

TOWARDS CREATING SUSTAINABLE JOBS FOR ALL NAMIBIANS

THE NATIONAL EMPLOYMENT CREATION SUMMIT

DIRECTOR GENERAL NATIONAL PLANNING COMMISSION

30 SEPTEMBER 2010

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Your Excellency Founding President Sam Nujoma
The Right Honourable Prime Minister, Nahas Angula
Speaker of the National Assembly, Theo-Ben Guirirab
Members of Cabinet and Parliament
Captains of Industry
Representatives of organized labour
Representatives of civil society
Members of the media
Ladies and gentlemen

The right to a decent job that enables one to take care of oneself and the family speaks to the essence of human dignity as anchored in Article 8 of the Constitution of our Republic. A person that cannot take care of herself and depends of hand outs from benevolent members of society to eke out a miserable life with no dreams or hope for a better future is not a free person and may feel robbed of his human dignity.

The sad reality is that notwithstanding significant progress we have made in many areas of our development over the last 20 years, too many Namibians remain unemployed. It is estimated that close to 50 percent of the active labour force was without a job in 2006. Due to the global economic crisis this figure might be higher as we are deliberating on this topic in 2010. It is even more worrisome that close to 70 percent of the unemployed people are young people. Many of them have given up hope of ever finding a job and might have lost their zeal for life in general.

Today we do not need to dwell on the factors driving high unemployment or where we could have gone wrong. What is required of us at this moment is to acknowledge that we have a problem that need fixing urgently. However, let us also guard against using our acknowledgement as a tool to vilify and demonise each other. Instead, let us use it as a tool to inspire us to find amicable and lasting solutions to the problem at hand. Let us also be clear in our message. The message that say that if we do not change our strategies and continue to do things in the same manner as before, we will not be able to meaningfully reduce the unemployment rate in the near to medium term. We also need to be clear that the unemployment problem cannot be resolved overnight. We can, however, bring down the level of unemployment significantly over the near to medium term if we do certain things differently. We can make a dent if we scale up our resources in the pursuit of employment creation. We can start to make a significant difference if we are prepared to take hard but important decisions; and in the process make the necessary sacrifices. Let us also agree that whilst addressing acute high unemployment in the short to medium term we should not forget about longer term reforms necessary for sustained employment creation, high growth and economic competitiveness.

What is it that then we should be doing and what are some of the obvious pitfalls that we should be avoiding in our quest towards creating sustainable high quality jobs for the majority of our citizens as envisaged under Vision 2030?

First and foremost, we must make deliberate efforts that are supported by all role players, including government, private enterprises, organized labour and civil society. It should be clear to all of us that Government alone cannot solve the unemployment problem. When the question is asked whether we are likely to achieve V2030, the usual assumption is that the Government is either failing or has failed all together. Yes, the Government has certain responsibilities and obligations to fulfil; but so do all of us. Let us start to view the achievement of V2030 as our collective responsibility and not that of the Government alone. Out of necessity we will have to walk this difficult path together as partners to create the needed jobs for all our citizens; as partners who have everything to lose in equal measure if we do not succeed.

I am hoping that one of the tangible outcomes of this summit will be a joint declaration by all the concerned parties to the Namibian public that we are serious and committed to addressing unemployment by taking the necessary actions to deliver better results than we did before. Let us also agree that the declaration we will make will constitute a social contract with the citizens that we will not renege on. A contract that will require each of the contracting parties to no longer think about its own narrow interest. As a Government, our role should still be that of creating a conducive environment where private businesses find it profitable to invest in the local economy and thereby create more employment opportunities. In this role we are required to make more financial resources available to invest in the necessary economic infrastructure and to continuously embrace reforms that will make it easier for our firms to do business and becoming globally competitive.

