Catalysts Not Working The Way They Should

WE know that Namibia is officially classified as a less developed country (LDC) and needs money – plenty of it in order to cater for its development needs. We also know that multinationals, such as De Beers, BP, Shell, etc. have plenty of money, which they are willing to invest.

A recent UN report on human development, which compares the level of human development among nations, revealed that Namibia has slid down a couple of places on the world ranking. The Namibian gini coefficient, which indicates the gap between the poor and the rich, has also skyrocketed to become the widest in the world. Although these statistics can be interpreted differently to suit various perspectives, the one fact that remains undisputed from whichever perspective one looks at it, is that the average Namibian's living standard has not improved at all. The question then is why not? Why could Namibia not make a meaningful improvement on the wealth of its nationals? I want to look at this question from the perspective of multinational presence in the country, because, I strongly belief they are supposed to be the catalyst of development in any country. Their presence is supposed to boost job creation, business confidence, financial development, productivity and further investments.

It is clear from the above-stated statistics that the presence of multinationals have not boosted Namibia's wealth creation (poverty eradication) objective.

One of the reasons for this is that historically multinationals are known for bringing lots of money in, but sending lots more out – much of it through the back door'. It is this backdoor exit of money from the least developed countries like Namibia that destroys their hopes of ever eradicating poverty. The backdoor channeling of money is done through various means, among others, embezzlement, diversion of funds, undervaluation of local inputs, false invoicing, non-payment of taxes, kickbacks and bribery.

For example: We are currently paying extremely high prices for petrol. Under the current arrangement all our petrol is coming via South Africa through the big five – Shell, BP, Engen, Caltex and Total. The base and landing price calculation is formulated on South African In Bond Landed Cost (IBLC) structure, which has little, if at all, direct relation to international oil trading prices.

This inevitably leads to Namibians subsidizing the excessive South African refining margins. This also enables the oil companies to effectively keep the profits that they make on supplying the fuel to Namibia outside the country. This diversion of funds is one way of backdoor channeling of money, which deprives the country of much needed revenue and forces the government to pass the cost on to the consumer by way of higher prices at the pumps.

Examples of this nature are plenty in almost all the sectors of the economy. But whilst we are still at the petroleum sector, one should maybe quickly raise another concern. Is it feasible for a country like Namibia to procure a national strategic resource like petroleum from a single source (South Africa)? Although not relevant to the above argument, one needs to critically analyze this concern and maybe create a different platform to address it. For now, let us scrutinize the operations of these so-called multinationals and ensure that they keep human development in Namibia on top of their agendas.

Anti Single-Source
Via e-mail