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## **Appropriation Bill 2018/19 Debate**

**By Hon McHenry Venaani MP**

**President of PDM Namibia**

**Leader of Opposition**

Check against Delivery

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**29 March 2018**

**Hon Speaker, Hon Members**

AS per the constitution and standing orders of this house, I rise to respond to the appropriation bill tabled in this parliament on the 7<sup>th</sup> of March 2018.

**Hon Speaker**, I believe that Opposition Politics and its transaction should not only be a loud noise making tirade without substance, it must carry the argument critic and offer ideas and solution for the fortitude of our Republic! Equally the ruling party politics should not be biased in its transaction on the principle that might is right, but on a much bigger robust arguments that must win the day and economic emancipation for the country. More so it should listen to the minorities' views and arguments to seek consensus for a better tomorrow. The ruling party knows how much it's needed in this predicament! Clearly we are struggling as a country, and in economic terms, we are not what we use to be!

**Honourable Members**, allow me ease into my debate by highlighting one of the most commonly used word in this house, Honourable.

I am aware that in neo-classical poetry the assumption is to treat MPs and statesmen as if they are wise and just, tolerable and fair, honourable and

respectful, we condition ourselves always to clothe people with the garbs and accolades of virtues they are assumed to possess. Often when these titles or references are uttered, they do not even remotely imply the speaker's belief in the honour or erudition of those to whom we refer to as Honourable.

I would therefore like to urge and challenge all the members of this house to attain and maintain a poise and manner that makes it worthwhile to refer to them as Honourable. An Honourable character and disposition demands of each one of us that we break free of the frozen crust of blind loyalty to persons however powerful they may be. It demands that we act justly regardless of the artificial boundaries of political affiliation. It demands that we strive always to speak the truth and take the citizens of this country into our confidence. An honourable character creates a moral context for the habitual settings of all our actions. I challenge and implore the members of this Parliament, to rescue the word Honourable from the clutches of sycophancy; by being practically fair and just, by avoiding the use of Honourable as a way of satisfying their interests, whatever they may be, by avoiding the use of their honourable offices to attain public favours (like fishing quotas and land), by abstaining from setting aside the people they represent in favour of only people closest to them, friends, family members, and business partners, to rescue the word Honourable by abstaining from corruption and corrupt practices crippling this nation and the Namibian people at large. I challenge members of this house to maintain their Honourable status and not use it as a mean less title! But embrace and use it to the benefit of the Namibian people.

Corruption and wasteful expenditure cost us dearly. They steal our dreams of quality education and decent jobs for our children, and hopes for good health, decent housing, quality basic services, and safety for our persons and our property. We lose millions of dollars to corruption and negligence every year.

Hon. Members, it goes without saying that this country is in the pit of financial crisis. The government and indeed the President of the country has smartly denied this assertion and for a long time argued the public not to admit that the economy is going down the drain! Which perhaps did more harm than good. Because by denying the public the truth and blinding them, they stuck to their usual routine of pumping resources and hard work into fruitless government projects of constructions and public partnership project which were immediately terminated due to budget cuts the previous year, but we are grateful that the public has opened its eyes and the President and his government since then admitted that it has indeed driven our economy to the ground!

## **Trickle-Down effect**

The trickle-down effect is a funny term. Trickle-down in economics is a theory that says benefits for the wealthy trickle down to everyone else, this also involves government. It highlights the importance of an independent market, worth redistribution and a working private business sector. Ronald Reagan perfected this system to get the United States of America out of recession in 1980.

Reagan's administration, despite its considerable focus on Private sector than on the Public sector, it did cut the government budget. Because injection or investment in the government projects as in private sector, will eventually trickle down to every single citizen in the country, whether rich or poor.

Trickle-down effect focused on cutting or reducing taxes, government spending, reducing imports and depending merely on domestic products, while increasing imports.

