



Republic of Namibia

Namibia Budget in Brief

MTEF 2006/07 – 2008/09



NAMIBIAN ECONOMY

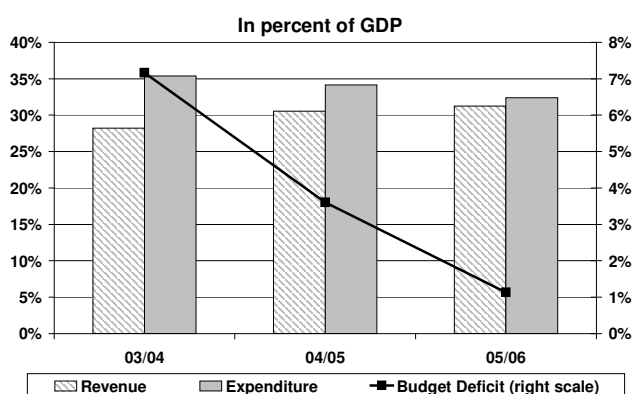
- Real GDP expanded by 5.9% in 2004, and the growth rate is projected to be 3.2% in 2005, 3.9% in 2006 and 4.0% in 2007
- Inflation for 2005 estimated 2.2%
- Poverty and high unemployment remain challenges

REGIONAL INTEGRATION / TRADE AGREEMENTS

- SADC/EU/EPA negotiations ongoing
- SACU/USA Free Trade Agreements negotiations to be concluded
- SACU/China and SACU/India Free Trade Agreements negotiations to commence
- SACU Secretariat established in Windhoek
- CMA deepened monetary integration proposed

FISCAL DEVELOPMENTS

- The past years have seen substantial progress in fiscal consolidation, bringing down deficit levels (in percentage of GDP) from 7.2% in 03/04 to 3.6% in 04/05, to an estimated 1.1% in 05/06



Revenue

- Revenue collection as a percentage of GDP has improved from 28.2% in 03/04 to an estimated 31.2% in 05/06
- In absolute terms, total revenue has increased by an estimated N\$ 2.6 billion from 03/04 to 05/06, an increase of 26%

- In 04/05 the growth in revenue collection was driven by SACU receipts
- In 05/06 the growth in revenue is driven by improved collection, including the effects from tax audits in the northern region

Expenditure

- Expenditure increase from 03/04 to 05/06 by only 5%; as percentage of GDP expenditure reduced by 3 percentage points from 03/04 to 05/06
- Personnel expenditure high at 42% of total expenditure

Debt

- Driven by budget deficits in the past, the debt stock at the end of 05/06 is estimated to be 32.3% of GDP

Credit Rating

- Namibia assigned a 'BBB' rating for domestic long-term debt, and a 'BBB-' rating for long-term foreign debt by Fitch Ratings in December 2005

THE 2006/07 – 2008/09 MTEF

- Pro-poor, pro-growth Budget
- Budget balance to record a surplus of N\$ 114 million in 2006/07, equivalent to 0.3% of GDP
- For 06/07 and 08/09, deficits of 1.7% and 2.3% are projected

Expenditure

- Total expenditure in 06/07 N\$ 15.2 billion, an increase of 18% compared to 05/06
- Development budget to increase by 31% and operational budget to increase by 16% in 06/07 from 05/06
- Personnel expenditure remains high at 41% of total expenditure over the MTEF period

Revenue

- Total revenue in 06/07 N\$ 15.3 billion
- Substantial increase in receipts from SACU and increases expected in tax collection in 06/07

Budget documents are available at the Ministry of Finance's website: www.mof.gov.na

- Clampdown on tax evaders through forensic tax audits delivering results

Debt

- Reduced borrowing requirement due to improved Fiscal Position
- Reduced share of short term debt
- Additional borrowing in 2006/07 for redemption of Government Bond GC07
- Public debt estimated to reach 33.7% at the end of 06/07 and 32.4% at the end of MTEF period

EXPENDITURE PRIORITIES

Social Spending

- Social grant for elderly increased by N\$ 70 per month
- Additional allocation to accelerate registration of OVCs
- Financing of the Education Training Sector Improvement Programme (ETSIP)
- Provision for 105 expatriate nurses to assist in hospitals and clinics throughout the country

Infrastructure

- Additional allocations to railways and roads construction
- Equity participation in NamPower for Kudu gas field exploration

Public Administration

- Allocation for the establishment of the Anti-Corruption Commission
- Increased allocations for Safety and Security to combat crime
- Increased allocations to Ministry of Justice for hiring of new magistrates and completion of court buildings.

TAX POLICIES

- Tax audits to commence in Windhoek and other revenue offices in 2006
- Announced legislative changes in consultative phase

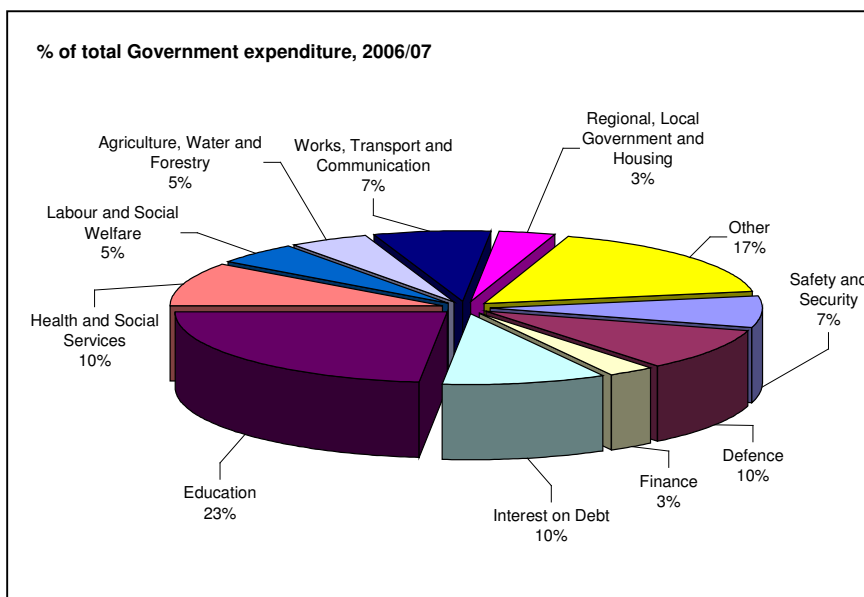
INSTITUTIONAL ISSUES

Public Finance Reforms

- Medium Term Plans (including Performance and Effectiveness Management Programme data) improved
- Consolidated programme budgeting in 05/06, familiarization programme by MoF
- Integrated Financial Management System (IFMS) to 'go live' in 2006/07

Institutional Reforms

- State Owned Enterprises and Government to agree on investment, procurement and dividend payout policies to better reflect shareholder's interest
- Provision for the establishment of the Financial Intelligence Centre



Financial Markets

- Government determined to stem high capital outflows
- New investment vehicles needed to pro-mote domestic investment opportunities
- Progress on Financial Sector Charter formulation
- Access to and affordability of financial services remain a challenge