2017/18
Budget Statement

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Minister of Finance

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I. INTRODUCTION

Honourable Speaker,

Honourable Members of Parliament,

Fellow Namibians,

1. I have the honour to table the FY2017/18 Budget, a third under the administration of His Excellency, President Dr Hage Geingob.

2. This budget is presented at a time when we need to rededicate our efforts towards the values and objectives of our democracy in a unitary, developmental State. The Namibian economy is emerging from a perfect storm. Externally, we had to deal with the impact of the commodity price crash, a slowing global economy and low growth in large neighbouring economies. We experienced a severe drought during the last three consecutive years, with negative effects not only in the agricultural sector, but also in wet industries and the construction supply chain. Liquidity came under pressure due to weak market confidence and consequently, a tight cash flow situation. Economic growth has slowed in 2016 to an estimated 1.3 percent.

   Despite these developments and, the slow economic recovery in Namibia's main trading partners, the weak growth in commodity prices and increasing uncertainty in the global geopolitical environment, the medium-term prospects for our economy have started to look better. Growth is projected to be 2.5 percent in the coming financial year and average approximately 3.5 percent over the MTEF.

3. *Honourable Speaker*, we have also rebalanced our public expenditure in line with the revised macroeconomic outlook and public revenue estimates, thereby putting public finances on a more sustainable path. The budget before you reflects this and establishes the new norm of closely aligning expenditure to revenue.

4. At this juncture, allow me to thank His Excellency President Dr Hage Geingob and the Right Honourable Prime Minister Dr Saara Kuugongelwa-Amadhila for

guidance and support. I equally thank my Cabinet colleagues for their support and collective policy backing during this difficult, but essential adjustment period.

Honourable Speaker, Honourable Members;

5. In this context, and in terms of Article 126(1) of the Namibian Constitution, I have the honour to table, for your favourable consideration and approval:-

   (a) the Appropriation Bill, 2017/18; and

   (b) the Estimates of Revenue, Income and Expenditure for the Financial Year 2017/18 and the corresponding Medium-term Expenditure Framework (MTEF) for the financial years 2017/18 to 2019/20;

6. Additionally, *Honourable Speaker*, I present the Fiscal Strategy policy framework, the Development Budget and the Accountability Report as key budget policy and public accountability documents.

7. *Honourable Speaker*, this budget is being presented against the backdrop of a challenging fiscal and economic environment. A more encouraging medium-term outlook for public finances is because we took decisive and appropriate policy measures to return public finances onto a more sustainable path.

8. Sustainable development means *development without depleting one's resources*. This holds true for public financial resources as it does for all other national resources. Our children should never be worse off than we are. Jaime Lerner a renowned Brazilian architect and Mayor of the City Curitiba and Governor of the State of Paraná advised: "*If you want creativity, take a zero off your budget. If you want sustainability, take off two zeros.*"

9. As a result of the targeted fiscal consolidation programme we took in the 2016/17 budget and the mid-year review of that budget, we have realized better fiscal results and we are now able to forecast a more positive medium term economic outlook.

10. *Honourable Speaker*, these are indications of having averted the deepening of the crisis which could have severe consequences. These gains came about because of principled, *albeit* painful actions. These early gains must be sustained and, as a nation, we should resolve to nurture these emerging gains and keep spending pressures under control.

11. Two main objectives are embedded in this budget:-

- *Firstly*, the budget continues with the fiscal consolidation policy framework in the Mid-Year Budget Review Policy Statement through aligning expenditure closer to revenue, and thus, reduce growth in public debt by a gradual reduction in the budget deficit. This is the objective of fiscal consolidation.

- *Secondly*, the budget stimulates growth and further supports service delivery by mitigating some of the deep spending cuts in the Mid-Year Review, whilst simultaneously realigning public expenditure to key national development priorities. This is the challenge facing the balancing act.

12. In this manner, Honourable Members, the 2017/18 budget will:-
    - further reduce the budget deficit to approximately 3.6 percent of GDP, down from an estimated 6.3% in 2016/17, while stabilizing public debt at around 42 percent of GDP, thus strengthening macroeconomic stability,

    - allocate an additional targeted funding to Offices/Ministries and Agencies to ensure the delivery of frontline public services, and align public spending to key national priorities and investment in productive public infrastructure.

13. Additionally, the budget will be implemented concurrently with a supportive structural policy reform agenda as well as mainstreaming private sector investment to encourage growth and job creation.

14. *Honourable Speaker*, as we implement this fiscal policy, the theme of "***Maintaining Pro-growth Fiscal Consolidation: Making impact where it matters***" has never been more relevant. For us to grow, eliminate poverty, protect and create jobs, reduce inequality and enhance revenue collections and social development, we should avoid further sudden withdrawals of the fiscal pulse to the economy. To preserve our hard-won macroeconomic stability, we should resolve to curtail excessive growth in non-core, recurrent and capital expenditure. We should safeguard our sovereign investment grade credit rating.

15. Enhancing the resilience of our small, open economy requires that we build fiscal safeguards and improve the productive capacity of the economy. Creating decent jobs requires that we transform and industrialize the economy. This is what **Vision 2030** expects of us and it is what the ***Harambee Prosperity Plan*** requires us to implement. It is that which we need to achieve during **NDP V** through policy cohesion and alignment with the MTEF. It also requires that we are innovative and action oriented to implement policy reforms, which improve outcomes of better delivery of quality, timely, reliable and affordable public services to the citizens of our country.

II. BUDGET POLICY PRIORITIES – REALIGNING PUBLIC SPENDING TO NATIONAL PRIORITIES

16. *Honourable Speaker*, Namibia is one of the few countries which have reduced income inequalities through growth and targeted policy interventions. We have also, over time, reduced poverty despite being a small and open economy that is exposed and vulnerable to externally generated headwinds.

17. We continue to face structural challenges and constraints which limit our ability to significantly reduce unemployment and eradicate poverty. The job content in our growth equation remains low and the structure of the economy is based on primary production, with primary commodity exports accounting for over 50

percent of merchandise exports. The Namibian economy remains at the bottom of the global value chain.

18. To deliver on a more inclusive and job-creation growth agenda, we need to take decisive steps for economic diversification and industrialization, based on our competitive advantage and exploiting the global value chains. We should advance the implementation of the strategies in the national development plans to drive our economy from the bottom to upper levels of the global and regional value chains. Only then, shall our national aspiration to be among the most competitive economies in the region become a reality.

19. Simultaneously, the lessons learnt from our experience of recent shocks compels us to rebuild fiscal safeguards, strengthen macroeconomic fundamentals and increase the mobilization of domestic resources to improve resilience and finance the adjustment process and the socio-economic development agenda.

20. Thus, in this budget, we seek to:-

- strengthen macroeconomic fundamentals and rebuilding fiscal buffers,
- support inclusive growth and economic diversification,
- contribute to the eradication of poverty and the improvement of social welfare,
- further contribute to reduction of income inequalities and achieving shared prosperity, and
- deliver timely, reliable and affordable public service and meeting Government contractual obligations

21. Through budgetary adjustments, we have established the basis for the containment of non-productive expenditure. This policy will continue in the medium to long-term. The adjustment process presents us with an opportunity to align future expenditure growth to key national priorities as and when resources become available.

