# The Role of Remittances in the Namibian Economy

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## List of abbreviations

| | |
|---|---|
| CSO | Central Statistics Office |
| EPZ | Export Processing Zone |
| NCH | Namib Contract Haulage |
| NHIES | National Household Income and Expenditure Survey |

At the time of the 1993/94 NHIES, US$1 ≡ N$3.50.

At the time of writing (August 1998), US$1 ≡ N$6.25.

In Namibia, such remittances are especially important due to the country's specific geographical, historical and economic context. Namibia's population and natural resources are distributed such that the majority of the people live far away from the major sources of formal-sector employment.[3] During the colonial era, a widespread system of migrant labour was established, the effects of which are still present today. Add to the picture a highly dualistic economy, where wages in the formal sector are much higher than in the informal sector, and a cultural context which places a high priority on the extended family, and it is clear that remittances will continue to function as an important mechanism of economic redistribution and social stability far into Namibia's future.

Despite the tremendous importance of remittances and intra-family transfers in Namibia, however, very little work has apparently been done to quantify their size and impact. Even the most basic questions concerning patterns of remittances in Namibia have yet to receive thorough answers. Among the obvious questions to be posed are: Who remits, and who receives remittances? What impact do remittances have on poverty and inequality in Namibia? What is the relative importance of remittances in cash versus those in kind? And what are the implications of an understanding of remittances for policies of poverty alleviation and economic development?

This paper seeks to answer these questions. Where adequate data is not available to provide a complete and detailed answer, estimates have been compiled from

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[1] Cited in Taylor and Wyatt 1996, p. 899.

[2] Following the convention of the NHIES, this paper will use the words "gifts" and "remittances" as very general terms, and make no distinction between "gifts" and "remittances" as separate phenomena.

[3] On the face of it, this might seem odd: people generally choose to live where there are opportunities for employment. In Namibia, however, large-scale patterns of settlement, established in previous centuries, were determined by rainfall, so a majority of the population lives in the far north where subsistence agriculture is possible. Namibia's more marketable natural resources, such as fish and minerals, and its major cities, are all in the south. So while there has been a major shift in population from north to south in this century as the formal economy has grown in importance, it has not been enough to alter the basic distribution of Namibia's population.

other sources. The paper relies on three sources of information: primarily, data on household income taken from the 1993/94 Namibian Household Income and Expenditure Survey (NHIES), and in addition, a small survey conducted in Windhoek concerning various forms of family support, and the author's own observations and estimates as to the traffic of goods that flow from Windhoek to the rural areas via public transportation.

The paper is organised as follows: Section 2 lays out some of the theoretical issues involved in the study of remittances and other private transfers of income. Section 3 examines the importance of remittances in the Namibian context. The next three sections present the paper's three major sources of data: the NHIES data in Section 4, the family support survey in Section 5, and estimates of goods being transported on buses in Section 6. Section 7 then discusses several ways of assessing the impact of remittances upon poverty and inequality in Namibia. The last section summarises the findings of the paper and outlines some needs for future research.

## 2. Theoretical background

The role of remittances in other developing countries (though not in Namibia) has become a significant topic of research in recent years, in part because of the availability of household-level data concerning income and expenditure (taken from surveys similar to Namibia's NHIES), and also because of a growing recognition of the important link that remittances serve between rural households and urban labour markets, both at home and abroad. This section provides a brief review of some studies of remittances from other countries, and summarises a few of the main conclusions of this work. The major findings can be broadly divided into two categories: the various kinds of motivation for remittances, and the effects of remittances.

### 2.1. Motivation for remittances

Why would a person choose to send money or goods to another? Though the question may seem trivially simple, the range of possible answers is in fact very son sends money to his mother, say, because the mother's happiness is itself a factor in the son's happiness, and so by increasing his mother's well being, the son is simultaneously increasing his own well being. Thus, the common-sense observation that a person's well being is related to that of his family has been reconciled with the economist's desire to explain human behaviour as being rational and self-interested.

Regardless of the specific language which is used, it is clear that the basic "altruistic" component of remitting behaviour exists, and that it may be heavily influenced by cultural factors. Societies which are only a few generations removed from their traditional ways, and which place a great cultural value on helping those in need and on obligations to others, will naturally have different patterns of remittances than societies which place a greater value on individual effort and self-reliance. In particular, the strength of ties among members of the extended family will be a significant factor, as the tie of second-cousins may mean almost nothing to someone from the United States, but may be a very significant link between two Namibians.

### 2.1.2. Insurance

In addition to a purely altruistic motivation for remittances, however, there is considerable evidence in many cases that self-interest does indeed play a major role in the decision to support one's relatives. One self-interest explanation for remittances, closely related to the altruistic explanation, is that remittances act as an informal intra-family insurance contract. Under this explanation, a self-interested head of a household might encourage another member of the household to migrate and work in another region, even supporting that person's costs of travel or education, in the knowledge that by doing so, the household has not only increased, but also "diversified" its earning power, and is thus less vulnerable to various forms of risk. Likewise, by sending remittances home, the self-interested migrant ensures that he will be able to return home should he lose his current employment.

If this "insurance" function is the primary purpose of remittances, then there should be an observable negative relationship between remittances and the receiving household's other sources of income over time – that is, remittances should be seen to increase when (for the receiving household) times are "bad", and decrease when times are "good". Such a relationship has indeed been observed, for example in Poland, where households having a member who is hospitalised are significantly more likely to receive remittances than households whose members are all able to work.[4] (Of course, this observation would also be consistent with an altruistic explanation for remittances.)

### 2.1.3. Other "self-interest" explanations

In addition to the two explanations outlined above, there are several other possible explanations for remittances, based upon some form of self-interest on behalf of the one sending the remittances. For example, if a migrant hopes to inherit land or other assets from the household in the future, he/she might choose to remit in order to secure and enlarge his/her share of that anticipated inheritance. In at least two African countries evidence has been found to support this explanation. In Botswana, it has been found that sons send larger remittances to households that own more cattle, the opposite from what one would expect to find if the purpose of remittances was an altruistic desire to keep the household above some minimum level of resources.[5] Similarly in the Central Province of Kenya, remittances from sons, who are likely to inherit, increase with the land holdings of the recipient household, but there is no relationship between land holdings and remittances from daughters, who are unlikely to inherit.[6] The implication of both studies is that by sending remittances home a son can strengthen his claim on future inheritance, and thus that remittances are, at least in part, motivated by self-interest.

While this debate among contending explanations for remittances is interesting, it is unlikely to produce any conclusions which are applicable to all situations. The decision to remit is a complicated process, affected by diverse economic, social and cultural factors. Indeed, even within the mind of one individual, the various motives of self-interest, insurance, and altruism may co-exist.

vary from country to country, but are often quite significant.

A study of remittances in Lesotho, for example, where remittances from migrant labourers in South Africa are a major source of national income, demonstrates that remittances have a strong poverty-alleviating effect. Analysis of household income data shows that, if remittances were taken away, an additional 11 to 14 percent of Basotho households would be classified as poor (with the variation depending on the exact definition of poverty used.)[7] Based on similar data from the Philippines, it is estimated that urban poverty rates would jump by nearly a third in the absence of private transfers.[8] Meanwhile in Poland and Russia, and presumably in other eastern European countries as well, private transfers of income have played a major role in providing a social safety net for the poor and vulnerable as these economies have struggled with the transition from communism to capitalism.[9]

In fact, when one considers the issue of targeting assistance to the poor, one finds that remittances often target the needy far more effectively than government programs. This can be attributed to the fact that private transfers of income depend upon private networks of knowledge (concerning who is truly needy, and the specific conditions of the need), and operate through human relationships, whereas eligibility for government programs is typically based upon fixed criteria (such as age or formal employment status) which may not correctly reflect the recipient's level of need. Thus, private transfers can respond more quickly and accurately to changes in the circumstances of a poor household than can a large government program.[10]

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[7] Gustafsson and Makonnen 1993, p. 71.

[8] Cox and Jimenez 1995, p. 333.

[9] See Cox, Jimenez and Okrasa 1997 for the case of Poland, and Cox, Eser and Jimenez 1997 for the case of Russia.

[10] It has even been seriously suggested that the best way for the United States to aid Mexico would be simply to allow more Mexican workers into the United States: the "aid" which would flow back to Mexican households in the form of remitted wages would be far more effective at helping the poor than national programs administered by well-paid government officials.

