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National Budget 2007/08: Jam Today

Robin Sherbourne

In her fourth full budget, Minister of Finance Saara Kuugongelwa-Amadhila has delivered a much larger budget surplus in 2006/07 than she herself promised a year ago and looks set to deliver another surplus in 2007/08. These surpluses have been achieved partly but not only thanks to significant revenue windfalls from the sale of MTC shares and SACU adjustments. Buoyant revenue has allowed public spending to remain at around 35% of GDP, as far away as ever from Government's own elusive 30% target and what many consider to be both sustainable and economically justifiable. It will also allow the Minister to reduce public debt to her target level of 25% of GDP by the end of 2007/08 which will provide greater freedom to borrow should revenues decline at some stage in the future. Having achieved this prized fiscal outcome, serious attention should now turn to improving the quality of Government's ample spending programme which is probably the single most important determinant of the long-term growth potential. The focus on programme budgeting and outcomes introduced some years ago is designed to achieve just that but it is by no means clear if this approach is meeting with any success.

Information and transparency

Minister of Finance Saara Kuugongelwa-Amadhila presented her fourth full national budget to the National Assembly on 15 March 2007 in a rather dry and unexciting speech. The IPPR has welcomed the improvement in budget documentation that the Ministry of Finance has brought about in the past few years. This year, like last year, the Ministry produced five documents: the Budget Speech, the Estimates of Revenue and Expenditure, the Macroeconomic and Budgetary Framework, the Medium-Term Expenditure Framework (MTEF) and the Budget Brief. Disappointingly, in contrast to previous years, these documents were not available immediately after the Minister's speech, neither on the Ministry's website nor as printed documents (although the documents are now available from the website www.mof.gov.na). The IPPR has long argued that the budget process would benefit from a set date, as is the case in many other countries, so that economic agents and markets are not taken by surprise and all documentation is ready for distribution well in advance.

The move towards programme budgeting continues and the Minister has taken to announcing allocations for three year periods in her speech. This is all very well and probably serves the purpose of getting spending ministries to think further ahead. It does, however, make analysis of the budget more difficult since it has been clear from the start that what happens in years 2 and 3 of any spending programme often differs substantially from what has been announced in year 1. Furthermore, although much useful information continues to be presented, the table which presents expenditure by functional classification (which used to appear at the beginning of the summary of expenditure in the Estimates of Revenue and Expenditure document) was omitted from all documents this year as last year. This is a shame because this table allowed comparisons of spending allocations by activity to be made between years unaffected by many of the organisational changes that ministries are regularly subjected to.

Table 1: Medium Term Expenditure Framework Projections 2001/02-2009/10 in % of GDP

	01/02	*02/03*	*03/04*	*04/05*	*05/06*	*06/07*	*07/08*	*08/09*	*09/10*
MTEF 2001/02									
Revenue	31.3%	31.0%	31.4%						
Expenditure	34.9%	33.9%	34.3%						
Deficit	3.6%	2.9%	2.9%						
MTEF 2002/03									
Revenue		30.1%	28.1%	26.5%					
Expenditure		34.5%	31.1%	29.0%					
Deficit		4.4%	3.0%	2.5%					
MTEF 2003/04									
Revenue			30.4%	28.3%	26.7%				
Expenditure			33.4%	31.6%	29.7%				
Deficit			3.0%	3.3%	3.0%				
MTEF 2004/05									
Revenue				32.3%	28.3%	27.3%			
Expenditure				33.8%	29.6%	28.3%			
Deficit				1.6%	1.4%	1.0%			
MTEF 2005/06									
Revenue					31.7%	31.6%	28.6%		
Expenditure					32.9%	30.4%	27.7%		
Deficit					1.2%	(1.2%)	(0.8%)		
MTEF 2006/07									
Revenue						35.9%	30.5%	28.9%	
Expenditure						35.6%	32.1%	31.3%	
Deficit						(0.3%)	1.7%	2.3%	
MTEF 2007/08									
Revenue							36.3%	30.1%	28.6%
Expenditure							35.2%	31.2%	29.7%
Deficit							(1.1%)	1.1%	1.1%
Revenue	31.8%	31.9%	28.2%	30.6%	33.1%	36.8%			
Expenditure	36.0%	34.4%	35.4%	34.2%	33.3%	34.7%			
Deficit	4.2%	2.5%	7.2%	3.6%	0.2%	(2.1%)			

Source: MTEF documents 2001/02-2007/08, Ministry of Finance
Note: Shaded areas denote latest available estimates as opposed to MTEF projections

This is now the seventh successive year that a Namibian Minister of Finance has presented a three-year perspective on revenue, spending and the deficit called the Medium Term Expenditure Framework or MTEF. Table 1 presents an updated version of the comparison of these seven three-year perspectives presented in previous IPPR opinion pieces. It includes actual out-turns for 2001/02, 2002/03, 2003/04, 2004/05 and 2005/06 as well as revised budget estimates for 2006/07 in the shaded boxes at the bottom. The following points are worth noting:

- For the last six years the Minister has been predicting that revenue is expected to decline over the three year MTEF period. However, such a fall has consistently failed to materialise with the exception of 2003/04. During 2007/08 revenue is expected to reach 36.3% of GDP thanks largely to a substantial windfall from the Southern Africa Customs Union (SACU) but is again expected to fall below 30% of GDP thereafter.