22. Within the inclusive growth, economic diversification and social development agenda;-

- *the budget would provide resources for industrial development projects in support of the Growth at Home Strategy and Industrialization Policy. These interventions will contribute to the development of the domestic productive and diversification capacity of the economy, with more gains for the domestic economy and positive trade balances being the ultimate objective;*

- *budgetary provisions to the education and health sectors are increased relative to the Mid-Year Budget Review to support the provision of basic services, pharmaceuticals, free primary and secondary education and expand access to tertiary education and vocational training for improved skills development in the economy;*

- *resource allocation to housing and land servicing are safeguarded in line with the national commitments in this sector;*

- *infrastructure development will continue to benefit from public sector investment program and will be enhanced through the PPP approach and direct investments, especially in the logistics sector to achieve the logistics hub objective, Green scheme investments, unlocking domestic economic activity, national competitiveness and job creation potential;*

- *As fiscal policy becomes less expansionary, timely implementation of structural policy reforms and the harnessing of alternative means of financing are necessary to mitigate financing gaps and to support capital formation and medium-term economic growth. In this regard:-*

    - *the Government, in collaboration with the private sector, has established an Infrastructure development and liquidity generation work streams which have identified bankable* *infrastructure development proposals and streamlining private sector capital and PPP arrangements in the priority areas for road, rail, water, energy and ICT infrastructure,*

- *an SME Financing Strategy, providing for the establishment of a Venture Capital Fund, a Credit Guarantee Fund and a Mentoring and Coaching Programme is developed to improve support for SME development and job creation. The concerns raised on the Investment Promotion Act are being addressed to further improve the competitiveness of the national investment climate. The Bank of Namibia is engaged to address concerns about, and protect the integrity and financial stability of the SME Bank, which is vested with the important mandate of SME financing and development,*
- *Development Finance Institutions will remain key facilitators for economic development in promoting domestic investment and access to development finance, while reforms in the Public Enterprises Sector will further improve efficiencies by eliminating expensive demands on public finances, but also high consumer cost. Public Enterprises must concentrate on meeting their core deliverable expectations. These reforms provide a framework on how best Namibia can leverage its state assets to optimize development outcomes,*
- *Public-Private Partnership legislation was passed by the National Assembly last year and benefited from input from the National Council. This provides the regulatory framework for PPP financing and potentially a means of infrastructure development and service delivery, without over-reliance on the national budget. I look forward to a national partnership on the implementation of this legislation.*
- *the regulations supporting the Public Procurement Act have been gazetted, thus establishing the basis for the implementation and operationalization of this law with its important local economic development and sourcing provisions.*

23. In regard to the **priority** on poverty eradication and the improvement of social welfare;-

- *creating jobs and mainstreaming the poor in income generation activities remain key to the national objective of sustainable eradication of poverty. Government is committed to developing a national framework for entrepreneurship and enterprise development designed to encourage more youth and the unemployed into entrepreneurial activities,*
- *social safety nets are strengthened in quality and coverage, with proposals to increase the Old-age pension and improved coverage in respect of OVCs to keep the vulnerable above the poverty line and protect them from the effects of inflation.*
- *poverty is cross-cutting in nature and requires a multi-faceted policy package. The National Strategy on Poverty Eradication is adopted, with cross-cutting sectoral interventions designed to attack the scourge of poverty and vulnerability on all fronts,*
- *funding for food bank is increased to commence with the roll-out of this targeted initiative designed to reduce poverty-induced hunger Meanwhile, we are investigating alternative models of delivering this support as these might be more cost effective.*
- *we will continue with targeted public expenditure reviews as a way of improving the quality of spending in the social and productive sectors as a framework for consolidating the numerous social safety nets and improving their targeting, while the focus on productive sectors will be on improving cost efficiencies.*

24. *Honourable Speaker*, the *2015/16 Household Income and Expenditure Survey* confirms that our policy interventions continue to reduce poverty and inequality. We also saw a decline in income inequalities from the historical highs of 0.71 in 1990s to 0.57 by 2015/16. However, there is still unacceptably high levels of income inequality, caused by distorted ownership of income sources. Hence,

the budget provides resources for specific interventions to tackle the persistent high levels of income inequality through the promotion of wealth creation and shared prosperity.

25. In this respect:-

- *the Government is delivering on its commitment on supplying affordable serviced land and housing under the Mass Land Serving and Mass Housing programmes,*
- *the local economic development content of the Public Procurement Act will induce more enterprising Namibians into the mainstream economic activity, while increasing public procurement multiplier effects in the economy,*
- *the tax policy reforms will continue to emphasize the contribution of tax policy to the reduction of income inequality by reducing the tax burden on individuals and strengthening its equity and redistributive potential.*
- *the provisions of the New Equitable Economic Empowerment Framework (NEEEF) are now being refined, after nationwide consultation for the framework to achieve the dual objectives of empowerment and encouraging investment.*

26. Lastly, the Government has, as a priority, improved delivery of public services through a performance and results-based work culture. To this effect;-

- *funding has been made available to honour obligations for services rendered to the Government and ensure uninterrupted delivery of basic services to the public,*
- *a performance-based service culture has been assimilated into the public service through the implementation of performance agreements at all levels of public service, the service charters, which bind public officials to effective service delivery is a contract on the basis of which the public should demand better services and accountability, and*
- *the Public Enterprises reform agenda is being implemented under the mandate of the Ministry of Public Enterprises to ensure good*

governance, internal efficiency, sustainable business models, accountability and provision of goods and services at affordable cost, and at reliable and sustainable levels.

III. MAINTAINING PRO-GROWTH FISCAL CONSOLIDATION: MAKING IMPACT WHERE IT MATTERS

27. *Honourable Speaker*, during the 2016 Mid-Year Budget Review, we shared the fiscal policy stance for the FY2017/18 budget and the MTEF. Indeed, the innovation of the Mid-Year Budget Review not only lies in the improvement of allocative efficiency, but also more importantly, in announcing in advance the policy framework and priorities that will underpin the subsequent budget.

28. As established in the Mid-Year Review, domestic revenue came under severe pressure and the macro-fiscal balances weakened, resulting in the weakening of the fiscal targets, higher liquidity tightening and a revision on the outlook of our international credit rating.

29. As we have previously stated, our economy has never been in such a precarious situation and growth was the lowest in recent years. We are aware that the actions taken to rebalance public finance have caused short-term pains, but we are confident that the long-term benefits of sustainable fiscal policy outcomes far outweigh the short-term impacts.