The poverty-alleviating effect of remittances holds in various contexts despite a tremendous diversity in the actual purposes that remittance income serves. For example, in rural Mexico, remittances are largely invested in agricultural production, whereas in the Pacific islands and parts of Asia, remittances generally go to pay for the education of younger family members.[11] In Sudan, it is estimated that 30 percent of remittances go to investments in housing, with the remaining 70 percent supplementing general consumption.[12] Despite this variety, however, nearly every study of remittances has found that the incidence of poverty is lower given remittances than it would be if such remittances did not take place.

It is also important to note that the poverty-alleviating effects of remittances can potentially extend far beyond the simple observation that (received) remittances cause total household income to increase. Of course, a simple estimation of household or per capita income is the easiest way to measure poverty, and for reasons having to do with ease of measurement and facilitation of comparison, such unitary measures will continue to be important. But it is by now widely recognised that income alone does not provide an accurate understanding of such a complex phenomenon as poverty. One alternate measure is the food consumption rate, and a discussion of the ways in which remittances affect poverty as measured by this indicator is found in section 7.3 below. Other approaches to the definition of poverty, such as Amartya Sen's well-known concept of "human capabilities", are much more difficult to quantify, yet there are several good reasons to believe that remittances (when defined broadly to include any transfers of money or goods to the household) reduce these aspects of poverty as well.

First, since remittances are sent by someone who is presumably familiar with the true needs of the recipient household, they can be more flexible and responsive to those needs, increasing in times of temporary stress, for example. Second and closely related to the first point is the fact that remittances do not necessarily have to go through the head of the household. This is important because the economist's simplified assumption that the head of the household is a wise and benevolent leader who allocates resources with the best interests of all members of the household in mind is obviously not true in the real world. Many studies have found that male and female heads of households spend money differently, with men more likely to consume goods such as beer and cigarettes equalising effect. Specifically, if wage income were to increase by one percent, inequality, as measured by the Gini coefficient, would worsen by about 0.11 percent, whereas if remittance income were to increase by one percent, inequality would decrease by about the same amount.[13] (See Appendix 1 for a brief explanation of the Gini coefficient.)

In Lesotho, yet another high-inequality country, it is estimated that remittances reduce the Gini coefficient by 5.7 percent, from 0.646 to 0.609.[14] A similar effect has been found in the Philippines, where private transfers of income reduce the national Gini coefficient by 3.3 percent, from 0.558 to 0.540, and have an even stronger effect among urban households, reducing inequality by 4.7 percent.[15]

To put these numbers in some perspective, consider that in the United States in the 1950s, the full range of government-sponsored cash and in-kind transfer programs reduced the Gini coefficient by only 6.4 percent.[16] In other words, private transfers of income in many developing countries have an effect upon income inequality which is not much smaller than an extensive set of government programs in a developed country.

### 2.3. Policy implications

In addition to the general and positive poverty-alleviating and equality-inducing effects of remittances, there are other reasons that an understanding of remittances can inform the design of government policies aimed at poverty alleviation.

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[13] Liebbrandt, Woolard and Woolard, p. 16.

[14] Gustafsson and Makonnen 1994, p. 378, 390.

[15] Cox and Jimenez 1995, p. 331.

[16] Admittedly, this figure pre-dates the major expansion of such social programs that took place in the 1960's. Nevertheless it serves as a rough indicator of the inequality-reducing effect of government programs in a developed country. Cox and Jimenez 1995, p. 332.

### 2.3.1. Targeting

One key issue is that of targeting. It has already been stated that remittances may target the poor more directly than government programs. In addition, an understanding of remittance flows may have implications for the targeting of government programs themselves. Obviously, an efficient poverty-alleviation policy should be designed in such a way that the benefits go only to the truly needy, and do not "leak out" to others in the society who are not in need (or in as much need) of state support. Since intra-family remittances already provide support to some, the so-called "private safety net," an understanding of remittances can allow publicly sponsored poverty programs to be better targeted at others. Or, as Cox, Eser and Jimenez assert, "Knowing the size and nature of the informal, private safety net is critical, because private transfers determine the necessary scope of public assistance to the poor."[17] Their study of private transfers in the Philippines reveals that elderly people with children receive substantial private support from their children, leading the authors to suggest that state pensions could be targeted to elderly people without children so as to maximise their poverty-alleviating impact.

### 2.3.2. Crowding out

A related issue is that of "crowding out", the concern that public support for poor households may crowd out, or partially take the place of, private transfers of income from relatives. For example, a study of public and private transfers of income in South Africa finds evidence for a significant reduction in private remittances to the elderly as a response to the public pension programme: an elderly person receives around 20 to 30 cents less from his or her relatives for each rand of pension money received from the state.[18] Plainly, knowledge of this crowding out effect is essential to a proper evaluation of the programme's impact: whereas the government may have believed that one rand of pension money would raise the recipient's income by one rand, in fact income is raised by only 70 to 80 cents.

The crowding out argument has sometimes been used by opponents of government intervention in the economy, who claim that state programs are doomed to be ineffectual at best and counter-productive at worst, since the results of such remittances might have upon patterns of migration. In the case of Namibia, the relationship between remittances and migration can be viewed in either a positive or a negative light. Viewed negatively, one could argue that the resources and economic opportunities of the north cannot justify or support the region's high and growing population, but that the flows of remittances to the region encourage people to stay, people who might otherwise migrate elsewhere in search of better opportunities. Thus, remittances are seen to be impeding large-scale changes that would ultimately be for the good of the country and its economy. On the other hand, one could argue that in the absence of remittances, the flows of migrants from the northern regions to the south, which are already placing a burden upon the resources and infrastructure of southern cities, would increase to unmanageable proportions. In this view, remittances play a very positive role in maintaining a balance between the urban and rural parts of the country.

The negative tone of some of the policy concerns listed above should not suggest that remittances are somehow "bad" in and of themselves. On the contrary, they are an important part of the informal economy and an efficient way for people to improve the welfare of those close to them. But like any economic phenomenon, remittances have some potentially negative side effects, in the form of crowding out and distorted incentives, discussed above. The point is not to judge remittances as being good or bad, but rather to understand them, and to incorporate that understanding into the design and implementation of improved policies.

## 3. Remittances in the Namibian context

In Namibia, various historical, geographical and cultural factors have converged to create an economic and social context in which flows of remittances play a major role, and will continue to do so for the foreseeable future. Historically, the colonial system of migrant labour has had a tremendous impact on Namibian patterns of employment and migration, patterns which are reinforced by the geographical distribution of Namibia's natural resources and population. Meanwhile, extended family structures remain relatively strong, so that money earned in one region of the country is often sent to relatives in another. This section will briefly elaborate on these various factors which have contributed to the importance of remittances in the Namibian context.

## 3.1. Historical context[19]

For the majority of the African population of colonial South-West Africa, it was through migrant labour, rather than other colonial actions such as land expropriation or direct military occupation, that the burden of colonial rule was most directly felt.

Migrant labour has a long history in Namibia, and the predominant pattern of migration has always been from the northern Ovambo regions to the south. As early as the end of the 19th century, there were some Ovambo contract labourers working on German farms, but the numbers were probably quite small (less than 2000 per year). During the first decade of the 20th century, however, several factors combined to greatly increase both the supply and demand of migrant labour from the north. The German wars of extermination fought against the Herero and Nama people between 1904 and 1907 led to a severe labour shortage in the German-occupied regions of the country. At the same time, the establishment of copper mining at Tsumeb (in 1906), diamond mining in the extreme south (in 1908) and the construction of the railroad between Otjiwarongo and Outjo greatly increased the labour needs of the colonial economy. As a result, the Germans entered into agreements with the Ovambo kings to actively promote the flow of migrant labourers to the south. By 1910 approximately 10000 Ovambo men were employed as contract labourers, nearly a third of the adult male population. And though the Germans were expelled from the territory after World War One, the South African administration which followed them continued and formalised the existing system of migrant labour. As shown in Table 1, the flow of migrants from the Ovambo regions remained high, with a slight interruption during the 1930s, throughout the period of South African control.

**Table 1: Annual Labour Migration from Ovambo, Selected Years, 1910 - 1971**

| 1910-14 | 1920 | 1926 | 1932 | 1938 | 1946 | 1951 | 1956 | 1960 | 1966 | 1971 |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 19.5 | 18 | 20 | 23 |

typically conceived of who send remittances back to their home areas. Many Namibians from the northern regions who live and work year-round in Windhoek or other southern areas maintain strong ties with their parents or extended families back in the north. A person who has settled permanently in Windhoek and is raising a family there may still remit, in cash and kind, resources that comprise a significant portion of the income of the receiving household. While not "migrant labourers" in the true sense of the term, these people certainly do remit, and their support for their rural relations can be significant. In fact, as is discussed in section 4.2.2, the best data available suggest that established households send a greater share of the country's remittances than do migrant labourers living outside of households.

