

**The Hon USUTUAIJE MAAMBERUA MP,
President of SWANU**

CONTRIBUTION TO THE BUDGET 2011/2012

1. Introduction

Hon Speaker and Honorable Members of Parliament I rise to make my second budget maiden speech in this august house.

Political parties in Namibia are products of their own experiences and the ideas if not ideological perspectives with which they have been confronted. In the case of SWANU I believe unapologetically in an active role for government. I believe that this activist role should have as its foremost guiding principle a commitment to equality of opportunity that is real rather than rhetorical. It is my conviction that it is self-evident truth that to be properly human, and certainly to be African, means to be socialist, favoring a major role for government in controlling the economy and equitably re-distributing its resources and opportunities.

In this context I should at this juncture paraphrase the Minister as I fully agree with her that: Stubbornly high unemployment has persisted, and high poverty levels and stark inequalities continue to prevail. The positive economic growth rates recorded in recent years have not been sufficiently robust and broad-based to address these structural challenges. The average growth rate of 4.6 percent achieved in the last ten years falls below the 7 percent aspired for in Vision 2030.

Last year I said that the Minister has my full support because of her honesty of budgeting in an uncertain environment compounded by ideological vacuum. This is how this honesty can be demonstrated: **budget balance** – was predicted to be 8.2% for 2011/12, this is revised to 9,8%, a reasonable prediction under the circumstances.

Professionalism of Hoff at Face & Planning
Public debt – was predicted to be N\$26bn for 2011/12 and it has basically remained the same. These are just a few examples.

Last year I pondered on the following questions which never got answered and therefore, the budgetary process remains untransparent and undemocratic.

- How democratic and transparent is our budgetary process, are stake holders like the Unions, NGOs, Industry, etc involved at some stage in the process?
- To what extent does the budget address the following rights: the right to a decent job for all; the right to universal health; the right to good education; the right to affordable home for every Namibian; the right to adequate pension for every citizen; the right to decent standard of living; the right to safety.

Similarly, the budget may not be farsighted enough to address the milestones of Vision 2030. For example, according to Vision 2030 by 2030 Namibia should have 2000 chartered accountants. But if no extra budget allocations are made to UNAM and Polytechnic to jointly or separately train accountants, than the milestone will not be reached.

The budget has, however, not been able to address very serious and critical matters that affect our people. These include: high levels of household debts and an over-inflated housing and land market.

2. General Observations

(a) Financial Sector Charter

As I note with disbelief last year the Charter as per the Ministers' statement was tasked that "This Charter will place the financial sector at the forefront of promoting *broadbased economic growth, wealth creation and economic empowerment*" (pg. 7 Speech). Now it is said that "little has happened to give effect to the commitment made by industry under the charter." This seems to be dropped in favour of the so-called Financial Sector Development Strategy. Is this going to work?

(b) Targeted Intervention Program for Employment and Economic Growth (TIPEEG)

Details of TIPEEG have not been provided. One therefore wonders whether indeed such a program exist with all its specifics, milestones, dates and costs breakdowns. All the same, unemployment is highest amongst the youth, yet little is said under this program about the youth vocational training and skills development.

Under TIPEEG N\$ 9.1 bn is going to be spent and consequently 104 thousand jobs will purportedly be created over the MTEF period. Now here-in lies the fallacy of TIPEEG:

- About 35 thousand jobs to be created per annum?
- Since this money is not coming from under the mattresses or just falling from heaven, it has to be squeezed from the economy. Thus this money is not idling somewhere in the economy, it is already employed. Shifting this money from one sector of the economy to another is simply abandoning jobs from one sector to create jobs in another sector, consequently no additional jobs are created. Arguably however, if Government employs this money in more productive sectors then some jobs will be created in the long run. This line of thinking will be difficult to pursue because governments are not necessarily more productive than the private sector, governments would be better at resource distribution because of their powers to make policy and to tax.
- Similarly the argument that economic growth will follow as a result of heavy government investment is not plausible in the short-run for the same reasons.