30. Already, benefits from these actions are emerging. Growth has recovered, *albeit* slowly, as has public revenue. Confidence caused by prudent public finance management has improved. There is however, no cause for complacency. Significant vulnerabilities still exist and the risk of reversal remains high. To guard against reversal, we must address the following macro-critical policy issues:-

- *maintaining a consistent fiscal consolidation policy to reduce the budget deficit, stabilize growth in public debt and rebuild fiscal space, lest we lose policy sovereignty to determine our own course,*

- *managing the risk of sudden correction on expenditure growth and supporting economic growth and service delivery objectives,*
- *mobilizing domestic resources to finance the economic and social development agenda,*
- *improving the productive and industrial capacity of the economy to boost resilience, strengthen the trade balance and the external position,*
- *addressing sovereign credit rating weaknesses identified in ratings agency assessments, and*
- *addressing structural constraints in the economy as regards skills development, unemployment, poverty and inequality.*

IV. WHAT DOES THIS BUDGET OFFER?

Honourable Speaker,

31. In our relatively small economy where fiscal policy plays a key underpinning role, the budget should be specific in making impact where it matters. This budget and the Medium-term Expenditure Framework retains the pro-growth fiscal consolidation stance. The budget prevents sudden correction in expenditure growth, allowing for the provision of basic services and fiscal support to economic activity. In particular, this budget:-

- proposes to further reduce the budget deficit as a percentage of GDP and control growth in public debt,
- maintains overall resource allocation to the economic and education sectors, while protecting allocations to the health and other social sectors,
- further strengthens social safety nets to guard against erosion in their real value,
- reduces unproductive capital spend and non-core recurrent spending in real terms, and
- commences with increasing of the development budget to realign expenditure to key national development priorities,

Honourable Speaker

32 Before I proceed to the specific elements of the medium-term budget policy stance and budget allocations to Offices, Ministries and Agencies, allow me to highlight the economic context under which this budget and MTEF will come into operation.

V. GLOBAL, REGIONAL ECONOMIC AND FINANCIAL CONTEXT

33. We entered 2017 from a slump in the global economy and international trade. The International Monetary Fund (IMF) projects moderate expansion in economic activity for 2017 and 2018.

- Global economic growth is projected to increase by 3.4 percent in 2017 and by 3.6 percent in 2018 as against 3.1 percent in 2016,
- as the *Brexit* process unfolds, the geopolitical shifts towards protectionist policies and away from multilateralism and globalization has gained momentum, presenting opposing forces that could slow global growth and trade,
- the global growth outlook is opaque due to the myriad of policy uncertainties and potential risks from the effects of these policies on the global economy and trade,
- commodity prices are projected to continue recovering, especially for crude oil; less so for non-fuel commodities. If this recovery is sustained, it offers some respite for resources-based economies such as Namibia.
- the Sub-Saharan African economy did not escape the downturn in 2016. Growth is estimated at 1.6 percent and is forecast to be 2.8 percent in 2017 and 3.7 in 2018. This is due to expected continued improvement in commodity prices.
- Closer to home, growth for South Africa and Angola is forecast to remain subdued in 2017 and over the MTEF. For the South African economy, growth is projected to improve from 0.5 percent in 2016 to about 1.3 percent in 2017 and 2.0 percent by 2018, while growth for Angola is projected at about 1.5 percent in 2017. This low regional growth outlook suggests low external demand and trade for Namibia.

34. In this uncertain and fragile environment, policies to improve domestic resilience, economic and market diversification, regional integration and national competitiveness are of primary importance for Namibia.

VI. DEVELOPMENTS IN THE DOMESTIC ECONOMY

35. *Honourable Speaker*, the developments in the global and regional economies have an impact on our small, open economy;

- domestic economic growth for 2016 is estimated at 1.3 percent, a sharp slowdown from the 5.3 percent growth rate in 2015.

- an unfavourable external economic environment; a commodity price crash; a prolonged drought and water shortages; and the required fiscal policy correction all contributed to the slowdown of the economy, with adverse impacts on primary and secondary industries, including, the mining, agriculture and construction sectors;

- final demand was weaker and the historically robust investment rates have settled into a more realistic pattern following the completion of large public and private investment projects; and

- under these circumstances, export growth was moderate and the trade balance weak. We expect future growth in exports to improve the trade balance position.

Monetary Policy and financial markets developments

36. *Honourable Speaker*, public finance and financial sector policies are key to the economic development of our country. Fiscal and monetary policy coordination is crucial for public policy consistency in its support to the economy,
    - inflation was 6.4 percent in 2016 and reached 8.3 percent by January 2017. This was mainly due to high food and transport prices;

- after further monetary policy rate normalization in Quarter 1 of 2016, the repo rate has remained unchanged at 7 percent since April 2016, in line with South African Reserve Bank and to support domestic economic activity;
- domestic demand decreased in 2016, due to a reduction in private credit extension to business and households;
- the Namibia Dollar has gained strength in recent months as the South African Rand stabilized, after losing about 30 percent value against the US Dollar. Currency volatility however remains a significant risk factor.
- liquidity constraints were high for most of 2016, limiting funds available for the purchase of Government bond. The actions taken to readjust public spending in the Mid-Year Budget Review have partly restored market confidence. The fiscal stance we are putting forth in this budget will contribute to the restoration of market confidence.
- the stock of international reserves has improved since 2015 and now stands at 2.9 months of import cover, this was thanks to Rand asset swap arrangements to defend the reserve position.

Balance of Payments and external position

37. *Honourable Speaker*, one of the critical macro- policy issues for Namibia is the widening of the current account deficit which stood at 11.9 percent of GDP in 2016, this was largely caused by a negative trade balance and thereby, exerting pressure on the overall balance of payments.

38. The Overall Balance of Payments remained positive at N$906 million in 2016, compared to N$10.1 billion in 2015. The lower surplus was mainly due to decreased capital inflows in the capital and the financial account. The reduced inflows is the result of the once-off Eurobond inflows.

39. In the medium-term, higher SACU receipts and earnings from increased exports from the mining sector are expected to improve the current account balance and improve the external position. However, new policies to improve the productive and exporting capacity of the economy and a stronger fiscal

balance remain important for the medium to long term improvement of the terms of trade for Namibia.

Regional economic integration

Honourable Speaker

40. Regional economic integration provides trade and economic development opportunities for Namibia as a future logistics hub for the Southern African Sub-region.
41. Concerns on SACU institutional arrangements are being addressed by the Member States. The restoration of normalcy in the functioning of SACU institutional bodies would enable SACU to continue playing its envisaged role as the engine of regional integration and industrialization. Our stance remains that SACU should increasingly become a customs union where all its members benefit equitably.
42. The Tripartite Free Trade Agreement between and among COMESA, EAC and SADC offers an opportunity for unlocking intra-African trade for Namibia. Product and service diversification is key to leveraging the value chains from deeper regional integration. Improved value sharing goes hand in hand with value addition.

43. *Honourable Speaker*, the EU-SADC-Economic Partnership Agreement came into force in October last year, after lengthy but beneficial negotiations in which Namibia played an active part. The Agreement has provisions for national industrial development objectives for developing economies. Namibia has proceeded to implement the provisions of the Agreement in the context of a SACU-wide approach.

Fiscal Developments

44. *Honourable Speaker,* in respect to public finance management, the 2016/17 financial year presented particularly challenging circumstances for fiscal policy. External shocks impacted on the domestic economy and public finance.

45. We have now rebalanced our macro-fiscal framework. We have retained our country's credit rating at investment grade and we will continue to implement policies to safeguard this position.

46. The outlook on the sovereign rating has been revised from "stable" to "negative" as a result of the shocks to the economy and public revenue. But we have taken timely and decisive action to restore long-term sustainability through the Mid-Year Budget Review. This budget and MTEF propose to continue this policy consistency in a balanced manner.

