute and relative terms. 'Absolute poverty' refers to the inability to afford a contextually defined set of basic goods and services, while 'relative poverty' is a comparative measure defined in terms of the expectations of the wider society in which an individual lives. This paper adopts the poverty lines (both upper-bound and lower-bound) derived using poverty measures based on estimates of the cost of basic needs by the Namibia Statistics Agency (then Census Bureau of Statistics) in 2004. The lower-bound, or 'severe', poverty line (monthly expenditure consumption below N$ 277.54)[1] was determined on the basis of the cost of basic food needs, that is, the cost of a nutritional basket of food considered to be the minimum requirement for the healthy survival of a typical household in Namibia. The upper-bound poverty line, or simply, the 'poverty line' (monthly expenditure consumption below N$ 377.96) was determined by adding to basic food needs the value of a bundle of non-food items consistent with the general spending patterns of the poor in Namibia (NSA, 2012).

Over the 2007 to 2013 period, Namibia's gross domestic product (GDP) (2010 constant prices) registered an annual growth rate of 4.1 percent and grew from N$ 75 660 million to N$ 95 981 million, a 27 percent increase.[2] The rapid economic growth and relatively high income per capita, however, mask a high incidence of poverty, inequalities in income distribution, and low standards of living for a large number of the people across the country's thirteen geographic regions. An estimated 26.9 percent of the population is classified as 'poor', while an estimated 15 percent are 'severely poor'. This policy brief presents an overview of current patterns of, and recent changes in, headcount poverty in Namibia at the national and sub-national levels and puts forward some policy recommendations for addressing the widening disparities in poverty headcount across the country. Such policy recommendations are important for decision makers, not only in Namibia, but also in other middle income countries increasingly characterised by growing numbers of poor people and widening income inequality.

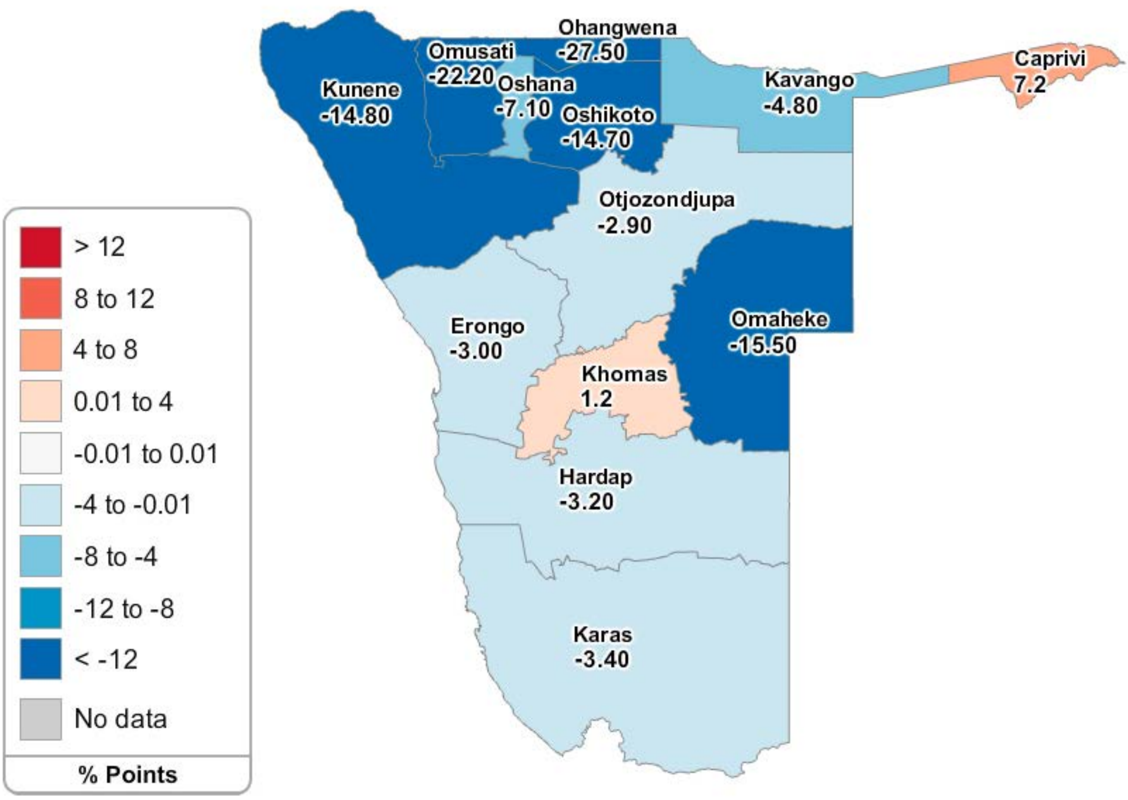
Estimating Poverty at the Sub-National Level in Namibia

