

PERSPECTIVES ON PARLIAMENT

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POTENTIAL BENEFITS OF A NATIONAL LOTTERY

The idea of a lottery is appearing again because it is mentioned in the Harambee Prosperity Plan. Specifically, it first appears in the “Economic Advancement” section of the plan, right after the different ways in which government can improve the amount of taxes it collects. The State Lottery is listed under “other possible revenue sources.” In other words, the lottery can be seen as a form of tax.

But this ‘tax’ would be different from other taxes because it goes towards very specific spending. Later on in the Harambee Plan, under “social progression,” the plan states that “revenue collected through the state lottery will ... be directed to poverty eradication activities under the supervision of the Special Tax Committee. Winning proceeds will be paid partly in cash, as a compulsory investment in housing and pension.” (p.40)

This idea is similar to the process in several countries around the world, where the state lottery is a way of collecting money to fund worthy causes. In the UK, proceeds from the national lottery go towards Education, the environment, health, charities, sports, arts and heritage. In South Africa, part of the money collected goes to charities, sport and recreation, as well as arts, culture and heritage. In various countries, women’s causes such as the ‘This Girl Can’ and ‘Women in Sport and Health’ initiatives in the UK, have also benefited from lottery funding.

THE STATE LOTTERY COMES TO NAMIBIA



The concept of a lottery is quite simple: people buy a ticket, their money is combined to make a prize, and a winner is drawn to get that prize. Details on how tickets work, how the winner is determined and how much money is paid out can differ, but the general concept goes back as far as ancient Rome.

Raising money for government has often been one of the primary reasons for the existence of lotteries. For example, legend has it that part of the Great Wall of China was funded through a lottery. A Namibian law allowing for a state lottery has been in place since 2002, but now the government has introduced a new bill in Parliament to regulate the lottery. This law is much more detailed than the last one.

According to the draft bill, the state lottery will function in the following way:

1. First, the Minister appoints a Lotteries Board to run the lottery and control the State Lottery Trust Fund.
2. The Board either decides to run the lottery by themselves, or to give a licence to a company to run the lottery.
3. The lottery is played, with the board setting the rules on how and where tickets are sold and what they cost, the prizes, how winners are drawn and how prizes are claimed.
4. When all the money from ticket sales comes in, money for prizes and money for operating expenses are subtracted (both are percentages set by the Minister), as well as a commission for the license holder if the board is not carrying out the lottery itself. The rest of the money goes into the Trust Fund.
5. The Trust Fund now distributes this money to various causes.
 - a. One portion, determined by the Minister and the board, goes towards grants for a “specific good cause”
 - b. Another portion goes to “any other matter approved by the Minister” as long as the Minister considers the development of Namibia in deciding where the money goes.

Namibia will not be the first country in the region to have a lottery. South Africa established its lottery in 2000, and Botswana passed a law last year to create one as well. Government’s renewed attention to this issue is spelled out in the Harambee Prosperity Plan, which says that money raised from the lottery can go towards poverty alleviation.

GAMBLING: THE DOWNSIDES



Gambling Addiction

On an individual level, one problem with establishing a new lottery is that it could make the situation worse for gambling addicts. Addiction to gambling is very serious: according to a 2014 study from South Africa, “pathological gambling is a prevalent and disabling mental illness.” Gambling addiction often comes together with other mental illnesses such as anxiety, depression, or alcohol and drug abuse.

The problems differ for men and women. First, as a general rule, men gamble at a higher rate than women - but recent research has shown that in many countries, the number of women gamblers is increasing. Female gambling addicts had higher rates of anxiety, while males had higher levels of substance abuse.¹ A survey of 3000 South Africans found that almost five percent of people who responded could be classified as gambling addicts. The authors of the study (which was paid for by the National Gambling Board) note that gambling addiction rates usually stay relatively constant – but one must consider the possibility that the state lottery provides a new way of gambling to potential addicts. In fact, of those in the survey who could be classified as addicted to gambling, a small number said that the country’s national lottery was their only form of gambling.

The Namibian draft bill does not contain many details addressing problems with gambling. It makes it illegal to sell tickets to minors, and it prohibits selling tickets to people on credit. These are good first steps. It would also be useful to establish funding to research gambling addiction in Namibia, any impact of the

lottery on addiction, and mechanisms to help addicts.