47. It is with the support of the Honourable Members of this House that we adopted appropriate, though painful actions to reaffirm fiscal sustainability. There are no quick fixes. We are moving in the right direction through an adjustment process proposed in the MTEF fiscal stance.

- we realigned public expenditure to the revised macroeconomic and revenue outlook,
- this enabled us to reduce a potential budget deficit from 9.1 percent of GDP to an estimated 6.3 percent in 2016/17,
- we prevented debt rising by an additional N$4.5 billion and stabilized debt at an about 42 percent of GDP which, without timely corrective action, could have risen to approximately 46 percent of GDP,
- Debt servicing costs would have escalated, the current account and other macroeconomic balances would have been under further pressure, our credit rating could have been in jeopardy and financing a large budget deficit would have been a costly and difficult proposition, and
- our national sovereignty to determine fiscal policy course of action would have been increasingly compromised.

48. *Honourable Speaker*, the revised budget for the 2016/17 financial year is fully-funded through projected revenue and decreasing borrowing requirements. This is thanks to the front-loaded response to the fiscal situation at the time of the Mid-Year Budget Review.

49. I urge Offices, Ministries and Agencies to keep their spending within the revised budget limits.

- As announced in the Mid-Year Budget Review, total revenue for 2015/16 stood at N$52.22 billion, 10.7 percent lower than the budgeted revenue, and an increase of 4.6 percent from the previous year.
- the preliminary revenue outturn for the FY2016/17 stands at N$46.94 billion by the end of February 2017. This is 91.1 percent of the revised budget revenue of N$51.51 billion. We expect to fully meet, or moderately surpass the revised revenue collection targets.
- total spending for the FY2015/16amounted to N$64.64 billion, representing a budget execution rate of 96.4 percent of the N$67.08 budget, compared to 97.5 percent in the previous year. Operational expenditure execution rate was 95.9 percent, while the development budget execution rate was 90.8 percent.
- for 2016/17, the total preliminary expenditure by the end of February 2017 stood at N$58.16 billion, out of the revised budget of N$61.50 billion. This is a spending rate of 94.6 percent.,
- the budget deficit reduced from 8.3 percent in 2015/16 to an estimated 6.3 percent in 2016/17. This budget proposes a further reduction of the budget deficit to 3.5 percent of GDP,
- the total debt stock stood at 40.1 percent of GDP in 2016/17 and rose to 42.1 in 2016/17, or some N$66.75 billion. Stabilizing growth in public debt and eventually starting to reduce the level of the debt stock is a key objective of the medium-term fiscal consolidation program.
- The recent appreciation of the Namibia Dollar has mitigated against foreign debt servicing cost. Overall debt servicing cost stood at an estimated N$3.88 billion in 2016/17, equivalent to 7.5 percent of total revenue,
- contingent liabilities are estimated at 4.0 percent of GDP in relation to the ceiling of 10 percent of GDP.

Honourable Speaker,

50. I have laid before Parliament the Government Accountability Report for FY2015/16, which gives a detailed account of achievements by Votes and Programmes. My Cabinet colleagues would expand on the key achievements by programmes under their institutional mandate during the Committee Stage.

51. Margaret Chase Smith correctly said that, "*Public service must be more than doing a job efficiently and honestly. It must be a complete dedication to the people and to the nation.*"

52. Appreciating such dedication it is disappointing to have observed that fiscal discipline showed some weakness during the past year, causing unnecessary and additional pressure on an already precarious fiscal situation. My appeal to accounting officers is to refrain from actions that are not compliant with the State Finance Act, the respective Appropriation Acts, the Tender Board Act or any other applicable law. If Accounting Officers do not adhere to the dictates of the law, the consequences can be very serious.

53. Let me now to turn to the details of the FY2017/18 Budget and the medium-term outlook.

VII. THE MEDIUM-TERM ECONOMIC OUTLOOK

54. *Honourable Speaker*, domestic economic recovery is projected over the medium-term, resulting in slow but steady improvement in the drivers of growth for the domestic economy. The international trade and economic environment is still beset with a degree of uncertainty.
    - domestic economic growth is projected to improve from an estimated 1.3 percent in 2016 to 2.5 percent in 2017 and 3.7 percent in 2018.
    - future growth will be driven by the projected recovery in the primary industries based on increased output from the mining sector, recovery in the agricultural subsector as the drought condition subsides, sustained

growth for the tertiary services sector, and the continued robust growth in the tourism subsector,

- growth in the secondary industries is expected to remain subdued as the construction industry adjusts to the normalization of the spike in activity in the sector,
- from the demand side, growth is expected to be driven by increased exports from the recent major investment projects and improvement in final demand conditions in the latter years of the MTEF.

55. Revenue for the 2017/18 budget year is projected at N$56.43 billion, which is 3.5 percent better than estimated in the Mid-Year Budget Review and 9.5 percent year-on-year increase from an estimated N$51.51 billion in 2016/17. This is due to higher than anticipated SACU receipts and improvements in some of the domestic revenue streams.
56. Consistent with the moderate economic growth outlook over the MTEF, revenue is projected to grow by an average of 5.7 percent and reach approximately N$60.80 billion by 2019/20. As a proportion of GDP, revenue is expected to average around 31.5 percent over the MTEF. This is due to potential volatility in SACU receipts and the significant sunk costs in the new mining operations which underpin the medium-term growth trajectory.

57. The major risk for revenue outturn over the MTEF is a general downturn in economic activity, potential downside risks to growth and the volatility in SACU receipts, particularly given the subdued growth outlook for the South African economy.

The FY2016/17 Budget and Expenditure Outlook for the MTEF

Honourable Speaker,

Honourable Members,

58. In the context of a pro-growth policy stance, I table before you a N$62.54 billion budget for 2017/18 financial year. This proposed expenditure outlay is

equivalent to 36.6 percent of GDP and an increase of 1.7 percent from the revised budget of N$61.50 billion for the previous year.

59. For the MTEF, total spending is projected to remain relatively flat, with indicative allocation for 2018/19 set at N$61.86 billion and N$62.72 billion for 2019/20.

60. In particular, the indicative ceiling for 2018/19 normalizes to N$61.86 billion as once-off payments for services is completed.

61. The total non-interest expenditure for 2017/18 amounts to N$57.54 billion. This is projected to increase by about 2.2 percent annually to reach N$59.59 billion by 2019/20.

62. Statutory payments, which represent the Government obligations on debt servicing, are budgeted at N$5.0 billion in 2017/18 or some 8.9 percent of revenue, as against the statutory cap of 10 percent of revenue. Restraint on future debt growth and a reduction of debt commitments will contain debt servicing costs within the fiscal benchmark

63. *Honourable Speaker*, in this budget:-
    - additional allocation is made relative to the Mid-Year Review aggregate expenditure ceiling proposed for 2017/18 ,
    - a total of about N$1.8 billion is budgeted to meet obligations for services rendered to Government and still outstanding from FY2016/17,
    - About 2.4 billion is allocated to various Offices/Ministries and Agencies to support continuous provision of basic services to the public as well as for productive investment in the economy,

Budget Balance and Financing Options

Honourable Speaker,

64. In line with the fiscal consolidation stance;

    - the budget deficit will reduce to 3.6 percent of GDP, from an estimated 6.3 percent in 2016/17. This is further projected to fall below 3 percent in 2018/19 and average around 2.5 percent over the MTEF,
    - deficit financing, amounting to N$6.12 billion will be will sourced from the domestic and regional capital markets,
    - total debt will stabilize at about 42 percent of GDP. The debt stock is projected to increase by 7.6 percent to N$71.67 billion in 2017/18 and to N$75.22 billion by 2019/20,
    - contingent liabilities are projected to increase to an average of 6.2 percent over the MTEF, as Government extends support to SOEs for project financing based on the strength of their balance sheets.