- **Revenue from Mining**

Notwithstanding the slump in the mining activities due to global economic declined demand for commodities, the contribution of mining to our revenue remains a concern. Therefore, we would still re-emphasise the need for an independent study to determine the optimal contribution that mining ought to make to State revenue.

- **Allocation to Tertiary Institutions (for now Unam and Poly)**

Given the precarious economic conditions facing Namibia and having due regard for the attainment of Vision 2030, the additional allocations to the institutions of higher learning should have been targeted at abolishing or drastically reducing students' fees; increasing academic research budgets and; targeting a few desiplines of national priority.

- **Achievements under 2009/10 to 2011/12 Budget**

The 2009/10 budget was duppel a pro-poor budget but since then under the achivements nothing is said about the magnitude or degree of poverty reduced, in fact the phrase 'pro-poor' does not feature in the budget statements anymore. Is this noble objective perhaps now abadoned?

- **Contingency Provisions and State Guarantees**

Last year I warned of potential usage of the contingency provision as an extra-budgetary facility, alternatively as a facility empowering the minister to spent on items not approved by Parliament. Evidence now is that the Minister is able to use this facility to even surpass the following budgets: President, PM, National Assembly, Auditor-General, Home Affairs and Immigration, National Council, Mines and Energy, Fisheries and Marine Resources, National Planning Commission, Electoral Commission, Information and Communication Technology, Anti-Corruption Commission. (14 votes surpassed in the past as per the list provided).

Contingency must mean Contingency or unforeseen circumstances which if not immediately paid for, government operations will be severely hampered or prejudiced. In fact, appropriating a blanket figure (Carte Blanche) of N\$ 250 million so as to allow the Minister to spend as she wishes and pleases and we hoping that everything will be justified as contingency is tantamount to abrogating our legislative and oversight accountability.

Moreover, technically speaking since virements between votes is prohibited, at what stage does the Minister regularise the spending carried-out on behalf of other ministries, however, emanating from the contingency fund which was appropriated under the vote of the Ministry of Finance? Additional Appropriation Act was meant to regularise these type of expenditure, now that it has been either abolished or shelved or whatever the case may be, how do we regularise this situation?

Giving State guarantees to wellknown technically bankrupt SOEs like Air Namibia has far reaching impact on the state finances. In fact it could amount to blackmailing the State. If the Minister knows that an entity has no capacity to repay the commercial loan why would a State guarantees be issued?. Issuing of State guarantees was never meant to bail-out bankrupt SOEs but to assist those capable of repaying their loans in the event of absolute and convincing circumstance beyond their control happening. This back-door financing to Air Namibia can not be allowed. What steps are being taken to discipline the management of Air Namibia?

In fact to state that the stock of Government loan guarantees decreased may be correct but we want to know the amount of the dishonoured guarantees.

In fact some SOEs have not been paying Pay As You Earn (PAYE) for years now and yet they are still getting subsidies from government.

- **Revenue Outlook**

How is the 'wonderful' revenue growth in 2012/13 of about additional N\$ 6 billion or growth of 25% in one year going to happen? This was my question last year. What we are now seeing is a high debt level.

- **External Grants**

Last year this August House was made to believe that grants outside the budget were to amount to N\$ 2.2 billion. Did we actually eventually receive all this? This year N\$1.6 billion outside State Revenue Fund in grants? Article 125 (section 2) of the Constitution of the Republic of Namibia reads: *All income accruing to central government shall be deposited in the State Revenue Fund and the authority to dispose thereof shall vest in the Government of Namibia. In addition the State Finance Act 1992 (as amended) refers to state moneys means:*

(a) *all revenue*

(b) *all other moneys whatever received or held by or on behalf of an accounting officer in relation to the administration of the affairs of the State;*

In as much as we thank donors for their assistance, we need to make them aware that spending State money outside the State Revenue Fund is illegal in Namibia as per the above provisions and should be stopped forthwith.