Nor should it be assumed that gifts and remittances flow only from urban centres to rural areas. The migration survey recently conducted by the Social Sciences Division of the University of Namibia found that visits to households in other communities were common in all areas of the country, and that people in rural and urban areas visit in about equal percentages. About a third of respondents, both rural and urban, indicated that they receive things from other households, with rural households more likely to receive clothing, and urban households more likely to receive food.[21]

Indeed, the key distinction in the Namibian economy is not one between migrant labourers and relatives at home, or even between urban and rural areas, but rather between the formal and informal sectors of the economy. Wages in the formal sector are much higher than those in the informal sector, and there is no prospect in the near or medium future of the formal sector expanding to the extent necessary to provide jobs for all of Namibia's work force. Thus, a common function of remittances is to spread the wages of a worker employed in the formal sector around to many of his or her relatives who have no formal employment.

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[20] Cited in Pendleton and Frayne 1998, p. 11.
[21] Pendleton and Frayne 1998, pp. 49-50.

Furthermore, there is good reason to believe that remittances have increased since independence, as a result of both economic and political changes. Political freedom has made possible increased movements of people around the country, and this has predominantly taken the form of increased migration from the rural areas to urban centres. Windhoek and Walvis Bay, in particular, are estimated to be growing at an annual rate of 6.5 percent, more than double the growth rate of the nation as a whole.[22] In addition, the growth of the public sector and increased job opportunities for historically disadvantaged Namibians mean that a greater amount of income is now being earned in the formal sector by people with family ties to the communal areas.[23]

## 3.3. Future prospects

A brief examination of the pattern of Namibia's economic development, and its prospects for the future, suggests that internal migration (and thus the flow of remittances) is likely to continue and increase in importance. A major feature of the government's strategy for economic development is the establishment of Export Processing Zones (EPZs) to attract foreign investment and promote the growth of the manufacturing sector. EPZ benefits are not limited to a certain region of the country, and indeed EPZs are being established at Oshikango, Rundu, and Katima Mulilo. Yet most foreign attention to date has centred on the port city of Walvis Bay, or industrial parks in Windhoek. In addition, two of the government's largest infrastructure development projects have been the construction of the Trans-Kalahari and Trans-Caprivi highways, each intended to draw increased trucking traffic from the interior of Africa to Walvis Bay. Employment in the fishing sector, which has been growing in size since independence, must of course be located at the coast. Tourism is a growth industry as well, and one which could potentially involve rural communities -- but even so, most of the sector's recent growth has taken place outside of the six heavily populated northern regions. With the possible exception of increased trade with Angola providing a boost to the region around Oshikango,[24] opportunities for formal sector economic development in the northern regions are thin.

Thus, if anything the current pattern of people moving away from the northern rural

The sample size was 2,547 households in rural areas and 1,850 households in urban areas, for a total sample size of 4,397 households.

Data was collected through personal interviews and also by the recall book method. A daily record book, translated into all the major Namibian languages, was given to each sampled household at the first visit. The household was urged to record all transactions, whether in cash or kind, in the record book on a daily basis. Suggested transactions to be recorded included any goods and services purchased, household's own produce consumed, and both formal and informal sources of income, including remittances. Survey field workers then returned to the household each week to check on the data collection and probe for transactions which had not been recorded. At the end of one month, the record books were collected and the data prepared for processing.

In addition to the information concerning remittances provided by the record books, a question in the personal interview asked respondents to identify the "main source of income" for the household, with "cash remittances" one of the possible answers.

One drawback of the NHIES data is that the survey covered only the population in private *households*, while neglecting the population in *institutions* such as hospitals, workers' hostels and barracks. The 1991 Population and Housing Census estimated the institutional population at roughly 100,000 people, around 7 percent of the total population. While the absence of 7 percent of the population from the sample would be of some concern in any analysis, it is especially troublesome if the aim of the analysis is to study remittance flows, since we would expect the institutional population to consist in large part of economically active people, living away from home – exactly the sort of people most likely to remit. In effect, then, the NHIES data only provide part of the picture of remittances, the receiving part. A complete view of the sending part of the picture would require a survey that includes the institutional population as well.

## 4.2. Characteristics of remitting and remittance-receiving households

According to the data from the NHIES survey, cash remittances totalling about N$94 million were received by Namibian households during the twelve months covered by the survey (December 1993 - November 1994). To put this figure in some perspective, it is equivalent to about one-third of the amount that Namibia received as cash grants of foreign aid during that year, and about two-thirds of the amount that the government disbursed as pensions.[25] Of more importance than the total amount of remittances, however, is the value and impact of such remittances at the household level.

### 4.2.1. Cash remittances given and received: an overview

Giving and receiving of any gifts or remittances in cash were recorded in the daily record books. (Gifts and remittances in kind were recorded separately, and are discussed in section 4.4, below.) With this information we can compile a fairly good picture of what sort of Namibian households remit, and what sort receive remittances.

Table 2: Incidence of Cash Remittances Given and Received

| | Number | Percentage of Sample (N = 4397) |
|---|---|---|
| Households giving | 984 | 22.4 |
| Households receiving | 1450 | 33.0 |
| Households both giving and receiving | 532 | 12.1 |
| Households neither giving nor receiving | 2495 | 56.7 |

Table 2 shows that nation-wide, 33 percent of households reported receiving cash remittances in the month surveyed.[26] As is always the case with Namibian data, however, the aggregate figures hide considerable a relative working away from home, a recall period of a month yields data that is only a minimum bound of the true value.

To understand why this is the case, consider the following example. Suppose that in a survey using a one month recall period, only one-sixth of all households record purchasing shoes during the month surveyed. Should this finding be interpreted to mean that, nation-wide, only one-sixth of the people ever purchase shoes? Of course not! It is far more likely that the entire population purchases shoes, but somewhat infrequently – say, once every six months. Unfortunately, from the survey data alone, it is impossible to distinguish this likely scenario, in which everyone purchases shoes twice a year, from the extremely unlikely scenario of one-sixth of the people purchasing shoes every month and five-sixths of them never purchasing shoes, or from any possible scenario in between.

Turning back to remittances, the data show that 33 percent of Namibian households received a remittance during the month surveyed. This could indicate that only 33 percent of Namibian households ever receive remittances. However it could also be the case that 66 percent of Namibian households receive remittances, but that they receive them, on average, only every other month. Given the existing data, there is no way to tell. Thus, the figures in Table 2 and in the paragraphs above should be regarded as only the minimum possible values.

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likely in the entire nation to give or receive remittances (only 9 percent received), an indicator that this region is the least integrated into the national formal economy.

Table 3: Size and Importance of Cash Remittances

| | Remittances in N$, annual average | As percent of total household income | As percent of *cash* income |
|---|---|---|---|
| Entire Sample | N$386 | 5.2 | 22.1 |
| Receiving Households | N$1144 | 15.3 | 65.0 |

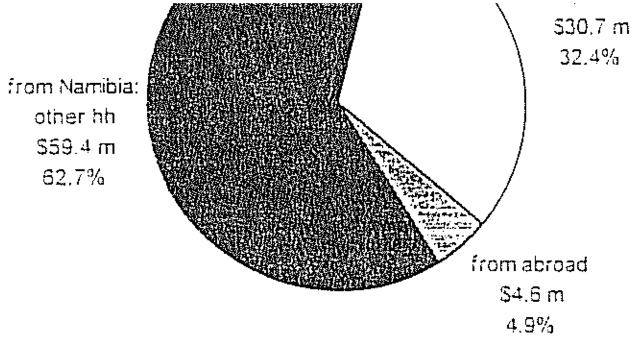
Source: NHIES (weighted data).

Table 3 shows the average size and importance of cash remittances for Namibian households, both for the population at large and for just those households which received them. Nation-wide, households received an average of N$386 from cash remittances, comprising an average of 5.2 percent of total household income.

This figure may seem to be rather low, and in a sense it is, for two reasons. First, it includes those households which received no remittances at all, and so understates the importance of remittances to those households which did receive them. The second row of the table indicates that among remittance-receiving households, remittances averaged an annual value of N$1144, or 15.3 percent – nearly one sixth – of total household income.

