



Republic of Namibia

**MACRO-ECONOMIC AND
BUDGETARY FRAMEWORK
2007/08 - 2009/10**



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LIST OF ABBREVIATIONS

ATMs	Automatic Teller Machines
ARV	Ant- Retroviral
BON	Bank of Namibia
SOEGC	State Owned Enterprise Governance Council
CMA	Common Monetary Area
CPI	Consumer Price Index
CG05	Central Government Bond maturing during 2005
CG07	Central Government Bond maturing during 2007
CG08	Central Government Bond maturing during 2008
CCs	Close Corporations
ERM	European Exchange Rate Mechanism
ERMII	European Exchange Rate Mechanism II
GDP	Gross Domestic Products
HIV/ AIDS	Human Immune Virus/ Acute Immune Deficiency Syndrome
IMF	International Monetary Fund
LIBRO	London Inter-Bank Offered Rate
MOF	Ministry of Finance
MTEF	Medium Term Expenditures Framework
MTC	Making the Connection
NPC	National Planning Commission
NDP2	National Development Plan 2
NDP3	National Development Plan 3
NGOs	Non-Government Organisations
NAPWU	Namibia Association Workers Union
NPTH	Namibia Post and Telecommunication Holding
OVCs	Orphans and Vulnerable Children
OPM	Office of the Prime Minister
RSA/EU TDCA	South Africa/European Union Trade and Development Cooperation Agreement
SACU	Southern Africa Customs Union
SACU	MERCORSUR FTA Southern Africa Customs Union
SADC	Southern African Development Community
SADC FTA	Southern African Development Communities Free Trade Agreement
SMEs	Small Medium Enterprises
SOEs	State Owned Enterprises
US	United States
VAT	Value Added Tax

FOREWORD

The Macroeconomic and Budgetary Framework provides macroeconomic assessment and determines the probable course of future events, which might affect the overall economy. It uses a set of macroeconomic assumptions to guide the projections of macroeconomic aggregates.

The Macroeconomic and Budgetary Framework serves to advise government on economic policy decision, towards achieving macroeconomic objectives. It provides a resource envelop that the economy is expected to generate for the national budget implementation.

Based on the current macroeconomic assessment, the framework provides policy recommendations, for Cabinet consideration, for the next Medium Term Expenditure Framework and NDP3 period.

The document is a product of an Inter-Agency Macroeconomic Committee, which comprised of NPC, BON and MOF.

I would like to extend my gratitude to all the institutions that contributed to the preparation of the Macroeconomic and Budgetary Framework.

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Minister of Finance

EXECUTIVE SUMMARY

The Macroeconomic and Budgetary Framework is a policy framework that guides the allocation of scarce public resources to competing socioeconomic needs. It provides recent economic review and outlook for domestic, regional and world economies upon which policy recommendations are made. The ultimate objective of the macroeconomic framework is to guide policy makers in their pursuit of macroeconomic and developmental objectives and to assist them to respond to unexpected changes in the economic environment.

During 2003–2005 period, the Namibian economy performed satisfactory, and recorded an average growth rate of 4.8 percent, slightly higher than the NDP2 target of 4.3 percent. This growth is attributable to prudent macroeconomic policies as reflected in low inflation, a strong external sector position, and a healthy fiscal balance, including moderate debt. Preliminary indicators show that the overall economy performed relatively well in 2006, with real GDP growth rate estimated at 4.6 percent, due to good performance in mining, wholesale and retail, transport and communications, as well as hotels and restaurants, which is a good proxy for the performance of the tourism sector.

Looking ahead, the economy is expected to continue growing at a robust pace of 4.9 percent in 2007, mainly on account of an improved outlook for the mining sector. Other sectors such as transport and communication, tourism, agriculture, financial intermediation and construction are expected to perform well, suggesting that growth will be broad-based. Notwithstanding this relatively good performance of the Namibian economy, the social and economic challenges remain daunting, and it would be important to significantly accelerate growth further if Namibia is to attain the all Millennium Development goals, as well as Vision 2030.

Average annual inflation has increased from 2.2 percent in 2005 to 5.1 percent in 2006, due to persistent high and volatile oil prices and the depreciation of the Namibia Dollar. However, a monetary policy tightening by the Bank of Namibia has curbed further inflationary pressures. Going ahead, prices are expected to stabilize at a single digit below 6 percent during 2007. Nevertheless, movements in international oil prices will continue to pose a major risk to the outlook.

The current account balance is projected to continue in a surplus due to the strengthening of mining exports and the increase in receipts from the SACU Common Revenue Pool in the medium term. However, the persistent capital outflow to other Common Monetary Area member states is expected to keep international reserves at relatively low levels. This again, underscores the importance of implementing measures to keep capital at home, which will have the additional benefits of stimulating domestic investment opportunities that will contribute to higher growth and deepening of the domestic financial and capital markets.

During 2004/05 – 2005/06¹, there has been a strong effort to consolidate the fiscal position and reduce the debt level, with the government deficit improving from N\$1120.6 million or 3.7 percent in 2004/05 to about N\$ 86 million or 0.2 percent in 2005/06. Furthermore, total revenues for 2006/07 were revised upwards by about 6 percent from the main budget mainly due to the higher than anticipated SACU receipts of N\$321 million and sales of government's

¹ The Namibian Fiscal Year starts from April 01 and end March 31, the following year.

MTC shares of N\$648 million. At the same time expenditure estimates for 2006/07 were also revised upwards by about 0.7 percent from the main budget. These revisions have resulted in a stronger **fiscal balance**, with an estimated surplus of 2.1 percent of GDP, compared to original budget surplus of 0.3 percent.

Fiscal Outlook for next the MTEF

With policy intervention the fiscal outcome for the next MTEF in terms of **revenue, expenditure, budget balance and debt**, could be summarized as follows:

- a) **Revenue** outlook is expected to remain robust during the MTEF period. Total tax revenue is projected to stand above N\$17 billion on average during the next three years, and this is attributable to the windfall of N\$2 billion from the SACU Common Revenue Pool during 2007/08. However, beyond 2007/08 total revenue and grants are expected to shrink as a result of a possible reduction in tax from international trade owing to the implementation of the SACU Free Trade Agreements with third parties as well as the implementation of the RSA/EU TDCA and SADC FTA by 2008.
- b) **Operational expenditure** will hover at 88.9 percent of total expenditure during the next MTEF. This is slightly lower than 89.5 percent recorded during 2003/04 – 2005/06. The high personnel expenditure shall remain a challenge while transfers to SOEs continue to burden the budget. Additional measures to curb recurrent expenditure, especially the wage bill, and SOEs' reform may be explored in the medium term.
- c) **Development expenditure** will stand at N\$1.9 billion during the next MTEF on average, with 2007/08 expected to be at about N\$2.1 billion. However, its average proportion to GDP during the next MTEF will be 3.5 percent, which is slightly below the average of 2004/05 – 2006/07 period of 3.9 percent.
- d) **Government balance:** Budget balance expected to be in surplus during 2007/08 while during the two subsequent fiscal years will be in deficit as a result of a possible decline in public revenue arising from a fall in SACU receipts.
- e) **Government Debt** is estimated to stabilize at an average of at 24 percent of GDP during 2007/08-2009/10, as a result of continuous prudent fiscal policy consolidation.

CHALLENGES

Although GDP growth targets were met, more efforts are required to achieve a reduction in income inequalities, employment creation and poverty reduction as well as the diversification of production and exports so as to achieve Vision 2030 targets. The following are challenges that may have a direct influence on the next MTEF:

- a) Unemployment, poverty, HIV/AIDS and orphanage will remain serious challenges for Namibia in the next three years, national efforts should thus be targeted at boosting pro-poor economic growth by promoting the creation of new jobs and improving access to efficient public services;
- b) The anticipated reduction in SACU receipts poses a serious challenge for the budget and for public service delivery.