Using econometric modelling techniques, the 2003/04 and 2009/10 Namibia Household Income and Expenditure Survey (NHIES) data and the 2001 and 2011 Namibia Population and Housing Censuses data were combined with the objective of estimating the incidence of poverty at the national, regional and constituency levels.[3] In this way, poverty headcount based on the entire population was estimated at small area levels without a sample bias often associated with estimates based on surveys alone. The major limitation of this methodological approach, however, is that the estimation process is based on the generalised assumption that the characteristics of poor individuals or households in the sample surveys (NHIES) are reliable predictors of the characteristics of poor individuals or households in the entire population derived from the Censuses. A similar approach was used by Elbers *et al* (2003), where data from the 1994 Ecuadorian household survey, *Encuesta Sobre Las Condiciones de Vida*, was combined with the 1990 Ecuadorian Census to predict the relationship between a set of observables and income in the survey and impute the likely per adult equivalent income for each household in the Census using the same set of observables.

Recent Trends in Poverty Headcount

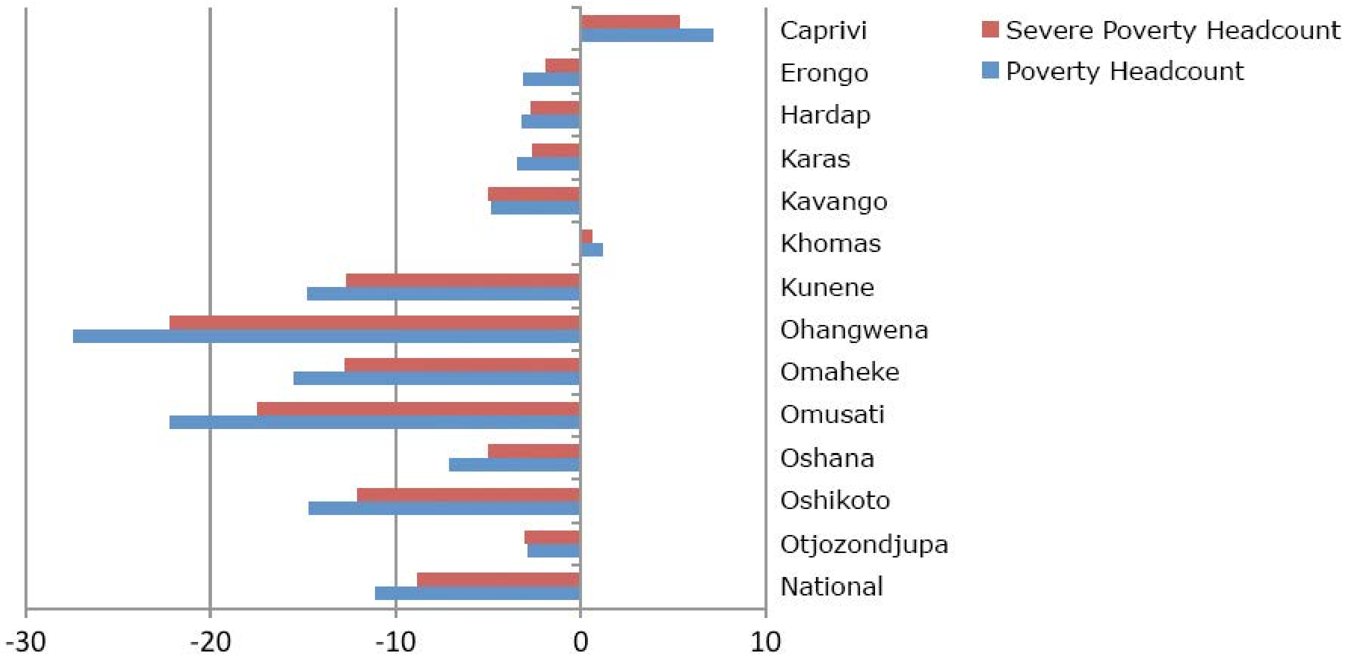
Over the 2001 to 2011 period, significant declines in poverty headcount (the upper-bound poverty line) were recorded in the northern regions of Ohangwena, Omusati, Kunene and Oshikoto, and the eastern region of Omaheke. The northern regions have relatively higher population densities and are characterised mainly by subsistence farming and cattle rearing on communal lands. During the intercensal period, that is, between 2001 and 2011, these largely rural areas witnessed rapid urbanisation through the proclamation of new urban centres and increased public investment (roads, electricity, schools, hospitals and government offices) as well as private investment (supermarkets, shopping malls and banks). In contrast, the sparsely populated eastern region of Omaheke is mainly characterised by large commercial ranches. Two of the thirteen regions [Caprivi, in the north-east, also a communal farming area but with no notable proclamations of major urban areas over the past decade, and Khomas, home to the capital city Windhoek and the region with the highest net migration rate (per 100 people born) at 75 percent[4]], however, registered increases in poverty headcount over this period. Most of the people migrating to Khomas are young unskilled or semi-skilled people who often find it hard to secure jobs and are thus forced to live under conditions of poverty in informal settlements.