Even this figure, however, does not truly reflect the importance of cash remittances for receiving households, since "total household income" as measured in the NHIES includes sources of income in both cash and kind, including a household's own agricultural production. Nation-wide, in-kind sources of income make up an average of 43 percent of household income, and this share is 49 percent among households which receive remittances. Thus, as the third column of Table 3 shows, cash remittances make up 22.1 percent of cash income nation-wide, and a striking 65 percent of cash income for those households which receive them. Clearly, then, cash remittances play a very significant role for a certain group of Namibian households.

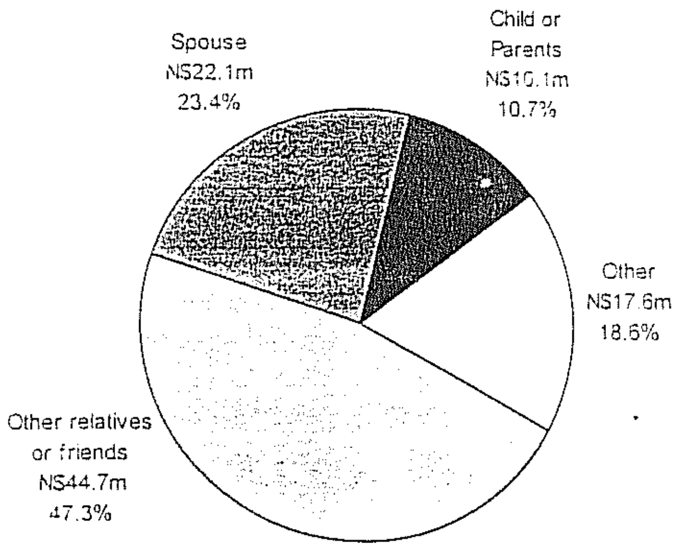
This distinction between cash and in-kind income raises an important point with regard to household security during difficult times. In any country, but most especially in a drought-prone land like Namibia, in-kind income is vulnerable to




ian households, since this is the total amount that households claimed to have given away as cash remittances. The remaining amount, which was received from within Namibia, but cannot be accounted for in other households' disbursals, must be assumed to have originated from the unsurveyed institutional population. (The figures N$30.7 million and 32.4 percent in Figure 1 are simply calculated by subtracting the other, observed, shares of remittances from the total. Clearly, this is not a very accurate way to measure the flows of remittances from the institutional population, but it is good enough to provide at least a general picture.)

Figure 2 shows the breakdown of remittances by the relationship between the sender and the head of the receiving household. The sender of a remittance was recorded as belonging to one of four categories: "husband/wife, father/mother of children, or family of father/mother of children", (which I have simplified as "Spouse" in Figure 2), "son, daughter or parents", "other relatives or friends", and simply "other" (a difficult category to interpret:

**Figure 2: Cash Remittances by Relation to Sender**



presumably, it includes cases where the relationship of the sender was not identified.)

Contrary to what one might expect, the first category (husband/wife, etc.) makes up less than a quarter of all cash remittances received, and the second category (child or parents) makes up barely 10 percent. Taken together, this implies that only 34 percent of cash remittances were sent by members of the nuclear family. By contrast, 47 percent of cash remittances were sent by "other relatives or friends", implying that remittances from more distant relatives (siblings, uncles or aunts, nephews or nieces, cousins), or even people who are not related by blood at all, but are merely "friends", account for a significant part of the family support network. It is unfortunate the source of remittances was not disaggregated further – for example we are unable to judge the relative importance of remittances from "other relatives" and from "friends". It is therefore suggested that, in future surveys, field workers probe the respondents regarding any recorded remittances to ascertain more precisely the identity of the remitter. A far more complete picture of the nature of family support networks could result from this very small addition to the field workers' responsibilities.

### 4.2.3. Profile of remittance-receiving households

We now take a closer look at those households which received cash remittances, and examine the ways in which they differ from other Namibian households.

| | | | |
|---|---|---|---|
| Household | 50% | 32% | +18%*** |
| Age of Head of Household | 48.5 | 46.2 | +2.3*** |
| Rural | 76% | 53% | +23%*** |

* Significant at the 90% level
** Significant at the 95% level
*** Significant at the 99% level
*Source:* NHIES data. "Remittance-receiving households" are those which recorded at least one cash remittance received during the month surveyed.

First and most importantly, Table 4 shows that households which receive remittances are much poorer than other households: the average annual income of a remittance-receiving household is just N$11768, as compared to N$21262 for other households. In per capita terms, members of remittance-receiving households have an average income of N$1868, less than half the figure of N$3952 for members of other households. Some of the reason for this discrepancy in income can be seen in the third and fourth rows of the table: only 58 percent of heads of remittance-receiving households are employed, compared to 72 percent for other households. And heads of households which receive remittances have completed on average about a year and a half less formal education than heads of other households.

Households which receive remittances are slightly larger than other households, though when the region of the household is taken into account, this effect disappears. More significant is the fact that a remittance-receiving household is far more likely to be headed by a woman. In the population at large, just 38 percent of households are female-headed, while for remittance-receiving households the figure is 50 percent. This finding is not surprising, as it is reasonable to assume that in many households which receive remittances, the male would-be head of household is working away from home. Since we also know that female-headed households are likely to be poor for other reasons, this reinforces the finding that remittance-receiving households are poorer than average. Finally, Table 4 shows that the head of a remittance-receiving household is likely to be slightly older than the head of a non-receiving household, and that remittance-receiving households are more likely to be found in rural areas.

### 4.2.4. Profile of remitting households

The NHIES also provides information on those households which send remittances, which is summarised in Table 5, below. It should again be stressed, however, that the NHIES was a survey of households only, and not of the population in institutions, who, as has been shown in Figure 1, probably account for about a third of all cash remittances sent. Therefore the following information does not provide a complete profile of all Namibians who send remittances, only of households which do.

**Table 5: Characteristics of Remitting Households**

| | Remitting Households | Other Households | Difference |
|---|---|---|---|
| Average Household Income | N$21749 | N$17088 | N$4661*** |
| Average Per Capita Income | N$3559 | N$3074 | N$485 |
| Household Head Employed | 69% | 67% | 2% |
| Years of Education Completed | 5.66 | 5.12 | 0.54*** |
| Household Size | 6.11 | 5.56 | 0.55*** |
| Female Head of Household | 43% | 37% | 6%*** |
| Age of Head of Household | 47.4 | 46.9 | 0.5 |
| Rural | 63% | 60% | 3%* |

* Significant at the 90% level
** Significant at the 95% level
*** Significant at the 99% level
*Source*: NHIES data. "Remitting households" are those which recorded, in their daily record book, giving at least one cash remittance during the month surveyed.

Table 5 presents, at first glance, a somewhat mixed picture of remitting households. On the one hand, it confirms the expectation that households that send cash remittances have a higher household income than those that do not, and that the cash remittances are the main source of income. Until recently, an examination of remittance-reliant households was the only way that researchers could use the NHIES data to investigate the issue of remittances, since the specific data containing the actual values of remittances received had not yet been released by the Central Statistics Office. For the sake of completeness, this section will repeat the analysis of remittance-reliant households, but also point out several reasons why such an analysis is of only limited value in understanding the importance of remittances among the population at large.

### 4.3.1. Profile of remittance-reliant households

The share of the population claiming to rely on cash remittances as the primary source of income is in fact quite small: only 4.1 percent of households, comprising 3.4 percent of the population. But these households differ from others in several significant respects, which are summarised in Table 6.

**Table 6: Characteristics of Households Which Identified Cash Remittances as the Main Source of Income**

| | Remittance-Reliant Households | Other Households | Difference |
|---|---|---|---|
| Average Household Income | N$7978 | N$18570 | -N$10562*** |
| Average Per Capita Income | N$1706 | N$3243 | -N$1537*** |
| Household Head Employed | 20% | 69% | -49%*** |
| Years of Education Completed | 4.77 | 5.26 | -0.49* |
| Household Size | 4.68 | 5.73 | -1.05*** |
| Female Head of Household | 68% | 37% | +31%*** |
| Age of Head of Household | 42.5 | 47.2 | +4.7*** |
| Rural | 45% | 62% | -17%*** |

* Significant at the 90% level
** Significant at the 95% level
*** Significant at the 99% level
*Source*: NHIES data. "Remittance-reliant households" are those which named cash remittances in answer to the question, "What is the main source of income of this household, i.e., what is most important for the well-being of the household?".

The information contained in Table 6 confirms and extends the finding that remittances are of particular importance for the poor and vulnerable. Just as remittance-receiving households were poorer than average in terms of both household and per capita income, remittance-reliant households are poorer still, in both categories. A sharp difference is also observed in the employment status of the heads of remittance-reliant households: compared with a national average of 67 percent, and an average of 58 percent among all remittance-receiving households, only 20 percent of heads of remittance-reliant households are employed. Remittance-reliant households are also far more likely to be female-headed: 68 percent, compared with 50 percent for all remittance-receiving households, and just 38 percent nation-wide.

should be treated with extreme caution, for at least two reasons.