- This year expenditure is set to rise to 35.2%, far above the Minister's 30% spending target. Despite what the Minister says in her three year perspective, the actual out-turns achieved since the MTEF was introduced suggest she is not putting serious effort into moving towards the spending target. Yet again this year the target will be met in the third year of the MTEF, too far down the line for anyone to really take seriously.

- The Minister has succeeded in achieving a budget surplus for 2006/07 and is expecting to repeat this feat for 2007/08 but this has been achieved not by expenditure restraint but by revenue windfalls from the sale of MTC shares (in 2006/07) and adjustments from the Southern Africa Customs Union (SACU). The expected budget surplus of N$921 million for 2006/07 (2.1% of GDP) would have been a small budget deficit of N$49 million without the once-off receipts from MTC (N$648 million) and SACU (N$322 million). It is possible it becomes an even larger surplus if underspending has occurred or if revenues have been underestimated, both common characteristics of Namibian budgets in the past. The budget surplus of N$559 million projected for 2007/08 (1.1% of GDP) would be a deficit of N$1.521 billion without the once-off SACU adjustments.

The Minister's strategy can be summed up as follows: maintain spending at around 35% of GDP for as long as revenues hold up and, where possible, use windfalls to pay off debt so that borrowing can begin again when revenues start to dwindle. This is a very different strategy from deliberately and steadily cutting spending to a long-term sustainable level of 30% of GDP and using any resources thus freed up to take less from the economy in the first place, especially from the poorest or in ways that are believed to most constrain growth and job creation.

Interestingly, the Minister did hint that she recognised this difference making great play of the fact that she was raising the income tax threshold for individuals from N$24,000 to N$36,000 a year and claiming that this was "pro poor" to use the jargon of the day. It is not clear how much this change will cost the fiscus but the threshold had not been changed since 2003/04. It has been some time since a Namibian Minister of Finance has used the revenue side of the budget (rather than the expenditure side) to try to tackle poverty. The belief that poverty can be more effectively tackled by expenditure rather than through the tax system was one of the defining characteristics of the Namibian Tax Consortium's report of 2002. The Namibian reality is that people earning N$24,000 a year in taxable cash are not the poorest anyway (although that should not necessarily stop the Minister of Finance from reducing their tax burden). The latest Household Income and Expenditure Survey from 2003/04 showed that the poorest 25% of households had average incomes per household of just N$11,417, far below the level which would take them into the income tax net. Importantly, however, poorer households tend to consume a higher proportion of their income and therefore pay disproportionately more in consumption taxes such as VAT and, possibly, import tariffs. It is possible that a cut in VAT would have a far greater impact on the very poorest than a rise in the income tax threshold.

Table 2 shows how government measures up to the fiscal targets it set for itself in 2001. It presents the latest available actual outturns and estimates for each target. The stock of public debt excludes government loan guarantees which, according to the Minister, has already declined to 8.9% of GDP in 2005/06 from a high of 11.8% of GDP in 2001/02.

Table 2: Government's fiscal targets as % of GDP

	Target	*Latest actual (2005/06)*	*Estimate (2006/07)*	*Estimate (2007/08)*
Public expenditure	30%	33.3%	34.8%	35.2%
Budget deficit	-3%	-0.2%	+2.1%	+1.%
Stock of public debt*	25%	33.2%	31.4%	24.8%

*excludes government loan guarantees estimated at 8.9% of GDP for 2006/07 in MTEF 2007/08-2009/10

Revenue highlights…

Government plans to raise some N$18.183 billion in tax and other revenue from the economy during 2007/08 and receive over N$204 million in grants from its development partners. The following paragraphs examine revenue highlights contained in the main budget document.

