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National Budget 2008/09: Great Dollops of Jam

Buoyed by strong revenues and having significantly reduced debt, Minister of Finance Saara Kuugongelwa-Amadhila has decided that now is the time for the largest increase in public expenditure since just after Independence. In her latest budget, total spending is set to rise 26 per cent to a whopping N$22.5 billion. This corresponds to 37.7 per cent of forecast GDP, the highest level since 1999/00. Although this means government finances will move back into deficit following two years of larger than expected surpluses, the budget deficit stays within government's target of 3 per cent of GDP. Not once, however, did the Minister seek to justify this expansionary stance on the basis of slowing world or domestic demand. There must be some doubt as to whether such a large fiscal stimulus is prudent in a situation where inflation is high and rising. Although the Minister now has a solid track record of success at the more macro level of budget management, considerable doubts remain about the micro basis for much of Namibia's vast public expenditure programme and whether such a large sudden jump in spending can yield lasting economic benefits. Despite the publication of an Accountability Report, the jury is still very much out on whether much of public spending is anything more than a short-term stimulus designed more with the electoral cycle than long-term economic growth in mind.

High five

Minister of Finance Saara Kuugongelwa-Amadhila presented her fifth full budget to the National Assembly on 5 March 2008. As usual her speech was dry and to the point. Not for her the swashbuckling panache of a Trevor Manuel or a Gordon Brown. Nor does it appear that many Namibians take the trouble to write to her with budget-related suggestions. According to Mr Manuel, some 2,240 South Africans wrote to him before his budget. Furthermore, he assured South Africans he read every one of their letters and emails and even responded directly to some in his speech. Such direct contact with voters seems as far away as ever in Namibia.

Information and transparency

The IPPR has welcomed the improvement in budget documentation that the Ministry of Finance has brought about in the past few years. This year saw the addition of a sixth publication, government's first Accountability Report, in addition to the now traditional five documents: the Budget Speech, the Estimates of Revenue and Expenditure, the Macroeconomic Framework, the Medium-Term Expenditure Framework (MTEF) and the Budget Brief. These documents were available online shortly after the Minister's speech and can be downloaded free of charge from www.mof.gov.na.

Last year the IPPR expressed its scepticism about the Minister's preference for talking almost exclusively in terms of three-year budget allocations. This is all very well and probably serves the purpose of getting spending ministries to think further ahead. But it was pointed out that this made little sense when it has been clear from the start that what happens in years 2 and 3 of any MTEF period generally differs substantially from what was announced at the beginning of year 1. Year 1 is still the only year that is voted on in Parliament and turned into an Appropriation Act (although by convention the allocations for years 2 and 3 contained in the MTEF provide a minimum floor for what spending ministries can expect to receive). The Estimates of Revenue and Expenditure document appears to have resumed its rightful place as the key statement to which government can be held to account. It, thankfully, incorporates Expenditure by Functional Classification (pages 26-31), omitted in the past two years, which allows spending to be tracked by activity rather than just by Ministry or Vote.

Table 1: Medium Term Expenditure Framework Projections 2001/02-2010/11 in per cent of GDP