- c) The expected implementation of the SACU Free Trade Agreements with third parties as well as the implementation of the RSA/EU TDCA and SADC FTA by 2008 may have adverse effects to Namibia in the short-term.

POLICY RECOMMENDATIONS

The document looks at a number of recommendations for improving macroeconomic management, amongst these are:

Real Sector

- a) Government policies should continue to promote equitable economic growth through investment in rural developments, SMEs promotion and transformation of subsistence agriculture;
- b) There is a need to develop a clear policy on diversification and industrialisation in order to accelerate economic growth and create more jobs;
- c) Barriers to investment growth need to be eliminated in order to improve Namibia's competitiveness as an investment location.

Fiscal Sector

- a) Capacity for capital project implementation in government institutions needs to be strengthened to ensure timely execution of projects;
- b) Government procurement policy needs to be reviewed in order to adequately support local entrepreneurial development and empower the previously disadvantaged;
- c) Priority targeting of budget resources and adherence to expenditure ceilings needs to be improved;
- d) Redirection of budget resources from operational activities to development expenditure is important if allocation to development programmes is to increase;
- e) Improve targeting of resources to more urgent productive priorities in order to optimize the outcomes from public investment;
- f) Efforts should continue to improve revenue collection especially with the anticipated reduction in SACU receipts in order to avert any shock to the budget;
- g) Reform of the SOEs needs to be expedited in order to reduce their dependency on budget transfers and improve their efficiency;
- h) The need to stabilize total Government debt stock at 25 percent

I. INTRODUCTION

The Macroeconomic and Budgetary Framework is a policy framework that guides the formulation of the government budget and advises the government on allocation of scarce resources to competing socioeconomic needs. It also provides recent economic review and outlook for domestic, regional and world economies upon which revenue projections are made. It also defines the objectives for the budget and priorities for the allocation of budgetary resources in order to meet the most urgent needs of the public while promoting economic growth and macroeconomic stability.

II ECONOMIC REVIEW AND OUTLOOK

1. WORLD ECONOMIC REVIEW AND OUTLOOK

Despite global economic imbalances in 2005, ranging from higher oil prices, the geopolitical crisis in the Middle East as well as threats to oil production in Nigeria and natural disasters, world economic output is projected to remain robust at around 5.1 percent in 2006, compared to 4.9 percent recorded in 2005, before settling back to 4.9 percent in 2007. From a regional perspective, global economic growth became more broad-based in 2006, with all regions in the world, including sub-Saharan African performing well. The positive outlook for 2007 is derived from the expectation that inflationary pressures will be largely curtailed through interest rate increases. Other key risks to the outlook include high and volatile oil prices and to sharp slowing down in the demand for housing bonds in the US market.

Amongst the key drivers of this global economic growth are advanced economies with the US as front-runner, as reflected in table 1.2. Albeit slowing in the second quarter as a consequence of sluggish growth in the housing market, a tighter monetary policy environment and rising fuel costs, the US economy showed particular strength in the first quarter of 2006. Despite a slow start to 2006, expansion in the Euro Zone and Japan gained impetus in the second quarter and is expected to contribute significantly to the total global economic output for 2006. The IMF, projects the US economy to grow by 3.4 percent in 2006 and 2.9 percent in 2007. The Japanese economy is expected to propel to 2.7 percent in 2006 before decelerating to 2.1 in 2007. This is mainly due to fixed business investments and household consumptions. In the Euro Zone, growth rate is projected at 2.4 percent and 2.0 percent in 2006 and 2007 respectively. This decrease is largely a reflection of intended tax hikes in the block's biggest economy – Germany- in 2007.

Table 1.2: World Economic Outlook

Percentage change	2004	2005	2006p	2007p
World output	5.3	4.9	5.1	4.9
Advanced economies	3.2	2.6	3.1	2.7
United States	3.9	3.2	3.4	2.9
Euro area	2.1	1.3	2.4	2.0
Japan	2.3	2.6	2.7	2.1
Other emerging market and developing countries	7.7	7.4	7.3	7.2
Africa	5.5	5.4	5.4	5.9
Sub-Sahara	5.6	5.8	5.2	6.3
Developing Asia	8.8	9.0	8.7	8.6
China	10.1	10.2	10.0	10.0
India	8.0	8.5	8.3	7.3

Source: IMF World Economic Outlook, September 2006, p in 2006 and 2007, represents Projections

Growth in **emerging markets and developing economies** performed well in 2005, registering 7.4 percent, and is expected to ease marginally, to 7.3 percent and 7.2 percent in

2006 and 2007, respectively. **In developing Asia**, China's real GDP grew by 11.3 percent in the second quarter of 2006 and is expected to settle at around 10 percent for 2006 and 2007.

In **Africa**, particularly Sub-Saharan Africa, the economy performed well in 2005, recording an impressive growth rate of 5.8 percent before easing to an expected 5.2 percent in 2006. These newly found African fortunes are largely a consequence of surging growth in oil producing countries. It is forecasted that the region will grow by 6.3 percent in 2007.

Economic growth in **South Africa** – the biggest economy in the region, recorded a higher growth rate of 4.9 percent in 2006 and is projected to average slightly above 5 percent during the next three years. In the face of extremely volatile oil prices, rapid credit growth, and the recent depreciation of the Rand, the average CPIX inflation was 4.6 percent in 2006, while it is projected for 5.7 percent in 2007. This remains within the target range of 3 to 6 percent.

2. DOMESTIC ECONOMIC REVIEW

2.1 Real Sector Review (2003-2005)

Real sector development in the last three-years was characterized by relatively high GDP expansion. The overall economy recorded an average growth of 4.7 percent for the period, 2003-2005. This growth was higher than the initial projection of 3.1 percent during the same period. Reduced diamond production led the deceleration in real GDP growth to 4.2 percent in 2005, compared to 6.6 percent recorded 2004. Despite the observed deceleration in the mining output, the sector remains the driving force behind economic growth, which is expected to expand to 4.3 percent in 2006. Table 2.1 shows the targets and actual industries' developments during 2003 and 2005.

Table 2.1: Industrial Review 2003-2005 (Annual percent change)

	Target-Average 2003-2005	Actual-Average 2003-2005	2003	2004	2005
Primary Industries	4.0%	5.0%	0.2%	13.2%	1.7%
Secondary Industries	4.5%	4.5%	9.4%	2.8%	1.4%
Tertiary industries	3.4%	5.7%	3.6%	7.0%	6.5%
GDP at market prices	3.1%	4.7%	3.5%	6.6%	4.2%

Sources: Second National Development Plan (NDP2) and National Accounts 1995-2005

Primary industries recorded an average growth of 5.0 percent during 2003 to 2005, which is higher than the targeted 4.0 percent. This growth is resultant of the higher growth of 36.5 in mining and quarrying recorded in 2004.

Secondary Industries: As a consequence of declining trend in fish processing and other manufacturing activities during 2004 and 2005, this sector recorded an average growth rate of 4.5 percent between 2003 and 2005.

Tertiary Industries: Compared to the targeted average growth rate of 3.4 percent, tertiary industries achieved an impressive growth rate of 5.7 percent between 2003 and 2005. This growth is largely attributed to expansions in the sub-sectors of wholesale and retail, transport and telecommunications, as well as financial intermediation during the period under review.

