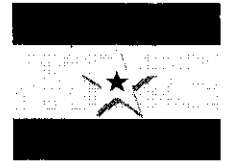




**THE RALLY FOR DEMOCRACY AND PROGRESS (RDP)**



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Date: 06 March 2012

**Rally for Democracy and Progress Appraisal of the 2012/13 Budget Statement  
and Appropriation Bill**

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Honourable Speaker, Sir,

Honourable Members,

At the outset, allow me the privilege to preface this contribution with some remarks.

Convention requires, and indeed it is proper to congratulate the Honourable Minister of Finance on a well-articulated budget. After so many years in the driving seat of the country's finances, the Honourable Minister displays a commendable skill to continue presenting budgets that parade under the pro-poor banner, but do not achieve that stated noble intention.

It is to be recalled that the Honourable Minister presented in previous financial years what she called the 'pro-poor budget'. The first time she used this concept to motivate the rationale behind a budget was in 2007 when she raised the so called Income Tax Threshold for individuals to N\$36,000 per year. The 2012 budget year is five budget years later. Expressed differently, this means that five years ago the Income Tax Threshold was determined but it has only been adjusted once in 2009, when the Minister increased it by 10% to N\$40,000 per year.

Expressed differently, at the level of bread and butter issues, it manifests itself that whereas one used to buy bread for +/-N\$4.70 you are now paying +/-N\$7.00 for the same bread. Similarly, in terms of Income Tax consideration, many individuals are now worse off than they were before the introduction of Income Tax Threshold.

Every year since the 2007 budget the Honourable Minister has made reference to Swapo Party-led government's commitment to a pro-poor budget. Meanwhile, unemployment has steadily crept up from an estimated 24% then, to the current 34%, if I work on the strict definition of unemployment only. If I adopt the Honourable Ministers own favorite "broader" definition of unemployment, we are all too familiar with the staggering figure of 51.2%.

The Honourable Minister may camouflage her budget with impressive overviews, technically impressive analyses, and endlessly complicated subdivisions to make her programme-based allocations, on paper at least, appear well-constructed and aligned to the needs of people development. However, this does not hide the everyday reality we see around us where communities have settled at dumpsites where they eke out a living from the waste generated by the affluent members of our society [repeat].

Honourable Speaker,

The 2012/13 budget is themed 'doing more with less'. It is our view that this is just semantics. The budget as presented by the Honourable Minister indicates the money party is over. The Swapo Party-led government is at the end of the road of using the budget, as the past budgets have proved, as a pretext to bankroll the many favors they allow those in their privileged Swapo Party circles. What is more, our view of the past is confirmed by recently announced tender exemptions.

### **Fiscal space**

Allow me to quote the Honourable Minister. The Honourable Minister stated as follows: "This gives an indication that an expansionary fiscal policy can be unsustainable and therefore should be applied only when resources are available." when she introduced her budget. This sounds impressive but in plain language, it means the Honourable Minister herself acknowledges the party is over, the money has been spent, and now the brakes are on. All fiscal space has been exhausted. To us it is clear she has announced the end of the pro-poor budget.

Her idea of pro-poor is noble but it has not changed the lives of the poor from Noordoewer to Oshikango, from Walvis Bay to Buitepost and to Katima Mulilo. Year after year, the Honourable Minister has inflated the budget, but not extended it to reach the poor. The so called pro-poor budgets, to date, have failed to raise the standard of living of the pensioners, who, are today worse off than they were in 1990 in terms purchasing power.

Indeed, the Honourable Minister of Finance referred to a philosophical quotation of Kaplan: "If you cannot measure it, you cannot manage it". In essence, what the Honourable Minister is saying is that if Swapo Party-led government cannot measure it, it cannot change it'. By her own admission, the Honourable Minister has indicated that the Swapo Party-led government simply cannot measure and therefore cannot manage.

It is clear, therefore, that the Swapo Party-led government has been managing without measuring.