Trickle-down economics assumes investors, savers, and company owners are the real drivers of growth. It promises they'll use any extra cash from tax cuts to expand business growth. Investors will buy more companies or stocks. Banks will increase lending. Owners will invest in their operations and hire workers. The theory says these workers will spend their wages to drive demand, economic growth, invest earned money, increase national income, improve GDP, improve, GND, reduce unemployment, all the ingredients for a healthy and prospering government.

In Namibia though, we have a Trickle Up effect, our economy involves milking the poor, it involves imposing more taxes on the private sector, it involves crippling the private sector, it involves controlling private businesses and investing in dead and underperforming SOEs like Air Namibia and others! It involves milking the poor and spoon feeding the rich, and taking land from the masses to give to the elites (or redefined as previously disadvantaged people).

## **Unemployment**

We have worrying inconsistency in the rate of unemployment in Namibia. Unemployment Rate in Namibia increased to 34 percent in 2016 from 28.10 percent in 2014. In 2008 it was 37.6%, 2012 27.4%, 2013 29.6%. To put that in perspective, Japan with ten times bigger population than that of Namibia has minimum unemployment rate of 1% monthly and maximum of 5.5% also monthly. In Tanzania, the minimum unemployment rate is 10.3, with only a maximum of 12.9.

Most of our citizens have given up hope of ever finding a job, because of there are simply no jobs to even look for. Amongst the youth, two in five are jobless. A growing number of them have tertiary qualifications. The job search period now runs into years and is still growing. Job quality is also deteriorating in terms of pay, security and conditions of service. This is the life story of the majority of those in the private sector (shop assistants, security guards, clerical staff, and entry level professionals). Because of this, majority of Namibian citizens are below the poverty line.

The government needs to realise that it's not a recruitment agency, and therefore cannot employ every citizen. To reduce unemployment, government need to create an enabling environment where individuals can be able to employ themselves and others. Government needs to enable the private sector to help in the creation of employment, by enabling them, by creating an environment where private business can prosper, rather than stifling their progress with budget cuts and termination of tenders etc., and hoping the majority or average population can be accommodated in government jobs. It's time the government realise that the citizens do not want AVERAGE!

This budget will not solve the unemployment problem in the country, it encourage unemployment! Unemployment in Namibia is currently at 40 percent, by the same time next year, unemployment will probably be at 45 percent!

### **State-Owned enterprises**

SOEs are becoming a problem for our economy, they by far depleting our available resources. SOEs and parastatals are becoming more than just a drag on the economy. They are not only drowning the economy, they are crippling it, and disappearing in thin air. What happened to SME Bank? What happened to RCC? What happening to NSFAF? Have they not received any funding from the government budget before their capitulation?

Air Namibia, TrasNamib, NTA and other SOE or Parastatals have received larger chunk of money from government for a number of years without any considerable return on these investments in form of revenue or profit. Air Namibia and TrasNamib particularly, comes back to borrow even more money to bail them out of their financial mess, even this money is not returned to government.

Yet government and the budget persist with huge allocation to these enterprises. The government talks about privatisation, and Public Private Partnership, yet these troubled companies seems to be immune to privatisation and Public private partnership. They do more harm than good, they drain the government coffers than fill them, they make more losses than profits, they are wrecked investments

by government which will one day collapse, just like the others, despite all the money invested in them by this budget, particularly to keep them standing, but for how long? If this money was invested in Small and Medium local Enterprises and stimulation of youth venture capital and entrepreneurship projects, it could have much better return than these hopeless investments. I would also like to highlight the Purpose of the Public enterprise Ministry in this respect, since its formation is supposed to relieve pressure from government in terms of sorting out public enterprises, handling them and enabling them to perform better, yet we have hardly seen any improvement in the performance of these companies? Is the Ministry not doing its job? Or are the Public Enterprises simply beyond saving?