	01/02	*02/03*	*03/04*	*04/05*	*05/06*	*06/07*	*07/08*	*08/09*	*09/10*	*10/11*
MTEF 2001/02										
Revenue	31.	31.0%	31.4%							
Expenditure	34.9%	33.9%	34.3%							
Balance	-3.6%	-2.9%	-2.9%							
MTEF 2002/03										
Revenue		30.1%	28.1%	26.5%						
Expenditure		34.5%	31.1%	29.0%						
Balance		-4.4%	-3.0%	-2.5%						
MTEF 2003/04										
Revenue			30.4%	28.3%	26.7%					
Expenditure			33.4%	31.6%	29.7%					
Balance			-3.0%	-3.3%	-3.0%					
MTEF 2004/05										
Revenue				32.3%	28.3%	27.3%				
Expenditure				33.8%	29.6%	28.3%				
Balance				-1.6%	-1.4%	-1.0%				
MTEF 2005/06										
Revenue					31.7%	31.6%	28.6%			
Expenditure					32.9%	30.4%	27.7%			
Balance					-1.2%	+1.2%	+0.8%			
MTEF 2006/07										
Revenue						35.9%	30.5%	28.9%		
Expenditure						35.6%	32.1%	31.3%		
Balance						+0.3%	-1.7%	-2.3%		
MTEF 2007/08										
Revenue							36.3%	30.1%	28.6%	
Expenditure							35.2%	31.2%	29.7%	
Balance							+1.1%	-1.1%	-1.1%	
MTEF 2008/09										
Revenue								35.1%	33.7%	32.3%
Expenditure								37.7%	33.7%	31.2%
Balance								-2.7%	0.0%	+1.1%
Actual outturns										
Revenue	31.8%	31.9%	28.2%	30.6%	33.1%	36.5%	36.8%			
Expenditure	36.0%	34.4%	35.4%	34.2%	33.3%	31.7%	33.5%			
Balance	-4.2%	-2.5%	-7.2%	-3.6%	-0.2%	+4.8%	+3.3%			

Source: MTEF documents 2001/02-2008/09, Ministry of Finance
Note: Shaded areas denote latest available estimates as opposed to MTEF projections

This is now the eighth 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 eight three-year perspectives presented in previous IPPR opinion pieces. It includes actual out-turns for 2001/02, 2002/03, 2003/04, 2004/05, 2005/06 and 2006/07 as well as revised budget estimates for 2007/08. The following points are worth noting:

- This year sees a continuation of the traditionally pessimistic view on future revenues. Every MTEF has expected a fall in revenues over its three-year period and this year is no exception. Over the past seven years, however, revenues have generally increased as a percentage of GDP. In her speech, the Minister stated that "total revenue for 2007/08 is estimated to surpass budget projections [of 36.3 per cent]".

- Expenditure in 2008/09 is set to rise to an almost unprecedented 37.7 per cent of GDP, out of sight of the Minister's 30 per cent spending target. Since the early years following Independence, spending has only once reached this level rising to 37.1 per cent of GDP in 1999/2000 when the country was in the run up to elections and in the throes of a war in the DRC. The severe expenditure restraint witnessed after the poor revenue performance and deficit outcome of 2003/04 has now been relaxed and the Minister is presently in full-on spending mode, a fortuitously strong position to be in during the run up to national elections in 2009.

- The Minister has succeeded in achieving a far larger budget surplus for 2006/07 than expected and is now forecasting a surplus of 3.3 per cent for 2007/08, rather than the originally planned 1.1 per cent. This she says is due to stronger than expected revenue performance as well as "lower than expected spending on interest payments following accelerated debt redemption".

Overall it is clear the Minister has achieved her two budget surpluses through a combination of revenue enhancement and expenditure restraint. Her overall strategy continues to be: spend as much as possible within the limits set by a conservative revenue forecast and a 3 per cent of GDP deficit limit. The extraordinarily high levels of revenue and expenditure now being achieved lead to a suspicion that Namibia's GDP may be considerably underestimated, especially since service sectors outside government are so poorly covered. It was in 2000 that the last major revisions to GDP took place which showed the economy was one fifth bigger and government spending was a far lower proportion of GDP than previously thought. GDP for 2007/08 has already been revised up from N$50.6 billion at the time of last year's budget to N$53.6 billion now.

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 8.6 per cent of GDP in 2006/07 from a high of 11.8 per cent of GDP in 2001/02, well within the target of 10 per cent of GDP which the Minister mentioned in her budget speech for the first time this year.