65. Stabilization of growth in public debt, ensuring fiscal sustainability and, thus, safeguarding macroeconomic stability are the ultimate objectives of the fiscal consolidation program.

66. The pace of the fiscal consolidation over the MTEF is a measure of our resolve to attain these objectives, safeguard macroeconomic stability and protect our sovereign credit investment grade. Its speed is determined by practical considerations of how fast we wish to achieve the consolidation objectives, ability and available liquidity to finance a larger budget deficit and the need to avoid large negative impact on growth and service delivery due to sudden expenditure correction.

67. This budgetary framework is an opportunity for us to rebuild fiscal space, its composition reflects the twin objectives of anchoring the budget in a sustainable fiscal framework, while providing for fiscal policy support to socio-economic objectives.

- the magnitude of expenditure expansion in this macro-fiscal context is constrained by the limited fiscal space and the commitment to achieving the consolidation objectives,
- the budget deficit trajectory is the key lever for achieving public debt stabilization and reduction objectives. In a low growth and spending adjustment period, deficit financing would remain subject to liquidity constraints, market confidence and preferences in debt and capital markets,
- over the past years, Namibia has diversified its debt market and debt instruments. This has allowed the country to establish regional and international benchmarks and overcome constraints posed by the domestic market,
- the fiscal sustainability benchmarks require that fiscal operations remain within the sustainable levels, and
- as growth and public revenue improve, incremental expenditure expansion will be provided to the key developmental priorities of basic service delivery, enhancing growth and job creation, poverty reduction and closing inequality gaps. Such incremental allocations will be made to programmes and activities where the most impact can be made.
- the negative impact of fiscal consolidation is mitigated, or even reversed if we increase the pace of implementing key structural policy reforms which provide a conducive environment for investment, alternative forms of financing, value creation and crowding-in the private sector,
- in this regard, we should nurture partnerships, create certainty and continue to embrace transparency and participatory processes in policy design , implementation and evaluation.
- the public-sector wage bill, which now stands at 49 percent of total non-interest expenditure, has been a major driver for increased public expenditure. Effective measures are required to sustainably manage annual growth in the wage bill. This includes managing the growth of the public sector through natural attrition such that each Office, Ministry or Agency identifies non-critical positions which should not be filled once

they fall vacant and that annual cost of living adjustments are capped at levels not more than annual inflation.

68. This is the policy context within which the fiscal consolidation framework and adjustment phase is implemented. All public institutions are expected to become more effective in what they do; more efficient in how they do things and more economic in the use of public funds.

I. EXPENDITURE PRIORITIES AND INTERVENTIONS FOR MTEF

Honourable Speaker,

69. Let me now give a synopsis of the main budgetary provisions made in this budget and over the MTEF.

Economic and Infrastructural Development

70. Economic and infrastructure sector is a primary domain for the public-sector investment program and a means through which fiscal policy support to the economy is deployed.

- 15.8 percent of total non-interest expenditure or some N$9.09 billion is allocated to the economic and infrastructure development part of the budget. Over the MTEF, the allocation is approximately N$28.01 billion.

The allocation to the economic and infrastructure cluster is further supported by targeted allocations to Public Enterprises in the economic sectors for targeted infrastructure and development finance projects.

71. The key projects are the rehabilitation of the national railway, the on-going expansion of the Port of Walvis Bay, several national roads, water and storage infrastructure, the Mass Land Serving Programme and increased funding to the Public Financial Institutions for private sector support and SME development.

Social Sectors,

72. *Honourable Speaker*, we have consistently invested a significant share of the budget in the social sectors for human capital development, improvement of the quality of life for Namibians and overall living standards.

   - 47.7 percent of total non-interest expenditure is allocated to the social sectors to, among others, support programmes in education, health, poverty eradication and housing.
   - the total budget to the social sectors is N$27.44 billion, or N$83.71 billion over the MTEF,
   - I should, however, state that sizeable allocations, in themselves, do not buy success. Efficiency gains and improvement in the quality of outcomes are needed to realize value for money.

   - N$11.98 billion is allocated to the Ministry of Basic Education and Culture and N$36.17 billion over the MTEF. This is the highest budget allocation, in keeping with the historical priority accorded to education.
   - N$3.07 billion is allocated to the Ministry of Higher Education, Training and Innovation, which amounts to a total of N$9.26 billion over the MTEF. Out of this allocation, a total of N$926.04 million is allocated to UNAM and N$533.58 to Namibia University of Science and Technology to support expanded access to tertiary education and vocational training.
   - The Ministry of Health and Social Services receives the second highest allocation of N$6.51 billion and N$20.26 billion over the MTEF,
   - N$3.28 billion is allocated to the Ministry of Poverty Eradication and Social Welfare for the provision of Social Safety Nets and other anti-poverty intervention measures. Over the MTEF, this allocation amounts to about N$10.00 billion.
   - In particular, Old Age Pension is increased by a further N$100.00 per month. This brings total annual monthly grant to N$1,200.00 per senior citizen
   - Coverage for Orphans and Vulnerable Children will be further expanded to include all the qualifying beneficiaries,

Public Safety and Order

73. The Public Safety Sector is allocated an amount of N$12.45 billion and N$38.02 billion over the MTEF, representing the continued investment in peace, public safety and rule of law.

- The Anti Corruption Commission has received additional resources of N$5.0 million to fulfill its mandate, which should include the swift investigation and prosecution of suspect activities and involved persons. It must also engage widely in education, capacity building and preventative approaches, because stopping corruption at its roots is far better than letting it happen and dealing with the culprits thereafter.
- Equally, other institutions such as the Judiciary and Attorney General's Office were allocated additional resource of N$85.0 million and N$40.0 million respectively to enable a seamless process, from reporting to verdict.
- The Ministry of Safety and Security is kept stable at N$5.02 billion,
- Defense expenditure is reduced to N$5.68 billion, from N$5.95 billion in FY2016/17,

Administrative Sectors

74. A total allocation of N$8.57 billion is made to the public administration sector to support effective governance and efficient administration of the public sector. Over the MTEF, this allocation is N$24.99 billion.
75. The Auditor General's Office is availed additional funding equaling N$30.0 million

76. An amount of N$200 million is allocated to the Contingency Fund or some N$500 million over the MTEF to cater for unforeseen emergencies.

77. For the 2016/17 financial year, a total of N$200 million was allocated to the Contingency Fund and N$164.05 million was spent. I have distributed the information regarding the use of the Contingency Fund during the 2016/17 financial year.

II. POLICY INTERVENTIONS FOR THE MTEF

Honourable Speaker,

78. Doing more with less requires that we implement administrative, structural and policy reforms to make efficiency gains and optimize outcomes. It is, therefore, important that implementation of key policy reforms is accelerated in various sectors of the economy under the mandate of Offices/Ministries and Agencies.