### **Small and Medium Enterprises**

SMEs have come and gone. Sounds familiar? Yes, just like the SME bank! Investment in SME is non-existent in this budget, investment in SME development is not enough. This budget is a crippled budget, and focused mostly on crippling the private sector, stifling the private sector means crippling the SMEs, increasing tax on alcohol and tobacco products (sin tax) the increases are between 8.5% and 10%, and fuel levies, does not only cripple SMEs but indeed close them down completely. Clearly this budget is not inclusive, it failed to take into account how tax increment affect the SMEs and private business owners. Projects mentioned in the MTEF and Budget are all government bound, SMEs will again be feeding off scraps and struggling to get the next stock or secure the means of production to stay in business, like tenders and means of generating capital. We all know that investment in SMEs would be welcomed, more than pumping lots of millions in hopeless SOEs. The budget hardly

Broadening of tax base will squeeze the life out of the private sector, reduce the private sector's contribution to the economy and to the country's income, in the end it discourage the private investors to even invest in our country, especially foreign investor and discourage aspiring business owners from starting their own business in such a business crippling environment. | Government must provide enough financial support to small and medium enterprises because they provide more job opportunities. Public Private Partnerships are welcomed, but they clearly do not solve the problem. Privatization is not mentioned in the budget, no matter how important it can be to the economy

### **Social Grants**

The current budget as in the years before have increased pension to the elderly people. A commendable initiative. ~~Although every time it continues to look more~~

~~like a political ploy to gain voters than a thoughtful initiative~~ Because social grants do not only include pensioners, it also involve orphans and vulnerable children's, over the years their payments has remained relatively low and average at best. It is my view that we should attempt to strike balance as we have already established, at their inception, that they are equally essential and thus should be afforded equal consideration.

My other main consideration is the whole concept of social grants as an instrument of pro-poor. I imagine the day – when the main beneficiary “the elder” ceased to be there (live). The main question remains: What will happen to majority of the dependants who rely on his/her income as a mean of survival?

Therefore, we should realise social welfare are of short-term nature – we should look for more long-term measures to seriously make a dent on poverty – such as Agricultural Transformation and modernisation as majority of the Namibian are rural –based.

The levels of poverty, joblessness, inequality and exclusion that we see today, are a result of policies and strategies that entrench economic, social and political exclusion. Inclusion requires policies and strategies that do three things efficiently:

- a) Empower people and communities by building their agency and enhancing their access to productive resources and opportunities;
- b) Expand opportunity and ensure equitable access thereof; and
- c) Provide social protection, both to meet the needs of the indigent and to provide a platform for reintegrating those who subsist at the margins of the economy into the economic mainstream.

## **Agriculture**

Agriculture is mostly the last name on the budget allocation list. In the year 2017 it was second last with the second lowest budget allocation. In 2018, it has the lowest allocation in the national budget. This despite it being the population's biggest employer and supplier of different products that are essential to citizens, despite the government's dependence on the reward and the financial income that comes from the Ministry and also its capacity to rejuvenate our economy, improve our GDP and reduce our increasing unemployment rate.

Industrialised countries boosted agriculture to accelerate development. Namibia spend more on defence and poverty eradication than on agriculture, is this reasonable? Agriculture contribute directly and indirectly between 15 and 30 per cent to the Namibian economy. Agriculture is the largest economic sector in many

developing countries, and the best instrument to promote economic growth and alleviate rural poverty if investments are made. The largest part of the economic contribution from agriculture is from relatively large, commercial farms, but traditional subsistence farming remains crucial for supporting a large share of the population. About 70 per cent of the population depends directly or indirectly on agriculture for their livelihood, so we should invest more in Agriculture to empower our people to stand on their own and produce themselves rather than in the Less productive and result bearing Ministry of poverty eradicate and worth redistribution, what poverty has it eradicated, majority of our people still lives in abject poverty? What wealth has it redistributed in the past three years, there is still inequality in Namibia! In fact there is a gap as big as the ocean between the rich and the poor!

