

## **SPEECH BY HON NICO SMIT ON THE APPROPRIATION AMENDMENT BILL OF 2019**

29 October 2019

### **ROBBING PETER TO PAY PAUL?**

Hon Speaker

Funding Needs and Priorities are the two tickets the Minister of Finance has used in the Mid-Year Budget Review to convince this House to take away N\$1 billion from development projects and dump it into the operational budget.

This rhetoric and modus operandi have now become all too familiar. If my memory serves me right, it was also the development budget that was pilfered a year ago to paper over the 2018 Mid-Year Budget Review and finance the Appropriation Amendment Bill 2018.

When the new budget was tabled in March this year, the Minister made much political noise about the 12% growth in the allocation for the development budget, conveniently not mentioning the fact that this money was in effect taken from the development budget six months earlier.

Hon Speaker, Hon Members

The Mid-Year Review and the concomitant Appropriation Amendment Bill, despite being touted as a budgetary management<sup>1</sup>

tool, has taken on a distinctive pattern over the past three years since the economic crisis started. It is now a common feature of the Ministry's budgeting process that funds are allocated, re-allocated, and eventually dumped into the (insatiable) operational budget.

Some analysts have referred to the *virement* of funds as cosmetic tweaking without any direct impact on the government's overall expenditure commitments. This may be so but it is of far greater concern that we are now into our third crisis year, and still the underlying fundamental flaws are not being addressed. Instead, I get the distinct impression that the can is just being kicked down the road with every main budget, and kicked further still with the mid-year review. This pattern has now become so distinctive and repetitive, it serves no purpose to try and deny it.

Hon Speaker

One thing is clear from the Appropriation Amendment Bill: - it is no longer possible for the Ministry of Finance to hide what the government's agenda is. Just by looking at the re-allocations, the priorities become visible. What concerns me though, is that those votes that should get priority treatment are pilfered first and foremost.

It makes all the sense in the world to increase the allocation to the Electoral Commission for the obvious reason that the elections are at hand, but why the funds must be taken from Transport, Industrialisation, Trade and SME Development, Works, the Anti-Corruption Commission, and Public Enterprises, beats all logic.

The increased allocation to the Electoral Commission is at least logical yet it goes against all common sense when one considers that the financial implications arising from the elections were known at the beginning of the year when the main budget was tabled. This significant increase of N\$62 million in the Electoral Commission's allocation shows me that the Ministry of Finance did not prepare adequately earlier in the year for an event which they knew would need a lot of financing. It is also an indication that the elections, until now, did not receive the attention it demands, from?

the government.

Hon Speaker, Hon Members

I also find no fault with the other two substantial allocations, N\$97 million for agriculture and N\$67 million for drought relief. Conditions on the ground dictate that spending must be increased for these very pressing issues. However, I contend that the funds should have come from the operational budget, and not from the already meagre development budget.

If we cut N\$500 million from Safety and Security, it is just less than 10% of their total allocation, and I am convinced that this will not make a dent in the required level of safety and security. Similarly, an N\$800 million cut from Defence would have provided enough money for all the amended expenditures without jeopardising Namibia's military security. These are the votes where the funds should have been obtained.

In terms of the other diminishing votes, I understand that priorities change during the course of the year, but when I consider those votes where the largest savings were effected, I am shocked to see it is from those votes where more investment is needed, not less.

**After three years of limping along, how can we expect to get the economy back to growth when we systematically reduce the ability of those ministries that are supposed to drive the economic engine?**

Hon Speaker

The Minister made much reference to the recent investment conference and the stellar amounts and projects that were pledged and presented. I am still very sceptical about the number of projects that will materialise, and the actual investments that will flow into the economy. The members of this august House can check what I said immediately after that conference when everybody was caught up in the hype of the enormous scale of the

paraded projects and investment commitments. I will be convinced when I see tangible results.

Re-allocating funds is a normal part of any pro-active budgetary process. It is normal in running a business and it is normal in running a country. But when it follows the pattern of simply taking away from the development budget, it confirms my concerns that nothing has been done at all to address the fundamental ills in the economy. The government's wage bill is still hugely bloated, enormous wastage is still the rule and not the exception, the government's role in the economy is still so overbearing that little room is left for private enterprise, and most important, for private investment.

Hon Speaker

It is a futile undertaking to move funds around to address changes in spending priorities when the most important priorities are ignored completely. It is equally futile to try and convince ordinary Namibians that the government is acting to their advantage when it is patently obvious with every new mid-year review, that we continue to pilfer funds from those votes where spending must actually be increased.

This strategy is clearly one of robbing Peter to pay Paul!

In the meantime, we continue to slip deeper into a debt trap and there is very little that the government can do to prevent this. Ultimately, until such time as the basic development paradigm is not amended, we will continue to run short of resources and we will continue on our disastrous path of having to face the truth that the economy is getting smaller every year.

*Virement* may be an impressive word for shunting monies between votes but it does nothing to restore the Namibian economy to growth. I suspect the Ministry of Finance will carry on with its strategy of shifting funds, but that it will do very little, other than hosting investment talk shows, to fix the fundamental economic flaws.

Does the government really want such a major crisis on its hands that only an externally induced full-blown financial meltdown will force it to change its financial window dressing?