Tax Policy Proposals

79. Regarding tax policy, I do not propose general tax rate increases or introduction of new taxes at this stage, save for the policy proposals announced during the Mid-Year Review. This is in consideration of the current economic conditions to encourage economic agents to produce and invest.

80. I however wish to propose new tax policy and tax administration reforms as well as completion of some of the major on-going reforms with the objective of deepening and broadening the existing tax base, curbing tax base erosion, profit shifting and tax planning opportunities as well as improving overall efficiency in the tax administration function;

- *tax proposals for curbing base-eroding tax exemptions and deductions on the Income Tax and VAT will be proposed through a stakeholder consultation process. Examination of the current provisions of the tax code indicate that effective tax rate categories of Company Tax reduces significantly when exemptions and deductions are considered,*
- *similarly, a tax proposal for a Simplified Presumptive Tax on small units will be developed and tabled,*
- *a further increase of the fuel levy administered under the Customs and Excise Act is proposed at rates to be determined during the determination of the taxation proposal,*
- *the provisions of tax on Capital Gains will be expanded to provide for wealth-based taxation on certain categories of capital assets.*

- *Tax proposals on wealth tax will be developed and further to embody the principles of Solidarity Wealth Tax,*
- *implementation of the Tax Arrear Recovery Incentive Programme will continue across all categories of taxes within the announced calendar,*
- *a phased roll-out of the new Integrated Tax System will commence during year for the full deployment of the system by 2018, and*
- *the transitional modalities for the establishment of a Semi-Autonomous Revenue Agency will commence with the expected tabling of the enabling legislation during this session of Parliament. To provide for the seamless transition process, the expected Day One of the Agency will be 1 April, 2018,*
- *in line with the regulatory determination by the Bank of Namibia to phase out cheque payments, the Receiver of Revenue will cease to accept cheque payments by 30 June 2017*

81. *Honourable Speaker*, excise duties (and equivalent customs duties on imported goods of the same class or kind) are being applied within the Common Customs Area of SACU upon decision by SACU Ministers of Finance as envisaged by Article 21 of the SACU Agreement, 2002. These constitute "sin taxes" on the consumption of alcoholic beverages, tobacco, cigarettes and cigars.

82. As an annual practice, and in line with targets set for the total tax burdens on respective excisable commodities, the following increases for implementation, retrospectively with effect from 22nd February 2017 as it is required under the SACU Agreement, have been agreed upon as follows:

□ Malt beer	12c/340ml
□ Unfortified wine	23c/750ml
□ Fortified wine	26c/750ml
□ Sparkling wine	70c/750ml
□ Ciders & alcoholic fruit beverages	12c/340ml
□ Spirits	443c/750ml
□ Cigarettes	106c/packet of 20
□ Cigarette tobacco	119c/50g
□ Pipe tobacco	40c/25g

- ☐ Cigars 658c/23g

83. These amended rates of duty are set out in more detail in the Taxation Proposal which I am tabling today in terms of section 54(1) of the Customs and Excise Act, 1998 and which will be deemed to have come into operation as from 22nd February 2017.

Public Finance Management Reforms

Honourable Speaker,

84. In respect to Public Finance Management reforms, the mobilization of domestic resources and the strengthening of management systems will be the overriding themes for Public Finance Management reforms as we seek to align our management frameworks to a changing economic environment and funding national development priorities, the Sustainable Development Goals and the developmental aspirations enshrined in Agenda 2063,
    - *we will continue to use the Mid-Year Budget Review as a measure to enhance allocative efficiency and retain greater latitude of transparency in the budget process,*
    - *initiatives are on-going to strengthen macro-fiscal modelling capacity as a means of developing inter-institutional capacity and to continuously anchor the budget on a credible integrated macroeconomic framework,*
    - *the regulations made under the Public Procurement Act (Act No.15 of 2015) are now gazetted and will come into force on 1 April 2017. This reform agenda will usher in a regime which marks a complete departure from the current Tender Board operations, embed greater transparency and accountability and, more robust measures for local economic development and empowerment.*
    - *I am grateful for the principle support to pass the landmark Public Private Partnership legislation, this being a key structural policy reform which will allow us to plug some of the funding gaps in service delivery and infrastructure development by harnessing private sector funding and efficiencies and, thus, mitigating public financial obligations.*

- *one of the major reform agenda in the coming financial is the finalization of new Public Finance Management Bill, which will amend and modernize the current State Finance Act. The Ministry of Finance is working closely with the Office of the Attorney General and the Law Reform and Development Commission on the drafting of this legislation.*
- *The civil service wage bill is a matter that has been discussed on many occasions and yes it is unsustainably high. Close to 50 percent of total revenue is committed to the wage bill. The risk is now emerging as a real threat to the provision of quality and timely services to the citizens of Namibia. The government, through the Office of the Prime Minister has therefore proposed a number of measures to prevent the further growth of the wage bill and related personnel expenditure, but also to reduce current levels. They include the following: Freezing the size of the civil service, streamlining the multiplicity of bonuses and allowances, reviewing of medical aid coverage (re-model PSEMAS). The Government has started to implement measures to reduce expenditure on per diems, reduce travel expenditure, curb expensive engagements of consultants when the capacity exists in-house, ensure that workshops and training sessions are conducted at the relevant duty stations and limit overtime expenditure to essential services. We also appeal to the public servants to elevate national interest considerations to a higher priority when next engaging in wage negotiations.*
- *Undertaking of targeted Public Expenditure Reviews for specific budget programmes will be continued, especially in the social and welfare-related sectors to enhance the quality of spending, administrative efficiencies and value for money.*

III. Financial Sector Law Reforms

Honourable Speaker,

86. On the financial sector reform agenda, the Financial Sector Strategy provide a framework through which sector development and financial inclusion reforms are advanced. Improving access to finance is one such reform area.

VIII. ACKNOWLEDGEMENTS

Honourable Speaker,

92. There is, therefore, more to this Budget than the tightening of the fiscal purse. The budget gives scope to maintain the provision of essential services. It calls for greater resource prioritization and quality of spending so that we can make impact where it matters most.

93. Amidst the challenging economic and financial environment, we have managed to realign the budgetary framework to the new reality and propose a realistic and credible budget,

94. I wish to thank Honourable Tom Alweendo, Minister of Economic Planning and Director General of the National Planning Commission and his staff for his supportive role throughout the budget formulation process and for preparing the Development Budget.

95. I thank my Cabinet colleagues for their support and common understanding during this adjustment period.

96. My sincere appreciation goes to the Governor of the Bank of Namibia and his staff for the stewardship of the banking sector and for routine policy coordination initiatives. Equally, I thank Namfisa for the stern efforts and the regulatory reforms to improve supervision and compliance in the non-banking financial sector.

97. I am indebted to my Deputy Minister of Finance, Honourable Natangue Ithete for his all-round support in the day to day execution of our mandated responsibility. I thank my Permanent Secretary and the budget team at the Ministry of Finance for the hard work, innovation and selfless efforts devoted in the preparation and finalization of this budget as well as monitoring the implementation of the budget.