Table 2: Government's fiscal targets as per cent of GDP

	Target	*Latest actual (2006/07)*	*Estimate (2007/08)*	*Estimate (2008/09)*
Public expenditure	30%	31.7%	33.5%	37.7%
Budget balance	-3%	+4.8%	+3.3%	-2.7%
Stock of public debt*	25%	28.3%	21.8%	24.8%

*excludes government loan guarantees estimated at 8.6 per cent of GDP for 2006/07 in MTEF 2008/09-2010/11

Revenue highlights…

Government plans to raise some N$20.732 billion in tax and other revenue from the economy during 2007/08 and receive over N$141 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 rise from N$2.983 billion in 2007/08 to N$3.728 billion in 2008/09, a healthy 25 per cent increase. The Minister made no significant announcements on individual tax leaving one to assume that the rise is due entirely to rising incomes and better tax collection.

Profits tax on diamond and non-diamond mining companies jumps again as mineral prices remain high. Diamond mining is expected to yield N$355 million, compared to last year's N$250 million, while non-diamond mining will generate N$460.5 million, compared to last year's N$350 million. The actual outturn for diamond mining companies in 2006/07 was N$360 million, compared to the original estimate of just N$45 million, underlining yet again how hard the Ministry finds it to make accurate revenue forecasts for this sector. Revenues from non-mining companies also rise over 25 per cent from N$1.470 billion to N$1.858 billion. Non Residents Shareholders Tax increases from N$125 million in 2007/08 to N$207 million in 2008/09.

Value added tax (VAT) is expected to yield N$3.756 billion, 15 per cent more than the N$3.263 expected in 2007/08 thanks to better tax administration and ongoing forensic audits.

Revenues from the levy on fuel and liquor licences remain about the same, but revenues from fishing boats and factory licences evaporate from over N$46 million in 2007/08 to a mere N$180,000. 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 another record N$8.502 billion despite there being no formula adjustments such as those seen last year. 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). Recent differences in approach to Economic Partnership Agreements (EPAs) with the European Union have split SACU and raised the prospect that members might decide to go their own way. Namibia's dependence on SACU revenue makes any change to this critical trading arrangement especially sensitive.

Revenue from the dividends of parastatals remain similar to 2007/08 but quite what companies like NamPower are doing paying dividends to government and then asking for transfers to strengthen their balance sheets suggests policy-makers are still unclear about under what conditions parastatals should be expected to pay out profits to their shareholder.

Revenues from diamond royalties rise from N$271 million to N$443 million. Mineral royalties are revised down to N$200 million from N$229 million in 2007/08 despite the expectation of massive further real growth of 16 per cent and more in the non-diamond mining sector during 2008 and 2009. It seems that several major mining companies are still refusing to pay the royalty tax because government has failed to come up with convincing evidence that they can add further value to their products or that they are deliberately underpricing exports.

Under Administrative Fees and Charges and Incidental Sales, an item of N$100 million is included under Defence, which is reimbursement for Namibian Defence Force operations in Liberia under the flag of the United Nations (UN). This follows an expected N$80 million in 2007/08. Park entrance fees under Environment and Tourism rise from over N$38 million to almost N$49 million while tourist concessions bring in little more than N$2 million. Sale of Government houses is expected to fetch over N$7 million.

Finally, more than N$141 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 2008/09. As stated last year, this undoubtedly represents a vote of confidence in Namibia's budget arrangements.

Overall, the additional N$2.5 billion in revenue estimated for 2008/09 over 2007/08 can be accounted for by rises across the main revenue items: individual income tax (N$745 million), company taxes (N$604 million), VAT (N$493 million) and SACU (N$417 million).

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 2007/08. 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, of questionable validity or simply not measurable and have clearly been included without a great deal of thought, it seems. The sheer cost of accurately and independently measuring the enormous number of outcomes in all the Performance and Effectiveness Measurement Programme (PEMP) tables included in the MTEF document would probably be prohibitive.

The 2008/09 budget sees total spending rise by a staggering 26 per cent to N$22.5 billion from N$17.8 billion in 2007/08. The Minister made no mention of any pay rises for civil servants, but the total wage bill is up by N$1 billion at N$7.7 billion or 34 per cent of total spending. Subsidies and Other Current Subsidies reach N$4.6 billion.