I would like to draw your attention to the fact that we need to start talking about Agricultural transformation, modernisation and value- addition if we aim to make a sustainable and visibly permanent dent on poverty. Permanent measures to reduce poverty in Namibia should be guided by the structural nature and peculiarity of Namibian economy. Majority of Namibians are still rural –based with an estimated number of people not notwithstanding the high rural-urban migration.

Therefore, given the reality of the skills level and the poverty profile of Namibia, value-addition in Agriculture should be major pre-occupation of Government, among its other policies.

It's my suggestion again that we see the implementation, monitoring and evaluation of programmes targeting some areas such as crop-based Production. Again in this regard I suggest that– The Ministry of Agriculture budget should reflect the following programmes/projects as it has been internationally proven to increase higher yield production which serves to ensure food security and thereby reducing poverty permanently.

1. Quality seeds programmes and projects: Under this, I would emphasize the concept of ensuring proper seeds distributed farmers (both subsistence and commercial) – quality seeds provision to attain a higher yield in this area. I hope the Minister of Agriculture – is having proper projects and programmes of ensuring quality seeds production and distribution in Namibia.
2. Increased used of quality and environmental-friendly fertilizers: in a greater scheme of our production, we need to support the natural recovery of the soil which tends to be overused particularly in the rural areas, year in-year out, and thus not given a chance to recuperate, and subsequently,

coupled with low rainfall in output.

- 3. Improved irrigation versus country, and for us to real Government is required to irrigation supported agriculture utilised, if the aim is to n

**Hon Speaker**

Over 1, 6 Million head of cattle in quarantine areas and farmers in the northern part of the red line still call for under-price and receive poor prices, the call for building a buffer zone between Namibia and Angola to increase our price at output cannot be over emphasised.

**Defence**

The investment in defence is worrying. While I commended the senior Generals of our Armed Forces on their highly professional conduct and their none mingling on political matters and respect the unseen sacrifices of our men and women in uniform. The truth is that the spending on our defence is unsustainable, like it or not.

Defence has inherently been one of the largest Ministries, after education, in terms of staff complement, accounting for 22.6 per cent of the total civil service. Defence has over the years been among the top three in terms of budget allocation. With close to 4.2 and more % of GDP spend on defence in three previous consecutive years. Namibia is becoming among the highest military spending countries in the world. The world average military spending is estimated around 2.5 % of GDP for 2012, with countries like Saudi Arabia topping the list with 8.9 per of GDP, USA 4.4 %of GDP in 2012.

This is certainly not the sustainable way of creating employment. Instead our focus should be on activities that generate more income for our economy such as agriculture, mining and tourism. To say the least, this casts doubt as to where our priorities as a nation lie.

**Housing and land**

Housing and land are some of the biggest constraints and problems still haunting our country to this date. What's more worrying is that the current budget says nothing about housing. The mass housing project has failed woefully, despite financial injections pumped into the project, mostly because the project on its own cannot achieve the desired results, if land delivery mechanisms in local

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coupled with low rainfall in recent years, yielding increasingly less and less output.

3. Improved irrigation versus rain-fed agriculture: Namibia is a drought prone country, and for us to realise high yield productivity, targeted efforts from Government is required to move the whole sector from being rain-fed to irrigation supported agriculture. Experiences from North Africa can be utilised, if the aim is to make a permanent dent on poverty.

### **Hon Speaker**

Over 1, 6 Million head of cattle roam in the northern regions in the quarantine areas and farmers in the northern part of the red line still carry the brunt of under-price and receive poor prices, the call for building a buffer zone between Namibia and Angola to increase our price at output cannot be over emphasised.

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municipalities are not addressed. Many Namibians are still crying out for better housing and access to land in the country. Majority of our people live in informal settlements and in shacks, some are in below standard housing and occupying land illegally at the same time.