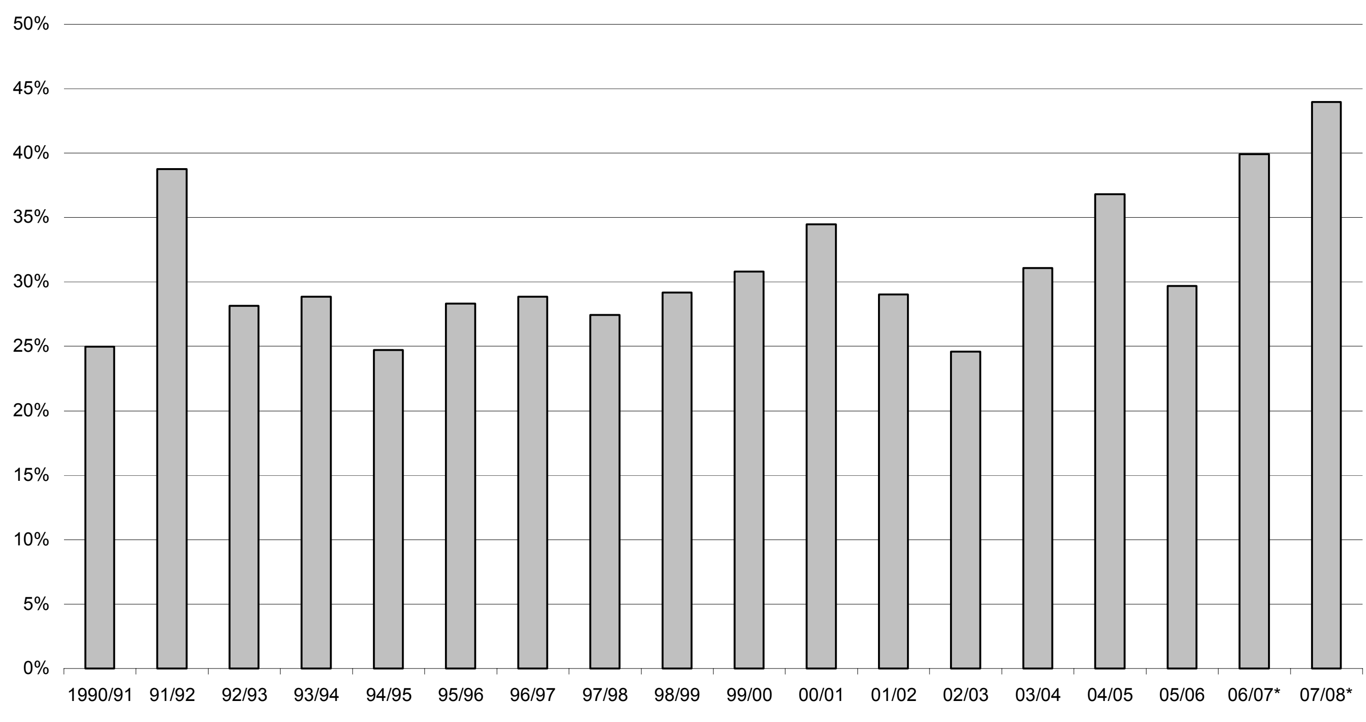
Income tax on individuals is projected to fall from N$3.386 billion in 2006/07 to N$2.983 billion in 2007/08 which, given the positive outlook for growth in the coming year and the Minister's insistence that considerable effort is being put into tax collection, suggests the cost of raising the tax threshold for individuals was considerable. It is possible that the estimate for 2006/07 contained a significant backlog of unpaid tax which will not be repeated in future. It could also signify that the Inland Revenue is just being cautious in making its forecasts.

Profits tax on diamond and non-diamond mining companies jumps as expected given the outlook for mineral prices. Diamond mining is expected to yield N$250 million compared to last year's N$45 million while non-diamond mining will generate N$350 million compared to last year's meagre N$7 million. Revenue from non-mining companies also rises but nowhere near as dramatically. Non Residents Shareholders Tax increases from N$82 million in 2006/07 to N$125 million in 2007/08.

Revenue from fishing boats and factory licences rises from only N$197,000 to over N$46 million in 2007/08. This probably has to do with the renewal of seven year quotas and licences due late in 2007. Fishing quota levies, on the other hand, are due to fall from N$157 million to just over N$73 million.

Revenue from SACU is expected to reach a record N$8.085 billion in 2007/08 of which over N$2 billion represents "customs revenue formula adjustments". This year SACU is forecast to provide 47% of all tax revenue and 44% of all revenue, by far the highest it has ever been. For several years now fiscal policy has been based upon the expectation that SACU revenues will inevitably decline thanks to trade liberalisation (the reduction in import tariffs). The Minister reiterated this expectation, emphasising it is likely to gather pace with the creation of the SADC Free Trade Area by 2008 and SADC Customs Union by 2010.

SACU revenue as % of total revenue



Source: Budget documents *estimates not actuals

Revenue from the dividends of parastatals are expected to fall in aggregate from over N$695 million to just above N$66 million but this is entirely due to the windfall of N$648 million received in 2006/07 from the sale of 34% of MTC to Portugal Telecom. It is not clear at this stage whether the unexpected introduction of a third mobile operator in Namibia will oblige Government to pay some of this money back. If this payment is excluded the picture on dividends looks extremely positive although it is unclear why, for example, NamPower pays a dividend of N$7 million only for Government to strengthen its balance sheet with an injection of N$500 million. Orthodox wisdom has it that paying dividends is for mature businesses with spare cash and nothing to invest in. No dividends are expected from Rössing Uranium despite the fact that it is expected to be highly profitable in the coming year. Namdeb is expected to yield N$10 million in dividends in 2007/08. Both companies are investing heavily in the coming years.

Compensation for use of the Rand falls from N$30 million to nothing in 2007/08 after years of steady decline.

Diamond royalties are expected to rise from N$258 million in 2006/07 to N$271 million in 2007/08. Mineral royalties are for the first time included alongside diamond royalties (rather than under Vote 15 Mines and Energy) and are expected to amount to N$229 million following two years of consultation and the gazetting of new royalty rates last November and December. The N$30 million revenue item under Vote 15 remains for 2006/07.