3. EXTERNAL SECTOR REVIEW

3.1 Balance of Payments

Namibia's balance of payments (BOP) position improved in 2005 and 2006. The BOP recorded a surplus during this period after sustaining a deficit in 2003 and 2004. The surplus was as a result of an increase in net export, income from investment abroad and from SACU revenue pool. There was a slowdown in capital outflow in 2005, however this was not sustained in 2006 as more funds continues to be invested outside the country. In the medium-term, the BOP is projected to remain in a healthy surplus, mainly on account of improved export performance.

4. PRICE DEVELOPMENTS

4.1 Inflation Developments

Inflation rate was low in the last two years, with 2005 recorded the lowest rate of 2.2 percent from 7.3 percent recorded in 2003. However, like other net oil importing countries, Namibia was confronted with the challenge of stronger inflationary pressures in 2006, mainly due to rising and volatile international oil prices. As a result the average annual rate of inflation rose to 5.1 percent in 2006 from 2.2 percent in the preceding year. Looking ahead, inflation is expected to trend below 6 percent in the medium-term due to prudent monetary and fiscal policies. Nevertheless, the external factors such as oil price developments and adverse exchange rate movements will continue to pose a challenge to the outlook.

5. DOMESTIC ECONOMIC OUTLOOK (2006-2010)

Namibia's economy is estimated to grow by 4.6 percent in 2006, as reflected on attachment A of this document. However, during the period 2007-2010 an average growth rate of 4.0 percent is projected.

These projections are based on a number of assumptions; the fundamental ones are listed on table 5.1.

Table: 5.1 Assumptions on the Namibian Economic Outlook

- | |
|--|
| <ul style="list-style-type: none">▪ Diamond production is projected to grow by 8.0 percent and 4.5 percent in 2007 and 2008 respectively;▪ Other mining such as zinc and uranium – commodity prices, in the medium term, are also favorable;▪ Good performance of transport and communication – completion of railway extension to the north and arrival of locomotives and other railways equipment from China▪ Tourism infrastructure – African Cup of Nations 2008 in Angola and World Cup in RSA 2010▪ Construction – Caprivi Link (Power Project), Northern railway extension and other infrastructures (Kudu Gas)▪ Financial intermediation |
|--|

Source: Bank of Namibia and the Macroeconomic Working Group

Tertiary industries, whose contributions to GDP average at 55 percent, are expected to drive the economic growth for the next three years. Meanwhile, primary industries being the pillar of the countries are also expected to play a significant role.

5.1 Primary Industries

Output of the primary industry is expected to grow by 0.5 percent on average between 2006 and 2010, *refer to attachment A at the end of the document*. This is on account of substantial declines in the diamond output projected at 28.7 percent and 12.4 percent in 2009 and 2010 respectively. However, the primary industry is expected to register a positive growth rate for the period 2007 and 2008. This will be supported by other mining and quarrying, which is expected to grow on average by 6.2 percent. The expected growth in the mining sector is due to higher forecasted favorable commodity prices in the medium term. The agriculture sector is expected to recover from an estimated decline of 2.8 percent in 2006 to 3.2 percent and 3.7 percent in 2007 and 2008, respectively. This is as a result of the end of the restocking cycle, as well as higher demand for beef and other agricultural products in export markets.

5.2 Secondary Industries

The secondary industry is expected to grow by 5.5 percent on average between 2006 and 2010. Manufacturing sectors is expected to drive the performance of these industries with support from both constructions and electricity and water.

5.3 Tertiary Industries

The tertiary industry is expected to grow by 4.7 percent on average between 2006 and 2010. The sectors that are expected to contribute to the growth rate are producer of government services, wholesale and retail, transport and communications as well as financial intermediation.

6. FISCAL POLICY REVIEW AND OUTLOOK

6.1 Fiscal Policy Review

Namibia's fiscal policy has been anchored around the macroeconomic objectives outlined in the NDP2 such as promotion of sustainable economic growth, employment creation, reducing inequalities in income distribution, poverty reduction, reduction in regional development disparities, promotion of economic empowerment and combating the further spread of HIV/AIDS.

6.1.1 Overall Revenue Outturn 2005/06

Government revenue has performed better than anticipated during the financial year 2005/06 with outturn surpassing the forecast of the budget estimates by 6.2 percent. The improvement has been recorded in both **tax revenue and non-tax revenue** that registered increases of 5.4 and 30.5 percent respectively. The improvements in revenue outturn were attributable to the revenue collection measures implemented during the previous fiscal years.

Table 6.1.1 Revenue Outturn

	2003/04	2004/05	2005/06	2006/07
N\$, million	Actual	Actual	Actual	Revised
Revenues and Grants	9,753.9	11,389.6	13,075.0	16,143.0
Tax revenues	8,761.7	10,469.2	11,963.0	14,591.0
Taxes on income and profit	3,618.0	4,025.2	4,575.0	4,689.0
Income Tax on Individuals	2,334.0	2,661.9	2,905.0	3,286.0
Company Taxes	1,198.0	1,222.3	1,573.0	1,302.0
Other taxes on Income and Profits	86.0	141.0	97.0	101.0
Taxes on Property	75.2	85.9	110.0	122.0
Domestic taxes on goods and services	1,950.0	2,057.2	3,273.0	3,186.0
Taxes-International Trade	3,035.7	4,206.8	3,892.0	6,471.0
Other tax revenue	82.8	94.1	113.0	123.0
Non Tax Revenue	958.0	850.4	1,073.0	1,480.0
Entrepreneurial and Property Income	490.0	491.4	544.0	1,049.0
Fines and Forfeitures	19.0	17.0	18.0	24.0
Administrative Fees and Charges	449.0	342.0	511.0	407.0
External Grants	34.2	70.0	39.0	72.0

Source: Ministry of Finance

Tax revenue remained the principal source of Government revenue and turned out 5.4 percent high than the Main Budget 2005/06, i.e. from N\$11354.8 million to N\$11963 million. This outturn is about 14.3 percent higher than 2004/05. As proportion of GDP, total revenue and grants stood at 33 percent in 2005/06, out of which total tax revenue was 30.2 percent.

The improvements in tax outturns for 2005/06 against earlier projections have been observed in most categories of tax revenues. The following components contributed significantly to higher revenue outturn during the 2005/06: **Corporate tax, Domestic taxes on goods and services and taxes on international trade.**

Corporate tax, performed above the projections due to good prices for diamonds and the robust performance non-mining companies, mostly financial institutions and a few trading companies.

Domestic taxes on goods and services, which consist mainly of Value Added Tax, turned out 7.6 percent higher than budget estimates for 2005/06. The good performance was partly due to general increase in compliance as a result of forensic tax audit in the Northern Regions. Another contributing factor was the good performance of trading companies that honored VAT due by then, paid more than anticipated. Furthermore, the refund control measure introduced during the financial year, that all VAT claims above certain amounts be audited before the refunds are paid out, contributed to the higher VAT outturn.

Taxes on international trade, turned out 4.4 percent above the budget estimates and this was attributable the SACU Common Revenue Pool that turned out higher than earlier projections for 2005/06.

However one of the major components of tax revenue, **tax on individuals**, turned out below the estimates, due to the outstanding taxes owed by individuals that are still under dispute, from the forensic tax audit in Oshikango and Oshakati.

Non-tax Revenue turned out 30.5 percent above the budget estimates for 2005/06 due to higher level of interest received on loans extended, as well as administrative fees charged by government institutions.

6.1.2 Expenditure Outturn 2005/06

Overall Government expenditure turned out more than budgeted by about N\$420.5 million. This represents an unauthorised over expenditure of 3.3 percent. Unauthorized and overspending was mainly in current expenditure such as personnel expenditure, goods and services, subsidies and other current transfers, and interest payment and related charges.