### **Unclear targets**

In last year's budget statement much emphasis was placed on the underlying counter cyclical approach employed in the budgets of 2010 and 2011. I believe the Honourable Minister when she advocated the necessity for government to step in and mitigate the effect of the global financial crisis. But the targets are vague and the proposed solution is turning into a fiscal nightmare.

As part of last year's strategy, the Honourable Minister presented us the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). This was a hastily conceived, poorly structured short term solution showing an enormous panic and desperation on government's side.

It is best shown in the lack of new projects that make use of TIPEEG funding, as well as in the mediocre execution rate. The general policy is positive but the detail is missing. It is still not there in the new budget except to say that many existing projects are now listed as TIPEEG expenditure in an effort to make the programme look respectable.

TIPEEG as a mechanism to create new jobs is failing, and as a strategy to create permanent economic growth and jobs, it is unlikely that it will succeed.

### **Lost vision**

One outcome of TIPEEG that cannot be disputed is the fact that it grew the budget deficit from 9.8% of GDP, to an unbelievable 11.2%. Statistically this looks like only a small overshoot; from just below 10% to just above 11%, but these are percentage points. Those members of this August House with a head for statistics will immediately realize that the actual deviation is 14.2%, and as the statisticians say, that is a very significant departure from the estimated figure.

It is the considered view of RDP that in order to achieve sustainable long-term growth, two key elements are required:

- a) You need 'vision', which SWAPO has lost, and
- b) You need critical, discerning supporters.

Governing the Swapo Party way has become entrenched. I even dare to say, using some of her eloquent terminology, it has become structured. There no longer is a vision for an independent, prosperous nation; there is only a view of Who benefits, and How must we present the budget in such a way that it appears to benefit the majority? The Swapo Party-led government is more concerned with maintaining the mirage of growth, than with the real outcome of how the huge government resources benefit every Namibian. The Swapo Party-led government is not really concerned with the poor citizen, it is only concerned with leading the blindfolded to make sure they always vote for the benefactor.

## **Incongruity**

Honourable Speaker,

Honourable Members,

My intent in participating in this appropriations debate is to comment on several issues. I do not fundamentally disagree with the macro numbers of the Medium Term Outlook. What is telling, however, is how much those numbers have been adjusted from last year's budget to this year.

The budgeted deficit was exceeded, expenses grew faster than expected, and the biggest surprise is that both the economy and the state's revenue grew less than projected. As a matter of fact, the growth in Gross Domestic Product is more than 6% less than the revised figure in last year's budget.

It must be clearly stated, the budget is the quantified expression of a political process. The Swapo Party-led government should not control the lives of Namibia's people in a mechanical way. It is supposed to be the guardian of its citizens. The pervasive poverty around us shows me it has turned into a protector of the few.

Several commentaries had been made on the budget by analysts, critics and others on the shape and content of the 2012/13 budget.

Public views are varied as follows:

“... 2012/13 budget will be the biggest challenge...”

“... new dinner, old menu ...”

“... lean harvest, ...huge investment ...”

“... [she] has given very little feedback ...”

Honourable Speaker, Sir,

Honourable Members,

It is right that the sentiments are varied. This shows that we are maturing as a democracy. It also shows that more and more of our people will become more critical of government's economic policies. Eventually it will no longer be good enough to present beautiful policies on paper, but will also depend on the implementation and execution. Our citizens have begun to realize that there is an alternative to the Swapo Party-led government.

Honourable Speaker, Sir,

Honourable Members,

Let me now state the content of the budget at the risk of re-confirmation:

- Expenditure Total : N\$ 40.2 billion
- Revenue Estimate : N\$ 35.4 billion
- Shortfall before any other consideration : (N\$4.8 billion)
- Amount needed : (N\$4.7 billion)

Honourable Minister of Finance states, 'we must do more with less'. However, the actions of the government points to the contrary.