Under Administrative Fees and Charges and Incidental Sales, an item of N$80 million is included under Defence, which is reimbursement for Namibian Defence Force operations in Liberia under the flag of the United Nations (UN). Oil exploration and rental fees under Mines and Energy rises from N$2.5 million to almost N$13 million. Park entrance fees under Environment and Tourism rise marginally from over N$36 million to almost N$39 million while tourist concessions bring in just N$2 million. Sale of Government houses is expected to fetch N$7.5 million.

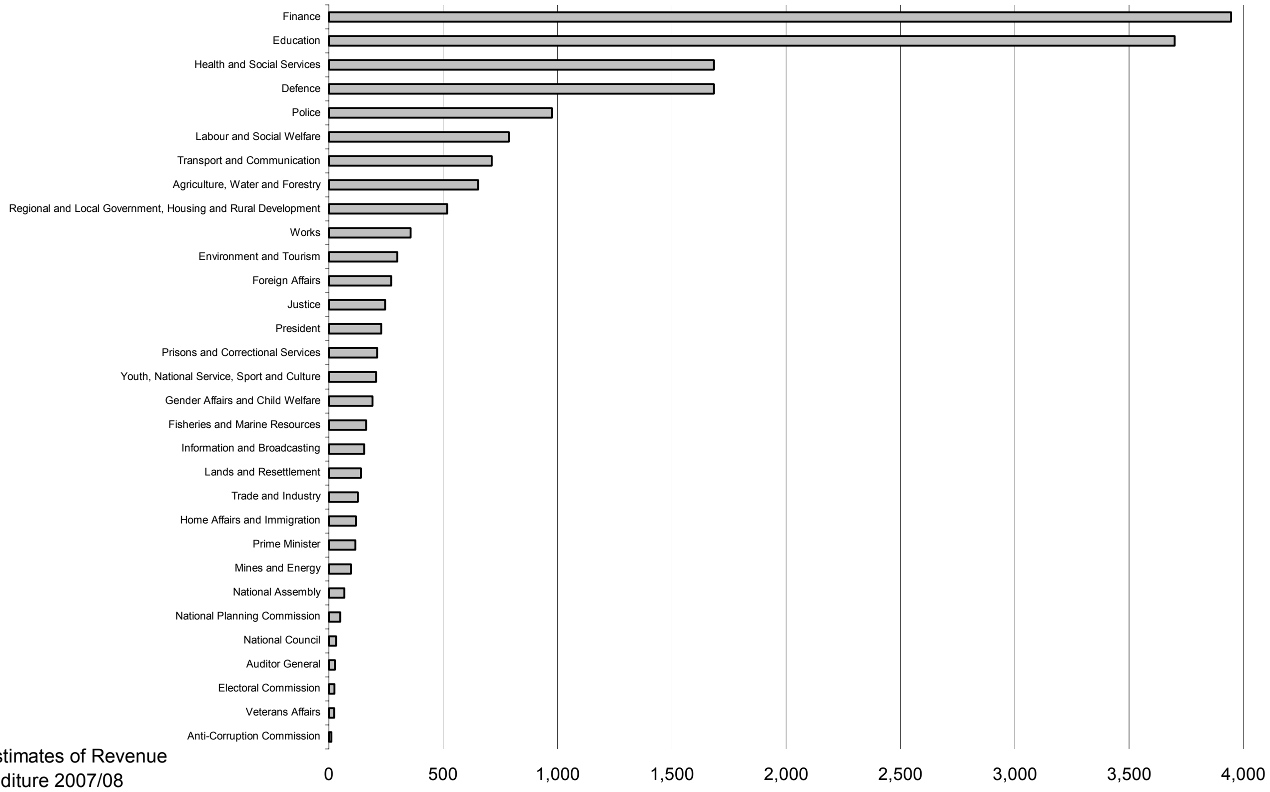
Finally, more than N$204 million worth of grants from a range of donors, “tied” to recurrent activities or development projects, are expected to be channelled through the budget in 2007/08. This undoubtedly represents a vote of confidence in Namibia’s budget arrangements.

Expenditure highlights by vote…

The following paragraphs highlight what are believed to be the issues of greatest importance in each of the expenditure votes contained in the budget document. The focus is primarily but not exclusively on significant changes in allocations from the previous financial year 2006/07. Of course, it would be useful to focus the debate on outcomes rather than simply on allocations. However, the reality is that reliable and timely data does not yet exist to be able to do this, quite apart from the question of who is doing the measuring. Many of the outcome targets are vague or unmeasurable and have clearly been included without a great deal of thought. The sheer cost of accurately and independently measuring the enormous number of outcomes in all the PEMP tables included in the MTEF document would probably be prohibitive.

After years of stating it wanted to do away with an additional spending round later in the fiscal year – the so-called additional budget – the Ministry of Finance succeeded in achieving this for two years during 2004/05 and 2005/06. Last year saw the return of the “revised budget” which emphasises sensible mid-year adjustments rather than a major round of new spending. The 2007/08 budget sees total spending rise by a massive 17%, a significant real rise given the current low inflationary expectations of “around 6%” for 2007 according to the MTEF and is expected to stabilise at “below 6% in the medium term”. This is the largest increase in spending since 2001/02 when inflation was far higher than it is now. Personnel spending rises from N$6.145 billion to N$6.725 billion an increase of 9.4% and almost 38% of total spending. Capital spending has increased by 25% from N$2.097 billion to N$2.619 billion. The chart below shows the breakdown of planned spending by vote.