Personnel expenditure turned out 6.4 percent higher than the budget estimates and this was attributable to the over spending on remuneration that turned out 9.2 percent higher than the budget estimates.

Expenditure on goods and services turned out 4.9 percent above budget estimates, as the subcomponents of this category such as **transport** and **utilities** increased drastically by 19.7 and 14.8 percent respectively.

Subsidies and other current transfers surpassed the budgeted amount by 2.6 percent and this was mainly due to higher transfers in the form of social grants to vulnerable groups and subsidies to parastatals and non-profit institutions.

Interest and Related Charges slipped above the budgeted amount by 4.7 percent. This was caused mainly by the switching from domestic short-term to long-term debt instruments that are expensive. Furthermore, the depreciation of the Namibia Dollar against major foreign currencies contributed to the increase of foreign interest payments.

The **total Development Expenditure** for the 2005/ 06 financial year recorded a deviation of 7.6 percent or an under spending of N\$108 million.

Table 6.1.2 Expenditure Outturn

N\$, million	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Rev.
Expenditure and Net Lending	12,232.0	12,746.0	13,161.0	15,222.0
Current Expenditures	10,448.0	10,800.0	11,541.0	12,539.0
<i>Personnel Expenditure</i>	5,117.0	5,527.0	5,888.0	6,145.0
<i>Goods and other Services</i>	2,079.0	1,913.0	1,922.0	2,199.0
<i>Interest and borrowing related charges</i>	867.0	1,012.0	1,162.0	1,313.0
<i>Other Statutory</i>	130.0	41.0	24.0	165.0
<i>Subsidies and Other Current Transfers</i>	2,255.0	2,307.0	2,545.0	2,717.0
Operational Capital Expenditure and Capital Transfers	162.0	164.0	117.0	221.0
Total Development Expenditure	1,235.0	1,453.0	1,327.0	1,876.0
Net Lending	387.0	329.0	176.0	586.0

Source: Ministry of Finance

6.1.3 Deficit Outturn 2005/06

Although the 2005/06 fiscal year showed an over-spending of N\$420 million from the budget estimate, revenue recorded a higher outturn of N\$752.2 million, which is higher than overspending. As a result, government balance improved from a deficit of N\$ 418 million to N\$86 million. This level of deficit was the lowest ever and is a result of persistent fiscal policy consolidation since the inception of MTEF.

6.2 Revised Budget 2006/07

The estimated total revenue and expenditure for 2006/07 were N\$15.2 billion and N\$15.1 billion, respectively. However, in the third quarter of this fiscal year, a need for revision was necessitated that saw an upward revision of total revenue to N\$16.1 billion and total expenditure to N\$15.2 billion.

Tax revenue was revised upwards from N\$14271 million to N\$14591 million due to higher than anticipated SACU receipts of N\$321 million, mainly.

Non-tax revenue was revised upwards from N\$902 million to N\$1480 million; mainly as a result of proceeds from the sale of government shares in MTC of N\$648 million from Namibia Post and Telecommunication Holding (NPTH).

6.2.1 Revised Expenditure

The revision of expenditure has been prompted by the shortfall in the Medical Aid, Prisons and Correctional Services, transfers to Namibia Tourism Board, Police and Electoral Commission. As a result, total expenditure increased from N\$15121 million to N\$15222 million, which is an increase of 0.7 percent.

6.2.2 Debt stock

Public debt stock as a ratio of GDP during 2005/06 stood at 32 percent which is lower than 34.4 percent recorded in 2004/05. However, in absolute value, the total debt stock for 2005/06 of N\$12, 7 billion is slightly higher N\$12, 6 billion recorded for 2004/05.

Despite the budget surplus foreseen for 2006/07 financial year, debt stock is expected to increase to N\$13.8 billion as a result of an increase in foreign debt stock arising from the depreciation of Namibia dollar against major currencies and borrowing activities undertaken to redeem GC07 and GC08 expected to mature in 2007 and 2008, respectively. To date, Government has put aside N\$1.3 billion for this purpose and will continue to invest in the Special Account until the amount required to repay these instruments is sufficient.

Table 6.2.3: Government Debt: 2004/05 – 2006/07

N\$, million	2003/04	2004/05	2005/06	2006/07
	Actual	Actual	Actual	Rev.
Total central government Debt Stock (N\$ million)	10,201.0	12,642.0	12,679.0	13,799.0
<i>Domestic Debt</i>	8,606.0	10,543.0	10,670.0	10,944.0
<i>Foreign Debt</i>	1,595.0	2,099.0	2,009.0	2,855.0
As percent of GDP				
<i>Domestic Debt</i>	24.9%	28.2%	27.0%	24.9%
<i>Foreign Debt</i>	4.6%	5.6%	5.1%	6.5%
Total Debt/GDP	29.5%	33.8%	32.0%	31.4%

Source: Ministry of Finance

During period of 2004/05 to 2006/07, Government managed to reduce the level of short-term debt by issuing fewer Treasury Bills (with maturity of 12 months or less) and issuing more government bonds (with maturity of more than a year). To date long term debt comprises 67 percent while short-term debt comprises 33 percent as at November 2006 and is expected to reach the target of 30 percent benchmarked by end of this financial year.

6.2.3 Contingent Liabilities

Domestic guarantees as a percentage of GDP increased from 3.6 in 2004/05 to 3.8 percent in 2005/06 and are estimated to decrease to 3.4 percent in 2006/07. Foreign guarantees increased from 2.9 percent in 2004/05 to 5.1 percent in 2005/06 and are expected to decrease to 4.9 percent during 2006/07. The increase was mainly due to new guarantees issued during 2005/06 to secure the Air Namibia lease of aircraft in the total amount of USD 139 million or N\$1,0 billion.

MTEF for the first time, in 2005, contained detailed information about the newly issued guarantees and defaults. Table 2 shows the guarantees that were issued during the 2006/07, guarantees that were cancelled due to repayment, and those that have defaulted since 01 April 2006.

Table 6.2.4 Guarantees issued and repaid since 01 April 2006, guarantees currently in default (N\$ million)

<i>Newly issued guarantees</i>	<i>Date of Issue</i>	<i>Maturity</i>	<i>Amount (N\$)</i>
Air Namibia	18-Sep-2006	30-Jun-2007	40.0
Cancelled guarantees			
Affirmative Action Loan Scheme			15.5
Guarantees currently in default			
	Date of default		
Emerging Commercial Ostrich Farmers	30-Aug-2006		1.8
Domesticated Ostrich Products Pty Ltd	07-Sept- 2006		7.5

Source: Ministry of Finance

6.3 Fiscal Sector Outlook, 2007/08 – 2009/10

6.3.1 Revenue Outlook

The overall total revenue outlook for the next MTEF, given in Table 6.3.1, is expected to remain robust, as a result of the ongoing forensic tax audit and its spin-off throughout the next three years. The Ministry of Finance is currently reviewing and improving audit procedures. The construction of two new revenue offices in Otjiwarongo and Keetmanshoop, which are expected to be fully operational in 2007/08 and 2008/09, is expected to strengthen compliance. Furthermore, the Ministry of Finance has embarked upon on revision of tax legislation, in general. In addition, the Ministry of Finance intends to review the Revenue Management Department organisational structure with the aim of strengthening tax administration.