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 only N$25 million can be identified devoted to this project which, according to the MTEF document, will be completed by 2009/10. As in previous years, no evidence can be found in the budget documents of any 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$54 million, up on last year's N$51 million while Main Division 03 Office of the Founding President receives a massive N$21 million, the lion's share of which will go towards the construction of a new building.

Vote 02 Office of the Prime Minister

The allocation to the Prime Minister's Vote rises from N$115 million to N$421 million, mainly because a total of N$280 million is now allocated to the National Emergency Disaster Fund, Drought Relief and Flood Relief, compared to the paltry N$150,000 allocated in 2007/08 under Main Division 02.

Vote 03 National Assembly

Assistance to political parties rises slightly from N$16.5 million to N$17.7 million in 2008/09 but will rise to N$23.7 million the year after (which is a general election year).

Vote 04 Office of the Auditor General

In her speech, the Minister mentioned that the Auditor General is "making strides to address the audit backlog", but the latest publicly available audit report for government as a whole is for the year 2004/05. The MTEF document states that the Office of the Auditor General will strive to decrease the backlog of 186 reports by 119 reports during 2008/09. The key issue remains that little or no action continues to be taken once these reports have been completed as neither the Auditor General nor the Public Accounts Committee has the power to push through any recommendations.

Vote 05 Home Affairs and Immigration

This vote sees its allocation rise from N$119 million to N$152 million, with a large proportion of additional resources again going to Main Division 06 Immigration Control. This vote is a good example of the questionable usefulness of the MTEF. Last year, a ministerial target for Vote 05 was to "convert 2,500,00 manual kept records of the Ministry by 2008". This year, the target is to "convert 2,500,000 manually-stored birth, marriages and death records of the Ministry by 2008/09". Yet it is hard to assess from any information provided whether the Vote is on track. According to the PEMP tables provided, only 50 per cent have been computerised by 2007/08 and only 90 per cent will be completed by 2010/11.

Vote 06 Police

The Police Vote 06 sees its allocation rise by one third to N$1.290 billion, making it the fifth largest vote by allocation. Main Division 02 Combating of Crime receives a 43 per cent increase in funding, the largest increase out of all six main divisions.

