

IPPR Interview No.1, April 2001

Nangolo Mbumba, Minister of Finance, on the 2001/02 National Budget

Robin Sherbourne



“If we expand the deficit we expand debt and we will get ourselves into hot water”

IPPR: Minister, can you explain what difference the Medium Term Expenditure Framework you unveiled today will make in practice?

Minister Mbumba: The certainty over which projects will and will not be funded and the resources that are likely to be assigned to a specific sector will create a better atmosphere within Cabinet so that we are not quarrelling about non-existent things. It will also help ministers and permanent secretaries within ministries coordinate and to say this is already given, these are our priorities, and we must deliver.

IPPR: We see the budget before we see the Second National Development Plan. Are the two exercises linked?

Minister Mbumba: Yes, we have worked closely with the National Planning Commission as well as input from the Bank of Namibia and, on personnel matters, the Office of the Prime Minister.

IPPR: I notice that yet again you stated that it was not possible to meet the deficit target because of “special circumstances”. Won’t there always be special circumstances?

Minister Mbumba: Yes, but that is our target. You have heard the President talk about clamping down on waste. It is important for government to know that if we expand the deficit we expand debt and get ourselves into hot water.

“... if we expand the deficit we expand debt and get ourselves into hot water.”

IPPR: Can you assure people outside government that this deficit target has the President’s full support?

Minister Mbumba: Yes it has the President’s full support and Cabinet’s approval.

IPPR: You focus on the deficit but that depends on levels of revenue and expenditure. Can you assure us that the planned levels of revenue and expenditure will be adhered to rather than just the deficit target?

Minister Mbumba: We have said that we want to keep the deficit within a fixed percentage of Gross Domestic Product. If we have a clear plan of what we want to do then we can control it any time. If we continue to increase not only the amount but also the deficit as a proportion of GDP then we will get into trouble.

IPPR: Of course a lot depends on future estimates of GDP. For the coming financial year you are estimating GDP at N\$28 billion, a rise of N\$3.6 billion over the previous financial year. Where is that growth coming from?

Minister Mbumba: The Central Bureau of Statistics has already revised up past GDP. We have a good indication that mining will do well and the price of diamonds has been doing well, activities relating to Kudu may start, tourism has started to pick up, and the quarrel about fishing quotas has now stabilised.

IPPR: On the expenditure side, does anyone in government have an idea of how much waste we are talking about when the President talks about waste? How much fat can be cut without seriously affecting the quality of public services?

Minister Mbumba: If we control our transport, if we don't have to have from the President to the deputy minister travelling first class, if we control travel so that written permission has to be obtained from the President himself, if we maintain our equipment properly, I think we can reduce unnecessary expenditure. I can't put a figure on it.

“..I think we can reduce unnecessary expenditure but I can't put a figure on it.”

IPPR: Can you give the Namibian public an estimate for the total cost of the involvement in the DRC?

Minister Mbumba: It's very clear in the budget! What is in the budget is what I've been spending in the DRC. What we are hoping, and the Defence and Foreign Ministers will have more information on when the UN is supposed to come, is that all armies which are there, firstly those that have invaded then those that were invited in by the government of the DRC, will start to withdraw.

IPPR: I notice that defence expenditure as a proportion of total expenditure is still planned to increase.

Minister Mbumba: Yes, there are certain items such as the navy wing and air wing that we have to finance. As long as this expenditure is not going simply on operational activities, it is OK.

IPPR: We spend a lot on education and pay teachers according to qualifications...

“We would be a lot happier if increases in [teachers'] salaries are accompanied by better pass rates...”

Minister Mbumba: ...we would be a lot happier if these qualifications and increases in salaries are accompanied by better pass rates...

IPPR: But what are we doing to make sure this actually happens?

Minister Mbumba: That's the challenge we're throwing to the ministries of education. We have two ministers responsible for education. That's the challenge we're making public, we are giving notice that it is not good enough for them to fight for teachers simply because they are now better qualified. They should fight for teachers because they now have to start delivering!

IPPR: By my calculations we couldn't afford to pay for so many teachers if they were all fully qualified. Isn't there a case for breaking the link between pay and qualifications?

Minister Mbumba: This should definitely be considered. We know for sure that within SADC our teachers are getting paid high salaries. We can't expect that everybody has the salary of a managing director.

IPPR: Would you be in favour of some sort of performance related pay?

Minister Mbumba: I would be happy for anything that would help us control our expenditure that at the same time improves our educational performance.

IPPR: The allocation per student around the country still varies enormously after ten years of independence. The north appears to come off particularly badly. Why?

