

# Contribution of Budget - 2014/2015

By

**Dr. M. Amweelo**

**Comrade speaker**

**Honourable members of the National Assembly**

Allow me to join the other Honorable members who are already congratulated Hon. Minister of Finance, comrade Saara Nandjila Kuugongelwa Amadhila, and Director General of National Planning Commission (NPC) Comrade Tom Alweendo on a job well done in the preparation of this budget.

Comrade Speaker my contribution will be basing mainly on the Development Programmes Book and the theme of the budget “Fiscal Sustainability and Job-- Creating Growth—Doing More with Less”. I’m going to talk about two things namely: Infrastructure Investment and Human Investment. On page 6, number 12 of the Minister’s Budget Statement she mentioned about the expanding the economy to achieve high economic growth rates with jobs, by investing in infrastructure. I’m 100% agree with her statement.

The big question is: Why we need infrastructure investment?

**We need good hard and soft Infrastructure** (such as: Transport infrastructure, Energy infrastructure, Water management infrastructure, Communication infrastructure, Solid waste management infrastructure and Earth

monitoring and measurement networks we also need good soft infrastructure such as: Governance infrastructure, Economic infrastructure, Social infrastructure, Culture, sports and recreational infrastructure) **to get our regions working again Enterprise zones and beyond: good roads, high speed broadband and functioning transport hubs are essential to ensure prosperity for all.**

Budget documents tabled by Cde Saara Nandjila Kuugongelwa- Amadhila say: NBC will get over N\$ 1 billion over three years. The money will be used for operating expenses infrastructure network improvement, implementation of Digital Terrestrial Television (DTT) migration and upgrading of studios. On 24 February 2014 the Standing Committee on ICT has invited NBC Director General with his Staff to brief the Committee on DTT project and the Committee was happy about the progress made by NBC so far. I think this is great news for the regional economy. If the capital is the nation's financial heart, then the regions are most definitely the backbone. Put simply, we need to do all we can to ensure **jobs are created** and prosperity returns to all parts of the country.

On page 15 of the Minister's Budget Statement: with regard to Targeted Intervention Programme for Employment and Economic Growth (TIPEG). A total of N\$14.5 billion has been allocated for three 3 years, it is very good but, I think we need more funds to invest in infrastructure so that we could increase the estimated 83 315 jobs. If we ignore this then the long-awaited economic recovery could well take a lot longer than expected.

In 2009 budget speech, then South African Minister of Finance Trevor Manuel announced his response to the unfolding global economic crisis. With the overarching priority of the South African fiscus remaining in job creation and growth acceleration, some new changes to the budget were announced with the aim to “reinforce macroeconomic stability... and provide a temporary cushion to the South African economy” (Manuel, 2009:10). The changes he made were **larger budget allocations** to social welfare spending, to state employment and job creation initiatives, and finally to increased public works investment. *(Social welfare is not the same as the standard of living but is more concerned with quality of life that include factors such as the quality of the environment (air, soil, water), level of crime, extent of drug abuse, availability of essential social services, as well as religious and spiritual aspects of life.)*

There was a study undertaken by EDAW AECOM, in partnership with King Sturg, **to assess the potential infrastructure requirements, costs.** The study has reviewed the main infrastructure requirements needed to support development in consultation with the key infrastructure and service providers. It includes a detailed assessment of the likely requirements for education, healthcare, emergency services, community facilities, open space, transport infrastructure and utilities infrastructure needed to support housing development in each of the locations under consideration.

Counter-cyclical public spending in infrastructure, such as roads, schools and hospitals, is an effective tool both to provide the foundation for rapid recovery and job creation. The main difficulty that major infrastructure projects face is the long process involved in its preparation, design, construction and review. In addition, we should not trade the potential of long-term sustainable growth for short-term benefits. Infrastructure investments should be subject to careful economic and governance analysis to ensure that they are economically sound over the long-term and funds are not misused.

With weak demand in the private-sector, government serves as employer of last resort in an effort to sustain both jobs and aggregate demand. Investments in infrastructure are often in economic sectors (improving transportation in particular, including roads, railways and waterways) and **social sectors** (education, water, sewage, and other services). This lays the foundation for long-term development and deals with immediate social needs. Local investments and their impact on development strategies lead to more job creation, greater ownership, and can rapidly boost local economies.

According to the World Bank, infrastructure spending announced for 2009 represented on average 64% of the total stimulus packages in emerging market economies, and 22% of the total stimulus in high-income economies. The time-lag in implementation of such projects can be a challenge, with the boosted infrastructure investments

unable to produce the expected results when a timely response to the crisis is required.

An ILO survey of employment and social protection measures taken by 54 countries confirmed the importance of infrastructure in fiscal stimulus packages : 87% of the countries allocated additional fiscal spending on infrastructure. One-third of these included a specific employment component, often with targets for disadvantaged groups. So while infrastructure is well recognized as a **means for employment creation**, the required attention to the number of jobs, and targeting employment in their design, implementation and monitoring has been less recognized.

Infrastructure expenditure in developing countries has a substantially **greater employment**. Some components of public spending contribute not only to short-term relief, but also to economic growth and general development through the accumulation of physical and human capital : physical, in particular through the development and maintenance of useful public infrastructure (mainly transport and housing), and human through skills development of workers and the promotion of SMEs involved in implementation. Spending cuts in such forms of investment would have a serious negative impact on employment and recovery unless ways could be found to maintain services with reduced costs.

Infrastructure investments should be launched both to build up capital for sustainable development and inclusive growth: **Human capital including skills**, employment

(including green jobs) and entrepreneurship development, and physical capital such as construction, rehabilitation and maintenance of infrastructure and natural and productive resources. It is of crucial importance to assess the overall labour outcome of these investments in terms of direct, indirect and induced employment, not only to assess their short-term effects but also the longer-term impact on growth and its distributional effects.

Cde. Speaker, wherever feasible, decentralized public investment should be preferred. The advantages of local investments are particularly relevant in times of crisis.

**First**, decentralized decision-making processes are usually faster and make the local population more committed to the projects. It improves targeting and its proper use and maintenance.

**Secondly**, the works undertaken are usually on a smaller scale and involve less expensive tenders, which means there is less need for heavy machinery, and hence greater job creation for the amount invested.

**Third**, decentralized tenders are more likely to be executed by local firms using workers from the area, thus boosting the local economy and recovery.

Finally, finally, the infrastructure projects which are co-financed by international financial institutions should make sure that their regulations allow for an increase in labour content in infrastructure development.

Comrade Speaker, Honorable members, with these not few and not many words I fully support the **Appropriation Bill**.

I thank you.