Beyond 2007/08, SACU Receipts Pool are expected to decline as a result of implementation of the free trade agreements of the Republic of South Africa and European Union on Trade and Development Cooperation (RSA/EU TDCA), SADC FTA by 2008, and SACU/MERCOSUR FTA. Furthermore, the envisaged SADC Custom Union by 2010 is also expected to adversely affect tax on international trade. However, there are possibilities for revenue from VAT and excise duty to increase, as a result of increased inflow of investment into Namibia. The prospects of revenue during the next MTEF are summarized below and quantified in *Table 6.3.1 Revenue Outlook*.

Income Taxes on Individuals are expected to improve in line with the GDP development and this may be boosted further by the envisaged implementation of withholding tax on interest in 2007/08.

Corporate tax from diamonds companies is expected to be unstable during the next three years due to delays in production in 2007/08, caused by the loss of the production equipment of the major player in the industry. Production is expected to reach peak level in 2008/09 due to stability in the use of technology and the exploitation of the available production capacity, which is expected to be exhausted in 2009/10.

Corporate Tax from other mining Companies is expected to be robust due to extremely good world mineral prices. New mines will also come into operation during the next three financial years.

Corporate tax from non-mining companies reflects exchange rate development and the monetary policy development. The prospects look positive, provided that the outcomes remain relatively in line with the assumptions.

Non-resident shareholders tax, this component reflects GDP development as this is sourced mostly from mining companies, some financial institutions and international chain wholesale and retailers. The prospects are positive, although this component depends on the discretion of the companies to declare dividends to shareholders, or not, in a given year.

Transfer duty is expected to be in overall macroeconomic trend. The proposed amendment of the Transfer Duty Act is expected to boost receipt from this component.

VAT prospects are promising and are expected to be boosted by the Forensic Audit, as well as the expected additional VAT recovery and improvement in tax compliance. Furthermore, additional VAT may be received when VAT high rate is introduced on certain luxury goods and on alcohol and tobacco by 2008/09.

Tax on royalty, and **Stamp duties and fees** are expected to remain on the increase in line with GDP development and other macroeconomic fundamentals.

Tax on international trade is expected to be as high as at about N\$8 billion during 2007/08, consisting of N\$ 6 billion from SACU Common Revenue Pool for 2007/08, a windfall of N\$160 from the Final Adjustment in terms of 1969 SACU Agreement for 2004/05, and the N\$ 1.9 billion million from the excess over the projections of the Revenue Pool for 2005/06.

However, beyond 2007/08 Tax on international trade is expected to shrink as a result of the implementation of the SACU Free Trade Agreements with third parties as well as the implementation of the RSA/EU TDCA and SADC FTA by 2008.

Table 6.3.1 Revenue Outlook

	2007/08	2008/09	2009/10
N\$, million	Projections	Projections	Projections
Revenues and Grants	18,363.0	16,532.0	16,851.0
Tax revenues	17,042.0	15,260.0	15,591.0
Taxes on income and profit	5,201.0	5,543.0	5,632.0
Income Tax on Individuals	2,983.0	3,132.0	3,288.0
Company Taxes	2,070.0	2,250.0	2,170.0
Other taxes on Income and Profits	148.0	161.0	174.0
Taxes on Property	134.0	146.0	160.0
Domestic taxes on goods and services	3,488.0	3,654.0	3,826.0
Taxes-International Trade	8,085.0	5,771.0	5,813.0
Other tax revenue	134.0	146.0	160.0
Non Tax Revenue	1,117.0	1,154.0	1,093.0
Entrepreneurial and Property Income	662.0	647.0	664.0
Fines and Forfeitures	24.0	24.0	24.0
Administrative Fees and Charges	431.0	483.0	405.0
External Grants	204.0	118.0	167.0

Source: Ministry of Finance

6.3.2 Expenditure outlook

During the next MTEF, total expenditure and net lending is estimated to average at around N\$17.5 billion and hover around 32 percent of GDP. Operational expenditure is expected to revolve around 88.9 percent of the total expenditure of which 45.6 percent goes to personnel expenditure.

Table: 6.3.2: Expenditure outlook

	2007/08	2008/09	2009/10
N\$, million	Proj.	Proj.	Proj.
Expenditure and Net Lending	17804.0	17121.0	17504.0
Current Expenditures	13989.0	14866.0	15311.0
Personnel Expenditure	6725.0	7201.0	7326.0
Goods and other Services	2995.0	3213.0	3326.0
Interest and borrowing related charges	1156.0	1120.0	1254.0
Other Statutory	46.0	11.0	11.0
Subsidies and Other Current Transfers	3067.0	3321.0	3394.0
Operational Capital Expenditure and Capital Transfers	544.0	289.0	240.0
Total Development Expenditure	2076.0	1885.0	1872.0
Net Lending	1195.0	81.0	81.0

Source: Ministry of Finance

6.3.3 Government Deficit Outlook

The deficit outlook during the next three financial years is influenced by the revenue outlook. As a result, government balance depicts a surplus of 1.2 percent of GDP for 2007/08 and then a deficit of 1.1 percent of GDP during the two subsequent fiscal years.

6.3.4 Government Debt Outlook

In accordance with the Sovereign Debt Management Strategy the debt ratio should be at 25 percent of GDP. National debt stock is projected to reach 24.7 percent of GDP at the end of 2007/08 and then at 23.5 and 23.7 for 2008/09 and 2009/2010 respectively. The main contributor to this lower debt level for 2007/08 is the overall improvement in revenue collection and windfall from SACU, while during the 2008/09 – 2009/2010, is the expected improvement in revenue collection. In addition, the repayments of GC07 and GC08, will contribute to a decline in debt stock during the next MTEF period.

Table 6.3.3: Government Budget Balances (MTEF period).

N\$, million	<i>Projection</i> 2007/08	<i>Projection</i> 2008/09	<i>Projection</i> 2009/10
Total Revenue and Grants	18,363.0	16,532.0	16,851.0
As % of GDP	36.3	30.1	28.6
Total Expenditure and Net Lending	17804.0	17121.0	17504.0
As % of GDP	35.2	31.1	29.6
Budget Balance	558.5	-588.9	-653.0
As % of GDP	1.1	-1.1	-1.1
<i>Domestic Debt Stock</i>	9351.0	9504.0	10353.0
<i>Foreign Debt</i>	3175.0	3497.0	3709.0
Total Debt	12526.0	13001.0	14062.0
As % of GDP	24.8	23.6	23.8
GDP	50583	54973	59049

Source: Ministry of Finance

Table 6.3.4 lists external borrowing outside the budget that Government will undertake in the upcoming MTEF period to enable the implementation of crucial infrastructure projects. As

can be seen, the borrowing outside budget is expected to increase from N\$ 246.7 million in 2005/06 to N\$ 399.81 million in 2006/07 but expected to decrease to N\$278.9 million in 2007/08 and further to N\$150.87 million by end of 2008/09.

Table: 6.3.4: External Loans outside main budget, 2005/06 –2008/09
(Loan Amount, N\$ Millions)

	2005/06	2006/07	2007/08	2008/09
Tandjieskoppe Irrigation	20.0	30.0	60.0	62.92
Green Scheme	41.2	17.0	22.7	
Trans-Namib	55.2	73.0	79.1	
Upgrading of 6 Airports	19.4	125.7	-	-
Aus-Rosh Pinah Road I	23.5	38.61	38.60	38.60
Aus-Rosh Pinah Road II	7.2	35.0	-	12.60
Brakwater - Okahandja Road	22.7	23.8	8.50	8.50
Kamanjab - Omakange Road	50.0	56.7	70.0	49
Nampost Extension of PS	7.5	-	-	
TOTAL	246.7	399.81	278.9	150.87

Source: Ministry of Finance

6.4 Summary of fiscal outlook for the next MTEF (2007/08-2009/10)

From the above review of macroeconomic and fiscal developments it is concluded that government fiscal targets with respect to revenue, expenditure, budget balance and debt, is expected to improve in the medium term. This is summarized in table 6.3.3

Total revenue and grants will average at 31.6 percent of GDP during the MTEF period, while expenditure is expected to average 32 percent. The average budget balance of -0.4 percent of GDP is estimated while debt is estimated to stand at 24.1 percent GDP. Under this scenario, the allocation of expenditure between development and operational expenditure will remain more or less unchanged compared to previous MTEFs.