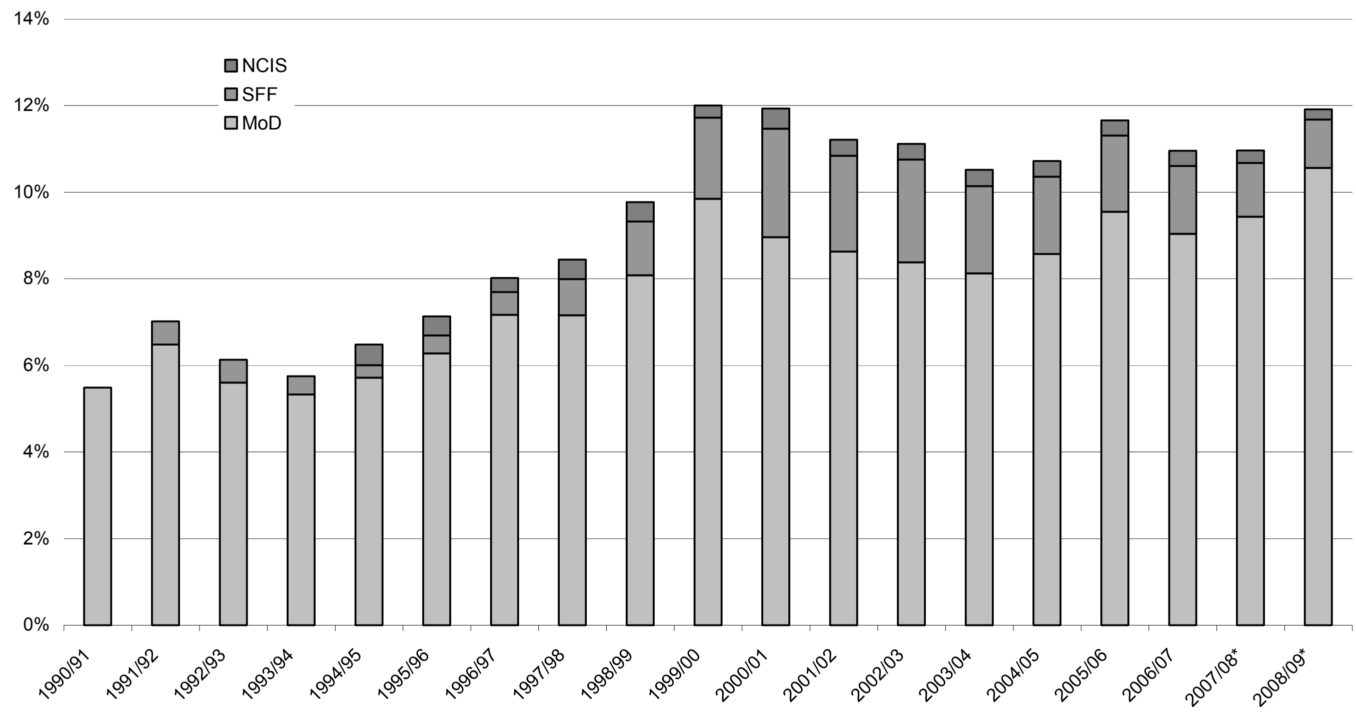
Vote 07 Foreign Affairs

The budget of the Ministry of Foreign Affairs rises from N$273 million to N$321 million, but there is little sign that an economic assessment of costs and benefits is starting to play a role in determining the effectiveness of missions abroad.

Vote 08 Defence

Defence spending has been steadily increasing as a share of total spending since Independence and this year, once again, Defence walked away a big winner. The Defence Vote is allocated N$2.372 billion in 2008/09, the third largest allocation to any vote and some 10.5 per cent of total spending, the highest share ever. The Minister indicated this would go towards “infrastructure maintenance upgrading, operations and equipment”. This means Namibian will be spending 4 per cent of GDP on its military, a far higher proportion than any Western democracy, higher than even the US. The MTEF document asserts the Ministry’s aim to recruit until a total force strength of 15,000 is reached for the Army, Air Force and Navy combined.