98. I extend my sincere gratitude to the private sector, organised labour and various industry associations for the consultative partnerships and work platforms through which we find common solutions and seize emerging opportunities.

99. In particular, I thank the Namibian Chamber of Commerce and Industry, NUNW, the Namibian Employers organizations and the Economic Association of Namibia for the on-going collaboration.

100. *Honourable Speaker*, it will be remiss of me if I did not express our sincere appreciation for the financial and technical support we continue to receive from our development partners in various areas of economic and social endeavour. These have gone a long way to supplement Government efforts to bring about institutional capacity and improvements in the living standards of ordinary Namibians.

IX. CONCLUSION

Honourable Speaker and Members of the National Assembly,

101. Ha-Joon Chang, in 23 Things They Don't Tell You About Capitalism stated "*The best way to boost the economy is to redistribute wealth downward, as poorer people tend to spend a higher proportion of their income.*"

102. We need to transform the economy so that wealth is distributed downward without destroying our hard-won economic and political stability. As we struggle for a prosperous Namibia we have to contend with some challenging trade-offs.

103. In this Budget, we have undertaken to:-

- continue with a pro poor and inclusive economic policy.
- Demonstrate our commitment to improvement of social welfare through poverty eradication programmes and better safety net systems.
- strengthen macroeconomic fundamentals as a basis to long-term fiscal sustainability and the sustained funding of interventions to grow the economy. This Budget maintains a firm commencement of the fiscal consolidation programme that curtails the negative effects of excessive budgetary expansion.

- it inspires confidence in the future, by placing fiscal operations on a long-term sustainable path, fund growth-enhancing infrastructure and social development programmes.
- the priorities on education and skills development, the provision of health services, infrastructure development are retained.
- the Budget allows the Government to meet its financial operations and contractual obligations, without compromising service delivery to all Namibians.
- Quality of spending through the implementation of performance contracts is an added feature through which accountability for the resources allocated and its effective use are monitored.
- Through this budget, we strike a fine balance between growth and fiscal consolidation. The country's growth outlook is reasonably robust in relation to regional and global averages. We can, therefore, look forward to the future with confidence.

Honourable members,

104. Targeted resource allocation proposals have been made. What matters is effective implementation and results-based management. And we need to act decisively. I thus seek your support and insights going forward.

105. I finish my 2017 budget statement with a quote from Monica Crowley "True equality means holding everyone accountable in the same way, regardless of race, gender, faith, ethnicity - or political ideology."

106. We will need all of these attributes in the years ahead if we are to make Namibia the country we all desire to see.

107. It is now my distinguished honour to submit for your favourable consideration the Appropriation Bill 2017/2018, and the 2017/18 – 2019/20 MTEF.

I thank you.

Tuesday, 7 March 2017 No. 10 – 2017

FIFTH SESSION, SIXTH PARLIAMENT

REPUBLIC OF NAMIBIA

MINUTES OF PROCEEDINGS

OF THE

NATIONAL ASSEMBLY

TUESDAY, 7 MARCH 2017

The Assembly met pursuant to the adjournment.

1. The Speaker took the Chair and read the Prayer and Affirmation.

2. **Announcements by the Speaker in terms of Rule 20(b) of the Standing Rules and Orders:**

   (i) The Speaker announced that he had been informed that the Parliamentary Standing Committee on Economics and Public Administration in partnership with Friedrich Ebert Stiftung will host a panel discussion on the National Budget Analysis on Thursday, 9 March 2017 at Safari Hotel from 8:30.

   All Members of Parliament are invited to attend.

   (ii) The Speaker also announced that he has received an invitation from the Ministry of Gender Equality and Child Welfare, inviting all Members of Parliament to attend the Commemoration of International Women's Day in Khomas Region at Tobias Hainyeko Constituency, starting at 10H00 on Wednesday, 8 March 2017.

   The day will be commemorated under the theme "*From Peace in the Home to Peace in Namibia: Be Bold for Change*".

   The Venue is the open space on the corner of Ongwari and Ongava Streets, Okuryangava, Katutura.

3. **The Minister of Finance laid upon the Table:**

   Reports of the Auditor-General on the Accounts of the –

   (i) Town Council of Otavi for the financial year ended 30 June 2015; and

Debates and *discusses* the impact of Chinese involvement in the Namibian construction industry.

13. In terms of Rule 99 of the Standing Rules and Orders, the Speaker adjourned the Assembly at 17:50 until Wednesday, 8 March 2017.

F. HARKER
Deputy Secretary of the National Assembly

Compiled by I. Nehoya

Wednesday, 8 March 2017 No. 9 – 2017

FIFTH SESSION, SIXTH PARLIAMENT

REPUBLIC OF NAMIBIA

ORDER PAPER
OF THE
NATIONAL ASSEMBLY

WEDNESDAY, 8 MARCH 2017
(14:30 – 17:45)

NOTICE OF A MOTION

Minister of Finance:

That leave be given to introduce a Bill to appropriate amounts of money to meet the financial requirements of the State during the financial year ending 31 March 2018.

THURSDAY, 9 MARCH 2017

ORDERS OF THE DAY

(i) Reconsideration – *Public Private Partnership Bill* [B. 24 – 2016] – [Minister of Finance].

(ii) Committee Stage – *Nature Conservation Amendment Bill* [B. 22 – 2016] – [Minister of Environment and Tourism].

(iii) Committee Stage – *Access to Biological and Genetic Resources and Associated Traditional Knowledge Bill* [B. 4 – 2017] – [Deputy Minister of Environment and Tourism].

(iv) Resumption of Debate on Second Reading – *Namibian Time Bill* [B. 28 – 2016] – [Deputy Minister of Education, Arts and Culture].

(v) Resumption of Debate on the impact of Chinese involvement in the Namibian construction industry.

NOTICES OF MOTIONS

1. **Deputy Minister of Urban and Rural Development:**

That leave be given to introduce a Bill to amend the Regional Councils Act, 1992, so as to provide for certain definition; to provide for eligibility of member of regional council to National Council; to subject the appointment of a person as chief regional officer to the approval of the Minister; to increase certain penalties; and to provide for incidental matters.

II. **Deputy Minister of Urban and Rural Development:**

That leave be given to introduce a Bill to amend the Local Authorities Act, 1992, so as to substitute and insert certain definitions; to provide further requirements for election as members of local authority councils; to make the period of office of members of local authority councils more clear; to provide for additional sanctions in the case of members of local authority councils who contravene or fail to comply with any provisions of a code of conduct; to extend the circumstances under which a member of a local authority council shall vacate office; to subject payment of remuneration, allowances and other benefits of members of local authority councils to the maximum determined by the Minister; to subject the appointment and discharge of town clerks to the approval of the Minister; to further improve the delegation of powers of local authority councils; to improve on the procedure and conduct of disciplinary inquiry; to add certain functions to local authority councils relating to water works; to increase certain penalties; to improve the provision relating to an interim valuation of rateable properties; to extend the powers of a valuation court with regard to a valuation roll; to improve the procedure relating to the convening of public meetings; to provide for steps the Minister may take relating to the failure by a local authority council to exercise or perform its powers, functions and duties; to extend the powers of the Minister to make regulations; to replace the commencement provision to validate certain legal instruments; and to provide for incidental matters.