Budgeted spending by vote 2007/08 (N$m)



Source: Estimates of Revenue and Expenditure 2007/08

Vote 01 Office of the President

For some years now, the largest single item of expenditure under Vote 01 has been the new State House under Main Division 02. This year some N$109 million is being devoted to the project according to the MTEF document which reiterates last year's aim to complete 90% of the construction by 2008/09. As in previous years, no evidence can be found in the budget documents of Chinese assistance through the budget. The MTEF contains no clues about how much the new State House will eventually cost to run and maintain.

The Namibia Central Intelligence Service (NCIS) receives an allocation of N$51 million, down on last year's N$55 million while Main Division 03 Office of the Founding President receives more than N$5 million, marginally more than last year.

Vote 02 Office of the Prime Minister

The allocation to Vote 02 rises from N$75 million to N$116 million, the main reason being a large increase in the allocation to Main Division 03 Administration for the vaguely termed "other services and expenses". Given the passing of the State-Owned Enterprises Governance Act last year, in which the idea of a Central Governance Agency was abandoned in favour of an SOE Governance Council supported by the OPM, it was to be expected that more resources would be required under Vote 02. However, it is surprising that this was not allocated to Main Division 02 Governance of State-Owned Enterprises, Anti-Corruption and Disaster Management which does in fact see a considerable increase in resources for personnel. The National Emergency and Disaster Fund again receives a token N$150,000.

Vote 03 National Assembly

Assistance to political parties rises slightly from N$16.3 million to N$16.5 million.

Vote 04 Office of the Auditor General

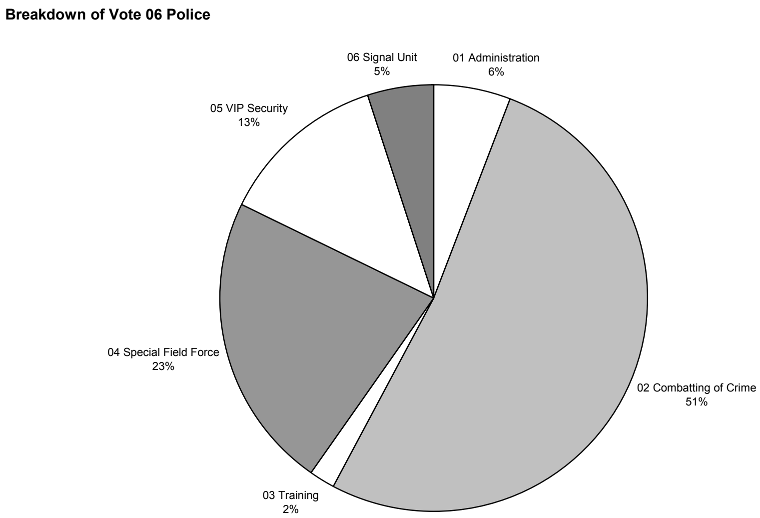
The Minister made special mention of the resources devoted to the Office of the Auditor General in her speech but the level of resources is not substantially more than what has historically been allocated to this vote. Although the MTEF document sets a target for the tabling of all 115 financial reports before Parliament before 2008/09, a footnote explains that the number of statutory reports has already risen to 122 and that the backlog is "likely to take six years to clear".

Vote 05 Home Affairs and Immigration

This vote sees its allocation rise from N$95 million to N$119 million with a large proportion of additional resources going to Main Division 06 Immigration Control. The MTEF document stresses that this vote has ministerial targets to reduce the waiting time for ID documents from 24 months to 1 month maximum and issue permits within 60 days by 2009.

Vote 06 Police

Vote 06 also receives a substantially higher allocation this year from N$837 million to N$976 million with the lion's share of that increase being allocated to Main Division 02 Combatting of Crime which this year receives 51% of the allocation to Vote 06. A Prevention of Organised Crime Unit (POCU) is to be operationalised to deal with organised crime. It remains surprising that VIP Security receives a quarter of what is allocated towards Combatting of Crime but the distribution of resources is certainly a little more balanced than in the past.



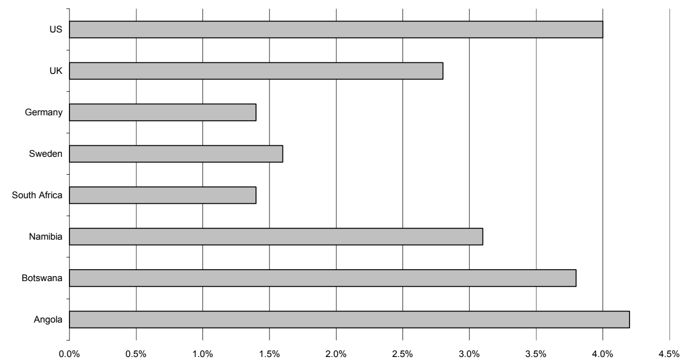
Vote 07 Foreign Affairs

The budget funds two new missions abroad in Tanzania and Egypt as a result of the Cabinet announcement of April 2006 and also funds the new mission in Brazil. Whether these have been established following a thorough assessment of the benefits they could bring to Namibia is unclear. If the purpose is to promote trade and investment, it is possible that these resources could have been better used by improving the amount of accurate and useful information about Namibia's economy and business opportunities that is available on the Internet.

