

**REMARKS AT ACC EXTRACTIVE INDUSTRY WORKSHOP  
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Ladies and gentlemen

I would like to thank the Director-General of the Anti-Corruption Commission for having invited me to speak at this event. I was requested to talk about how the extractive industry can contribute to our sustainable development goals as set-out in our Fifth National Development Plan (NDP5), and highlight what actions we need to take to derive maximum value from our natural resources.

The decisions on how best to utilise state resources, what to prioritise with the limited resources and the order in which to implement priorities, were some of the questions we needed to answer during the formulation phase of NDP5.

Central to the priorities we outlined in NDP5 was the need to enhance growth and economic diversification and address the skills deficit; as well as address our challenges of poverty and high unemployment. To achieve this, NDP5 identified what we termed “game changers” that cut across various sectors. These strategies are intended to move us towards a more inclusive and resilient economy.

One of those strategies we identified, was the need to successfully integrate the mining and extractive sector with other sectors of the economy to build resilience in the local economy and contribute to structural economic transformation. Achieving industrialization and economic transformation are important in translating our economic growth into longer-term, inclusive, equitable and sustainable development.

Africa’s mineral wealth has for decades been a major source of wealth creation and power for multinational companies and the ruling class. However, this wealth has not benefit the majority of Africans. Despite having abundant natural resources wealth, this wealth has not been inclusive. The economic gains from our natural resources are skewed towards private companies and this skewedness affects the revenue potential that Government could derive from the extractive industry.

The extractive industry plays an important role in our economic development. It creates employment opportunities and transfer skills, knowledge and technologies. The extractive industry does also provide Governments with the benefits of a financial base for infrastructure development and a major source of foreign direct investment.

The wealth in natural resources as an important driver of our economic development can contribute to poverty alleviation. But if not managed properly, it can lead to social and economic inequalities and potentially increase conflict. This is evident in many

resource-rich countries that are confronted with the reality of the “resource curse”, were ineffective policies governing the extractive industry and corruption have exacerbated the cycles of poverty and inequality.

If our natural resources are to be harnessed for sustainable development, more accountable and transparent mechanisms must be developed. For these mechanisms to be “effective” they need the support of a broad range of stakeholders, including Government, the legislature, multinational companies, civil society and the media.

Lessons from countries that have fallen victim to the “resource curse” suggest that the effective management of natural resources significantly improves when effective regulatory frameworks are in place prior to the extraction of natural resources. There is thus a clear link between establishing highly capable institutional frameworks and enhancing regulatory capacity, in monitoring transparency and tackling corruption.

To derive full benefit from our extractive industry and deliver on our development aspirations, it is pertinent that we promote transparency, accountability and good governance in the implementation of our economic and development goals. Without effective governance, our development agenda will be hampered.

The first step in promoting transparency will be through the public declaration of interest. Government must publicly report the revenues received from the extractive industry companies and those companies must publicly report the revenues they pay to government. The second step, is full disclosure in the awarding of contracts and exploration licences, among other things.

Global initiatives like the “Extractive Industries Transparency Initiative” and the “Publish What You Pay Coalition” have shown that the publication of information will improve the governance in the sector and help with maximising the development potential from the extractive industries for the country.

Corruption or even the perception of corruption, can have a negative effect on our development. Not only does corruption affects economic development in terms of economic efficiency and growth. It also affects equitable distribution of resources and thereby increasing the income inequality. There are various ways in which corruption affects economic development.

For example, corruption has the potential to undermine our ability and capacity to collect tax revenue. When taxpayers evade their responsibilities to pay taxes, this is a form of corruption and it has an adverse effect on the Government budget and therefore on service delivery. Corruption has also an eroding long-term effect on economic growth at the company level. We all know that all successful economies have one feature in common – strong and competitive enterprises. It is enterprises – whether publicly or privately owned – that create wealth for society. Enterprises are therefore at the centre of economic growth. In highly corrupt economies, enterprises find it difficult to grow and prosper and they are less competitive and highly inefficient.

Corruption is not only bad for economic growth and enterprises. It is also bad for ordinary citizens, especially the poor and the most vulnerable. When the public investment cost in large public infrastructure is highly inflated, it reduces the Government's capacity to fund social welfare. When companies and individuals evade their responsibility to pay the required taxes, it diminishes the Government's ability to fund programs aimed at poverty alleviation – thereby perpetuating existing income inequality.

There are various causes of corruption but I believe that the failure of governance necessarily leads to corruption. It also the case that corruption is usually as a result of lack of ethical leadership – a leadership that is more altruistic in its outlook as opposed to a self-seeking one. It is well to have anti-corruption laws but that will not prevent corruption – what it does is to catch those who are corrupt. However, with ethical leadership – whether in Government, private sector or civil societies – you will be assured of the absence of corruption.

I am not in any way suggesting that anti-corruption laws are not necessary. To the contrary – we need to have strong and unambiguous governance laws to deal with corruption. The point I am making is that laws are necessary but not sufficient to root out corruption. At this juncture I want to encourage the Anti-Corruption Commission to redouble its effort if fighting corruption. There is growing public voice that suggests that the ACC is not up to the task entrusted to it. The perception is that the ACC is reluctant to deal with corruption cases. This could well be just a perception, but the unfortunate thing is that what people perceive becomes truth to them.

What is clear, however, is that corruption is possible in any society – regardless of the philosophy or ideology of the founding fathers of a particular government or corporate entity. No one and no country is therefore immune from corruption. And once corruption has set in, it is rather difficult to wipe it out quickly. It is therefore important that we make ethical leadership a core issue in our choice of our leaders – be in the public or private sector.

The American science fiction writer, Octavia Butler, had this to say about the importance of choosing leaders. He said *“Choose your leaders with wisdom and forethought. To be led by a coward, is to be controlled by all that the coward fears. To be led by a fool, is to be led by the opportunist who controls the fool. To be led by a thief, is to offer up your most precious treasures to be stolen. To be led by a liar, is to ask to be told lies. To be led by a tyrant is to sell yourself and those you love into slavery”*.

Sustainable and equitable development can only be guaranteed when people are the means and ends of the economic development process. Reducing inequality across communities and improving access to basic social and economic services is critical for our sustainable development to take hold.

Given the current economic challenges we are facing, we therefore need to re-think our economic development strategies. The effective utilisation and management of our natural resources has great potential to contribute to the long-term growth prospects and sustainable development of our country. But to derive these benefits the management of natural resources should be done in such a way that it is exercised in a way that could spur broader economic growth and development for the benefit of the many.

There is a quote attributed to Albert Einstein that says that "*The world will not be destroyed by those who do evil, but by those who watch them without doing anything*". It is therefore not sufficient for us to know that our natural resources could be utilized better in order to spur our development – what is required is to do something about it.

I thank you.