First, the fact that cash remittances were *self-identified* as the main source of income is critical. Just because a person being surveyed perceives remittances to be the main source of income for his or her household, doesn't necessarily mean that they actually are. In fact, for households claiming that cash remittances were the main source of income, reported remittances made up only 29 percent of total household income (as compared with 5 percent nation-wide), suggesting that something else, indeed, is the "main source of income" for many of these households.[23] Unfortunately, the complete data from the NHIES regarding other sources of income, especially wage income, has not been released for public study; until it is, we are unable to examine this issue in further detail.

Second, it should be stressed that a question which asks only about the *main* source of a household's income provides limited insight into the household's many different sources of income, and their relative importance. As an example, take a hypothetical household consisting of an elderly couple with grown children, surviving on two sources of income: a pension, and cash remittances sent from their children. If the pension provides 51 percent of their income and the remittances 49 percent, then this household is recorded as having pensions as the main source of income. This does not mean, however, that remittances would be unimportant to this elderly couple!

To take a less extreme example, imagine a rural household that derives 90 percent of its income from subsistence agriculture, and the remaining 10 percent from cash remittances sent by a working relative. Again, this household would be classified as not "remittance-reliant", though the remittances may play a substantial role in the maintenance of the household's well-being, especially if the remittances are the

---

[23] It is possible, of course, that a source of income that makes up only 29 percent of total household income could still be the main source, if for example the remaining 71 percent comes equally from three or more other sources. But this objection certainly doesn't apply to all cases – indeed, since 29 percent is the average share of remittance income for these households, it means that many households received even less than 29 percent of their income from remittances, making it even more certain that something else is the true "main source".

household's only steady source of *cash* income. Indeed, this is a quite likely scenario for many Namibian households. In Omusati region, only 2 households (out of 450 sampled) named remittances as their main source of income, the majority naming subsistence agriculture. But 57 percent of households in Omusati report receiving remittances, which accounted for 11 percent of those households' total income.

As these examples make clear, the "main source of income" question can provide only a limited understanding of the importance of remittances to Namibian households nation-wide.

## 4.4. In-kind remittances in the NHIES data

So far, this paper has focused its attention exclusively on remittances in cash. However, anyone with even a passing familiarity with the Namibian economy should suspect that cash remittances are only a part of the picture. Indeed, on average only 57 percent of household income in Namibia comes from cash, with the remaining 43 percent derived from sources of income in kind (such as the household's own agricultural production). And surveys in other countries which have distinguished between remittances in cash and in kind have found that cash remittances are often less than half of total remittances.[29]

With regard to remittances in kind, the NHIES data are not very helpful. Remittances in both cash and kind which were recorded by households were recorded, and as Table 7 shows, the total value of in-kind remittances was N$63.3m, slightly greater than the total value of cash remittances (though one must remember that nearly a third of cash remittances were sent not by households but by the institutional population; we have no way of estimating what fraction of in-kind remittances were sent by the institutional population.) Moreover, many more households recorded sending remittances in kind than reported sending remittances in cash, 39.7 percent compared with 22.4 percent, and in some regions and ethnic groups the likelihood of a household sending an in-kind remittance was well above 50 percent.

... particular, it is impossible to say anything about in-kind remittances *received*; since any item received as a gift or remittance would have been recorded as the item itself, not as a remittance. (For example, suppose a household being surveyed is visited by a working son, who brings his parents, as a gift, furniture worth N$1000. In their daily record book, the household would record that it had acquired, "in kind", furniture worth N$1000, but it would not indicate that this furniture had come as a gift or remittance from their son.) As a result, we are unable to use the NHIES data to explore the relative importance of remittances in cash and in kind for receiving households, or to estimate the effects of remittances in kind on poverty or inequality.

## 5. Family support survey

To achieve a better understanding of these issues, a small survey was carried out in Windhoek during July and August 1998, consisting of a series of questions about the respondent's own family and extended family, and about different forms of support given to relatives over a one-month period. Specifically, the survey asked about "money or gifts given to your extended family" in five different categories: health care expenses, food, goods, educational expenses (such as school fees), and gifts of money. For each remittance or gift given, respondents recorded the relation (father, sister, cousin, etc.), age and gender of the recipient, and, for gifts of cash, the purpose of that gift. In addition, a space was provided to indicate "any other ways that you have provided support for your extended family".

In addition to the information collected on the written surveys, personal interviews were conducted with a number of respondents, who were asked to explain in greater detail the various ways that they supported their relatives, and to assess the importance that such support had for their extended families. These interviews were useful in gaining a qualitative understanding of some of the habits and attitudes surrounding the issue of remittances.

It must be stressed that this small survey was in no way representative of the city's population as a whole. For one thing, the sample size (N=86) was too small to yield anything more than approximate results. Moreover, the surveys were distributed informally, first to Namibians acquainted with the author, who then gave additional copies to their friends and colleagues. As a result, all respondents were comfortable with English, and employed in the formal sector – mostly in services (many of the respondents work for government institutions, including ministries). The respondents were far better educated than the national average, and so it is expected that they earn a great deal more than a typical Namibian, and therefore have more disposable income available to share with relatives. Finally, potential respondents who do not send remittances in cash or kind to their extended families were probably less likely to fill out the survey if asked, yet another reason to expect the results to overstate the incidence of family support. In fact, only one of the respondents reported no forms of support for relatives at all.[30]

Despite these limitations, the results from the survey are adequate to suggest certain patterns in the ways that a particular section of the Namibian population, namely employed, educated Windhoek residents, support their extended families. The most interesting findings pertain to the total amount of family support, the breakdown of that support into various categories, and the relationship between the recipient and the sender.

## 5.1. Total amount of family support

First and foremost, the survey confirms the expectation that the total value of all forms of family support given in cash and kind is substantial. In fact, the average total value of all gifts and remittances reported by those surveyed was N$1111 per month. At first glance, this figure is strikingly high – it implies an annual total of N$13332, in a country where the mean annual household salary is only N$18135. But is the figure really so unreasonable? Certainly, a high figure is to be expected in light of some of the comments given by respondents in personal interviews. Sentiments along the lines of "once you have a job you have to support your family" or "a person has to help his younger brothers and sisters" were extremely common, as was the recognition that such support made up a significant portion of the respondents' monthly expenses.

to appear in the NHIES data would be that the niece had spent some money for health care and for food. No remittance in cash or kind would be recorded, since nothing has been sent from the niece to the rural household, and yet the practice of caring for relatives when they come to the capital for health care is undoubtedly an important form of family support. Likewise, when it is time for the uncle to return to his rural home, the niece may well pay for his transport – yet another form of support that would be captured by this survey but probably missed by the NHIES. Thus, one must remember that the N$1111 per month figure represents a total of all forms of family support, including gifts and payments that do not fall within a narrow definition of remittances, and as a result is probably not so far off the mark.

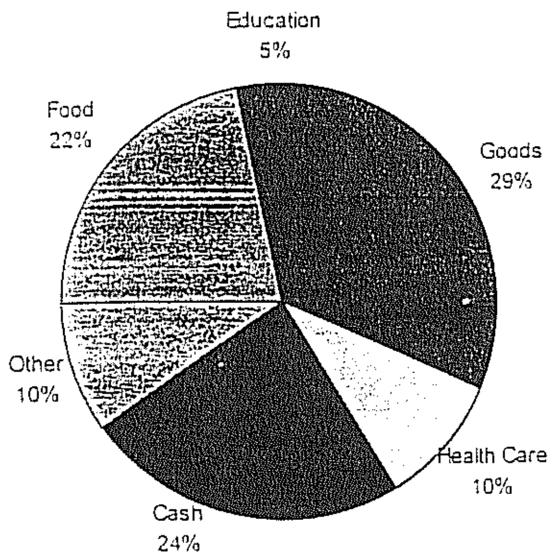
### 5.2. Family support by category

Even more interesting than the total value of support given, however, is the breakdown of this support into its various forms. Figure 3 shows the breakdown of reported family support into the five categories which were specifically asked about on the survey, and a sixth category for other forms of support (discussed further below).