Notwithstanding this relatively benign anticipated macroeconomic environment, growth will remain insufficient to rapidly reduce poverty and create more jobs. Moreover there are a number of challenges that need urgent attention during the next three fiscal years such as unemployment, poverty and HIV/AIDS. Although it was difficult to compute the direct impact of these issues on the economy, they however they remain key priority areas for both in the NDP 3 and the next MTEF.

III. CONCLUSIONS

- a) The prospects for **Namibia's economic** growth look fairly well with the GDP growth projected to revolve around of 4.0 percent on average for the next three years;
- b) **Revenue** outlook is expected to remain robust during the MTEF period. Total tax revenue is projected to stand above N\$17 billion on average during the next three years, and this is attributable to the windfall of N\$2 billion from the SACU Common Revenue Pool during 2007/08. However, beyond 2007/08 total revenue and grants are expected to shrink as a result of a possible reduction in tax from international trade owing to the implementation of the SACU Free Trade

Agreements with third parties as well as the implementation of the RSA/EU TDCA and SADC FTA by 2008.

- c) **Operational expenditure** will hover at 88.9 percent of total expenditure during the next MTEF. This is slightly lower than 89.5 percent recorded during 2003/04 – 2005/06. The high personnel expenditure shall remain a challenge while transfers to SOEs continue to burden the budget. Additional measures to curb recurrent expenditure, especially the wage bill, and SOEs' reform may be explored in the medium term.
- d) **Development expenditure** will revolve around N\$1.9 billion during the next MTEF on average, with 2007/08 expected to be at about N\$2.1 billion. However, its average proportion to GDP during the next MTEF will be 3.5 percent, which is slightly below the average of 2004/05 – 2006/07 period of 3.9 percent.
- e) **Government balance:** Budget balance expected to be in surplus during 2007/08 while during the two subsequent fiscal years will be in deficit as a result of a possible decline in public revenue arising from a fall in SACU receipts.
- f) **Government Debt** is estimated to stabilize at an average of at 24 percent of GDP during 2007/08-2009/10, as a result of continuous prudent fiscal policy consolidation.

CHALLENGES

Although GDP growth targets were met, more efforts are required to achieve a reduction in income inequalities, employment creation and poverty reduction as well as the diversification of production and exports so as to achieve Vision 2030 targets. The following are challenges that may have a direct influence on the next MTEF:

- a) Unemployment, poverty, HIV/AIDS and orphanage will remain serious challenges for Namibia in the next three years, national efforts should thus be targeted at boosting pro-poor economic growth by promoting the creation of new jobs and improving access to efficient public services;
- b) The anticipated reduction in SACU receipts poses a serious challenge for the budget and for public service delivery;
- c) The anticipated reduction in public revenue, as a result of reforms at SACU and SADC, the challenges for achieving poverty reduction targets become even more serious especially given the importance of government in the economy. The reduction in public revenue also requires that there is improved efficiency in the use of resources in order to improve resources outcomes.

IV. POLICY RECOMMENDATIONS

In view of the above challenges, the following recommendations need to be considered:

Real Sector

- a. Government policies should continue to promote equitable economic growth through investment in rural developments, SMEs promotion and transformation of subsistence agriculture;
- b. There is a need to develop a clear policy on diversification and industrialisation in order to accelerate economic growth and create more jobs;
- c. Barriers to investment growth need to be eliminated in order to improve Namibia's competitiveness as an investment location.

Fiscal Sector

- a) Capacity for capital project implementation in government institutions needs to be strengthened to ensure timely execution of projects;
- b) Government procurement policy needs to be reviewed in order to adequately support local entrepreneurial development and empower the previously disadvantaged;
- c) Priority targeting of budget resources and adherence to expenditure ceilings needs to be improved;
- d) Redirection of budget resources from operational activities to development expenditure is important if allocation to development programmes is to increase;
- e) Improve targeting of resources to more urgent productive priorities in order to optimize the outcomes from public investment;
- f) Efforts should continue to improve revenue collection especially with the anticipated reduction in SACU receipts in order to avert any shock to the budget;
- g) Reform of the SOEs needs to be expedited in order to reduce their dependency on budget transfers and improve their efficiency;
- h) The need to stabilize total Government debt stock at 25 percent.

Attachment A: GDP by Activity, Annual Changes 2005-2010

GDP by Activity percent annual growth

	2005 Actual	2006 Projection	2007 Projection	2008 Projection	2009 Projection	2010 Projection
Agriculture	10.7%	-2.8%	3.2%	3.7%	3.9%	3.9%
Commercial	10.6%	-5.3%	3.5%	3.3%	4.0%	4.3%
Subsistence	10.9%	2.2%	2.6%	4.5%	3.7%	3.2%
Fishing and Fish Processing on Board	-3.2%	-0.5%	2.5%	2.3%	3.5%	3.2%
Mining and quarrying	-1.8%	13.6%	7.9%	4.6%	-21.9%	-7.0%
Diamond mining	-4.1%	23.6%	8.0%	4.5%	-28.7%	-12.4%
Other mining and quarrying	5.1%	-13.1%	7.5%	5.0%	4.0%	7.0%
Primary Industries	1.7%	5.6%	5.5%	4.0%	-10.0%	-1.3%
Manufacturing	-0.6%	3.1%	2.2%	6.3%	6.8%	7.3%
Meat processing	8.0%	-4.2%	3.9%	4.6%	4.6%	4.6%
Fish processing	-4.8%	-2.5%	4.4%	4.5%	4.5%	4.5%
Manufactured of other food products and beverages	5.6%	5.2%	4.5%	6.0%	7.0%	8.0%
Other Manufacturing	-7.6%	3.2%	-2.2%	7.6%	7.6%	7.6%
Electricity and water	11.5%	7.5%	3.7%	12.0%	3.0%	15.0%
Construction	3.0%	2.8%	11.1%	4.2%	4.0%	4.8%
Secondary Industries	1.3%	3.5%	4.2%	6.5%	5.7%	7.7%
Wholesale and retail trade, repairs	7.8%	8.0%	6.5%	7.0%	6.5%	6.5%
Hotels and restaurants	0.3%	4.5%	6.5%	7.8%	6.5%	10.0%
Transport and communication	8.8%	9.8%	10.0%	10.6%	11.0%	6.4%
Transport and storage	2.3%	4.5%	3.0%	4.0%	4.0%	4.0%
Post and telecommunications	16.1%	15.2%	16.3%	16.0%	16.0%	8.0%
Financial intermediation	22.0%	13.3%	7.2%	7.7%	7.2%	7.2%
Real estate and business services	2.3%	2.7%	2.8%	3.0%	3.0%	3.0%
Owner-occupied dwellings	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%
Other real estate and business services	2.2%	2.8%	3.0%	3.4%	3.4%	3.4%
Community, social and personal services	12.6%	4.5%	3.7%	3.5%	3.5%	3.5%
Producers of government services	4.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Other producers	1.6%	2.2%	2.7%	2.3%	2.3%	2.3%
Tertiary industries	6.5%	4.7%	4.5%	4.9%	4.9%	4.3%
Less: Financial services indirectly measured	13.1%	14.6%	14.5%	8.0%	8.0%	8.0%
GDP at Basic prices	4.5%	4.5%	4.5%	4.9%	1.9%	3.8%
Taxes on Production and Imports less Subsidies	1.3%	4.6%	8.3%	-1.1%	11.9%	5.6%
GDP at market prices	4.2%	4.6%	4.9%	4.2%	3.0%	4.0%