Land reform policies have mostly benefited well off elites than the intended targets, the poor. The Namibian Government should give land rights to people farming in non-freehold areas and to resettlement beneficiaries, which they then could use as collateral to obtain loans for their farming activities, Appropriate and flexible legislation governing the rights of land reform beneficiaries is urgently needed and long overdue. To achieve vision 2030, our people should have the means of production in their name, to be able to produce for themselves, build houses for themselves and their families and provide and create employment for the nation.

→ Mortgage lending rates from banks -  
Conventional land and housing delivery systems have perpetually failed to serve millions of the urban poor in cities of the developing world, particularly so in almost all African cities such as Namibia. It is unfortunate that 28 years after independence we are still discussing the land issue. There is a need for pro-active and timeous identification, and efficient allocation of planned land to the urban poor for housing development purposes. Physical planning and land surveying services should be improved and relevant personnel well-resourced to efficiently respond to the demands of land by the urban poor.

We applaud the Budget to the Ministry of Urban and Rural Development and I personally applaud the Minister for his enthusiastic and confident performance of his duties in his new job and hope his efforts do not falter as he accumulate time in his job like many others that started like him, and hope the Ministry of land Reform also show us its responsibilities and its vision by solving the land problem in our country and making sure that every Namibian has access to land.

### **Namibia tax burden is heavy on individual as compared to corporations:**

Another important issue in the revenue mobilisation – is the company taxes – which the budget failed to talk about and remain quite low compared to taxes on individual contributions, I feel like a decrease of 1% on individual taxes is simply not sufficient.

Taxes on income and profits are increasingly becoming a primary source of revenue for government and have been growing at an average growth rate of 3.5% over the previous 2 years. However individual income tax continues to dominate the contribution to tax revenue accounting close to 26.5 percent on average, while

company taxes on average account accounts for 12.2 % per cent of tax revenue in Namibia. This needs to change.

In considering what taxes to use to raise additional tax revenues as part of a fiscal consolidation, international experiences suggests that increasing broad based taxes on consumption and/or recurrent taxes on residential property would be a more growth-oriented strategy than focusing on income tax. Therefore we applaud the taxing of high earners. We hope this tax will involve the politicians and public office bearers who earns thousands of dollars and not just innocent Namibian citizens.

The budget has suggested or should we say introduced taxes for charitable events and churches, increased the sin tax and profit tax on betting and gaming entities. This seems more like a last resort and we cannot believe the government would stoop this low to resettle its debts and balance its books from the public's pockets.

It feels more like a desperation and distortion than budgeting, the timing of the introduction of these taxes clearly highlight this concern.

### **Economic Overview**

The fiscal consolidation policy implemented since 2016 resulted in early gains, but the journey continues.

The Minister early on in his speech noted that the 2018 budget comes at a time after the Namibian economy endured its most precarious phase. With the economy at a turning point the Minister tabled a budget aimed at further consolidation of non-core spending and the alignment of resources to priorities.

Budget deficit reduced by a cumulative 3% over the past two years and expenditure reduced from an estimated 38.7% in 2016/2017 to an estimate of 33.6% of the GDP in 2018/2019.

A budget deficit equivalent to 3.6% of GDP is projected for 2017/18, representing an improvement from deficits of 6.3% and 8.3% of GDP in 2016/17 and 2015/16, respectively.

The public debt stock is expected to stabilise at 41.9% of GDP in 2017/18, a marginal fall from its 2016/17 level of 42.1% of GDP. Debt is projected to fall relative to GDP in subsequent years

Budget expenditure as a proportion of GDP has reduced from 42.8% in FY2015/16 to an estimated 38.7% in FY2017/18.

- Financing such large budget deficits has led to the rise in debt metrics, from 29.5% of GDP in FY2015/16 to an estimated 42.1% in FY2017/18.

- The public wage bill now stands at 50% of total revenue, and 16% of GDP.

But the total debt stock for FY2017/18 is estimated at N\$74.5bn, equivalent to 43.3% of GDP. I cannot say we are making progress.