Vote 08 Defence

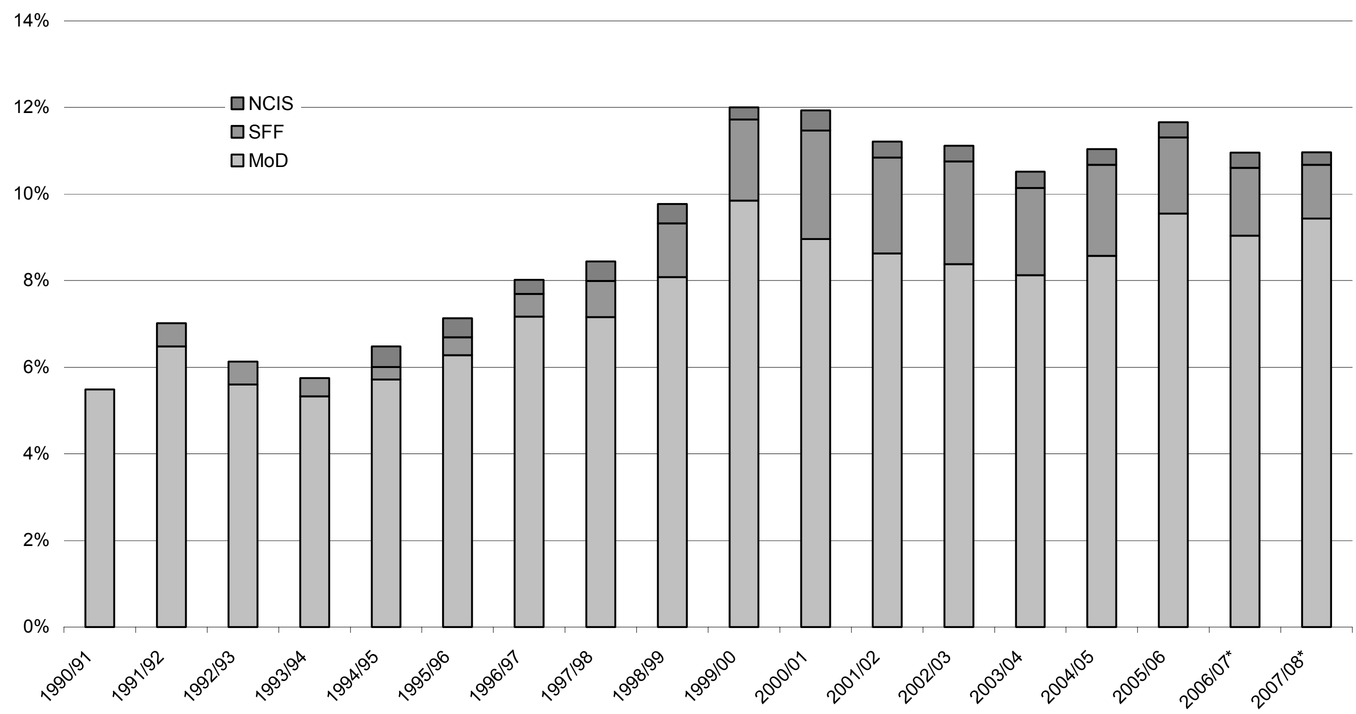
With the exception of international deployments under the auspices of the UN, the AU or SADC and the need to protect Namibia's Exclusive Economic Zone (EEZ), the MTEF fails to make the case why defence requires such major allocations year in year out. In terms of allocations to votes, Defence receives virtually the same as Health. According to the Stockholm International Peace Research Institute (SIPRI), Namibia spends a high proportion of its GDP on defence compared to many other countries although less than neighbouring Botswana and Angola although it now looks as if security spending as a whole has stabilised following the steep increases of the late 1990s.

Military spending as % of GDP



Source: SIPRI

Security spending as % of total spending



Source: Budget documents

Vote 09 Finance

For the first time ever, Vote 09 Finance receives a higher allocation than any other vote, N$3.946 billion. Increases are visible in a number of areas including Main Division 04 State Revenue and the provision of pensions for political office bearers which rises from N$71 million to N$105 million. However, the largest increases are accounted for by further “equity participation” in a number of SOEs under Main Division 12 Asset Cash and Debt Management: Air Namibia (which receives a further N$538 million), the Development Bank of Namibia (N$29 million), NamPower (N$500 million) and Agribank (N$150 million). The Minister explicitly mentioned all these numbers in her speech with the important exception of Air Namibia. The allocation to the DBN is part of a longer-term process of capitalising the new bank. NamPower’s balance sheet needs strengthening in anticipation of large investments such as Kudu gas-to-power (although