The lottery “curse”

Even for those who end up winning, the lottery often does not guarantee the good life they hoped for. One study found that lottery winners did not end up happier than other people; in fact they enjoyed everyday life less.² Another study linked winning the lottery with depression.³ Most people are not good at dealing with a large sum of sudden money. Many lottery winners end up with no money after a short time: tempted by their wealth they get caught up in spending all the money and giving it away, and end up where they started. One study found that lottery winners save only 16 cents for every dollar they win.⁴ Finally, when people become lottery winners, other people in their lives put a lot of pressure on them to share the money. These demands can become violent, and many lottery winners end up regretting their win. See the box for famous examples of unlucky winners).

Some countries offer winners the payment of an annuity rather than a lump sum - in other words, their money is paid out in yearly instalments rather than one big total, which is an attempt to encourage better spending decisions.

In the Namibian context, the Harambee Prosperity Plan attempts to steer lottery winnings to productive uses, stating that “winning proceeds will be paid partly in cash, as a compulsory investment in housing and pension.” However, the bill in front of Parliament does not contain this specifically. Instead it says that the board can decide “the manner

in which prizes are claimed.” It makes sense to leave the finer details to the board - but it would also be helpful if the law said the board has to consider productive ways of paying out the money. It would be useful to have the law suggest an annuity option (in other words, instalments). In addition it is absolutely important that the law states that winners may remain anonymous and makes sure privacy protections are in place, so that winners can be protected from criminals wanting to take their money.

UNLUCKY LOTTERY WINNERS⁵

- In South Africa, Jason Canterbury won R6.7 million when he was 18. He spent all the money and became criminal to maintain his lifestyle, and was sent to jail.
- In the U.S.A., William Post’s family convinced him to invest in dodgy businesses, and his brother attempted to have him killed by a hit man. Post had won USD16.2 million in 1988 in the Pennsylvania State Lottery, paid out in 26 annual payments. By the time he died in 2006, Post was USD1 million in debt.
- Jeffrey Dampier, from Chicago, won about USD20 million in 1996. He used the money to invest in his business. In 2005, however, he was shot by his sister-in law and her boyfriend for his money.
- Evelyn Basehore won the New Jersey lottery twice - but still ended up bankrupt and poor after gambling it all away, a common fate for lottery winners.

POLICY CONSIDERATIONS

While there are potential benefits to a national lottery, there are also important policy issues to consider as the merits and demerits of the lottery are debated. Two key issues include the implication on the poor, who, according to the HPP, should be the ultimate beneficiaries of the lottery; as well as the question of who ultimately benefits.

Lotteries are a Tax on the Poor

The box on page one explains that a lottery can be seen as a special tax. It is important to point out that it is mostly poor people that pay for this special tax. Across countries, evidence shows that people with lower income buy more lottery tickets than people with high incomes. The price of a lottery ticket also means more for poor individuals than rich ones. For a person with a good job, a few N\$10 tickets are not a problem. But this money can make a huge difference to a poor person, who might still play because they are desperately hoping to get lucky.

Additionally, lotteries do not offer a good payout for the price. In fact, lotteries often pay out a smaller percentage of the money they take in than other forms of gambling. For example, about 50 percent of the UK lottery revenue goes towards jackpots and other prizes. Meanwhile, slot machines in casinos often pay more than 90 percent of income as prizes.⁶

What all of this means is that lotteries essentially tax poor people to pay for the projects they support. Ideally, tax-

es should be “progressive” – i.e. richer individuals pay more than poorer individuals. This way money is redistributed to make society more equal. Lotteries do the opposite.

Who benefits from the money earned?

Secondly, the distribution of money also needs to be questioned. In some countries, critics have argued that money from the lottery simply replaces government spending on things government is supposed to do. In other words, instead of funding additional programs, the lottery just continues what is already there – and government can move on and spend its money on something else. And all of this is funded mostly by the poor. In the UK, the opposition claimed the lottery is a “stealth tax” used to pay for education services that government should be paying for.⁷ In the United States, money from the lottery is supposed to be used as extra funding for schools. But in reality, government often reduces its own spending on education, spending the money on other things, so that schools end up in the same place.⁸

Finally, even the money that is spent on worthy causes could be better spent. Research in the United Kingdom found that many of the poorest areas in the country received some of the least funding from the lottery. Meanwhile the lottery contributed a lot towards hosting the 2012 Olympics.⁹

Namibia’s lottery bill is very vague on how the money will be distributed. While the Harambee Prosperity Plan

speaks of “poverty eradication” projects, this wording is not in the bill. Instead, the Minister and the Lotteries Board decide on a “specific good cause.” The law says they have to consider

“The general development in Namibia, with specific reference to the regional, economic, financial, social and moral interests of Namibia and the enhancement of the standard of living of all the people in Namibia”

The bill also says that they should consider the needs of the different regions.

