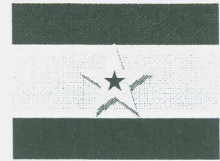




THE RALLY FOR DEMOCRACY AND PROGRESS (RDP)



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**RESPONSE BY HONORABLE JESAJA NGHUNDULUKI NYAMU (RDP) TO BUDGET PRESENTATION
TO NATIONAL ASSEMBLY BY HONORABLE SAARA KUUGONGELWA-AMADHILA, 17TH MARCH
2011, WINDHOEK**

Honorable Speaker,

While I was busy reading the Honorable Minister's budget speech, I saw headline in a British Magazine, The Economist with a title which reads: 'Happy but unequal Namibia'. For the benefit of Honorable members, let me read two paragraphs from that article.

"Namibia is the world's most unequal nation. Go to the capital, Windhoek, or Swakopmund, the main sea resort, and you could be forgiven for believing you were in a rich little European town; neat, well-paved streets lined by elegant high-rise hotels and banks, smart boutiques, outdoor cafés and pretty homes painted in the colors of the Namib desert ochre, pale yellow, salmon pink. But drive a bit further out and you find overcrowded black town-ships and beyond them the sprawling shanty towns where the dirt-poor live in leaky corrugated-iron shacks with no electricity, running water or sanitation. It is much the same elsewhere in Africa, but in Namibia the difference is more extreme'.

Since independence in 1990, after 23-year war of liberation, Namibia's GDP per head has doubled in real terms, yet the poverty rate, according to the World Bank, is the same. Two in five Namibians live on less than US\$1.25 a day; 60% continue to eke out a living as subsistence farmers. The official unemployment rate stands at 51%, up from 37% at the time of the most recent labor survey, in 2004; two-thirds of those under 25 have never had a job. Matters have been made worse by HIV/AIDS. At the peak of the epidemic, in 2002, 20% of Namibians aged 15-49 were infected. The adult prevalence rate has since fallen to 15%, thanks to an education programme and anti-retroviral drugs"

This is the true picture of our country as seen by foreign, distant eyes. Surveys and statistics clearly reveal that since independence we have made only negligible progress across the board. After 21 years of independence it appears that the Swapo Party-led government is only realizing that Namibia is facing a dim future. This late-awakening explains the panicky budget proposals before the Assembly.

Honorable Speaker and Dear Colleagues,

Let me now turn to the budget framework as presented to us by the minister and offer different perspectives of the Rally for Democracy and Progress (RDP) based on an assumption that the Swapo Party-led government has failed this country and needs to be replaced by a caring, efficient government as soon as possible.

BACKGROUND OBSERVATIONS:

1. Under the questionable title “Macroeconomic Stability, Economic Growth, Job Creation and Welfare Improvement” this year’s budget of N\$37.7 billion is, albeit dubiously, the most expansionary in Namibia’s post-independence history.
2. The justification for increasing spending and borrowing is primarily the introduction of a Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) which will see significantly increased expenditure on four key areas: agriculture, transport, tourism, and housing and sanitation.
3. In Financial Year (FY) 2011/12, Government plans to increase total expenditure by 36% to N\$37.7 billion or 38.3% of GDP, through the borrowing of some domestic debt market funds of N\$9.7 billion or 9.8% of estimated GDP which is by far the highest budget deficit ever planned since 1990.
4. Government is arguing that the additional allocation required by TIPEEG over the next three years of N\$9.1 billion combined with expenditure on public works, will result in the “preservation and creation of about 104,000 direct and indirect job opportunities.

ANALYSIS:

5. The contents, details and numbers of the 2011/2012 Budget sparkingly titled “**Macroeconomic Stability, Economic Growth, Job Creation and Welfare Improvement**” do not match up to the **glittering title**, and as such, the **title** is just another “**naked political statement**” aimed at hoodwinking the hitherto unquestioning masses of our people that government has scored a huge victory against unemployment and poverty, that there is a welfare services breakthrough which shall not affect Namibia’s macro-economic stability in the medium term, when in actual fact the huge borrowed funds are neither not well-targeted for job creation and welfare improvement nor is the huge budget deficit of 9.8% and a debt to GDP ratio of 30% good for macroeconomic stability.

6. **Macro-economic stability:** Really, what stability are we talking about when we are spending like there is no tomorrow? Will the **budget deficit of 9.8% and a debt to GDP ratio of 30%** be defined as a prospect for economic stability? Definitely not! How can we guarantee the sustainability of the **fiscal policy** (affordable tax burden) going-forward, in light of revenue constraints e.g. **restrictive new SACU revenue formula & limiting new trade agreements** vis-à-vis the **high budget expenditure** that cannot be reduced after a short while? In light of the disclosure that the significant chunk of borrowed funds shall be sourced from **domestic funding**, where exactly will those funds come from and, what would be the exact terms for securing domestic funding and what other possible implications there are for the Namibian taxpayer?