NamPower has also invested in Namibia's second mobile operator CellOne). Agribank receives a N$150 million capital injection and a further guarantee for N$350 million in order "to add impetus to the land reform programme". All the Minister would say on Air Namibia is that Government had commissioned a study to assess the viability of the company in October 2006 and that its findings were the subject of ongoing consultations. Government has also had to extend further guarantees to Air Namibia for the lease of aircraft (its two new Airbus A-340s) which the Minister says totals US$139 million. According to the MTEF document, N$435 million has been allocated to Air Namibia to clear "all its legacy debts". Air Namibia made an operating loss of N$215 million in the year to 31 March 2005 and "no return on investment is foreseen at any given time soon". Clearly Government is not yet persuaded of the case for selling off or closing down the national airline, believing it is a critical element in sustaining Namibia's tourism industry. However, it is hard to believe that this could not be achieved more effectively at lower cost to the taxpayer. The MTEF shows that the Windhoek Country Club made a loss of N$49 million in the year to 30 April 2005 and that payment of a final instalment on its debt default of N$11 million is due.

Vote 10 Education

This year the education vote receives N$442 million more than last year. In her speech, the Minister stressed the need for Namibia to continue to invest heavily in human capital and, at the same time, "improve educational outcomes and with that skill levels and employability". The greatest increase in resources is to primary education (N$1.489 billion to N$1.753 billion) although most other main divisions also receive substantially more. A large part of this overall increase is accounted for by budget support for Government's Education and Training Sector Improvement Programme (ETSIP) from four major donors: the EU (N$62.850 million), Germany (N$25.010 million), Spain (N$12.500 million) and the Netherlands (N$16.670 million). Hostels continue to swallow N$281 million (including N$24 million in subsidies to private hostels) while bringing in only N$13.5 million in hostel fees. The MTEF document promises that "a new hostel fee structure will be introduced to recover cost and improve efficiency".

In higher education the University of Namibia (Unam) appears to be winning the battle for resources over the Polytechnic of Namibia. While Unam's allocation rises from N$186 million to N$205 million, the Polytechnic's barely changes from N$80 million. Vocational training receives marginally more than last year. It is hard to know whether any assessment of labour demand in the economy has contributed to these results. There is a sneaking suspicion that status and political clout rather than economic thinking underpins these allocations. The National Council for Higher Education, which is now being funded and staffed, will be left to develop the long-awaited funding formula for higher education.

Vote 12 Gender Equality and Child Welfare

Vote 12 receives a substantial increase in funding from N$152 million to N$191 million. Over N$30 million of this increase goes towards increasing the amount distributed in the form of maintenance grants and foster parent allowances for orphans and vulnerable children (OVC). In ten years the amount budgeted for these grants has risen from little over N$3 million to N$130 million demonstrating that Government is making a serious effort to respond to the crisis brought about by HIV/AIDS. The MTEF target is that 70% of OVC will have access to social grants by 2009. The Minister stated in her speech that this year's allocation will allow an additional 78,000 OVC to receive grants during the MTEF period. The MTEF document shows that the number of OVC not benefiting from grants will decline from 126,165 in 2004/05 to an estimated 96,165 in 2007/08, still far too many.

Vote 13 Health, Social Services and Rehabilitation

The Health Vote has seen its allocation rise from N$1.396 billion to N$1.683 billion with Main Division 03 Referral Hospital Services and Main Division 04 Regional Health and Social Welfare Services receiving most of this increase in resources. Main Division 10 Special Diseases Programme saw its budget cut by one third to N$6 million. The Ministry states it aims to have 39,540 people on the ARV therapy programme by the end of the 2006/07 financial year. It is set to receive N$116 million from USAID/PEPFAR and N$43 million from the Global Fund this coming year. However, this budget sees some 9.4% of total spending allocated towards health, some way below the 15% recommended by the UN.

Vote 14 Labour and Social Welfare

No increase in the social pension was announced in this year's budget yet the amount allocated rose significantly to N$660 million suggesting that coverage is set to improve. The MTEF target is to achieve 85% coverage by 2008/09.

Vote 15 Mines and Energy

Vote 15 receives a far smaller allocation this year, primarily because no monies are due to be allocated towards plugging gaps in the National Energy Fund (NEF) that arise because pump prices are prevented from reflecting the international price of oil.

Vote 16 Justice

Overall the Justice vote sees its allocation rise from N$202 million to N$246 million thanks largely to an increase in capital spending under Main Division 03 Lower Courts and Main Division 08 Supreme and High Court.

Vote 18 Environment and Tourism

Vote 18 receives a doubling of resources from N$151 million to N$300 million. Some of this increase is devoted to Main Division 03 Parks and Wildlife Management but by far the largest portions are earmarked for Namibia Wildlife Resorts (NWR) which receives N$50 million and a N$120 million loan guarantee. The MTEF document states that NWR is expected to achieve breakeven by 2008/09 and make a profit by 2009/10. The allocation to the Namibia Tourism Board (NTB) barely changes at N$25 million (in addition to the N$10 million or so it generates from the Tourism Levy), still far short of what many believe to be necessary to effectively market Namibia abroad.

