Economic Association of Namibia

PO Box 6148
Windhoek, Namibia
M +264 81 155 9775
F: +264 88 622 267
E: info@ean.org.na
W: www.ean.org.na

More signs of business unusual – Klaus Schade

Over the past year or so, there are signs that the call for business unusual is heeded. The Ministry of Finance has applied expenditure brakes in order to rein in rising budget deficits and public debts. In particular, wasteful expenditure such as subsistence and travel allowances, overtime payments, etc. have been cut substantially, while investment into new office blocks and other infrastructure, which are deemed not essential, are put on hold. Furthermore, tender processes and processes that resulted in the signing of contracts without tenders are scrutinised more robustly and some major contracts have been cancelled since due processes were not followed. This indicates a wind of change.

However, despite these measures, the public debt to GDP ratio (Gross Domestic Product) increased to some 48 percent, which in part can be attributed to slower than expected economic growth or actually a contraction of the economy during the first quarter of 2017. The rise in the debt ratio clearly indicates that it is not the time to remove the brakes. There are signs that we are breaking with other bad habits such as continuously bailing out failing State-owned Enterprises. This is a good opportunity to review the need for SoEs and their contribution to the social and economic development of Namibia. Two examples have recently gained prominence in the media, namely the requests to bail out the SME Bank and the Road Construction Company.

Instead of bailing out the SME Bank, its functions could be transferred to the Development Bank of Namibia that has an established track record in financing private sector projects. The move would reduce overhead costs by merging management structures of the two institutions and by sharing existing infrastructure. Another example is the construction sector. Namibian construction companies have proven that domestic expertise and capacities exist for the maintenance of Namibia's gravel and tarred roads as well as for the construction of major roads, such as the road from Okahandja to Karibib, without sub-contracting foreign companies. Supporting and capacitating the private sector rather than bailing out State-owned Enterprises will have positive social and economic impacts not least in terms of increased revenue from tax payments.

As argued earlier, cutting back on bail-outs, wasteful expenditure and the public-sector wage bill, will free public funds that can be invested into vital infrastructure creating in the short term jobs by Namibian construction companies and in the longer term jobs by attracting additional private sector investment.

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