Source: National Planning Commission

Attachment B: Gross Domestic Product--Constant 1995 Prices

NS\$, million	2005 Actual	2006 Projection	2007 Projection	2008 Projection	2009 Projection	2010 Projectio n
Agriculture	1,128	1,096	1,131	1,173	1,219	1,267
Commercial	753	713	738	762	793	827
Subsistence	375	383	393	411	426	440
Fishing and Fish Processing on Board	644	641	657	672	695	718
Mining and quarrying	1,658	1,884	2,033	2,127	1,661	1,544
Diamond mining	1,208	1,493	1,612	1,685	1,202	1,053
Other mining and quarrying	450	391	420	441	459	491
Primary Industries	3,430	3,621	3,821	3,972	3,575	3,528
Manufacturing	1,957	2,017	2,060	2,190	2,338	2,508
Meat processing	95	91	95	99	104	108
Fish processing	256	250	261	272	284	297
Manufactured of other food products and beverages	935	984	1,028	1,090	1,166	1,259
Other Manufacturing	671	692	677	729	784	844
Electricity and water	310	333	346	387	399	458
Construction	588	604	671	699	727	762
Secondary Industries	2,855	2,954	3,077	3,276	3,464	3,729
Wholesale and retail trade, repairs	1,942	2,068	2,203	2,357	2,510	2,673
Hotels and restaurants	322	336	358	386	411	452
Transport and communication	1,671	1,836	2,019	2,233	2,478	2,637
Transport and storage	835	873	899	934	971	1,010
Post and telecommunications	836	963	1,120	1,299	1,507	1,627
Financial intermediation	788	893	957	1,031	1,105	1,185
Real estate and business services	1,722	1,768	1,817	1,872	1,928	1,986
Owner-occupied dwellings	797	817	837	859	880	903
Other real estate and business services	925	951	979	1,013	1,048	1,084
Community, social and personal services	152	159	165	170	176	183
Producers of government services	3,842	3,880	3,919	3,958	3,998	4,038
Other producers	324	331	340	348	356	364
Tertiary industries	10,763	11,271	11,777	12,356	12,963	13,519
Less: Financial services indirectly measured	233	267	306	330	356	385
GDP at Basic prices	16,815	17,580	18,370	19,274	19,646	20,391
Taxes on Production and Imports less Subsidies	2,134	2,233	2,417	2,392	2,677	2,826
GDP at market prices	18,949	19,812	20,787	21,665	22,323	23,217

Source: National Planning Commission

Attachment C: Gross Domestic Product by activity – Current prices

N\$, million	2005 Actual	2006 Projection	2007 Projection	2008 Projection	2009 Projection	2010 Projection
Agriculture	2,404	2,492	2,726	3,028	3,302	3643.31
Commercial	1,718	1,750	1,933	2,171	2,357	2611.283
Subsistence	686	742	793	857	946	1032.024
Fishing	1,916	2,017	2,196	2,385	2,622	2873.57
Mining and quarrying	3,317	4,569	5,410	5,994	4,783	4611.45
Diamond mining	2,708	4,008	4,770	5,279	3,994	3715.14
Other mining and quarrying	609	561	640	714	789	896.3051
Primary Industries	7,637	9,078	10,331	11,407	10,707	11128.32
Manufacturing	4,118	4,504	4,854	5,491	6,238	7117.56
Meat processing	119	121	133	147	163	180.1932
Fish processing	466	482	534	592	656	727.4472
Manufacture of other food products and beverages	1,785	1,990	2,205	2,484	2,824	3241.412
Other Manufacturing	1,748	1,912	1,982	2,268	2,595	2968.51
Electricity and water	1,345	1,530	1,683	2,005	2,196	2684.9
Construction	1,249	1,288	1,553	1,761	1,991	2271.01
Secondary Industries	6,712	7,322	8,091	9,256	10,425	12073.47
Wholesale and retail trade, repairs	4,036	4,553	5,146	5,848	6,613	7478.96
Hotels and restaurants	670	741	839	959	1,083	1262.32
Transport and communication	2,838	3,282	3,811	4,455	5,222	5890.88
Transport and storage	1,548	1,711	1,871	2,065	2,279	2514.586
Post and telecommunications	1,290	1,571	1,940	2,390	2,944	3376.292
Financial intermediation	1,475	1,768	2,013	2,301	2,618	2978.99
Real estate and business services	3,677	3,998	4,363	4,773	5,222	5713.67
Owner-occupied dwellings	1,819	1,977	2,155	2,346	2,554	2780.176
Other real estate and business services	1,858	2,021	2,207	2,427	2,668	2933.494
Community, social and personal services	346	380	418	461	508	559.994
Producers of government services	7,328	7,924	9,296	10,073	10,685	11764.8
Other producers	679	736	801	872	948	1031.75
Tertiary industries	21,049	23,383	26,688	29,741	32,900	36681.36
Less: Financial services indirectly measured	444	537	652	749	861	988.5758
GDP at Basic prices	34,954	39,246	44,458	49,655	53,171	58894.58
Taxes on Production and Imports less Subsidies	3,606	2,867	4,936	4,493	4,274	4963.775
GDP at market prices	38,560	42,114	49,394	54,148	57,445	63858.35

Source: National Planning Commission

Attachment D: Gross Domestic Product by Activities as percent of GDP

	2005	2006	2007	2008	2009	2010
Agriculture	6.2%	5.9%	5.5%	5.6%	5.7%	5.7%
Commercial	4.5%	4.2%	3.9%	4.0%	4.1%	4.1%
Subsistence	1.8%	1.8%	1.6%	1.6%	1.6%	1.6%
Fishing	5.0%	4.8%	4.4%	4.4%	4.6%	4.5%
Mining and quarrying	8.6%	10.8%	11.0%	11.1%	8.3%	7.2%
Diamond mining	7.0%	9.5%	9.7%	9.7%	7.0%	5.8%
Other mining and quarrying	1.6%	1.3%	1.3%	1.3%	1.4%	1.4%
Primary Industries	19.8%	21.6%	20.9%	21.1%	18.6%	17.4%
Manufacturing	10.7%	10.7%	9.8%	10.1%	10.9%	11.1%
Meat processing	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Fish processing	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
Manufacture of other food products and beverages	4.6%	4.7%	4.5%	4.6%	4.9%	5.1%
Other Manufacturing	4.5%	4.5%	4.0%	4.2%	4.5%	4.6%
Electricity and water	3.5%	3.6%	3.4%	3.7%	3.8%	4.2%
Construction	3.2%	3.1%	3.1%	3.3%	3.5%	3.6%
Secondary Industries	17.4%	17.4%	16.4%	17.1%	18.1%	18.9%
Wholesale and retail trade, repairs	10.5%	10.8%	10.4%	10.8%	11.5%	11.7%
Hotels and restaurants	1.7%	1.8%	1.7%	1.8%	1.9%	2.0%
Transport and communication	7.4%	7.8%	7.7%	8.2%	9.1%	9.2%
Transport and storage	4.0%	4.1%	3.8%	3.8%	4.0%	3.9%
Post and telecommunications	3.3%	3.7%	3.9%	4.4%	5.1%	5.3%
Financial intermediation	3.8%	4.2%	4.1%	4.2%	4.6%	4.7%
Real estate and business services	9.5%	9.5%	8.8%	8.8%	9.1%	8.9%
Owner-occupied dwellings	4.7%	4.7%	4.4%	4.3%	4.4%	4.4%
Other real estate and business services	4.8%	4.8%	4.5%	4.5%	4.6%	4.6%
Community, social and personal services	0.9%	0.9%	0.8%	0.9%	0.9%	0.9%
Producers of government services	19.0%	18.8%	18.8%	18.6%	18.6%	18.4%
Other producers	1.8%	1.7%	1.6%	1.6%	1.7%	1.6%
Tertiary industries	54.6%	55.5%	54.0%	54.9%	57.3%	57.4%
Less: Financial services indirectly measured	1.2%	1.3%	1.3%	1.4%	1.5%	1.5%
GDP at Basic prices	90.6%	93.2%	90.0%	91.7%	92.6%	92.2%
Taxes on Production and Imports less Subsidies	9.4%	6.8%	10.0%	8.3%	7.4%	7.8%
GDP at market prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: National Planning Commission

