



REPUBLIC OF NAMIBIA

**BUDGET MOTIVATION BY
THE HONORABLE LEON JOOSTE, MP,
MINISTER OF PUBLIC ENTERPRISES**

VOTE 34

**NATIONAL ASSEMBLY,
Thursday, 17th March 2016**

Honorable Chairperson of the Whole House Committee
Honourable Members,

I rise to present the motivation for the budget for vote 34, Ministry of Public Enterprises.

Please allow me to take this opportunity to congratulate the Honorable Minister of Finance, the Honorable Deputy Minister and the entire staff of the Ministry for preparing the budget. Equally, I would like to extend the same congratulations to the Honorable Minister of Economic Planning, His Deputy and staff of the National Planning Commission for the thorough preparation and tabling of the budget estimates for the 2016/2017-2018/2019 (MTEF) Financial years. The budget is well balanced and focused on poverty eradication, social upliftment and overall economic development of our country.

May I now move, Hon. Chairperson, the total budget allocation to the, Ministry of Public Enterprises for the financial 2016/2017 which amounts to **Seventy-Seven Million Four Hundred and Twenty Three Thousand Namibian Dollars (N\$ 77 423 000.00)**. This represents an increase of **Forty Seven Million Eight Hundred and Thirty Four Thousand Namibian Dollars (N\$ 47 834 000)** or **62%** increase from the 2015/2016 allocation.

As an introduction, it is important to, once again, remind this august house that the mandate of my Ministry is ***“to position Namibia’s key public enterprises to play their meaningful role in the country’s developmental agenda”***.

Public Enterprises, in Namibia, represent a combined asset value of **± N\$40 billion** (plus minus forty billion Namibian dollars), and the number of Public Enterprises continue to increase (97 PEs to date). The role of Public Enterprises in the Namibian economy is absolutely cardinal and the reform of this sector is paramount to maintain sustainable economic growth. The Ministry of Public Enterprises was therefore created to steer the reform process.

Honourable Chairperson of the whole house Committee,

I informed this August House last year that the Ministry was going to consolidate and unpack the mandate given to us. I am glad to inform you that a number of achievements have been recorded, notably:

- Amendment to the SOE Act, Act No. 2 of 2006
- Creation of additional posts to the establishment
- Approval of the Corporate Advisory Reform Unity (CARU)
- Drafting of the Ministerial Strategic Plan
- Consultation of Key Stakeholders on the approved Central Governance Model
- Conducting of necessary studies and Global benchmarking
- Approval of comprehensive Principals, Policy Frameworks and Directives for Public Enterprises in Namibia
- Creation of Database for Potential Board members for Public Enterprises
- Completion of Terms of Reference for the Performance Monitoring and Evaluation Framework
- Finalization of the new Governance Model for Namibian Public Enterprises
- Training of Board members

The Ministry of Public Enterprises is however still in the process of consolidating on the afore stated notable achievements by ensuring that Public Enterprises are placed in a position where they are well managed and no longer present a financial burden to the State. In addressing that anomaly, my Ministry continues to strengthen the following aspects:

- The finalization of the establishment of the Corporate Advisory Reform Unit. I explained the purpose of this unit during last year's budget statement and I am confident that this unit will provide the Ministry with the required technical capacity to dramatically enhance the effectiveness of the State as Shareholder.

- The Ministerial Strategic Plan will be finalized before the end of this month and this operational document will in turn guide us towards the finalization of the optimal structure for the Ministry. I am committed to a lean and mean structure for the Ministry of Public Enterprises and I am confident that we will be able to implement our complex mandate with a small, skilled staff component.
- The revision of legislation at the Ministerial and Public Enterprise level, in order to align the legislation to our mandate and to address certain anomalies that currently exist.
- Capacity building at Ministry and Public Enterprise levels, particularly, Public Enterprises Boards of Directors. The Ministry has together with NIPAM formulated an induction course for Board members and I am happy to say that all newly appointed Board members participate in a compulsory induction course before they participate in the formal activities of the respective Boards. Various other targeted courses will also be offered throughout the year to coach Board members on principles of corporate governance, leadership and other related matters.
- Housing of the Public Enterprises information database at one single centralized point to support Government decision-making is desirable and the Ministry has managed to gather large amounts of information and data from the PEs.
- High emphasis will be placed on performance management systems and processes for Public Enterprises, their Boards and Management.

In order to concretize the delivery of the above aspects, the Ministry is currently finalizing the Strategic Plan for 2016/2017 - 2020/2021. This is a five years Strategic Plan which outlines key strategic objectives, targets, outputs and the required resources to realize those strategic objectives.

