



**REPUBLIC OF NAMIBIA**

**Ministry of Public Enterprises**

**BUDGET MOTIVATION**

**BY**

**HONOURABLE LEON JOOSTE, MP**

**MINISTER OF PUBLIC ENTERPRISES**

**VOTE 34**

**NATIONAL ASSEMBLY, 28 April 2021**

**Honourable Chairperson of the Whole House Committee  
Honourable Members,**

I rise to introduce and motivate the budget for Vote 34 Public Enterprises for the Financial Year 2021/2022.

The Ministry of Public Enterprises (MPE)'s mandate is to position public enterprises as key contributors to Namibia's economic growth. This is a challenging and daunting task especially in the face of global economic downturn, domestic recession and the devastating effect of the Covid-19 pandemic.

Despite the challenges, we owe it to our nation to ensure that our economic recovery strategy is achieved (as per the Harambee Prosperity Plan II) and Public Enterprises (PE) reforms is one key contributing factor. PE reform is achieved by ensuring that Public Enterprises' operational efficiencies, performance and quality of corporate governance is enhanced to ultimately reduce dependency on Government subsidies. The money used for subsidies can then be channeled towards social and economic uplifting programs for our citizens.

PEs play a critical role in the economy of any country. Strategic PEs like Namibia Power Corporation (Nampower), Namibia Water Corporation (NAMWATER) and TransNamib are indispensable entities that have the ability to act as catalysts for the economic development of the country. The results of poor performance of some Public Enterprises can, however, have an adverse effect and be a burden to economic development with significant negative impacts on unemployment, poverty and inequality.

Cognizant of this reality, the President in his wisdom established the Ministry of Public Enterprises to reform our public enterprises. The Ministry had to follow a very specific sequence of processes. The gathering of accurate up-to-date data on the PEs was critical and together with that the Ministry undertook several targeted benchmarking missions that have proved invaluable to equip us to chart the way forward. From our research and benchmarking it became

obvious that the governance model was severely flawed and that it was imperative to centralize the ownership of our PEs. Conceptualizing the appropriate legal framework to address the challenge proved more complicated than initially anticipated due to various factors beyond our control but the Public Enterprises Governance Act No 1 of 2019 was promulgated and finally operationalized on 16 December 2019. This was sadly followed by the Covid-19 pandemic early in 2020 resulting in multiple immediate challenges for the Ministry and our portfolio of PEs that were unforeseen.

With the operationalization of the Public Enterprises Governance Act No 1 of 2019, the Ministry of Public Enterprises assumed a new mandate which translated into taking direct responsibility for the portfolio of 24 Commercial Public Enterprises (CPE). I would therefore like to use this opportunity to provide this August House with a snapshot of the current state of these Commercial Public Enterprises.

The Total Asset Value of the Commercial Public Enterprises (CPEs) under our jurisdiction amount to N\$ 82 billion and Liabilities to N\$ 43 billion, giving a portfolio Net Asset Value of N\$ 39 billion. Employment count stands at 25 000 employees.

A holistic picture of the three categories of the PEs is illustrated in the following table:

<b>Category</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Total Net Asset Value</b>
Commercial	82,630,078,988	43,276,433,196	39,353,645,792
Non-Commercial	20,151,497,787	8,064,250,440	12,087,247,347
Extra Budgetary Funds & Financial Institutions	15,728,286,538	8,876,030,809	6,852,255,729
<b>Grand Total</b>	<b>118,509,863,313</b>	<b>60,216,714,445</b>	<b>58,293,148,868</b>

Considering the above, it has become critical to expedite the reform of the CPEs in line with the recommendations of the High Level Panel on the Namibian Economy (HLPNE) as adopted by Cabinet.

With the Ministry taking over the Commercial PEs as a shareholder the Ministry's budget allocation increased from N\$ 38 million in 2019/20 to N\$ 808.8 million in 2020/2021. For the financial year 2021/2022 with the liquidation of Air Namibia, the budget has been reduced to a total allocation to **N\$ 733 396 000 (Seven hundred and Thirty Three Million Three Hundred and Ninety Six Thousand Namibia Dollars).**

**Honourable Chairperson, Honourable Members,** I therefore have the honour to present the 2021/2022 Budget of the Ministry of Public Enterprises.

The activities of the Ministry of Public Enterprises are grouped under two main Programmes namely:

**Programme 1: Legal, Economic and Financial Advisory Services**

An amount of **N\$ 571,765,000 (Five Hundred and Seventy One Million Seven Hundred and Sixty Five Thousand Namibian Dollars)** has been allocated to this Programme to enable the Ministry carry out its mandate. Of this amount:

- (i) **N\$ 11,765,000 (Eleven Million Seven Hundred and Sixty Five Thousand Namibian Dollars)** is allocated towards the Ministry's operational activities primarily on ensuring that the Public Enterprises Governance Act, 2019 (Act No. 1 of 2019) is properly operationalized and implemented through harmonization of the PE establishing statutes and constituent documents and other legal instruments to the Act; drafting of regulations envisaged under Chapter 6 of the Act to enhance efficient service delivery; development of policy frameworks; analysis of PE ISBPs, Annual Business Plans, Budgets and Financial Statements; monitoring and evaluation of PE

performance; conduct of economic research; development and management of databases on PE; coordination of Boards recruitment and training; and provision of advisory services on all areas of corporate governance and operations to the PE.