Minister Mbumba: We are caught between two things. Some people say the north is not getting anything because the per student allocation is low. And there are people who say the north gets more because they look at the total allocation rather than the per capita allocation. The main thing is we are making some progress without unduly penalising the central and southern regions. You must remember this is a historic thing. What towns were in the north? Costs rise where there is electricity and infrastructure. We should also not forget some talented and determined people came from the toughest regions – the Prime Minister, the Minister of Education – and we should take that into account.

IPPR: Have we struck the right balance between primary, secondary, and tertiary education? Again tertiary education receives an increasing share while basic education receives a decreasing share.

“My concern with tertiary education is...that we must spend that money on courses that have an impact on the economy.”

Minister Mbumba: I mentioned that we need to allow more people to move to secondary and tertiary education. My concern with tertiary education is not that we are giving them more money but that we must spend that money on courses that are likely to have an impact on the economy and manage the country. That does not

mean police it but rather to be able to be in charge of financial issues, administrative issues, legal issues, that is where we really need to concentrate.

IPPR: Do you as Minister of Finance have any influence over that?

Minister Mbumba: I leave it to experts.

IPPR: I'm surprised we haven't been spending more on health given the HIV/AIDS situation in the country.

Minister Mbumba: But you have to count other things which are hidden in the Ministry of Finance's vote such as the medical aid scheme.

IPPR: On expenditure more generally, you are talking performance and targets with this PEMP initiative, but what happens when targets are not met? Does the ministry get more money, less money, does the minister get fired?

Minister Mbumba: You see changing a minister is a frightening thing. I'm also a minister who can be changed! So I don't think we should threaten anybody with changing a minister. But if the target is not met first the minister should get the blame and those appointing the politician should look closely at that. Second the team in the ministry must also be brought to book. They were part and parcel of formulating the policies and targets. They should say we have not been up to the task we have set ourselves and therefore if people higher up wish to remove or transfer them they should not cry.

IPPR: But will ministers be brought to book for bad performance?

Minister Mbumba: If you know the mood the President is in now no minister should take it for granted that he cannot be changed!

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IPPR: On revenue, when can we expect the first indication from you about how successful Value Added Tax has been?

Minister Mbumba: Mid year.

IPPR: And the final outcome of the Southern African Customs Union negotiations?

Minister Mbumba: The chair of the meeting is the South African trade minister. Whenever they call the next meeting in April or May we should be able to finalise the agreement. All the things are basically accepted but we have now to come up with a document.

IPPR: Some budgets ago you mentioned the possibility of a capital gains tax, a land tax, and a stock exchange transactions tax.

Minister Mbumba: Land tax is definitely coming and it should come this year. On capital gains tax we are caught between the administration costs and what would actually be collected. We are questioning that. It is not popular in South Africa. The question is, of course, not the popularity but you must be able to show that the tax is worth the effort. I think we should implement the land tax first

and look at the wider question of capital gains later. We are having a full tax review and this review should give us an indication of which taxes are worth pursuing.

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IPPR: What implications does the mine in the DRC have for the fiscus?

Minister Mbumba: I only talk about mines in Namibia!

IPPR: So you’re not prepared to say what the revenues from this mine will be used for?

Minister Mbumba: Let the Ministers of Mines and Energy and Defence first clear up that thing.

IPPR: Why did you choose 3% as a deficit target for Namibia?

Minister Mbumba: We brought a lot of ideas together but it was the target used by the European Union for the introduction of the Euro. It’s universally accepted that if you’re at 3% you can always come down whereas if you’re above 3% it becomes harder to come down.

IPPR: What’s happened to the idea of privatisation, which you’ve mentioned in past budgets?

Minister Mbumba: Privatisation has been linked to other things and I’ve been waiting for these other things. The Ministry of Trade and Industry has managed to sell off all the Amcom properties. But there is no more fear of privatisation where if you mention privatisation you’re a marked person.

IPPR: And what will happen to the revenues generated by privatisation?

Minister Mbumba: The most logical thing is to use that money for capital projects that are likely to generate income or create other possibilities for economic development rather than treating it as income.

IPPR: We seem to be creating an awful lot of new parastatals without a policy of whether they should be profitable or pay dividends. Take Air Namibia for example...

Minister Mbumba: Air Namibia is a natural case for privatisation. It cannot survive as a small airline without a major strategic equity partner. But if you want to be a bride to have to polish yourself up. Maybe this is not to the immediate liking of the public but that is the aim.

IPPR: Thank you for this interview.

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This is the transcript from an electronically recorded interview between the Minister of Finance and the IPPR conducted shortly after the budget speech on Wednesday 14 March 2001. While every attempt has been made to reproduce the interview word for word, it has been shortened in parts and minor language changes have been made.

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