

ADDRESS BY HON HEIKO LUCKS  
ON THE APPROPRIATION BILL,  
13 MARCH 2012

Honorable Speaker, Honorable Members.

As I rise today for my contribution to the debate on the National Budget, I note with pleasure that this budget has been tabled earlier in the new year, which to me is a sign of the commitment to pass this most important bill and start with the execution there-of as soon as possible.

In my contribution I will speak about the planned expenditure but also about the income or revenue side of the budget as I believe that this is where our Government will face serious challenges that, if not urgently addressed, will lead to a revenue crisis in the very near future.

Author Ed Silvosio describes the marketplace as the combination for business, education and government and he compared the marketplace in a nation to what the heart is to the body. "Through these three arteries flows the live of the nation. In the same way as a body cannot exist without a heart, a nation cannot exist without a healthy marketplace.

We often find a general consensus that once a problem or a need is identified; people respond with a call for more government

involvement, I reason that the solution is more often than not that the Namibian nation needs more freedom. We are a nation born from a fight for political freedom; let us not suffocate economical freedom through political over- governance.

To illustrate this point, I would like the house to consider with me this illustration of three different general types of spending processes;

The first type is both the owner of the money spent and the recipient of object to be purchased. This person will obviously try to get the maximum value, usefulness and cost-effectiveness but spent the least amount of money (because it is his own money).

The second type is a person that is not the owner of the money but will become the owner of the object purchased, like for example some-one who is given money by his/her employer to purchase a vehicle for himself/herself. This person will aim at maximum usefulness and effectiveness but will not consider any possible cost savings, but will most likely spend the maximum amount allowed.

The third type is some-one who is neither the owner of the money nor the recipient of the object to be purchased. An example is an employee who has to spend his employer's money to buy a gift for a colleague. Since it is not his own money, he is less likely to consider cost savings and since the gift is not for himself, he is also less likely to consider usefulness and effectiveness. The gift might very well turn out to be an expensive novelty without much use.

Honorable Speaker, the first type of spending typically is found in private business, whereas the third type is typically found in Government. Government officials that have to spend tax money

(some-one else's money) on goods, services and projects that are not directly for their own benefit, are at bigger risk of not spending this money cost-effectively and for maximum benefit. I know this is a generalization, but regrettably in Namibia many examples of such spending exist, from Air Namibia to the Neckartal dam in the South and TIPEEG in general. The huge, expansionary budget of the previous year is another telling example of this type of spending. Huge amounts of money were spent to create jobs and I am not convinced that many sustainable jobs have in fact been created. This means that the spending was ineffective for the objective of economical growth and job and wealth creation. The silence by the Honorable Minister on numbers of jobs created seems to prove this point. I am however open to be convinced otherwise.

My argument is that sustainable job creation is the result of true wealth creation and wealth creation is by definition a process whereby all parties working together are better off. Tax money can hardly be considered as wealth. Government should thus not risk tax money directly in enterprise, but should rather use it as an enabler for private enterprise to flourish.

Based on this I argue that Government is simply not positioned to create jobs as effectively as the private sector where the entrepreneur accepts the risk and responsibility of his venture and employs people who contribute directly to the wealth creation. I am therefore disappointed again this year that Government is not doing more to support the private sector and create tangible opportunities for private sector growth. The minister herself has mentioned that the growth in the public service bill is not sustainable and the civil service simply cannot remain the main source of jobs in Namibia.

Honorable Minister. The theme of “doing more with less” sounds like a step in the right direction to curb ineffective spending. An 8% increase in spending on top of the big increase of last year, however, does not sound like “less” to me.