Private sector businesses should recognize that while profit is their overall motive when investing, they also have an obligation to ensure that we build a society based on equal opportunity and the fair sharing of economic benefits. In other words, the emphasis must move away from profitability alone to issues that are equally important for sustainability. This will require that businesses consider investing in ventures that might not have the potential for the highest return on investment but have the potential to unlock faster economic growth and human development. The organized labour must recognize that while they have the duty to protect workers from exploitation, they should not forget that they too have a responsibility to make it possible for more employment opportunities to be created. This will require that labour be prepared to make the necessary compromises required to create more jobs.

Second, and this is the essence of my intervention here today, for a long time we have spread our development resources very thinly. This was understandable due to the huge deficits that our democratically elected Government inherited in all social and economic areas. However, 20 years after independence we must ask the question if this approach is still delivering the results we are looking for. We are suggesting that we change our approach to economic development. More specifically, we are recommending that we increase our focus on a few areas with higher potential to generate faster economic growth and more job opportunities. Our

research shows that the areas with the highest employment creation and growth potential include agriculture, tourism and transports & logistics. We should also consider sanitation and the provision of low cost housing as these also have the potential to absorb huge quantities of unskilled labour, while at the same time contributing to additional GDP growth and other social objectives as envisaged under our common vision.

Our research also show that through targeted Government intervention in these sectors the long-run equilibrium growth rate of the economy will increase by some 3 percentage points, from an average of 4 percent to 7 percent, as envisaged under Vision 2030. In tandem with this, it is estimated that the unemployment rate would decline to about 12 percent in an interventionist scenario by 2030.

Let me now elaborate on some of the specific intervention measures and the projected impact on economic growth and employment creation.

In agriculture the biggest near-term potential is in the livestock sector. If certain key constraints to livestock production are effectively removed, it is estimated that the agricultural sector will create an additional average growth of 1.46 percent per annum during the next 10 years, while creating an additional 16 thousand direct and indirect jobs during the intervention period. Some of the key interventions to be undertaken include removal of bush encroachment or invader bush in commercial areas; effective disease control in northern communal areas; market access for agricultural produce; and property rights reform in communal areas.

In the tourism sector, it is noteworthy that for every 12 tourists that visit Namibia a permanent job is created. We should, therefore aim to double the number of tourist arrivals over the next 10 years. If this happens, and provided that other accompanying interventions are undertaken, the sector is expected to create an additional average growth of 1.46 percent per annum during this period while an additional 107 thousand direct and indirect jobs could be created during the same time. Some of the key interventions to be undertaken in this sector include a refocusing of our tourism strategy from catering for an exclusive small group of tourists due to environmental concern, to a blend of mass and niche tourism with a

strong domestic tourism component; intensive marketing, air access, safety and skills development, and upgrade of infrastructure in certain “virgin” tourist areas.

Transport is another sector that should enjoy more attention during the next 5 years, because of its ability to grow and create sustainable jobs. According to the Bank of Namibia projections, if more attention is paid to the transport sector over the next 10 years real GDP growth would be 1.03 percent per annum higher than in a non-intervention scenario. Moreover, 39 thousand additional jobs would be created through this intervention. Specific interventions in this area include the expansion of the Port of Walvis Bay, road expansion and maintenance, and upgrade and expansion of our rail infrastructure. These interventions will be expensive but critical for our economic competitiveness, and it is envisaged that smart public private partnerships where possible will be part of the funding solution.

Notwithstanding special attention to sectors with high growth and employment potential, reforms and support to other economic sectors necessary to achieve our social and economic conditions should not be discontinued. Some of these reforms and policy directives include but are not limited to the following.

The improvement of basic sanitation as per recommendation of the 2008 Cabinet retreat should be expedited; the construction of low cost housing has the potential to create many jobs; in fisheries, focus should continue to be on the prudent management our fish resources with emphasis on local value addition and promotion of aquaculture; in mining, emphasis should continue to be on the beneficiation of our local minerals. In particular we must develop a framework for beneficiation and further development of our uranium resource. Water supply could potentially be a key constraint for the uranium sector to develop to its full potential. Ownership issues in the mining sector should also continue to enjoy prominence.

