



Namibia Budget in Brief

MTEF 2007/08 – 2009/10

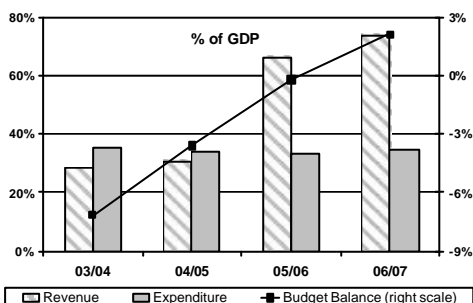


Namibian Economy

- Real GDP expanded by 4.2% in 2005 and preliminary analysis estimate growth to increase to 4.6% in 2006. Economic performance is expected to remain buoyant throughout the MTEF period and across most sectors; for 2007-2010, average growth of 4.0% projected, peaking at 4.9% during 2007.
- Average annual inflation escalated from 2.2% in 2005 to 5.1% in 2006. Inflation is expected to stabilize below 6 percent in the medium-term.
- Persistent high levels of poverty, unemployment and HIV/Aids remain the most daunting challenges for Namibia.

Fiscal Developments

- From 2003/04 onwards the budget deficit has been substantially reduced; in 2006/07, the first surplus since Independence will be achieved, estimated at N\$921m, or 2.1% of GDP. The path of fiscal consolidation is found below:



The figure shows total government revenue, expenditure and the budget deficit as percentage of GDP in the past 4 years.

Revenue

- Between 2003/04 and 2006/07, total revenue increased steadily both in terms of value and as a percentage of GDP.
- On the back of improved SACU receipts for the FY 2006/07, **total revenue** projections were significantly raised in the revised budget, from N\$15.3 billion to N\$16.2

billion. This latter figure is expected to turn out even higher, mainly due to the strong economy and high collections from corporations.

Expenditure

- Expenditure increased at a moderate pace in absolute terms over the past four years, and fluctuated around 34% of GDP.
- For 2006/07, preliminary analyses of expenditure up to January 2007 yielded a figure of N\$9.3 billion, which is significantly below the Revised Budget estimates for that period. However, the amount does not include a number of payments already committed to by O/M/A but not yet effected.

Debt

- Total debt stood at N\$13.5 billion, or 30.4 percent of GDP as of end-December 2006; as such it is on target to meet the figure projected for the end of 2006/07.

Credit Rating

- In December 2006, Fitch Ratings confirmed the investment grade rating it awarded Namibia one year earlier for its credit risk. The long-term foreign currency risk remained at 'BBB-', while the short term foreign currency risk decreased slightly. As before, the long-term domestic currency risk received a 'BBB' rating and the outlook remained 'stable'. The overall country ceiling was upgraded from 'A-' to 'A'.

The 2007/08 – 2009/10 MTEF

- Pro-poor and Pro-growth Budget
- A budget surplus of N\$559m, or 1.1% of GDP, is estimated for 2007/08
- Budget deficits of N\$589m (1.1%) and N\$653m (1.1%) are projected for 2008/09 and 2009/10 respectively.

Revenue

- Revenues will further increase compared to 2006/07, especially in 2007/08.
- Total revenue is increased by 13.4% in 2007/08, to N\$18.4bn. This comes mainly as a result of a spike in SACU receipts, supported by the expectation of solid overall tax collections.
- Lower revenues of N\$16.6bn and N\$16.9bn are projected for 2008/09 and 2009/10. This is a consequence of an expected reduction in taxes from international transactions and trade as SACU's FTA with third parties is implemented.

Expenditure

- Total expenditure in 07/08 will be N\$17.8bn, an increase of 16.6% year-on-year. The subsequent years, total expenditure will amount to N\$17.1bn and N\$17.5bn.
- Development expenditure is projected to stand at an aggregate of N\$5.8 billion during the next MTEF. From 06/07 to 07/08, the development budget is increased by 11%.

Government Debt

- Resultant of the budget surpluses in 06/07 and 07/08, and the consequent reduced borrowing requirements, the fiscal target for the public debt stock, below 25% of GDP, will be achieved throughout the MTEF period.

Expenditure Priorities

- **Poverty and Inequality**, such as
 - Added resources for OVCs.
 - Increase in the coverage of social grants to 85 percent in 2008/09
 - Improve support for war veterans with dedicated Ministry
 - Additional funding for fight against HIV/AIDS, TB and Malaria.
- **Growth and Employment**, such as
 - Support of tourism sector by upgrading of facilities at Etosha and Ai-Ais
 - Added resources for the maintenance, extension, and upgrading of roads,

aerodromes, the Northern railway and the track to Luderitz.

- Funding commitment under ETSIP to continue for a further year up to 2010.
- **Rural Development**, such as
 - Equity participation in Agribank to support provision of credit in rural areas
 - Green Scheme and Aquaculture
 - Support for community-based natural resource management
- **Peace and Stability**, such as
 - Establishment of the Prevention of Organized Crime Unit (POCU) and the Tracing Unit – by the Namibian Police Force.
- **Governance and Democratic Process**, such as
 - Improving service delivery by O/M/A
 - Increased funding for Anti-Corruption Commission
 - Better management of SOEs
 - Provision of Electronic Voter Machines, as well as voter education and registration to enhance the democratic process

Tax Policy Update

- The existing threshold of individual income tax will be raised from N\$24,000 to N\$36,000 in an effort to provide relief to low-income earners.
- In order to boost national savings, increases in deductibility of contributions to retirement funds is currently being investigated

Public Finance Management

- To enhanced planning and execution, a series of expenditure audits are to be undertaken.
- Top Level Audits into spending efficiency by Ministries
- Promulgation of (SOE) Governance Act to improve the financial management of parastatals.
- Dividend Policy Framework
- Expansion of tax audits to Windhoek area
- Development of comprehensive asset register
- Improved risk management
- Parastatal and local authority audits
- Building human resource capacity to strengthen programme budgeting.