At a minimum, it is important that these rules are followed. But the bill is too vague

in explaining what counts as a “good cause.” Almost anything can be defined as falling under the “general development” of Namibia, and there is a risk that lottery money could go towards undeserving causes because of this vague definition. The South African law, for example, very specifically mentions arts, culture and national heritage as one deserving category, and states that the money should be distributed after consulting with the relevant Ministers. It is worrying that a handful of people will decide on spending all this money with so little guidance from the law as to what counts as a good cause.

NEWS FROM PARLIAMENT

The National Assembly adjourned on April 27, and was in recess until June 6. On April 27th, the NA passed the Witness Protection Bill with significant amendments, after strong debate. When the Assembly returned, it immediately passed the Whistleblower Protection Bill with amendments. The debate on other bills is ongoing.

Bills of 2017

Bill	Status
Whistleblower Protection Bill	Passed
Witness Protection Bill	Passed
Nature Conservation Amendment Bill	Passed
Namibian Time Bill	In Committee
Access to Biological and Genetic Resources and Associated Traditional Knowledge Bill	Passed
Regional Councils Amendment Bill	Passed
Local Authorities Amendment Bill	Passed
Private-Public Partnership Bill	Passed
Appropriation Bill	Passed
Controlled Wildlife Products and Trade Act Amendment Bill	Under Discussion
One Stop Border Posts Control Bill	Under Discussion
Lotteries Bill	Under Discussion

FURTHER READING

On gambling on the individual level, including addiction:

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4. Guido W. Imbens, Donald B. Rubin, Bruce I. Sacerdote. 2001. "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players." *American Economic Review*, 91:4. <https://www.aeaweb.org/articles?id=10.1257/aer.91.4.778>

On unlucky winners:

5. Zara Nicholson. 2009. "Gang rivalry in Lotto winner murder case." IOL. <http://www.iol.co.za/news/south-africa/gang-rivalry-in-lotto-winner-murder-case-436606>; and Emma O'Connor. 2012. "The Tragic Stories of the Lottery's Unluckiest Winners" *TIME Magazine*. <http://newsfeed.time.com/2012/11/28/500-million-powerball-jackpot-the-tragic-stories-of-the-lotterys-unluckiest-winners/slide/william-post/>

On lottery as a tax on the poor, and concerns about revenue distribution:

6. Paul Pringle, 2003. "Players at Indian Slots Have No Clue on Payout." *Los Angeles Times*. <http://articles.latimes.com/2003/feb/10/local/me-payoff10>
7. Jamie Wilson, 1999. "New lottery fund 'not a stealth tax'" *The Guardian*. <https://www.theguardian.com/politics/1999/jan/30/uk.politicalnews>
8. Ron Stodghill, Ron Nixon, 2007. "For Schools, Lottery Payoffs Fall Short of Promises." *New York Times*. <http://www.nytimes.com/2007/10/07/business/07lotto.html>
9. Author unknown, 2009. "National Lottery is 'tax on the poor'" *The Telegraph* <http://www.telegraph.co.uk/news/uknews/5911581/National-Lottery-is-tax-on-the-poor.html>

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ABOUT DEMOCRACY REPORT

Democracy Report is a project of the IPPR which analyses and disseminates information relating to the legislative agenda of Namibia's Parliament. The project aims to promote public participation in debates concerning the work of Parliament by publishing regular analyses of legislation and other issues before the National Assembly and the National Council. Democracy Report is funded by the Embassy of Finland.

ABOUT THE IPPR

The Institute for Public Policy Research (IPPR) is a not-for-profit organisation with a mission to deliver independent, analytical, critical yet constructive research on social, political and economic issues that affect development in Namibia. The IPPR was established in the belief that development is best promoted through free and critical debate informed by quality research.



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