The most striking aspect of this breakdown is that direct gifts of cash make up such a small portion of family support – an average of N$261 per month, or only 24 percent of the total amount. Of course, other categories (such as health care, educational expenses and "other" forms of support) may involve cash payments as well, but these categories were more likely to involve a payment directly to an institution (paying school fees to the school, for example) rather than to a relative personally. Even if we take all four of these cash-related forms of support together, however, they amount to only 48 percent of the total amount of family support, implying that looking exclusively at remittances in cash misses more than half of the picture.

The largest kind of family support reported was the purchase of goods, comprising 29 percent of the total value, with purchases of food also significant at 22 percent. Taking these two categories together as remittances in kind, they account for just over half of all family support. Again, the quantitative result is supported qualitatively by comments made by respondents who were interviewed personally. While acknowledging the importance of support given to the extended family, many respondents emphasised that this support was *not* typically given in cash. For example, one respondent said that she brings groceries and clothing for her younger siblings every time she travels home, but stressed that she has never given money to her parents.

**Figure 3: Family Support, by Type**




It is interesting to note that this breakdown between support in cash and in kind, 49 percent to 51 percent, is virtually identical to the breakdown reported in the NHIES data (as shown in the second row of Table 7 on page 25). Of course, as mentioned above, the NHIES and the family support survey are not strictly comparable in terms of the types of support they measure, but the broad conclusion that in-kind means of support make up just over half the total seems to be hereby confirmed.

The following paragraphs provide a further description of the results in the six different categories.

*Gifts of money:* Of the 86 people surveyed, 60 of them, or 70 percent, reported

When this response is removed, the average outlay drops to N$159.

*Education:* In the personal interviews, paying for the education of younger siblings was mentioned repeatedly as a major form of family support, and 59 percent of survey respondents indicated that they had spent money in this way within the last year. One respondent, the sixth of nine children, explained that, as soon as the older children in his family were working, they began to pay an increasing part of the school fees for their younger brothers and sisters, so that by the time the youngest children were in school, the parents of the family (who were by then retired) were contributing nothing at all to these children's education. Plainly, for some families at least, older siblings' paying for younger siblings' education comprises a significant form of assistance.

It is somewhat surprising, therefore, that educational expenses comprise only 5 percent of the value of all forms of support recorded by the survey. The average annual payment mentioned was N$696, but this implies a monthly amount of only N$58, and thus makes up a small portion of the total. One explanation for this surprisingly low figure could be the fact that this question was the only one on the survey to ask about payments within the last *year*, rather than the last month. The survey was structured this way since educational payments tend to be bunched together in certain months, and not spread out evenly over the year, so that a recall period of only one month would not be appropriate for this question. However, if respondents did not read the question carefully, and simply carried on with responses pertaining to only the previous month, then the amount of money going to education would be under-reported.

Respondents also indicated the level of schooling that the beneficiary of the money was in – primary, secondary or tertiary. The largest part, 70 percent of recorded payments, went to relatives in secondary school, with an average annual value of N$530. 17 percent of payments went to tertiary education, and predictably, the average value of these payments was much higher, at N$1494. Payments for primary education made up only 12 percent of the total and averaged only N$227 annually.

*"Other" forms of support:* The question regarding "other forms of support" was intended to capture contributions to family members that did not fall naturally into any of the other categories. 21 out of the 86 respondents (or 24 percent) indicated one or more forms of support in this category, comprising a dollar value which was 10 percent of the overall total. Explanations of these "other" forms of support took two forms. The most common was that the respondent had paid a bill for a relative: phone bills, electricity bills, store accounts and rent payments were among the specific types of payments reported. These payments, though comparatively rare, were typically quite large – the average value of such payments was N$457, as compared to the average cash gift of N$277. Taken together, payments of bills for relatives comprised 7 percent of all family support, an amount higher than payment of school fees. The other group of answers in this category related to giving support to a family business: four respondents indicated simply "business", while other answers included "buy goods for shop", "pay wages of domestic worker", and "pay man who looks after cattle".

## 5.3. Support to different family members

Figure 2 in section 4.2.2 showed that 65.9 percent of received cash remittances recorded in the NHIES data were sent by someone other than a spouse, parent or child. Though the categories used in two surveys are not strictly comparable,[31] a similar finding emerges from the family support survey. Table 8 shows the percentage of the value of each kind of support that went to relatives in three categories: parents or general family, brothers and sisters, and other relatives (a category that included uncles and aunts, cousins, nieces and nephews, in-laws, grandparents and even grandchildren).

**Table 8 : Recipients of Family Support, by Relation to Sender**

| | Parents or general family | Brothers or sisters | Other relatives |
|---|---|---|---|
| Education | 0% | 73% | 27% |
| Food | 50% | 19% | 31% |

categories of family support, the average value of a contribution to a parent, sibling or the "general family" was N$258, whereas for all other relatives the value of the average contribution was only N$176.

### 5.4. Gender patterns

Several tentative conclusions regarding the differing behaviour of men and women also emerged from the data. The first is that men reported giving nearly 45 percent more family support per month than women. The monthly total value of all forms of family support given by men was N$1355, compared to only N$936 for women, a difference that is significant at the 90 percent level of confidence. But this finding should be treated with some caution. It is possible that men are indeed more generous than women – that is, that they spend a higher percentage of their salary on their relatives than women do. It could also be, however, that this finding is simply a reflection of the fact that men typically earn more than women, but that men and women give roughly the same share of their (unequal) incomes to their relatives. It is even possible that women give a higher share of their income – but without information on the income of the respondents, this cannot be determined.

A second conclusion which is less ambiguous emerges when we examine not only the gender of those providing support, but also the gender of those who receive that support. Since the gender of the recipient of every gift or remittance was specified on the survey, even ambiguous terms such as "cousin" or "other relative" could be sorted into males and females. Only when the recipient was indicated as "parents" or "general family" was this impossible; in those cases, it was assumed that the amount given was divided equally between males and females.

Taking into account the gender of recipients, then, produces significant evidence of a gender bias in family support behaviour. Specifically, male respondents gave 56 percent of their support to males, and 44 percent to females. Female respondents gave 67 percent of their support to females, and only 33 percent to males. In other words, both males and females are more likely to give support to relatives of their own gender – but the bias that females have toward other females exceeds the bias that males have toward other males.

Finally, there is some evidence to suggest that, overall, remittances and other forms of family support are more likely to go to women than to men. Table 9 shows the breakdown.

**Table 9: Recipients of Family Support, by Gender**

| | Male | Female |
|---|---|---|
| Education | 36% | 64% |
| Food | 41% | 59% |
| Goods | 47% | 53% |
| Health care | 23% | 77% |
| Gifts of Money | 35% | 65% |
| Other | 67% | 33% |
| Total | 42% | 58% |

*Source*: Family support survey (see section 5). Percentages show the share of the dollar value of support given to relatives of each gender in each category.

Across all respondents and categories, 58 percent of the value of family support went to female relatives, with the remaining 42 percent going to male relatives. Females were favoured in every category except for "other forms of support", much of which was related to business expenses or the paying of bills.

The reason that we must qualify the observation by saying that remittances "apparently" go to women more than to men is that more women than men took part in the survey. Of the 86 respondents, 51 were women and 35 were men. It is possible, then, in light of the larger bias that women displayed towards other women, that the figures in Table 9 reflect the preponderance of women taking the survey, rather than an absolute difference in favour of support for women. Yet the general finding of a gender bias in family support behaviour holds, and should be explored further in the future, given the ways that poverty in Namibia is related to gender.

upon recipient

the family support survey, an income for the "main household" of each respondent was estimated.[32] The average of these estimated household incomes was N$29288 – above the national average, but that would be expected given that each of these households had produced at least one member educated enough to speak English and be working in Windhoek.

Having estimated the income of the "main household of the extended family" of each respondent, the next task was to determine how much of the support in cash and kind identified by respondents went to members of that particular household. To determine this information precisely would have required detailed interviewing of each respondent, to determine which relatives made up the "main household of the extended family" in every individual case. As an approximation, then, all support going to parents, "general family", and siblings younger than age 20 was treated as going to the "main household". About half of all family support went to relatives in this category.

Based upon these estimations and approximations, it is calculated that the value of family support that goes to the main household comprises an average of 31 percent of that household's total income. This figure seems quite reasonable since, as we have seen, cash remittances by themselves are a bit less than half of the total remittance picture, and the NHIES data show that cash remittances make up 15.7 percent of the recipient household's income. Thus it is not surprising to find that all forms of family support, in both cash and kind, make up about twice as large a share of the recipient household's income as cash support alone.

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[32] This, of course, is a very approximate way to "measure" household income. But it is better than asking respondents directly about the main household's income for two reasons: first, many people are reluctant to discuss what they or their families earn, and second, even if they are willing, most people have little idea of the income of their parents' household, especially considering that total income as measured by the NHIES includes the imputed value of the household's own agricultural production and so on.

