



THE RALLY FOR DEMOCRACY AND PROGRESS (RDP)



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CONTRIBUTION BY HONOURABLE MIKE RATOVENI KAVEKOTORA, MEMBER OF PARLIAMENT, ON THE DEBATE OF THE APPROPRIATION BILL 2016 / 2017

Tuesday, the 8th March 2016

Honourable Speaker,
Honourable Members,

You might recall that during my maiden speech last year I made a comment to say that poverty in Namibia is man-made. The time has come to elaborate on what I meant by that.

Namibia is endowed with so many natural resources that are in high demand in the international markets, yet Namibia is one of the countries with the highest Gini-coefficiency in the world. The question is why is Namibia failing to meet the needs and aspirations of ordinary Namibians? Why is poverty still a burning issue? Why is unemployment so high and why is the gap between the rich and the poor widening? Why do some Namibians feel left out and why is wealth distribution done in such a discriminatory manner?

In an attempt to give answers to similar questions, an old professor of the University of Stellenbosch narrowed it down to three main factors. He argued that all these are as a result of leadership, understanding and the decisions leaders take and the choices they make. Research has also shown that countries can grow their economies and develop faster if leaders take decisions in the national interest.

Changing this situation requires, of course, leadership choices informed by popular needs rather than narrow interests, and take deliberate steps that increase competition and reduce inefficiency and corruption, improving transparency and accountability, ending often politically motivated projects and expenditures, reducing bureaucracy and simplifying processes and procedures.

We as leaders must understand that if we wish to appreciably and sustainably enhance the national well-being of our people, we have to give primacy to investing in productive capacity and allow the private sector to play its full role in the economy.

Honourable Speaker,
Honourable Members,

Poverty in Namibia is not because the world has denied us the financial means to compete. The modern era of globalization has afforded Namibia and many emerging markets unprecedented trade and investment opportunities.

Poverty in Namibia is not due to lack of natural resources or agricultural potential. Namibia, compared to some Asian countries, is endowed with export materials, yet these resources have been used only to enrich the elite, spread corrupt practices and divert developmental energy and focus.

One would appreciate the allocation made to the Ministry of Agriculture but question the logic of a smaller allocation to this ministry compared to defense for instance. Namibia today is faced with four challenges in the agricultural sector that require immediate action if we are to unleash the agricultural potential of Namibia:

- (1) Mitigation against the possibility of another foot-and-mouth disease outbreak;
- (2) The persistent drought situation in Namibia;
- (3) Loss of productivity due to bush encroachment on the one hand and soil erosion on the other, and
- (4) The incorporation of the northern communal areas in the mainstream of the economy.

Agriculture is not only a means of spreading growth into other sectors and improving the overall social welfare among the many Namibians engaged in agricultural production; it also mitigates development risks. The Namibian economy remains hostage to commodity price fluctuations, given our significant dependence on mining revenue. Agriculture offers the means to some diversity and put in place the necessary conditions that have allowed other countries to pursue and realize their developmental goals.

East Asia's development record for instance has illustrated the importance of first freeing up agriculture; and then, on the basis of productivity gains and food security, moving into manufacturing. In Europe, agricultural revolution was the foundation for Industrial Revolution.

Honourable Speaker,
Honorable Members,

Interest payments, government obligations to servicing debt are budgeted at 4.88 billion in Financial Year 2016 / 2017. This equates to 8.5 % of revenue. It is true that it is below the statutory ceiling. However, we are moving slowly close to that statutory ceiling and actions must be taken now to curb borrowing and stimulate growth.

The impact of the adverse external environment on the revenue generation capacity of our economy, in my opinion, is under-estimated. I don't see the impact of the significant drop in commodity prices being factored in the projected revenue.

The anticipated proposals by government for the partial listing of some of the public enterprises on the Namibian Stock Exchange is a welcome move, provided the process is done in an open and transparent manner. We have allowed the politically well-connected to capitalize on their association with the ruling party for far too long.

Government should consider taking a minority shareholding in most of these commercial State Owned Enterprises. The argument has always been that by turning SOE's over to private ownership, government is abdicating its responsibility to the public. Another underlying fear is that of losing political control over these entities. . The other side of the coin is that privatization could lead to economic and financial improvement. Such an improvement will enable the government to reduce budgetary support (standing at 17.23 billion in the current financial year) to these SOE's and thereby reducing borrowing and or loan guarantees.

Honourable Speaker,

Privatization of commercial SOE's if done prudently is a positive move. Privatization has a positive effect on enterprise efficiency, leading to improved performance, reduction in government subsidies, increase in tax revenue to government and reduction in public sector's debts and borrowing requirements.