Given that the claim of macro-economic stability, on the one hand, and budget deficit of 9.8% and a debt to GDP ratio of 30%, on the other, are largely contrasting to one another, will it be correct to say that the events in North Africa and the Arab World **short-circuited the budget process** thereby forcing government to bypass some standard procedures to achieve a huge budget size and gleaming title that is really not consistent with the actual budget numbers, thus resulting in lopsided financial plan which merely serve as a “political bait” for the less-informed masses of our people?

What happened to the Chinese soft loans that government relied on for so long and why the sharp shift away from external borrowing to domestic borrowing? Is there any credibility in the WIKILEAKS expose that the Namibian government has failed to honor the external debt obligations with China, thus resulting in GRN bartering national citizenship in exchange for the cancellation of external Chinese debt?

7. **Economic growth:** The question that comes to mind is whether details in the budget serve to confirm that the targeted sectors such as transport, housing and sanitation have good multiplier effects for our economy? In other words, will this increased spending in transport, housing, sanitation, etc, necessarily lead to bigger positive effects in other real sector areas? For example, just because of spending in transport, housing and sanitation (pit latrines), will there be increased activity in financial and enterprise development that would result in more people being employed or existing employees earning more, which in turn will lead to increased spending on consumer goods and services?

The specific budget allocation to **agriculture** which according to the 2011/2012 budget document is also a targeted sector is simply not well-targeted as it does not adequately address the much-needed funds for the most appropriate hands-on skills, productivity infrastructures such as water supply, irrigation schemes, agro-industry equipment, crop production and livestock husbandry infrastructures, tools and materials.

Instead we saw that N\$519 million shall be spent on the construction of Silos to store cereal crops and storage facilities for fruits and vegetables both of which are post production infrastructures. Has the Government not learnt enough lessons from past experiences of investing in ego-based projects that turn out to be white elephants such as the Northern Railway Line and the Sam Nujoma State House that so far is reckoned to cost the Tax Payer not less than N\$100 million? With the rest of funds amounting to N\$230 million to be spent on administration expenses and training with little production incentives, the impact on the economy is predestined to be very minimal.

Government shall fail decimally in its quest to increase productivity simply by not targeting adequate funding to the provision of appropriate hands-on skills, subsidize the procurement of production materials, tools and machinery for the purpose of increasing the income of producers. If income does not advance in agriculture, then the growth of domestic markets for the country's new output of manufactured goods and services will be limited as the country's wider disposable income is supposed to come from agriculture. A focus on industry or services to the exclusion of agriculture will not only lead to a problem of slow growth in meaningful jobs, it will also lead to a problem of supply and demand balance. A growing national income from other sectors would naturally lead to a growing demand for agricultural commodities.

The allocation to **tourism**, also a targeted sector, is equally badly targeted as it is primarily meant for the establishment of more tourism facilities or in upgrading the quality of tourism facilities. Namibia does not produce comprehensive monthly or quarterly tourist arrival statistics. The only statistics relates to tourist movements are produced by the Namibia Airports Company which does produce monthly arrival and departure statistics for both passengers and aircraft numbers at each of its airports, which figures are not broken down by purpose of visit, length of stay or expenditure per visitor and, of course, exclude overland arrivals. It is therefore an "act of shooting from the hip" to talk about job-creation driven by tourism when there is no reliable yardstick or point of reference against which to accurately measure what is happening in this sector of our economy.

The contribution of the education sector to Namibia's future economic growth leaves much to be desired in that contrary to expectations, no significant investments made in the area of **vocational training** which is one of the key causalities for increasing productivity, and by extension, economic development. Besides the rampant looting of public assets by few politically well-connected persons, the next root cause of unemployment and poverty in Namibia is lack of **meaningful and vocational skills**.

Good workers or job creators must be **occupationally skilful** enough, and here in Namibia the problem is not only that we don't have enough of such skills but primarily because we don't have adequately equipped and resourced VTCs with capacity to massively train our people. Hence unemployment will continue for as long as government continues to pay lip-service to vocational training, thereby consistently allocating budgetary peanuts for vocational training purposes.

By and large, the breakdown of the allocation to priority sectors shows that we are spending money on projects with zero or negative multiplier effect, thus offering very little, if any, impact to the economy. Hence, this increasing budget deficit and rising debt percentage which is not matched to sufficient economic growth, poses a major economic risk to our country and its people in the long run.