## 6. Larger items: a rough estimate

Conspicuously absent from the lists of goods mentioned in the family support survey are larger items such as furniture, building materials, farm tools and the like. Indeed, anyone doubting the significance of flows of in-kind remittances from the cities to the rural areas need only compare the buses and mini-buses driving north on Fridays, heavily laden with boxes, plastic jugs, furniture, building materials and other goods, with the same buses and mini-buses driving south on Sundays, carrying only the passengers' personal luggage. So great is the contrast between the amount of goods carried north and the amount of goods carried south that the nation's largest bus company, Namib Contract Haulage (which operates the so-called "SWAPO buses" or "yellow buses"), takes in thousands of dollars a week weighing and charging for each item of baggage on north-bound trips, but does not even bother to check the passengers' bags on south-bound trips.

An attempt has been made to approximate the amount and value of the items being transported to the north on these buses. Information was provided from Namib Contract Haulage as to the weekly number of buses, number of passengers, and the amount of money taken in from baggage charges over a two-month period. In addition, the weighing of passengers' baggage and the loading of the buses were observed and recorded at the Soweto Market in Katatura over a period of one month. Of course, much of what is loaded onto the buses is contained in passengers' personal luggage, or in boxes, so that the contents are not known. However certain large items which are loaded onto the trailers can be easily observed, and these have been counted. In addition to hundreds of closed bags and boxes, the NCH buses are observed to carry furniture, (beds, chairs, benches, tables, cupboards, chests of drawers), agricultural tools (ploughs, shovels, axes, wheelbarrows), building materials (poles, wire for fencing, zinc sheets, doorframes, doors) and various other miscellaneous items (bicycles, ironing boards, trash cans, tires and more).

When these two sources of information are combined, one can compile a list of a "typical" weekly load of the NCH buses which leave from Windhoek. Further, by [illegible] values of these items, we can arrive at a (very rough) an increase of commercial outlets selling such goods in the communal areas.[33] Nevertheless, these outlets are typically found only in the urban centres of each region (Oshakati and Ondangwa for the four O's, Rundu for the Okavango region), and so it may still be easier for individuals travelling to their rural family home to purchase large items in Windhoek than for members of these rural households to travel to the region's main town and purchase such items with cash. A final explanation is that most of the goods travelling to the northern regions on buses and mini-buses are second-hand, and that second-hand markets for large goods exist in Windhoek to an extent that they do not yet exist in the rural areas.

# 7. Remittances, poverty and inequality

Already in the preceding sections we have seen several indications that remittances have a substantial effect on poverty and inequality. Simply the fact that remittances go to households with an income only 65 percent of the national average, households that are more likely than average to be rural and headed by a woman (as shown in Table 4), demonstrates that remittances are flowing to needy households, and therefore must be having some impact upon poverty and inequality. This section adds to our understanding of the impact of remittances by providing three additional findings: the effects of cash remittances upon income inequality as measured by the Gini coefficient, upon average household income of selected groups, and upon poverty as measured by the food consumption rate.

## 7.1. Effect of cash remittances on inequality

As mentioned earlier, if remittances are flowing from richer to poorer, they must also be lessening inequality. This aspect of remittances is of particular interest in the Namibian context, since the NHIES data reveal that Namibia has the most unequal distribution of income of all countries in the world for which it has been reliably

[33] Fuller 1997, p. 6.

measured (see Appendix 1). How much worse, then, would income inequality be *without* cash remittances?

The question can be answered fairly simply by using the NHIES data to construct a hypothetical situation in which cash remittances are set to zero: households which received cash remittances have their value subtracted from household income, and households which sent cash remittances have their value added to household income. (Note that this simulation is purely arithmetical: it does not estimate any possible behavioural changes that might occur in households that stopped receiving remittances.)

When this is done, and the Gini coefficient is recalculated, it is found that inequality would be from 2 to 3 percent worse in the absence of cash remittances. Specifically, when inequality is measured in terms of consumption, removing remittances raises the Gini coefficient by 2.7 percent, from 0.671 to 0.689. When measured in terms of total income, the Gini increases by 2.0 percent, from 0.721 to 0.736. In other words, Namibia's official Gini coefficient, already the worst recorded Gini in the world at 0.701, would be in the range of 0.715 to 0.720 if not for the equalising effects of cash remittances.[34]

While this effect is substantial, it is nonetheless smaller than the inequality-reducing impact of remittances in other countries (such as Lesotho or the Philippines, mentioned in section 2.2.2 on page 7). That the inequality-reducing effect is not greater is due in large part to the fact that remittances in Namibia flow primarily within ethnic groups, whereas the most severe inequalities in Namibia exist between different ethnic groups. Thus, while remittances may substantially narrow the gap between, say, richer Oshiwambo-speaking households and poorer Oshiwambo-speaking households, they have a much smaller effect on the gap between Oshiwambo-speaking households and German-speaking households.

## 7.2. Cash remittances and household income

Continuing with the hypothetical situation from above, we now examine the effect that setting cash remittances to zero would have upon the household income of

| | | | |
|---|---|---|---|
| Households with unemployed head | N$8438<br>*N$4409* | N$8774<br>*N$4590* | 4.0%<br>*4.1%* |

*Source:* NHIES data. Mean income shown first, *median* income shown below in italics. Household income without remittances calculated by subtracting the value of cash remittances received, and adding the value of cash remittances sent, to total household income (the variable TINCOME2).

As the first row shows, mean household income nation-wide is increased only slightly by cash remittances, by just 0.8 percent. Indeed, if the NHIES included information about the institutional population as well, this figure would be practically zero, since remittances flowing from some Namibians to others should cancel each other out when the mean income is calculated, and very few cash remittances are received from abroad. The *median* income, however, increases 2.9 percent, from N$6545 to N$6733, indicating that remittances do lift the income of households in the lower end of the income distribution.

The income-raising effect of remittances is even more pronounced when specific groups which are likely to be poor are examined in isolation. For example, cash remittances raise the mean income of rural households by 1.8 percent, and the *median* income by 4.5 percent. For female-headed households the impact is even greater: a 2.7 percent increase in mean income, and an 8.7 percent increase in *median* income. Households that are both rural and headed by a female receive a 3.6 percent boost in mean income from cash remittances, and a 7.7 percent boost in *median* income. And for households whose head is not employed, cash remittances raise mean income by 4.0 percent, and *median* income by 4.1 percent. Unfortunately the NHIES data do not allow a similar calculation of the effects of in-kind remittances; but since we have seen that in-kind remittances make up slightly more than half of all remittances, it would be reasonable to assume that the difference in the last column of Table 10 would be roughly doubled if in-kind remittances were also taken into account.

### 7.3. Remittances, poverty, and the food consumption rate

One interesting aspect of the relationship between remittances and poverty can be seen by applying a common indicator of poverty, the food consumption rate. As its name indicates, the food consumption rate is simply the fraction of a household's total consumption that is made up of food. Poorer households, which must devote a greater share of their resources to basic needs, will have a higher food consumption rate than wealthy households, which can afford to spend a greater share of their resources on other, less essential, goods and services. A common convention is to describe those households with a food consumption rate greater than 60 percent as "poor", and those households with a food consumption rate greater than 80 percent as "severely poor". Admittedly, these categories are somewhat arbitrary, but they are nonetheless useful in providing a picture of poverty that goes beyond mere per capita GDP.

Using the food consumption rate as a poverty indicator, the NHIES data reveals that 29.9 percent of the Namibian population is poor, and 5.6 percent of the population is severely poor. As usual, however, there are significant geographical and demographic variations. Poverty by these measures is much more common in the northern areas of Namibia, with, for example, 63 percent of households in the Okavango region deemed "poor", and 10 percent "severely poor". These figures compare with just 7 percent and 1 percent in the Khomas region.[35] Rural households are more likely to be poor and severely poor than are urban households, and female-headed households are more likely to be poor and severely poor than are male-headed households.

With regards to remittances, we have already seen that remittance-receiving and remittance-reliant households are "poorer" than other households when poverty is defined simply according to household or per capita income. However, when we use the food-consumption rate as our poverty indicator, this distinction partially or entirely disappears. Table 11 shows the likelihood of being "poor" and "severely poor" for remittance-receiving and remittance-reliant households as compared with the rest of the population.

