2017/18 NATIONAL BUDGET

BY Hon. Benson P. Kaapala, MP

Firstly I would like to applaud the Minister of Finance (Calle Schlettwein) and his team for a budget that many economists say is a budget that aims to restore confidence in the domestic economy and calls for "continued, yet firm, commitment to fiscal consolidation and a shift towards productive spending."

Namibia as a small and open economy is exposed and vulnerable to global changes that affect its export earnings what the Minister called external headwinds therefore it is necessary look at ways of addressing revenue issues in the long run and merely from one Fiscal year to another. It is with this in mind that I would like to contribute the following. I would like to use a few case studies to bring light to the issues that we as a country need to start addressing more vigorously and with a great deal of self-sacrifice.

1. The first case I would like to look at is that of Zambia. The Zambian economy after independence in 1964 was one of the fastest growing economies in the world. From 1964 up to 1980 Zambia had trade surpluses year after year and it had a positive Balance of Payments (BOP) which is

companies which government policies protected by high import taxes ensuring that there was a sufficient local market for locally manufactured goods which stimulated production. The government also developed its own research and development of hi-tech. In addition, South Korea decided the country should become self-reliant by utilizing five-year plans designed to increase wealth within South Korea. Government policies changed from import based to export based and aimed to replace imported goods with locally produced goods.

3. In short unlike Zambia that relied on natural resources for revenue, South Korea invested in human resource and in a knowledge based economy which in less than 50 years resulted in South Korea being declared a new industrialized country while Zambia is still a developing country and still relying on foreign aid and commodity prices 50 years later.

4. The question therefore is, how long will we continue as a "small and open economy" be exposed and vulnerable to global changes especially in commodity prices that affect our export earnings? As long as we continue to hope on improved commodity prices, we cannot hope for to

attain Vision 2030 or the "Harambee Prosperity Plan." The two cases I have put before this August House are two paths which lie before us a country, which path do we choose?

5. Social spending which includes education, health and poverty alleviation makes up 48% of total expenditure with education getting the largest chunk is a sign that we are investing in human resource and knowledge and yet, our grade 12 and grade 10 results which serve as indicators of our progress in human resource and knowledge based economy have been dismal. Therefore we as Law Makers need to steer this country with policies that foster a self-reliant economy that is not heavily affected by "external headwinds." The Public Private Partnership Bill which we debated in this August House is one such step and more needs to be done to allow locals to invest in the growth of this country. However, just like this budget which calls us "to rededicate our efforts towards the values and objectives of our democracy in a unitary, developmental State" it is important that as Law Makers and the electorate as a whole we should hold government accountable and demand effective

governmental action especially to promote private capital investment in infrastructure.

6. This budget has also called on our people to engage in income generating activities especially during this time. However, our people struggle with bank loans or capital to begin income generating projects. Research has shown that entrepreneurs and their activities drive economic growth more than foreign trade and foreign investors and yet as a country we are still highly dependent on foreign trade making us highly vulnerable to global market changes. Our country's economic growth depends largely on world commodity prices and foreign investor confidence which has been unstable in recent months. In the long run, investing in our own people especially knowledge and entrepreneurship activities will create economic stability and sustainable growth. Example of failed foreign investment is the Ramatex, foreign investors will always weigh their benefits and will leave when there is limited profit whereas local entrepreneurs will fight through the storm because where can they go to? Many of our banks are not patriotic and will not invest in our people's entrepreneurship activities. Even

government funded banks like SME, Development and AgriBank have failed to provide capital for our people to start up income generating activities. Tenderpreneurs who had benefitted from these banks are now in trouble because of government's failure to pay for services rendered on many projects and these banks as if oblivious to the current financial situation are chasing down these contractors for repayment.

In conclusion, even as we debate this Fiscal Budget for 2017/18 it is most important that we begin engaging in national dialogue and look into diversification of revenue generating activities beyond just export of primary resources and from SACU's purse. The Minister of Finance is right in that "we need to take decisive steps for economic diversification and industrialization" but this should not be limited to discussions but radical policy transformation with a clear purpose. Looking at Namibia, it is a vast country with a great abundance of resources, our population is small and can be compared to countries like Singapore with small populations and yet Singapore has a very small territory of only 719.1 square kilometre which is 1100 times smaller than Namibia. Yet Singapore is a world leader in several economic sectors.

Why can we not emulate what countries like Singapore are doing and harness the resources we have and become self-reliant and not have to depend on "external factors" to determine our economic stability and even our budget planning?

We have sold our country to the Chinese and yet we have failed to emulate their good economic policies and economic reforms of 1978. Looking at China's GDP, the largest category of the GDP at 46% is the tertiary sector while the secondary sector accounts for 45% of the country's total output. The primary sector weighs in minimally while for us in Namibia, we still depend on the primary sector for revenue meaning we remain vulnerable to external headwinds and commodity prices. As a result of a GDP that leans on the tertiary and secondary sector, China weathered the global economic crisis better than most countries. It exited the financial crisis in good shape, with GDP growing above 9%, low inflation and a sound fiscal position. We do not live in a vacuum therefore let us learn from other countries and emulate those things that have made them competitive and world leaders in the global market.

I thank you