Ultimately, and judging from the previous experience of failure by government to implement its own programmes, we are not only questioning the ability of government to spend such a massive increase in funds in a way that holds back **massive fraud, corruption and self-enrichment scams** but also question the capacity of the economy to absorb this level of spending which appears to have short-circuited the conventional budgeting process.

8. **Job creation**

The concern here is that one is forced to ask whether the significant increase on expenditures for the four key areas of agriculture, transport, tourism, and housing and sanitation are really **internalized** and targeted on critical sub-areas with **high potential to create meaningful jobs**.

The budget statement fails to make clear how the greater spending in the areas identified are going to yield greater numbers of sustainable **private sector jobs** or any **meaningful jobs for that matter**, which in any case must be the ultimate aim.

In fact, in special reference to agriculture, by not addressing productive infrastructures and increased productivity through the provision of relevant **on-the-job know-how, tools, machines, structures, inventories and other productivity improvements**, government will neglect the critical areas where it has the largest comparative advantage for job creation.

In an ideal environment where leaders have a clear vision and direction for the future, a more gradual increase in development spending going hand-in-hand with an overall strategy for growth and employment as well as the required policy changes with potential to maximize benefit for the local economy, would have been more appropriately implemented, in fact as early as 21 years ago. Not in a manner of a haphazard “year 2011 spending as if there is no tomorrow”.

But we all know that Namibia’s high unemployment rate did not come about as a result of the recent temporary global economic down turn. Rather it is a long-term structural problem we have been suffering from since 1990. The latest Namibian Labor Force Survey puts the (broad) unemployment rate at 51.2% in 2008 or put differently, 3 years ago 347,237 Namibians (broad) were unemployed. This number could have shot up by now (2011) as the survey was done before the retrenchments and lay-offs were necessitated by the global economic down-turn.

If unemployment was simply a function of how much government spends, we would have solved the problem by now since for many years, government spent an awful lot of money in relation to the size of our economy. Indeed the truth of the matter was recognized by last year’s **Employment Creation Summit** which concluded that “it is still the Government’s position that the private sector is and should be the main creator of new jobs” but which summit also saw the presidential aspirant who doubles as Minister of Trade and Industry, Hon. Hage Geingob, shocking the already hopeless masses of our people by opting to question the **reliability of unemployment statistic as provided for by the 2008 NLFS rather than focusing on finding solutions to an ugly state of joblessness.**

Somehow, almost each and every honest person in Namibia agrees beyond question that our country needs to find a way to create **sustainable private sector jobs** for the mass of the people and not just rely on the **public sector jobs for the privileged few** through the so-called “**Jobs for Comrades**” policy, which surely is **unconstitutional.**

Before the global economic recession blew up, the total number of employed people was estimated at 331,444 in 2008. According to the 2008 NLFS Survey, 58.4% of women (broad) are jobless whereas 60% of Namibia’s youth (broad) can’t find work. Further to that, the survey has also revealed that Omusati region has the highest unemployment rate at 78.6%, followed by Ohangwena with 76.4%. Unemployment in other regions stands at 70% for Kavango, 68.6% for Oshikoto, 65.6% for Caprivi, 50.4% for Kunene, 48.8% for Oshana, 48.2% for Omaheke, 43.8% for Otjozondjupa, 38.6% for Hardap, 33.5% for Khomas and 32.6% for Karas.

How the nature of jobs government will create and provide shall translate into taking care of the women and youth **unemployment inequities and regional discrepancies** is still not clear.

9. **Welfare Improvement**

The tabling of the 2011/2012 budget also exposes Government weakness on social spending. The only social welfare the Government could remember is the War Veterans who shall be paid lump sum grants of N\$50,000. No increments for Namibia's old age pensioners, disabled persons and orphans. This brings back the question on whether it would not have been ideal to come up with a meaningful formula of introducing a means tested Basic Income Grant (BIG) with an increased benefit to cater for the basic needs of all the poor people instead of a universal BIG.

The dichotomy between economic growth and development/welfare improvement should give rise to the approach of direct provision of social services by government, often referred to as the "basic needs approach" which advocates that the most fundamental requirements of *all* people should first be met before the less essential needs of the few are met.

This approach involves raising income-earning opportunities for the poor and public assistance in providing subsidized means of production, food, water, health services, sanitation and education all of which are intended to reach the lowest income groups and are expected to encourage their participation in the economy. The aim of the basic needs approach is to equitably and methodically bring welfare improvements at lower levels of income in a shorter time than could be achieved by concentrating on income growth alone. The best way to do this though is to have parallel principle of partially investing in productive activities such as industry, agriculture, services, human resource development while concomitantly providing for basic social needs. All in all, the provision of basic needs *itself* raises productivity because productivity depends in part on health, nutrition and education.

TOGETHER WE CAN DO BETTER!