- **SMEs Bank**

With the opening of the the SMEs Bank, Development Bank of Namibia has to graduate to concentrate on sourcing long-term joint venture capital, internally and externally, partly also to stem the outflow of our much needed resources to neighbouring countries. If it is to be relevant to the development of Namibia, the SMEs Bank has open its doors in rural areas immediately in order to help boost the rural economies.

(4) Would SWANU have done it differently?

1. **Suggested Improvements in the Budgeting Process**

2. Budget process need to be more transparent and be consultative in nature. That is Parliament through the Public Accounts Committee and the Economic Committee must be consulted during the budget preparation process.
3. The constituencies ought to be given their own budget, so that the constituency councillor have a specific amount for the constituency development.
4. Adjusting the budget in Parliament will have to become possible where necessary and practicable, otherwise it is a budget of the Executive arm of the State and not of the Legislature.

5. In the interest of accountability and to strengthen oversight in public finance management, the Minister should submit mid-year Budgetary outturn reports to this august house.

(b) Revenue Enhancement Measures

It is to be noted, though with regret that in addition to taxes that individuals pay, there are many other unaffordable fines such as the notorious traffic fines. The livestock levy is one burden on the rural communities which in the long-run will contribute to driving these communities into deeper poverty. SWANU would never have increased the fines this drastically nor would we have introduced Livestock Levy particularly as it negatively affects the rural poor.

- SWANU proposed that **alternatives sources of revenue** be found while existing ones must be consolidated. *SACU decline known since 96/98*
- The Inland Revenue Department must be transformed into an independent Revenue Authority staffed with professionally qualified accountants, financial analysts, economists, and so forth. This will foster a culture of efficiency, good governance and professionalism in the revenue collection regime. Currently all attempts of enhancing revenue collection amount to shifting furniture around in the house. Equally, new Bill should enable the office of the Auditor-General to become independent of state bureaucracy so that it can capacitate itself with skills for it to effectively monitor and report on unnecessary spending and wastage.

How does Namibia expect to reach optimal revenue collection if in neither the Office of the Auditor General or the entire Ministry of Finance there no single sole called a Chartered Accountant. In contrast I am reliably informed that the South African Revenue Authority is one of the biggest if not the biggest employer of chartered accountants in South Africa. Over the years, this had positive inflows in their coffers.

- Given the rate at which capital assets change hands in Namibia, introducing a Capital Gains Tax could enhance revenue.
- Environmental Tax has been talked about but it does not seem to be forthcoming.
- Excess and absentee foreign landlords owned land must be heavily taxed in order to force those owners to sell at government determined prices to the State for productive and equitable re-distribution. This will discourage hoarding of land and will also above all save government a lott of many as land will not be bought at inflated and unfair prices.
- Article 16 (2) of The Constitution reads: "The State or a competent body or organ authorised by law may expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by Act of Parliament." Twenty years after independence Swanu would not be budgeting for buying farms at inflated prices but will be budgeting to pay compensation for infrastructure on the land as provided for.

(c) Namwater water bills

Past exorbitant unaffordable rural water bills hang over the lives of our rural folks like death threats. We rather budget for this debt than the subvention to Nampower, AirNamibia. Water is life not electricity and flying. Namwater should therefore have received increased but targeted subvention in order to allow it to write-off the legacy rural-based exorbitant debts.

(d) Second Land Conference

Recognising that the resolution of the land question in Namibia remains the single most important issue on SWANU's Menu, SWANU would fund and organize an open public SECOND LAND CONFERENCE to pave the way towards land question resolution.

The ostrich approach to land and agrarian transformation is just postponement of the inevitable problem of mass-uprising in the future.