*Source*: NHIES data.
† "Poor" and "Severely Poor" refer to the food consumption rate of the household: a household which devotes more than 60 percent of its resources to food is classified as "poor", and more than 80 percent, "severely poor".
*** Significant at the 99% level

Households which receive remittances, we have seen, have a total income that is much lower than the national average. We would expect these households to also have a higher food consumption rate than the national average, and they do: they are also more likely to be "poor", with a food consumption rate over 60 percent. However, this difference does not extend to the more extreme measure of poverty: the share of remittance-receiving households which are "severely poor" is essentially no different from the share of severely poor households in the population at large.

This surprising result is even more pronounced among remittance-reliant households. Again, they are much poorer than other households in terms of income, earning only 46 percent of the national average of household income -- but they are apparently no more likely to be "poor" or "severely poor" in terms of their food consumption rate. In fact, the lower half of Table 11 shows that remittance-reliant households are slightly *less* likely to be either poor or severely poor than other households, although the difference is not statistically significant.

How to interpret this result? Measures of household income tell us that remittances flow from households with higher income to those with lower income, that is, from "richer" to "poorer". But the food consumption rate seems to suggest something further: that cash remittances make it possible for a household to expand its consumption beyond the bare essentials that would otherwise take up the overwhelming majority of the household's resources. The very fact that cash remittances come in cash may be crucial here -- if a poor rural household has no member working in the formal economy, and instead relies upon subsistence agriculture to meet most of its needs, then even a small amount of money received from a relative could account for most or all of that household's cash income, and therefore be instrumental in lifting the household out of the "severe" poverty indicated by a high food consumption rate.

# 8. Conclusion

## 8.1. Findings

This paper has examined data from various sources on remittances in cash and in kind, in order to build up a picture of the importance that such remittances have for the economic well being of Namibian households. Among the major findings:

- Households which receive remittances are far more likely to be poor, rural, and headed by a woman than those households which do not.
- Though they make up only 5.2 percent of household income nation-wide, cash remittances make up 15.3 percent of the income of those families which receive remittances, and 65.0 percent of the cash income of those families.
- Cash remittances are largely sent by relatives outside the nuclear family (husband or wife, son or daughter, or parents).
- Remittances in kind also play a significant role in the support of many Namibian households. In fact, a small survey conducted in Windhoek suggests that direct transfers of cash make up only 24 percent of the total forms of support that young employed Namibians in Windhoek give to their extended families, with gifts of food and goods comprising a much larger 51 percent, and other forms of support (such as paying school fees, health care fees or other expenses) 25 percent.
- The same survey confirms that much of this support goes beyond the nuclear family. Specifically, 38 percent of all support goes to a person's parents or "general family", 31 percent goes to brothers or sisters, and the remaining 31 percent goes to other relatives.
- The survey also finds that family support behaviour is to some extent divided on gender lines: men give more support to male relatives, and women give more

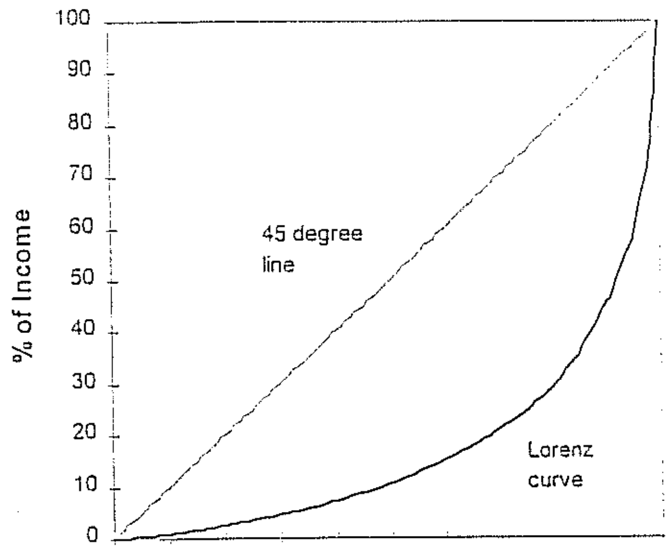
remittances upon receiving households. The recent report on migration by the Social Sciences Division of the University of Namibia has gone some way to fill this gap, but the study focused primarily on reasons for migration and only tangentially on remittances: the amount and value of money and goods received from other people was not recorded. And, of course, the NHIES captured the receipt of remittances in cash, but not in kind. Until these gaps in our knowledge are filled, it will be difficult to achieve a full understanding of the way that remittances serve as a link between young and old, between urban and rural, and between the formal and informal sectors of the Namibian economy.

## Appendix 1: Measuring inequality

Measuring the level of income of a nation is a fairly straightforward task: measuring the *distribution* of that income, and producing an easily understood indicator of the equality or inequality of that distribution, somewhat less so. This brief appendix explains two of the most common ways that economists measure income inequality: the Lorenz curve, and its related numerical index, the Gini coefficient.

A Lorenz curve plots cumulative percentages of population on the horizontal axis, and cumulative percentages of income on the vertical axis. If income distribution were entirely equal, the result would be a straight line, rising at a 45-degree angle. By comparing the actual Lorenz curve to this hypothetical line of absolute equality, we gain a sense of the extent of a country's inequality: the closer the Lorenz curve lies to the 45 degree line, the more equal is the distribution of income, and the further away it lies, the less equal is the distribution. A Lorenz curve for Namibia -- lying very far away from the 45-degree line -- is shown in Figure 4.

Figure 4: Lorenz Curve Showing Distribution of Income in Namibia, 1993/94




A related measure of inequality, the Gini coefficient, expresses the area between the Lorenz curve and the 45-degree line as a fraction of the maximum possible area. Thus, the Gini co-efficient can range in theory from 0 to 1, which 0 indicating that every person in the

| | |
|---|---|
| Bangladesh | 0.2[illegible] |

Source: Namibia from Central Statistics Office 1996, others from World Bank 1997b.

divided simply into two groups, rural and urban, the Gini coefficient falls from the national-level 0.701 to 0.61 for urban households and 0.60 for rural households. Those regions which are especially ethnically homogenous have lower inequality still, with the Okavango, Omusati and Ohangwena regions each having a Gini as low as 0.49. By using the "main language of household" identification from the NHIES data, we may also calculate inequality within ethnic groups: among all Oshiwambo speaking households, the Gini is 0.522, and among German speaking households, 0.428. Plainly, then, Namibia's tremendously high levels of inequality are due largely to the vast differences between privileged and under-privileged groups, rather than to differences among members of those groups, a finding which should come as no surprise in light of the economic consequences of Namibia's deeply divided past.

## Appendix 2: Estimated amount and value of goods on NCH buses

The items on the list below were all observed and counted as they were loaded onto Namib Contract Haulage buses at the Soweto market in Katatura during the month of July, 1998. Using information provided by NCH as to the number of buses leaving Windhoek over a two-month period, the observed numbers were weighted to represent a typical week's load. (Of course, there is no such thing as a "typical" week: traffic of people and goods is far greater at the end of the month than during the middle. In the figures below these differences have been taken into account in forming a weekly average.) NCH buses also travel to Rundu, Gobabis, and occasionally Katima Mulilo, but in Table 13 the figures have been scaled so as to only represent those buses travelling to Oshakati, Ondangwa or Ruacana (which make up 92 percent of all trips.) The estimated values of the various goods, shown in the third column, were made by comparison with similar items at second-hand markets around Windhoek.

**Table 13: Typical Weekly Load of NCH Buses from Windhoek to North-Central Regions**

| Item | # | @ | Value |
|---|---|---|---|
| axe - new | 1.5 | 50 | S 75.00 |
| axe - used | 6.0 | 25 | S 150.00 |
| bed boxspring | 2.1 | 300 | S 630.00 |
| bed frame - metal | 5.1 | 200 | S 1,020.00 |
| bench | 7.3 | 50 | S 365.00 |
| bicycle | 5.1 | 350 | S 1,785.00 |
| bicycle wheel | 1.5 | 50 | S 75.00 |
| broom | 1.5 | 15 | S 22.50 |
| carpet | 5.1 | 100 | S 510.00 |
| chair - wood | 3.0 | 80 | S 240.00 |
| chest of drawers | 3.0 | 250 | S 750.00 |
| clothes hamper - plastic | 0.6 | 20 | S 12.00 |
| cupboard - big | 4.5 | 700 | S 3,150.00 |
| door | 9.4 | 80 | S 752.00 |

| | |
|---|---|
| Total: | $ 20,[illegible]7.50 |

*Source*: Data provided by NCH, and collected at Soweto Market. Values of items estimated by comparison with similar items for sale in Windhoek. Items are assumed to be second-hand unless indicated otherwise.

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