Attachment E: Government Revenue

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
N\$, million	Actual	Actual	Actual	Revised	Proj	Proj	Proj
Revenues and Grants	9,753.9	11,389.6	13,075.0	16,209.0	18,387.0	16,556.0	16,875.0
Tax revenues	8,761.7	10,469.2	11,963.0	14,591.0	17,042.0	15,259.0	15,591.0
Taxes on income and profit	3,618.0	4,025.2	4,575.0	4,689.0	5,201.0	5,543.0	5,632.0
Income Tax on Individuals	2,334.0	2,661.9	2,905.0	3,286.0	2,983.0	3,132.0	3,288.0
Company Taxes	1,198.0	1,222.3	1,573.0	1,302.0	2,070.0	2,250.0	2,170.0
Diamond Mining Companies	175.0	301.4	199.0	45.0	250.0	355.0	200.0
Other Mining Companies	3.0	8.0	1.0	7.0	350.0	350.0	350.0
Non-Mining companies	1,020.0	912.9	1,373.0	1,250.0	1,470.0	1,545.0	1,620.0
Other taxes on Income and Profits	86.0	141.0	97.0	101.0	148.0	161.0	174.0
Taxes on Property	75.2	85.9	110.0	122.0	134.0	146.0	160.0
Domestic taxes on goods and services	1,950.0	2,057.2	3,273.0	3,186.0	3,488.0	3,654.0	3,826.0
VAT	1,755.0	1,826.2	3,108.0	2,925.0	3,263.0	3,427.0	3,598.0
Levy on fuel	64.0	119.0	88.0	92.0	93.0	93.0	93.0
Fishing quota levy	118.0	104.0	70.0	157.0	73.0	73.0	74.0
Others	13.0	8.0	7.0	12.0	59.0	61.0	61.0
Taxes-International Trade	3,035.7	4,206.8	3,892.0	6,471.0	8,085.0	5,771.0	5,813.0
Other tax revenue	82.8	94.1	113.0	123.0	134.0	146.0	160.0
Non Tax Revenue	958.0	850.4	1,073.0	1,480.0	1,117.0	1,154.0	1,093.0
Entrepreneurial and Property Income	490.0	491.4	544.0	1,049.0	662.0	647.0	664.0
Interest on loan extended	20.0	21.0	15.0	52.0	68.0	67.0	67.0
Dividends and Profit Share	79.0	15.0	45.0	696.0	66.0	67.0	85.0
Interest on Government Deposits with BON	7.0	9.0	28.0	13.0	28.0	12.0	12.0
Compensation for use of Rand	81.0	60.0	50.0	30.0	-	-	-
Diamond Royalties	302.0	385.4	405.0	258.0	271.0	288.0	302.0
Other Mineral Royalties	-	-	-	-	229.0	212.0	198.0
Interest on Investment	1.0	1.0	1.0	-	-	1.0	-
Fines and Forfeitures	19.0	17.0	18.0	24.0	24.0	24.0	24.0
Administrative Fees and Charges	449.0	342.0	511.0	407.0	431.0	483.0	405.0
External Grants	34.2	70.0	39.0	72.0	204.0	118.0	167.0
Current Official Grants	2.4	70.0	39.0	72.0	156.0	118.0	167.0
Capital Official Grants	31.8	-	-	-	48.0	-	-
GDP	34,607.0	37,384.7	39,562.0	43,934.0	50,583.0	54,973.0	59,049.0

Source: Ministry of Finance

Attachment E: Government Expenditure

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
N\$, million	Actual	Actual	Actual	Rev.	Proj.	Proj.	Proj.
Expenditure and Net Lending	12,232.0	12,746.0	13,161.0	15,288.0	17,804.0	17,121.0	17,504.0
Current Expenditures	10,448.0	10,800.0	11,541.0	12,539.0	13,989.0	14,866.0	15,311.0
<i>Personnel Expenditure</i>	5,117.0	5,527.0	5,888.0	6,145.0	6,725.0	7,201.0	7,326.0
<i>Goods and other Services</i>	2,079.0	1,913.0	1,922.0	2,199.0	2,995.0	3,213.0	3,326.0
<i>Interest and borrowing related charges</i>	867.0	1,012.0	1,162.0	1,313.0	1,156.0	1,120.0	1,254.0
<i>Interest on Domestic Debt</i>	813.0	928.0	1,078.0	1,213.0	1,035.0	988.0	1,113.0
<i>Interest on External Debts</i>	52.0	69.0	82.0	98.0	119.0	130.0	139.0
<i>Borrowing related charges</i>	2.0	15.0	2.0	2.0	2.0	2.0	2.0
<i>Other Statutory</i>	130.0	41.0	24.0	165.0	46.0	11.0	11.0
<i>Subsidies and Other Current Transfers</i>	2,255.0	2,307.0	2,545.0	2,717.0	3,067.0	3,321.0	3,394.0
Operational Capital Expenditure and Capital Transfers	162.0	164.0	117.0	221.0	544.0	289.0	240.0
Total Development Expenditure	1,235.0	1,453.0	1,327.0	1,876.0	2,076.0	1,885.0	1,872.0
Net Lending	387.0	329.0	176.0	586.0	1,195.0	81.0	81.0
<i>Total Lending and Equity Participation</i>	400.0	366.0	208.0	652.0	1,219.0	105.0	105.0
<i>Loan Proceeds for On-Lending</i>	-	-	-	-			
<i>Repayment of the Loan from On-Lending</i>	13.0	37.0	32.0	66.0	24.0	24.0	24.0
Deficit(-)/surplus(+)	-2,478.1	-1,356.4	-86.0	921.0	558.5	-588.9	-653.0
Deficit as percent of GDP	-7.2%	-3.6%	-0.2%	2.1%	1.1%	-1.1%	-1.1%
Total central government Debt Stock	10,201.0	12,642.0	12,679.0	13,799.0	12526.0	13001.0	14062.0
<i>Domestic Debt</i>	8,606.0	10,543.0	10,670.0	10,944.0	9351.0	9504.0	10353.0
<i>Foreign Debt</i>	1,595.0	2,099.0	2,009.0	2,855.0	3175.0	3497.0	3709.0
As proportion of GDP							
<i>Domestic Debt</i>	24.9%	28.2%	27.0%	24.9%	18.5%	17.3%	17.5%
<i>Foreign Debt</i>	4.6%	5.6%	5.1%	6.5%	6.3%	6.4%	6.3%
Total Debt/GDP	29.5%	33.8%	32.0%	31.4%	24.8%	23.6%	23.8%

Source: Ministry of Finance