Having said that, I urge the government to privatize Air Namibia, a non-essential commercial SOE that is milking government to the bone. With regard to Air Namibia, although its subsidies have not been reflected in the national budgets before 2007, the cumulative bailouts since independence up to the projected funding in the 2018 / 2019 financial year exceed 10 billion. Therefore, any patriotic Namibian should ask him or herself how to privatize Air Namibia successfully, and not whether to privatize. I listened to many opposed to the privatization of Air Namibia and most of them are citing political justification as opposed to economic and financial consideration. We can still retain our national pride in a cost-effective way by retaining minority shareholding. It simply does not make economic sense to continue allocating more government resources to Air Namibia in comparison to other SOE's like TransNamib.

The argument of retaining a national airline to carry tourists does not hold water either. Many of the main developing countries international tourist destinations did not have national airlines. For instance, Costa Rica, Peru and the Dominican Republic did not have national airlines. So getting out of the airline business will free government limited resources to focus on social needs and developing local products and services for the tourist market. Our focus should be on standardizing and streamlining customs procedures to make them more efficient and customer-friendly. In the computerized environment of Singapore, for instance, it takes a few minutes to clear a container which at the port of Walvis Bay one has to wait for anything between two days to six months or even a year.

Honourable Speaker,
Honourable Members,

The Namibian railway system is critical for economic growth and the reduction of transport costs. Our transport cost amount to anything between 50 and 60% of the overall logistic cost way above the global average of 30 – 40%. Namibia's railway network is facing avoidable problems, notably the maintenance backlog and lack of investment in rail network since independence.

The little investment in rolling stock was so politically motivated that it did not make a significant improvement on Namibia's capacity to move freight by rail resulting in a mush-rooming of trucks on our roads. The impact of this wrong choice led to a rapid decline in the life cycle of our road network. It is against this background that a higher allocation to Air Namibia compared to TransNamib is highly questionable.

I urge the government to unbundle NAMPOWER. The bundling of electricity generation, transmission and distribution is a wrong approach that leads to an undesirable monopolistic situation which disadvantages all electricity consumers including large-scale commercial consumers as well as private households. A lack of competition in the electricity sector generally results in lower quality of service delivery. Therefore, it is critical to implement regulatory and policy reforms to restructure NAMPOWER by unbundling power generation from power distribution and supply. The government must facilitate the entrance of private electricity generating companies to improve service delivery and competition while establishing a truly independent regulatory authority.

The current limited participation of independent power producers (IPP's) in the Namibian electricity sector is a bad choice and must be done away with. Independent power producers (IPP's) contribute an important form of private sector participation in Namibia's power sector. In the current regime of demand outstripping supply and the high appetite of the private sector in the electricity generation sub-sector, independent power projects need serious consideration. These projects have the potential of becoming a major source of new power generation capacity in Namibia.

I applauded the Minister of Urban and Rural Development when she stopped the construction of houses through the Mass-Housing project. To my surprise and with a few cosmetic changes, the project has resurfaced again. Again, this is a clear demonstration how politics enjoy preferences over business prudence and economic realities. The government continues to implement political projects that are inputs driven. Once again the mass housing project in its current form will not alleviate the housing need of needy Namibians and I don't understand why government is determined to waste tax-payers money on a politically motivated project.

Honourable Minister: Do the right thing and do things right. It will not help you do things right if you don't do the right thing;

- Come up with a proper definition of the ultimate beneficiaries of this project;
- Come up with a proper definition of the housing market segment you want to engage;
- Conduct a proper research to better understand the market segment, their economic and demographic realities;
- Identify the right implementing partner with the right skills and competencies, and
- Ensure a standardized implementation strategy in order to de-politicize the project.

Honourable Speaker,
Honourable Members,

Finally, let me put the projected 4.3% economic growth into perspective. According to the World Bank; were Africa to grow economically at five (5) percent per annum in real terms, it would still fall behind. In 2001, the World Bank projected that the continent needed to grow at over 7% for more than 15 years to make inroads into its poverty backlog. The challenge for us as leaders is to find the means to ensure greater economic value from Namibia's comparative advantages, and improved competitiveness. These aspects of economic activity demand good policy and good governance, the right choice by leaders.

On education; the combined allocation of 16.2 billion to both ministries is a welcome move. But, the time has come for education to contribute to the growth of our economy. I urge the two education ministries to become more output driven and respond to the needs and expectations of the local industries. In other words, focus more on quality as opposed to quantity, and become more output driven rather than just focusing on numbers.

Honourable Speaker,
Honourable Members,

Let me conclude by quoting President John F. Kennedy who said and I quote: "Our problems are man-made. Therefore, they may be solved by man. No problem of human destiny is beyond human being."

I THANK YOU.