Security spending as % of total spending

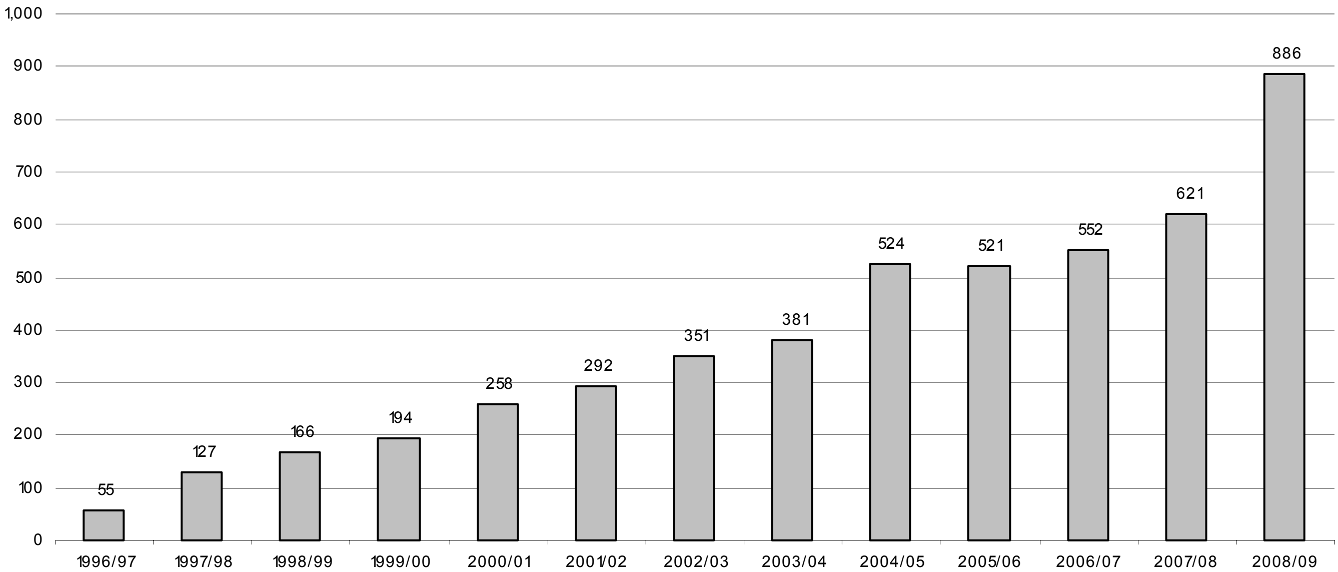


Source: Budget documents

Vote 09 Finance

Last year, for the first time ever the Finance Vote received the largest allocation in the budget, thanks mainly to N$1.129 billion in equity participation to parastatals. This year again, substantial transfers are envisaged, including N$150 million to Air Namibia, N$150 million to the Development Bank of Namibia, N$300 million to the Road Fund Administration, N$370 million to NamPower, N$50 million to Namwater, and N$100 million to Agribank. Only the allocation to NamWater failed to receive specific mention in the Minister's speech. It can only be assumed that this is a transfer which helps the parastatal make up for losses occurred through non-payment although the MTEF document states the money is for capitalisation targeted to infrastructure. The Minister's mention of Air Namibia's turnaround strategy drew jeers from the house. The IPPR estimates that Air Namibia has now received N$2.4 billion in transfers from the budget since 1999. In contrast to previous years, the MTEF document contained no financial statements from any of these parastatals. The allocation to claims on the government medical aid scheme shot up to a staggering N$886 million from last year's N$585 million. For the first time ever government has allocated more to the medical aid scheme than to social pensions. Finance has allocated N$200 million as a contingency provision under Main Division 10. Under public debt transactions, N$140 million is allocated to government guarantees, but no explanation is given as to why.

Expenditure on government medical aid scheme



Source: Budget documents

Vote 10 Education

This year's budget allocates a massive N$4.783 billion to education, more than N$1 billion higher than in 2007/08. Education is set to receive N$14 billion over the coming three years. Although significant increases in funds went to primary, secondary and higher education, it is the allocation to vocational training from N$75 million to N$134 million under Main Division 10 Vocational Education and Training that is possibly the most noteworthy, suggesting government is finally recognising the importance of practical skills. There is no sign yet that funding to the Polytechnic will start to match the resources devoted to the University of Namibia which receives N$260 million compared to the Polytechnic's N$107 million. A further point worth highlighting is the allocation to scholarships under Main Division 09 Planning Research and Development which rises from N$56 million to N$214 million.

Vote 12 Gender Equality and Child Welfare

Vote 12 receives a further substantial increase in funding from N$191 million to N$265 million. Most of this increase can be explained by a rise in the allocation to maintenance grants and foster parent allowances under Main Division 06 Social Allowances and Welfare Programmes from N$130 million to N$193 million. In ten years the amount budgeted for these grants has risen from little over N$3 million to N$193 million, demonstrating that Government is making a serious effort to respond to the crisis brought about by HIV/AIDS. The Minister now believes that total coverage of OVCs is possible by 2009/10, a more optimistic view than the target of 70 per cent still included in the MTEF document. The MTEF document states that 88,425 children are currently benefiting from the grant with another 28,000 to be added this coming financial year. While the increased coverage is to be welcomed, the value of the grant has not changed from N$100 per month since it was introduced.