Percentage Points Change in Poverty Headcount 2001 -2011 (upper-bound poverty line)



Although the increases in poverty headcount in Caprivi and Khomas were not statistically significant, they do point to a worrying trend when viewed against the recent performance of the economy and the significant poverty declines registered nationally and in the regions of Ohangwena, Omusati, Kunene, Oshikoto and Omaheke. Similar trends were observed with respect to the incidence of severe poverty, as shown in the figure below.

Percent Changes in Poverty Headcount 2001 to 2011



In an effort to address high levels of poverty, the Government has, in addition to increased public investment, developed one of Africa's most comprehensive social protection systems. Namibia's social protection system comprises a number of formal and wholly publicly funded programmes, as well as contributory pension schemes for those in employment. The publicly funded social grants include a universal and non-contributory old-age pension for those aged 60 years and above; disability grant for persons above the age of 16 years who are disabled, blind or suffering from HIV and AIDS; child maintenance grant for single parents or spouse pensioner or people serving prison terms who have children below the age of 18 years in school attendance; special maintenance grant for people who are disabled, blind or infected by HIV and AIDS having children below the age of 16 years; foster care grant for those in custody and having children below the age of 18 years in school attendance; place of safety allowance for people below the age of 21 years in places of safety; and war veterans subvention for ex-combatants who are unemployed. There is also the informal social protection system characterised by sharing between individuals and households and other forms of community support offered to the needy. Levine *et al* (2009), in analysing the impact of social cash transfers on poverty and inequality in Namibia, found that social cash transfers have a large effect on poverty reduction and that the effects are particularly positive for the poorest of the poor. Specifically, they found that social grants lower the number of "poor" individuals by 10 per cent and the number of the "very poor" individuals by 22 per cent, the latter holding true even after controlling other factors such as household structure and education level of the head of the household. They also established that transfers tend to reduce inequality, albeit to a much lesser degree when compared to the poverty reduction effects.

Policy Recommendations

The analysis of current patterns of, and recent trends in, poverty headcount at the national and sub-national levels, can support pro-poor planning and the targeting of poverty reduction programmes and project interventions to specific geographic areas of the country. The analysis also provides policy and decision makers with the requisite body of knowledge on which to base concrete decisions and institute deliberate actions to, at the very least, sustain the pace of poverty reduction and lock in the gains made in the geographic areas where poverty headcount is on the decline.

Over the medium term, analysis of poverty headcount at sub-national level can serve to highlight the performance of the economy with respect to national poverty reduction targets contained in the Medium-Term Plans (MTPs). In Namibia, for instance, the analysis presented in this brief would suggest that, at the current pace of change, the stated objective of reducing the incidence of extreme poverty to below 10 percent by 2017, may not be feasible unless specific innovative measures are put in place. These might include, but are not limited to, the targeting of public and private investments to geographic areas which have a higher incidence of severe poverty and/or those areas in which the incidence of severe poverty is on the rise, such as Caprivi and Khomas. Examples of such interventions are the construction of road networks, agricultural development, power supply, hospitals and schools. These ought to be coupled with private investment in commercial infrastructure such as banking, cottage industries, especially agro-based ones and eco-tourism. Furthermore, of critical importance in ensuring a significant reduction in poverty headcount over the medium term is the need to expand the well-developed social protection system to achieve universal coverage, especially in areas with a high incidence of poverty or where poverty headcount is on the increase.

In the long run, an analysis of poverty headcount at the sub-national level, as presented in this policy brief, provides policy and decision makers in Namibia, and other countries for which a similar exercise could be carried out, with the evidence on which to base long-term policy and programmatic decisions targeting specific geographic areas. These need to be around pro-poor policy approaches to programmes and projects, capacity development, government support and service delivery, in order to close widening interregional and intraregional poverty headcount disparities.

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Notes

1 As of June 2015, N$277,54 was equivalent to US$24

2 Namibia is classified as an upper middle income country with a gross national income (GNI) per capita of US$ 9 185 in 2014.

3 There are 107 constituencies in Namibia. Constituency level results, however, are not presented in this policy brief

4 The net migration rate is the difference between immigrants and emigrants in a particular region during the intercensal period per 100 people born in that particular region.

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