Before moving on, let me make some other general observations:

1. Our budget is again hugely skewed towards the operational side with only 17% to be spent on the development side. I believe that this must change, especially in the light of an increasing strain on our infrastructure which is in desperate need of upgrading and maintenance.
2. The massive growth in the MTEF of the S&T bill is of real concern. The Auditor General has identified contraventions in S&T payouts as one of the biggest contributors of unauthorized spending. For many civil servants, the S&T system has become a source of additional income and Government stands to lose millions if this cannot be managed more effectively. In this regard it is very interesting that our Government intends to spend more on S&T than on the upgrade and maintenance of hospitals, schools and sanitation.
3. The outcry over the pitiful increase of N\$ 50.00 per month in the old age pension should be a clear indicator to Government that our poverty-stricken pensioners are in need of urgent additional assistance. I propose that the whole old age pension scheme is re-considered together with other social grants and the proposed BPHIG to find more effective ways of looking after the vulnerable in our society.
4. Budget shortfalls and Government debt are ever increasing and although still low by international standards, the trend is

worrying. Debt servicing will take an increasingly larger chunk out of our national budget and I believe action should be taken sooner rather than later, as was done with the current budget.

Honorable Speaker, Honorable Members.

Looking at the revenue side, it is my earnest opinion that we in Namibia are sitting on a time-bomb.

Our tax base is very narrow and also very vulnerable to extreme downsides. Namibia's main revenue streams are SACU revenues, and the Agriculture, Tourism, Fishing and Mining sectors.

While abnormally high SACU revenue for 2012 is predicted, this could change very quickly, and Namibia has learnt that over-reliance on this income stream is very dangerous.

In the Agriculture sector, Namibia has experienced a few years of good rains. I am however very worried that even a short period of drought will have a disastrous effect on the industry and the revenues it generates. Our resettlement program has failed to establish farmers who are able to provide meaningful revenue and even worse, to be able to withstand adverse effects like a drought. In such a case, Government would not only lose revenue from farming activities, but would also be faced with large capital outflows in order to help these emerging farmers to survive. The resettlement program thus needs urgent attention and perhaps a complete overhaul.

The tourism industry already has sharply contracted due to the global financial situation. I foresee only a very gradual and slow

recovery of this industry, meaning that revenue from this sector will take very long to recover.

The fishing industry likewise, has been hit by global financial troubles. However this industry is also very vulnerable to climate changes and <sup>it</sup> could very quickly become necessary to drastically cut quotas to protect this resource which could lead to drastic decreases of revenue from this sector.

The mining industry, although it has huge potential to create wealth and sustainable jobs, has seen drastic decreases in investment after the establishment of Epangelo. Again, government is going to risk big capital while we do not have the expertise needed to ensure success. In my view, we should encourage more foreign investment in the mining industry. Foreign mining houses bring capital, transfer skills and provide job opportunities more effectively. Let us open our mineral wealth to them, let them risk their capital, but let us make it clear that they should use local labor, transfer skills, procure locally and support local business through the use of suppliers and contractors that are Namibian. I would also like to see the establishment of a mining school, able to train many times more workers than the current NIMT, which will ensure that we produce trained mine workers and mining experts to be employed in this potentially huge industry.

Honorable Speaker, FDI has decreased by a staggering 81% from 2010 to 2011. A fail to understand how we can welcome with open arms Chinese and Korean construction companies that invest little, import labor and do not even support local business because they

import all their tools and equipment from their countries of origin and elsewhere. This practice must stop immediately!

There are many foreign firms that would like to invest, are willing to risk their capital in Namibia, create jobs by using local labor, procure locally and in the end provide our government with healthy tax revenue. We should welcome them instead and make it easier for them to do business in our country. We have a relatively good infrastructure, and I will give credit here to our Government because credit is due. This is one of many reasons why Namibia is an attractive investment destination. True Investors, both foreign and local should be welcomed and our policies and laws should be encouraging towards them as they are the ones who create wealth, jobs and prosperity for all.

In conclusion, I sincerely believe that all people want a higher standard of life but often do not know how to obtain that. Thus a budget that truly aims at maximum national benefit will focus on ways to allow individuals freedom to invent their standard of living and engage in enterprise and then protect their right to create wealth. In 2 Thessalonians 3:10 it is stated "if a man does not work, he should not eat". Every human being needs food to survive and it is our responsibility as leaders of this nation to ensure that every person can exercise his/her right to work. May God bless us to do exactly that.

I thank you.