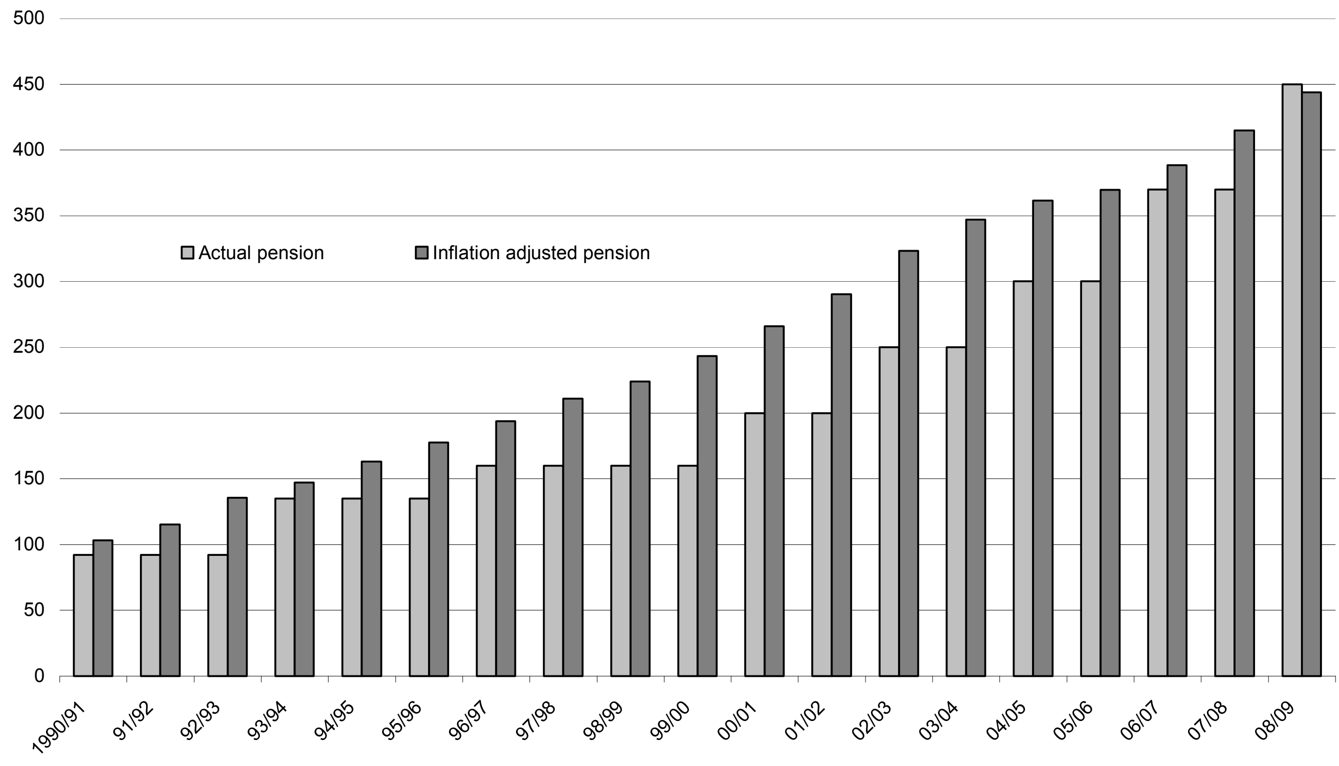
Vote 13 Health, Social Services and Rehabilitation

The Health Vote received a significant increase in funding from N$1.683 billion to N$2.131 billion with Main Division 03 Referral Hospital Services and Main Division 04 Regional Health and Social Welfare Services again receiving most of this increase in resources. The Minister says that 37,000 people are currently receiving ARV treatment from the State and this is above the target of 30,000 set for this year. The MTEF, however, insists that 47,770 people are living with HIV on ART. Despite the latest increase, however, this budget sees only 9.5 per cent of total spending allocated towards health, far below the 15 per cent recommended by the UN.

Vote 14 Labour and Social Welfare

The social pension was raised from N$370 to N$450 a month, as the total allocation to pensions is budgeted to reach N$851 million. On the face of it, this 21.6 per cent increase looks generous. However, all the latest increase really does is bring back the purchasing power of the social pension to where it was at Independence provided inflation this year comes in at or below 7 per cent as assumed by the Ministry. Pensioners have not enjoyed any real increase in living standards since 1990 and have had to endure long periods during which their pension had lost value in real terms. The Minister estimates that the pension reached “around 150,000” last year, a figure that seems high given that the 2001 Population and Housing Census put the over 60 population at 7 per cent of 1.8 million or 126,000. In total, transfers to pensioners, OVCs and war veterans come to almost 5.2 per cent of total spending this year, the highest proportion since Independence (social pensions 3.8 percent, OVC grants 0.9 percent, and war veterans 0.5 per cent).