Equally, during the period under review, my Ministry has assessed the skills and technical capacity, required for the implementation of the identified deliverables; now and in the future. The Ministry will continue to enhance the capacity as the time goes on and the need arise.

Honourable Chairperson,

During my inaugural budget speech, last year, I informed this August House that the rationale behind the creation of the Ministry of Public Enterprises was to provide a major shift from the way we have been doing business with regard to the Public Enterprise Sector. In this regard, therefore, the Ministry has undertaken to embark on the following major initiatives:

- ❖ Enhance Good Corporate Governance
- ❖ Empower Public Enterprises
- ❖ Transform Organizational Culture and Leadership
- ❖ Ensure a Competent Ministerial Workforce
- ❖ Ensure Adequate Funding and utilization of Resources

Through the above objectives, the Government of the Republic of Namibia, will, without doubt, be able to properly approach major programs that are aimed at improving the lives of our citizens. These are, for example:

- ✓ **Poverty eradication:** Through proper monitoring of programs of PEs, financial performance will improve, with the intention of making some PEs financially self-reliant. This will relieve the financial burden on the Treasury with Government constantly bailing out PEs. Once this is achieved, the Government will be able to divert these funds to many other priorities earmarked for poverty eradication. In the same vein, well performing PEs will be paying dividends to Government, and, in this regard, empower Government to fight poverty. The Ministry of Public Enterprises is also going to facilitate the first Poverty Eradication strategy for Namibian Public Enterprises. The fact is that many Public Enterprises have a role to play in the fight against poverty in our country and the Ministry of Public Enterprises will facilitate the formulation of such a strategy together with the Ministry of Poverty Eradication and Social Welfare.

- ✓ **Industrialization:** Through economic PEs, we will support infrastructure development/investment in our country, and this will enhance self-reliance and sustainable growth.
 - Ensure specialized skills development in PEs, to support industrialization.
 - Craft policies and advocating business expansion for well performing PEs.

- ✓ **Employment creation:** encouraging well performing PEs to apply growth strategies and thereby, creating additional employment opportunities.

- ✓ **Economic growth/wealth creation:** supporting the fulfillment of the implementation of economic growth in the PEs sector. Improving the balance sheet of PEs, as a base for wealth creation.

In order to ensure that we, as a country, do not address the new mandate given to the Ministry in isolation, I have visited a number of countries with a view to learning from their experiences in the management and reform of public enterprises. All the countries I visited have either adopted a centralized governance model or are in the process of migrating towards a centralized governance model. To complement the benchmarking missions, the Ministry continues to undertake desktop studies. We are, therefore, confident that we will deliver what is required from us by our Government, namely, to enable our public enterprises, especially the commercial ones, to compete globally.

**Honorable Chairperson,
Honourable Members**

Our Ministry has indeed positioned itself to embrace the “Harambee for Prosperity Project” that our President will unveil during the State of the Nation address in order to accelerate development and fast track measures essential for prosperity, economic development and the fight against poverty, and inequality. In that regard our Ministry is in the process of identifying a number of high priority Commercial Public Enterprises to champion this effort and to then endow them with a degree of “preferential treatment” to facilitate the intentions of this special project. I shall report progress in this regard at an opportune time.

May I also, at this juncture, express my appreciation to this august house, for the support in the amendment of the SOEG Act, which is now amended to the Public Enterprises Act, Act No. 8 of 2015. This Act has enabled us to achieve commendable milestones. However, while we have amended that Act, there may still be major amendments required to this Act and the establishing Acts of various Public Enterprises. This legislative review is ongoing and aimed to synchronize the various layers of legislation and accommodate the governance reforms.

Honorable Chairperson,

Let me now reflect on the details of the budgetary allocations to Vote 34 for the 2016/2017 fiscal year. The activities in our Ministry are grouped under two main programs:

1. Supervision, Coordination and Support Services
2. Legal and Economic Advisory Services

Program 1: Supervision, Coordination and Support Services

An amount of Forty-Two Million Six Hundred and Thirty-Six Thousand Namibian Dollars (N\$ 42 636 000) has been allocated to this program. This program consist of two main components, namely Administration or Coordination and Support Services and Managerial oversight and the Corporate Advisory Reform Unit

Under this, we intend to:

- Support the public enterprises transformation, which will provide the Ministry with financial, human resource management, legal and corporate governance frameworks. Under this activity the Ministry will conduct research and development based on international best practices, the research will inform the Ministry of the medium and long term transformation. In addition, the research will lead to the development of a clear strategic plan, streamline and review corporate governance guidelines and establish further common policy frameworks and directives.
- Supervision and coordination of the Ministry of Public Enterprises render support services that include human resources, auxiliary, financial, computerized information systems, public relations and reviewed financial reports and performance agreements in public enterprises.
- To provide guidance, capacity building, human and financial resources as well as auxiliary services to both internal and external stakeholders of the Ministry of Public Enterprises.