The reality is that there is a real upside risk that the estimated deficit may again turn out much bigger than projected. The sum total of all the initiatives will increase indebtedness, and consequently the cost of financing debt repayments.

As a matter of fact, paying for the money we have to borrow now, will in a mere three years increase from 4.8% of government income, to 7%. Again, for those who appreciate the statistical detail, this is a very significant drain on the resources of the state. The real percentage increase is more than 50%.

✓ It is very easy to present these figures in such a way that the impact seems meaningless. The careful analyst will note, however that the deficit and debt financing estimates depend on a fixed view of GDP. It is exactly in this regard where the government's financial planners have made their biggest blunders over the recent past since the contraction of 2009.

The macro figures for expected government expenditure moves only a fraction from this year's N\$40.2 billion to just over N\$41 billion, falling again in 2014/15 to N\$40.2 billion. The curve of this graph is flat. It shows that in Namibia, expenses have become outrages and the only hope there is, is to cap expenditure and wait for Gross Domestic Product, to catch up. Hopefully!

When I go back to last year's MTEF projections, the picture that emerges becomes even more unsettling. At the beginning of 2011, the Honourable Minister expected GDP to reach N\$98 billion. Even the revised figures released late last year, maintained an expected GDP of N\$98 billion. The "new" revised GDP she gave us last week indicates that GDP will only marginally exceed N\$92 billion. That is one of the core reasons why the finance ministry has suddenly slammed on the brakes. The economy grew much less than they projected last year, in fact more than 6% less, while the deficit, as a percentage of GDP, exploded.

A country that continues on this fiscal path will soon breach its own debt ceiling. This ugly surprise is being forced on us in the Honourable Minister's budget statement where she stated she will ask this August House for its approval to increase the debt ceiling from 30% of GDP to 35% of GDP.

There are several independent economic analysts who warned the government's economic planners that their GDP projections are unrealistic. The Honourable Minister chose to ignore these flashing red lights. As a counter measure she announced TIPEEG which leaves us with lots of more debt, very little fiscal space in which to move, and a fraction of the jobs she promised.

## **TIPEEG assessment**

Honourable Speaker, Sir,

Honourable Members,

Allow me to say a few words on TIPEEG. With a resource envelope of N\$14.7 billion, its application at the level of implementation was doomed a failure. However, arrogance of power is intoxicating so that one does not distinguish fact from self-delusion. The resource envelope is said to increase to N\$18.7 billion, if state-owned enterprises are taken into account. Are we doing double entry accounting here? These are the same entities which are beneficiaries from taxpayers' resources.

However, fundamentally, the issues with respect to TIPEEG are:

- a) What criteria were applied for TIPEEG allocations for different regions?
- b) The Director General of the National Planning Commission was reported in the print media saying that for TIPEEG programme, normal Tender Board procedures are exempted. What assurances can be given that participation in TIPEEG will not be restricted to *tenderpreneurs*, comrades, and the politically well-connected businessmen and women as it has happened in the past?
- c) Is exemption the appropriate way to go, given that these are public resources?
- d) Are necessary arrangements in place for quality assurance, quality workmanship, performance guarantees and good public standing?
- e) How do we prevent undue influence and interference of the open tendering process on regional structures? And
- f) What will prevent TIPEEG from degenerating into a second GIPF?



Indeed, total outstanding debt will increase, post intervention, from N\$27.9 billion (2011/12), to N\$34 billion (2012/13), to N\$ 43.4 billion (2013/14). The banality of it is even more starkly demonstrated when one looks at total number of unemployed and unemployment rates, pre and post intervention of TIPEEG.

In conclusion, Honourable Speaker, we have demonstrated the following:

- **The lack of Fiscal Space limits further expansion;**
- **Unclear Targets lead to poor monitoring of results;**
- **A Lost Vision compels us to a future debt and stagnation, and**
- **Pervasive Incongruity robs us of our economic well-being.**

I thank you.