(e) Genocide Reparations Negotiations Fund

Parliamentary resolution exists for government to take this process further. Resources to enable Government and the concerned communities to engage the Germans should have put aside. Negotiations for genocide reparations may prove to be expensive, more especially if you engage an unwilling partner. DNA tests are necessary to confirm certain facts and research to ascertain historical information also need to be funded.

Since reparations demand is the State of Namibia's obligation in the interest of its citizens, such costs should come from the State Revenue Fund.

(f) Establish a Youth Job Seeking Assistance and Unemployment Fund

Swanu once again proposes that in Namibia a **Youth Job Seeking Assistance Fund** be established:

- a) To offer wage subsidy and vacation student internship programs. These programs will subsidize an employee's wage for an initial time frame in partnership with the business. The goals of both programs are to increase a youth's job related work skills, in a specific industry, with the intent of employment (for the wage subsidy) at the end of the contract period.
- b) To offer transportation allowances for graduates (certificates, diplomas and degrees) seeking employment opportunities considering the vastness of the Namibian territory.
- c) To offer Unam, Polytechnic and other graduates from accredited colleges and institutions who are temporarily unemployed due to lack of job opportunities some unemployment benefits.

(g) Vocational Training Centers

It is a fact that there are no vocational training centres/ institutions in many regions including Omaheke, Kunene, Karas and so forth. Yet we are talking of creating 104 000 jobs in three years.

As late as it is, the Education budget should begin to establish **Vocational Training Centers/Institutions** in regions with the aim that each region need a training centre in the next ten years. Thus in this current budget, money for the feasibility studies to determine the feasibility of this ideas must be set aside.

The grade ten and twevle failures will obviuosly continue into the foreseeable future and therefore Vocational Training Centres will serve as catchment areas for these so-called drop-outs and others.

(h) Free and Compulsory Primary Education

Education is both a tool of social justice as well as a fundamental driver of economic development. I believe that the nation needs a revolution in its education system. The budget must now start to address our constitutional obligations which could have several direvative benefits such as reduction in crime, destitution, school drop-out and poverty.

In this respect, Article 20 (section 2 & 3) of the Constitution of the Republic of Namibia read: (section 2)Primary education shall be compulsory and the state shall provide reasonable facilities to render effective this right for every resident within Namibia, by establishing and maintaining State schools at which primary education will be provided free of charge. (section 3) Children shall not be allowed to leave school until they have completed their primary education or have attained the age of sixteen (16) years, whichever is the sooner, save in so far as this may be authorised by an Act of Parliament on grounds of health or other considerations pertaining to the public interest.

I guess this my reminder will be met by the inevitable chorus of, 'We cannot afford it,' but I ask the question: 'As a nation, can we afford not to?' I believe that equity and economic development demand it. In a global economy, a first-class education is one of the few forms of real security that the state can provide to its citizens.

(i) Basic Income Grant (BIG)

Ideas about the feasibility of BIG need to be consolidated. This will help to expand and nationalize the Basic Income Grant (BIG) even if it to initially be confined to the most needy of our society and not to every as it is currently conceptualised. Therefore, full support by state revenue is one way of closing the gap between the rich and the poor in our society. The unemployed must be attended to immediately, through unemployment benefits.

Therefore, SWANU fully support the Basic Income Grant (BIG) Scheme and we call on government to immediately allocate funds to BIG or similar schemes. This is imperative particularly during the current economic crises which is affecting the unemployed most severely.

(j) Re-introduce Agricultural production subsidies with self-sufficiency targets for the next five years.

5. Perennial Flooding In The Northern Regions.

SWANU would set aside amount for agrarian transformation in the Northern Regions. The huge water resource there would be harvested for a Green Revolution to counter the effects of encroaching desertification and deforestation. We must learn from the experiences of a country like Libya that introduced a Green Revolution in the Sahara Desert. We need political will and vision to carry out these ambitious development projects. This is not a pipe dream, times are changing fast.

Thank You