Program 2: Legal and Economic Advisory Services

An amount of Thirty-Four Million Seven Hundred and Eight Seven Thousand Namibian Dollars (N\$ 34 787 000.00) has been allocated to this programme. This programme consist of two main components, namely Legal, economic and governance advisory Services.

Under this, we intend to:

- To review legal frameworks of PEs
- Review of Public Enterprises financial and performance reporting system.
- Maintaining and safe keeping of computerised information systems and improve MPE's public image.
- Establish and further develop generally accepted policy frameworks, directives and good practices, governing the PE Sector,

- Develop a framework for monitoring and evaluating performance and to formulate directives in relation to governance agreements, performance agreements and remuneration levels.
- Source an appropriate IT based product to evaluate strategic and economic performance of all Public Enterprises in real-time.

In terms of allocation, for 2016/2017 Financial Year, the Ministry is requesting the total amount of **Seventy Seven Million Four Hundred and twenty Three Thousand Namibian Dollars (N\$ 77 423 000.00)**. Out of that total amount of **N\$ 77 423 000.00**, a total amount of **N\$ 42 636 000.00** is allocated to Program 1, while **N\$ 34 787 000.00** is allocated to Program 2.

In summary, this allocations stagger along the following lines;

Program 1: N\$ 42 636 000.00,

Out of this total amount of N\$ 42 636 000.00, a large amount is allocated for the Ministry's personnel and operational expenditure, travel and subsistence allowance, general administration, furniture, office rental, conferences utilities and transport.

Program 2: N\$ 34 787 000.00,

An allocation of N\$ 24 320 000.00 to this program is allocated for goods and services to cater for short-term consultancies for example the synchronization of the PE Governance Amendment Act to the establishing Acts of PEs.

The rest of the funds, N\$ 10 467 000.00, will cater for personnel expenditure, travel and subsistence allowance, general administration and logistics.

NB: The Ministry does not have any capital/development expenditure at the moment.

I believe the task that has been given to my Ministry is of fundamental importance to the development of our economy as well as to the advancement of the living standard of our people and deserves the support of every Namibian and all stakeholders. We have resolved to respect the honor bestowed onto us by our Government and we have declared to deliver the service to the people of our country to the best of our ability.

Honorable Chairperson,

I am aware that the members of this house and our Nation are anxious for an improvement of the status of Namibian Public Enterprises. I want to declare that I personally share this sense of urgency but also that I have committed to follow a very calculated, coordinated path towards the reform of our Public Enterprises. There is a certain sequence of events that has to be followed and the last thing I will allow is for unnecessary, potentially expensive mistakes to be made by rushing into unproven solutions. The decisions we take must always be guided by fact. The first year after the birth of the Ministry of Public Enterprises was productively used to prepare for implementation and my expectation is that 2016 will be remembered as the year where our strategy for the comprehensive reform of Namibia's Public Enterprises will be exposed. We will implement an entirely new Governance Model for Namibia's Public Enterprises and wide-ranging restructuring of Public Enterprises will be implemented once thoroughly evaluated and approved by Cabinet. The forms of restructuring to be proposed potentially include the merging of certain PEs, the re-absorption of certain PEs into Line Ministries, the partial listing of certain PEs on the Namibian Stock Exchange and the possibility of more participation from strategic partners. All forms of restructuring will follow a clearly defined and calculated process and will only be approved once we are convinced that it will enhance the efficiency and effectiveness of an entity, or the delivery of services to the benefit of the Nation. The public and the members of this august house will be informed of the systematic implementation of these reforms in due time.

As I conclude I wish to thank the members of this August House for their support and interest in our Ministry and I want to in particular thank His Excellency The President, The Vice President, The Right Honorable Prime Minister and my dear colleagues who make up the Executive for their patience and support as we steer through uncharted territory. Together we shall reform Namibia's Public Enterprises. I want to thank the Honorable Members of this respected House in advance for the overwhelming support for Vote 34.

I thank you.

**Leon Jooste, MP
(Minister)**