TUESDAY, 14 MARCH 2017

ORDERS OF THE DAY

(i) Resumption of Debate on Second Reading – *Whistleblower Protection Bill* [B. 1 – 2017] – [Ms. Van den Heever].

(ii) Consideration of Report on the Pan African Parliament Third Ordinary Session – [Ms. !Nawases-Taeyele].

WEDNESDAY, 15 MARCH 2017

ORDER OF THE DAY

Resumption of Debate on Second Reading – *Witness Protection Bill* [B. 2 – 2017] – [Minister of Justice].

BUDGET HIGHLIGHTS 2017/18

Ministry of Finance, Republic of Namibia

"Making Impact where it Matters"

BUDGET FRAMEWORK

- A budget deficit equivalent to 3.6% of GDP is projected for 2017/18, representing an improvement from deficits of 6.3% and 8.3% of GDP in 2016/17 and 2015/16, respectively.
- The public debt stock is expected to stabilise at 41.9% of GDP in 2017/18, a marginal fall from its 2016/17 level of 42.1% of GDP. Debt is projected to fall relative to GDP in subsequent years.
- Total public expenditure is budgeted at N$62.5 billion for 2017/18, representing an increase of 1.7% from the revised 2016/17 budget of N$61.5 billion. Expenditure will remain flat in subsequent years, at N$61.9 billion in 2018/19 and N$62.7 billion in 2019/20.
- Public revenue for 2017/18 is projected to reach N$56.4 billion, growing by 9.7% from the N$51.5 billion of revenue estimated to have been collected during 2016/17. This improvement in revenue is expected to result from stronger-than-anticipated SACU receipts.

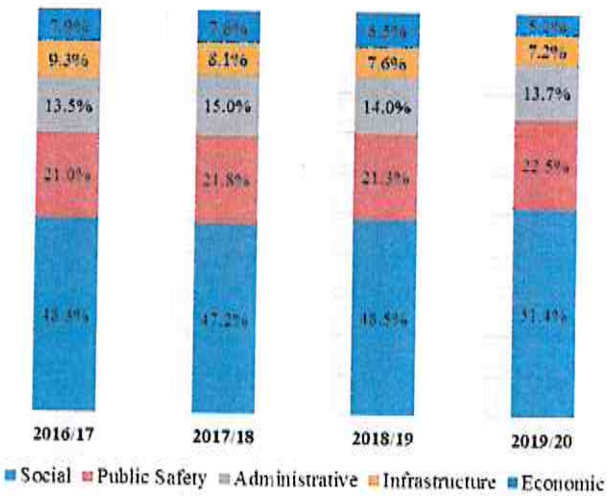
SPENDING PROGRAMMES

For the 2017/18 financial year:

- N$12.0 billion is allocated to the Ministry of Basic Education, Arts and Culture. A further N$3.1 billion is allocated to the Ministry of Higher Education, Training and Innovation.
- N$3.3 billion is allocated to the Ministry of Poverty Eradication and Social Welfare, for the provision of social safety nets and other anti-poverty measures. Of this, N$2.4 billion will provide for the old-age pension, which will increase by N$100 to N$1,200 per month per senior citizen.
- N$6.5 billion is allocated to the Ministry of Health and Social Services, the second highest allocation to any Ministry.
- N$5.0 billion is allocated to the Ministry of Safety and Security, encompassing both the Police and the Correctional Service.
- 2.5 billion for PSEMAS

	Estimates 2016/17	Estimates 2017/18	Estimates 2018/19	Estimates 2019/20
N$ millions				
Revenue	**51,512**	**56,425**	**57,192**	**60,795**
as % of GDP	32.5%	33.0%	31.1%	30.5%
Expenditure	**61,496**	**62,541**	**61,861**	**62,720**
as % of GDP	38.8%	36.6%	33.6%	31.4%
Budget Balance	**-9,984**	**-6,116**	**-4,669**	**-1,925**
as % of GDP	-6.3%	-3.6%	-2.5%	-1.0%

BUDGET SHARE BY SECTOR



BUDGET HIGHLIGHTS 2017/18

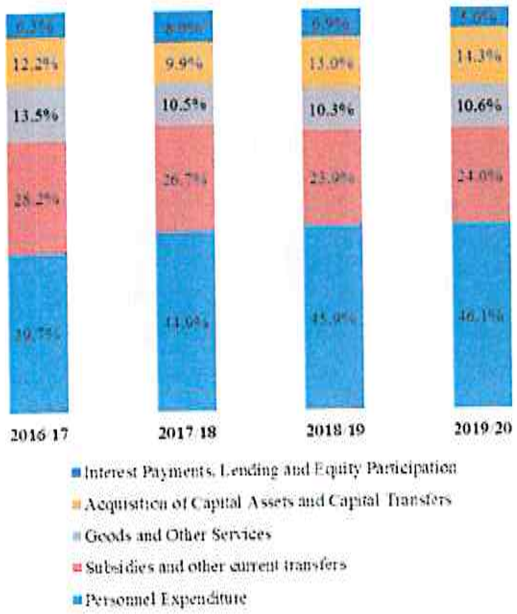
Ministry of Finance, Republic of Namibia

	Estimates 2016/17	Estimates 2017/18	Estimates 2018/19	Estimates 2019/20
Taxes on income and profits	19,842	19,161	19,977	21,464
Domestic taxes on goods and services	14,218	14,025	15,344	16,296
Taxes on international trade	14,071	19,597	17,978	18,891
Other taxes	545	591	617	641
Total Tax Revenue	48,676	53,375	53,915	57,292
Total Non-Tax Revenue	2,447	2,656	2,878	3,098
Total Revenue and Grants	**51,512**	**56,425**	**57,192**	**60,795**

TAX PROPOSALS

- Implementation of the Tax Arrear Recovery Incentive Programme will continue across all categories of taxes within the announced calendar.
- The provisions of the Capital Gains Tax will be expanded to provide for wealth-based taxation to embody the principles of a Solidarity Wealth Tax, based on certain categories of capital asset.
- A tax proposal for a Simplified Presumptive Tax on small units will be developed and tabled.
- In keeping with the SACU Agreement, excise duties on alcohol and tobacco products will increase.
- The enabling legislation will be tabled for the Revenue Agency, which is expected to commence operations on 1st April, 2018.
- A phased roll-out of the new Integrated Tax System will commence during year for the full deployment of the system by 2018.
- Tax proposals for curbing base-eroding tax exemptions and deductions on the Income Tax and VAT will be proposed through a stakeholder consultation process.

BUDGET SHARE BY SUBDIVISION



EXPENDITURE BY SUBDIVISION

- The share of the budget allocated to personnel (salaries and related benefits) will average 45.6% over the 2017/18 – 2019/20 MTEF period. This is a sharp increase from 2016/17, when less than 40% of public expenditure was allocated to personnel, and the elevated spending on salaries leaves less room for other important budget areas.
- The share of public expenditure going to subsidies and other current transfers (which includes state-owned enterprises and social grants) will fall from 28.2% in 2016/17 to an average of 24.9% over the MTEF period.
- The share allocated to capital expenditure will fall from 12.2% in 2016/17 to 9.9% in 2017/18.