### **Deficit**

As a result of the increases in fiscal expenditure, with largely unchanged revenue, the FY17/18 year have a notably larger budget deficit than previously projected.

### **Debt**

Due to the persistent budget deficits over the last years and the current financial year, debt levels continues to rise. The major fiscal slippage seen in the current budget, however, means that the debt levels of the country will rise faster than previously expected.

The increase in the debt stock will be driven by both domestic and foreign debt increases. The domestic debt component, however, is approximately double that of the foreign debt component. The domestic debt issuance is, in effect, taking advantage of the cash generated by the current debt portfolio in Namibia, as well as the increases in local asset requirements for pension fund and life insurance companies. This will result in increased concentration of pension fund risk in Government assets.

### **Cost of debt**

The weakening of the fiscal metrics, expansion in the debt stock and the concerns around forecast credibility, mean that the cost of Namibia's sovereign debt is set to increase. This is due to both the volume of debt issued by the country, and the rate at which the said debt is issued. Further, the recent downgrade of the country to "junk" status by Moody's, the impending downgrade of South Africa (to which most Namibian debt is benchmarked), and the possibility of a Fitch downgrade of Namibia, mean this situation may well be exacerbated further over coming months.

Moreover, the concentration of debt on the short-end of the Government yield curve, and the fact that such debt has to be rolled in the near future, or on an on-going basis in the case of treasury bills, means that not only will marginal debt costs increase, but average debt costs will not be far behind.

### **Hon Speaker**

People's have grown and become more complex. We demand more from our health care facilities, we expect a better and more unique education system to make us more productive or competitive. Our governance structures or

institutions and systems are no longer adequate to build major infrastructure projects on time or on budget or up to the quality necessary to make us the envy of the world. We are agreed that there are no longer excuses why our neighbours in our communities should be poorer or richer in the extreme than we are, nor are there any reasons why so many of our people, the young, women, people living in remote parts of our country, or people from one minority group or another should live in such abject poverty. We expect more care and consideration for people living with disabilities. We yearn for more freedom from the ravenous clutches of our Government's ever-growing control over our consciences or sense of safety, whether through the intelligence apparatus or patronage of the ensuing crony capitalism. We expect the supply of basic amenities; of water and power, not just to live decent lives but as input towards the establishment of industry or businesses and our capability to produce food for our nation. These are not just our expectations as a people they are indicators of our state of health. They define the state of the nation – and hence should, in any circumstances, form the pith and substance of any Budget.

Our focus as a developing country should be more aggressively on the beneficiation of diamonds and minerals in general by taking steps for citizens and foreign investors to find and develop new opportunities along the value chain of the mineral sector. This will include a greater emphasis of training and attraction of investors in areas relating to mineral processing, diamond polishing, diamond sales, diamond finance, mineral trading and jewellery manufacturing. This alone can produce hundreds of thousands of jobs over the next 8 to 10 years. This is something that requires a new a comprehensive beneficiation law.

We have witnessed the crafting of world-class policies and strategies in Namibia, however the implementation and evaluation of major projects remains elusive. This could be either due deficiencies in skills or lacks of political will which either way needs to be addressed. Government needs to assume full responsibility and accountability and non-performers needs to be brought to book. We cannot continue to starve the majority of the people of much needed development – we are a small nation with a good number of resources. We should be able to deliver prosperity to the nation as whole.

I would like to conclude, by reminding this house that hallmark of good government and the ultimate success of this budget rests on accountability and that the basis for accountability is good monitoring, evaluation and reporting systems that are acted upon.

The PDM believes there is more to be done and included in this budget to render it necessary and good enough for our people and the Namibian economy at large.

The budget has a lot of short falls, and ambiguities, and contain no real identifiable or achievable projections and target. It totally excludes the poor and young people and cripple the country's much depreciated coffers in the coming years, as public debts keep increasing and it involves only borrowing, more borrowing and again more borrowing to solve its problems!

**Thank you**