Vote 19 Trade and Industry

Vote 19 sees its allocation grow from N$108 million to over N$126 million. Incentives receive N$11.5 million under Main Division 03 International Trade and Main Division 06 Internal Trade receives over N$10 million more than last year. Industrial incentives under Main Division 05 Investment Centre are eliminated while Export Processing Zone (EPZ) training reimbursements are halved to N$1.3 million. The Namibian Competition Commission (NCC) will finally be operationalised during 2007/08 and N$3 million has been allocated for this purpose.

Vote 20 Agriculture, Water and Forestry

Allocations to Vote 20 are remarkably similar to last year's. In contrast to the last few years, nothing is budgeted to cover arrears in the Affirmative Action Loans Scheme (AALS).

Vote 22 Fisheries and Marine Resources

Vote 21 has received a substantial increase in resources to Main Division 05 Aquaculture which sees its budget rise to N$34 million from last year's N$10 million. Government clearly believes this activity has considerable potential to stimulate the rural economy.

Vote 24 Transport

The transport vote sees its budget raised from N$645 million to N$713 million. N$60 million is allocated for new vehicles under Main Division 01 Government Garage. N$240 million is allocated to Government Organisations under Main Division 02 Transportation Infrastructure.

Vote 25 Lands and Resettlement

N$50 million continues to be allocated annually for the purchase of commercial farmland under the National Resettlement Policy. According to the MTEF document, the Land Acquisition and Development Fund (LADF) is expected to have accumulated some N$159 million by the end of 2006/07 as a result of past underspending of monies set aside for land purchases. The Ministry is forecasting higher rates of spending in the coming three year period.

Vote 27 Youth, National Service, Sport and Culture

Main Division 05 National Youth Service receives N$31 million compared to last year's N$18 million. Main Division 05 Arts sees its budget slashed from nearly N$40 million to under N$25 million.

Vote 28 Electoral Commission

Main Division 02 Electoral Operations sees its allocation rise from N$3 million to almost N$21 million.

Vote 29 Information and Broadcasting

Subsidies to the loss-making state-owned media NBC, Nampa, New Era and NAMZIM remain much the same as last year at N$62.6 million, N$9.7 million, N$4.0 million and N$1.2 million respectively. The Film and Video Development Fund receives a paltry N$655,000 after last year's N$15.6 million (which went to pay for the film "Where Others Waivered"). No mention is made in the MTEF document of the new Communications Authority of Namibia (CAN), the arms-length regulator contained in the draft Telecommunications Bill which the Minister has promised will regulate the telecoms sector.

Vote 30 Anti-Corruption Commission

The Anti-Corruption Commission sees its allocation almost double from under N$7 million last year to over N$11 million in 2007/08. According to the budget document, 17 posts have so far been filled out of a total of 32 funded posts on the establishment.

Vote 31 War Veteran Affairs

A new vote is added this year. Vote 31 War Veteran Affairs, which is also a ministry headed by Minister Ngarikutuke Tjiriange, receives an allocation of nearly N$23 million. The MTEF document explains that N$16 million of this amount was transferred from the votes of the Ministry of Labour and Social Welfare and the Office of the President.

How pro poor?

The Minister has repeatedly insisted that this and past budgets are "pro-poor". Quite what she means by this is unclear since any programme which helps the poor either directly or indirectly – from building infrastructure to reducing corruption – must be "pro-poor". In terms of measures which directly help the poor, this budget contains a certain number of changes which are indisputably positive: the reduction of the income tax threshold (although this may do little for the poorest as argued above), the increase in maintenance and foster grants (although again these may not reach the poorest who are generally least able to access such benefits), the boost to primary education (again, however, the distribution of spending has to be examined), and the increase in the number of people on ARV therapy (again perhaps not necessarily the poorest).

Yet if Government wants to make a real impact on poverty through the fiscus, it will have to take a far bolder approach to fiscal policy. On the revenue side that might mean looking at measures that could have a greater and more widespread benefit for the very poorest such as a reduction in VAT from 15% to 10%. Namibia's rate of VAT is higher than that of many developing countries. On the expenditure side that might mean looking at measures such as introducing a Basic Income Grant (BIG) of N$100 per person per month. There is no sign in this budget that Government is preparing the nation's finances for anything quite so bold.

How beneficial is a surplus?

The Minister and other economic commentators make great play of the fact that a budget surplus has been achieved. Leaving aside the fact that these surpluses should be viewed in the context of revenue windfalls (and disappear if the windfalls are excluded), the question has to be asked: is it right for the Minister to seek a balanced budget? The only reason this is important is to dispel the sense of fiscal crisis that has surrounded so many Namibian budgets in the past. If there were plenty of useful things to spend money on which brought a demonstrable return to the economy and to the country, the IPPR would be urging Government to go out to the markets and borrow, safe in the knowledge that the extra growth they brought would also bring in extra revenue to enable the debt to be serviced. The really worrying thing is that this does not appear to be the case. That is why the IPPR has argued for expenditure restraint on the grounds that the quality of Government's spend is presently so poor that, to a large extent, it represents little more than a dead weight loss on the economy. The major challenge remains to turn that situation around.