Manufacturing should not be neglected, but efforts to develop manufacturing should be tied to the economic sectors with higher growth potential. Increased livestock production and beneficiation of other raw materials should give a natural boost to our manufacturing efforts. Implementation of the green scheme should continue to be promoted during the next 10 years, as it will go a long way to reduce Namibia’s dependency in import of essential food stuff and enhance food security.

The role of finance in stimulating real economic activities cannot be overemphasised, and to achieve our objectives certain financial sector reforms would be necessary. Our financial sector reforms should focus on a number of areas, such as financial inclusion through the promotion of innovative and affordable financial products; attraction of more players to promote competition in the financial system; deepening of the financial system, through promotion of new instruments; development and promotion of the capital market to stem capital outflows and promote domestic investment; and sound financial sector regulation, and consumer protection

We must continue to improve our business climate, including reducing the costs of doing business in Namibia. In this respect, we need to start with the implementation of the recommendations of the investor roadmap without any further delay. These recommendations have been well documented and were accepted by all of us. If for any reason we have changed our positions on these recommendations, then we should have a dialogue to resuscitate them.

Another area that requires our collective attention is that of the labour market. On various occasions the private sector businesses have raised their concern that our labour market is too rigid, unnecessarily adding to the costs of doing business. What we need here is a genuine dialogue among the concerned parties. The unfortunate thing is that as partners we have failed to engage each other with mutual respect where the goal is to find a lasting solution. Most of the time we tend to resort to disobliging discussions that seek to demonise and characterise each other as villains that must be defeated. We need to recognise that at times what is good for those who are employed today is not necessarily in the best interest of our collective future development. It is thus important for us to strike the appropriate balance between free labour markets and labour exploitation and I believe it is possible provided that we engage each other meaningfully and with mutual trust.

Efforts aimed at reforming our education system should continue and intensified. Here I would like to add two additional points. The first is the need for more innovative oriented education and training. In the long run we can succeed in our development efforts only if we start to innovate. The second point is the importance of private sector and public sector collaboration in education. It is not only the responsibility of the public sector to educate and train our people; it should be a joint

effort. After all, the private sector has a lot to gain from having a trained and productive workforce.

Having agreed on what is to be done, the next question that we need to ask ourselves is the affordability of the proposed intervention. In answering the question of affordability, we should also ask ourselves what will happen if we were to continue with the current strategies. What will happen to our society if we do not take extraordinary measures to address the problem of low economic growth and rising unemployment?

What is clear is that if we fail to introduce bold economic reforms, the fiscal position will deteriorate; unemployment will escalate and we will not meet some of the key goals of Vision 2030. Some of the reforms will require little or no costs to implement, while others will be more expensive. For us to implement all the suggested intervention measures, we must be prepared to accommodate a higher budget deficit and consequently higher public debt over the medium-term. Our estimates suggest an average budget deficit threshold of 7 percent of GDP in the medium term, while public debt will escalate from 15 percent to 40 percent of GDP. However, we must share the burden of development finance through innovative financing mechanism, including private public partnership. It is also important that we review our expenditure pattern with the view to identify areas where it is possible for us to reduce our expenditure. We also believe that the time has come for us to seriously consider the possibility of unlocking value by reducing Government ownership in some of the carefully selected public assets. This can significantly assist the Government in making the urgently needed public investment.

In conclusion, we need a strong monitoring mechanism to ensure that our plans get fully implemented. As the institution tasked with development planning and monitoring and evaluation, the National Planning Commission commits to developing the necessary tools to ensuring effective and efficient implementation of development plans.

Ladies and gentlemen, it can be done. All what is required of us is to form a true partnership among all the stakeholders that is rooted in our collective desire to prosper as a nation. We need to make a commitment to do all that is necessary to

launch our economy on a faster growth trajectory. Above all, we need to have the courage to make the difficult decisions in the knowledge that it is in the best interest of our people.