- (ii) **N\$ 560,000,000 (Five Hundred and Sixty Million Namibia Dollars)** is the government support to Commercial Public Enterprises as highlighted in the table below.

<b>Commercial Public Enterprises (CPEs)</b>	<b>Subsidy in N\$</b>
Air Namibia (Liquidation related costs)	211,000,000.00
Namibia Institute of Pathology	107,000,000.00
Namibia Wildlife Resorts	71,000,000.00
Agricultural Business Development	62,000,000.00
Agro-Marketing and Trade Agency	59,000,000.00
Roads Contractor Company	44,000,000.00
Epangelo Mining Company	4,000,000.00
Luderitz Waterfront Development Company	2,000,000.00
<b>Total</b>	<b>560,000,000.00</b>

**Programme 2: Policy Coordination and Support Services**

An amount of **N\$ 161,631,000 (One Hundred and Sixty One Million Six Hundred and Thirty One Thousand Namibian Dollars)** is allocated to carry out activities under this program. This figure includes an amount of:

- (i) **N\$ 135,000,000 (One Hundred and Thirty Five Million Namibian Dollars)** which is provisionally allocated to Trans Namib to enable them to address the challenges associated with its equity in the Swakopmund Hotel and Entertainment Center.
- (ii) **N\$ 26,631,000 (Twenty Six Million Six Hundred and Thirty One Thousand Namibian Dollars)** allocated to enable the Ministry to

carry out its administrative functions in terms of budget execution; human resources management; information technology; security and risk management; internal audit; and public relations.

### **Honourable Chairperson, Honourable Members**

The following are the achievements recorded by the Ministry during the 2020/2021 financial year:

- The draft Public Enterprises categorization framework was finalized.
- The Board Recruitment database was transformed into an electronic portal and we now have an efficient web-based E-Recruitment Database System in place where applicants can upload their information and access all information relevant to Board positions and application processes.
- Twenty (20) PE Board vacancies were advertised publicly and filled through a transparent process. This process draws on technical experts in the public sector and independent private sector and industry experts, which has significantly improved the Boards recruitment approach.
- The Ownership Policy for PEs was developed, and this draft policy is now awaiting Cabinet consideration.
- Appointed Board Members were trained through the Ministry's Board Induction Program in collaboration with NIPAM.
- The Integrated Strategic Business Plans (ISBP) for PEs were analyzed and approved where found feasible while those lacking were referred back for further improvement.
- Strategic Stakeholders engagements were held either through the Public Enterprises CEO Forum, annual industry address, or other stakeholder engagement platforms. The Public enterprises Chairperson's Forum is also in the process of being established.

- The Public Enterprises Monitoring and Evaluation System (PEMES) excel database was transformed into an electronic database where PEs can upload their information via the internet and 10 piloted PEs have successfully loaded on their financial statements. This enhances the effectiveness of our monitoring function.
- A draft Integrated Performance Management Framework (IPMF) for PEs has been developed whereafter the Electronic Performance and Evaluation System will be developed and implemented.

For the **Financial Year 2021/2022** the following are the planned activities. Our key focus will be:

- Finalization of the Ownership Policy. The draft Ownership Policy for PE which aims to clearly define why, when and how PEs should be owned in Namibia will be taken through vigorous stakeholder consultations.
- Development of the Public Enterprises Restructuring/Reform Plan. This plan will be aligned to the principles contained in the Ownership Policy and will contain the actual detailed PE specific transformation/restructuring plans.
- PE Categorization Framework will be finalized.
- The current remuneration guidelines have become outdated and have failed to address the remuneration related challenges. The Ministry will be developing new remuneration guidelines based on thorough market analysis.
- Another milestone to be achieved this financial year will be the development of the Performance Monitoring Framework and Electronic Performance and Evaluation System. This system will allow the Ministry to receive all PE business plans and financial statements online and will enable us to have real time electronic data on the performance of our

PEs. This will also enable the Ministry to follow up on non-compliant PEs and enforce penalties as prescribed by law (PEGA).

- PEGA regulations and other governance framework directives aimed at strengthening corporate governance are being drafted and will be finalized.
- To ensure effective transformation of the PEs, the Ministry will continue with ongoing activities such as:
  - Capacity Building for the Ministry and PEs, especially the induction and training of Boards;
  - Campaigns on multimedia platforms to market and publicize the Board E-recruitment System will continue. Our target is to have at least 1000 Namibians with diverse skills in the Database;
  - The recruitment of Board positions will be refined;
  - PEMES electronic system roll out to all PE; and
  - Engagements with Public Enterprises Boards and Executives will continue to ensure that ISBPs are submitted, analyzed and only bankable ISBP will be approved.

**Honourable Chairperson,**

In conclusion, I wish to thank the Honourable Members of this August House for their interest and continued support to the mandate given to our Ministry, and in the same vein for support of MPE's 2021/2022 Vote as I have just motivated. I would also like to acknowledge His Excellency the President, the Vice President, the Right Honourable Prime Minister, the Deputy Prime Minister, and all my dear colleagues in the Executive, for the diligent, proactive planning of our country's affairs during the COVID-19 Pandemic.

I thank you.