Social pension and inflation



Vote 15 Mines and Energy

Vote 15 receives a significant allocation for rural electrification under Main Division 05 Energy which will total N$178 million over the MTEF.

Vote 16 Justice

The Justice Vote is one of only two votes that receive a lower allocation in 2008/09 compared to 2007/08. The Minister does not appear to have responded to the argument that the delays and inefficiencies in the court system are largely attributable to underfunding.

Vote 17 Regional and Local Government, Housing and Rural Development

The main highlight is the massive increase in subsidies to towns from N$21 million to N$184 million under Main Division 03 Regional Government, Local and Traditional Authority Coordination. However, subsidies to villages and regions fall equally dramatically.

Vote 18 Environment and Tourism

Vote 18 is only the second vote to receive less than in 2007/08 largely because of last year's one-off payments including N$50 million to Namibia Wildlife Resorts (NWR). This year's MTEF document reiterates NWR's aim of breaking even by 2008/09 and making a profit by 2009/10. The allocation to the Namibia Tourism Board (NTB) remains unchanged at N$25 million (in addition to the N$12 million or so it is expected to generate from the Tourism Levy), still far short of what many believe to be necessary to effectively market Namibia abroad.

Vote 19 Trade and Industry

Main Division 04 Industrial Development receives N$11 million to revitalise the Small Business Credit Guarantee Trust as a new microfinance bank. The northern tannery receives N$700,000 while SME support receives N$5 million.

Vote 20 Agriculture, Water and Forestry

Vote 20 receives 45 per cent more than in 2007/08. N$50 million goes towards the National Agricultural Credit Programme, the Affirmative Action Loans Scheme, and Labourers' Housing while Main Division 11 Rural Water Supply sees its allocation increase from N$162 million to N$221 million.

Vote 22 Fisheries and Marine Resources

Main Division 05 Aquaculture receives another N$34 million confirming that government clearly believes this activity has considerable potential to stimulate the rural economy.

Vote 24 Transport

Following the increase in last year's budget, the transport vote sees its budget raised yet again from N$713 million to N$1,027 million. N$70 million goes towards funding the ailing Roads Contractor Company's turnaround strategy under Main Division 02 Transport Infrastructure which also sees significant amounts go towards roads. N$28 million goes to the Namibia Airports Company under Main Division 05 Aviation 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, expenditure from the Land Acquisition and

Development Fund (LADF) reached a record N$76 million in 2006/07 and is forecast to reach N$80 million in 2007/08. The Land Tax yielded N$24 million in 2006/07 and the balance on the LADF stood at N$112 million on 31 March 2007.

Vote 26 National Planning Commission

Main Division 04 Central Bureau of Statistics receives N$43 million compared to last year's N$18 million.

Vote 27 Youth, National Service, Sport and Culture

The National Youth Service receives an unprecedented N$112 million in 2008/09.

Vote 28 Electoral Commission

The Electoral Commission sees its budget more than triple to N$78 million, N$40 million of which is for construction of a new Elections House.

Vote 29 Information and Broadcasting

Subsidies to the loss-making state-owned media NBC, Nampa, New Era and NAMZIM are budgeted at N$116 million, N$11.5 million, N$4.5 million and N$2 million respectively. The NBC's subsidy almost doubles. The Film and Video Development Fund receives a paltry N$1.2 million.

Vote 30 Anti-Corruption Commission

The Anti-Corruption Commission sees its allocation rise to over N$14 million compared to over N$11 million in 2007/08. According to the budget document, 24 posts have now been filled out of a total of 32 funded posts on the establishment.

Vote 31 War Veteran Affairs

Vote 31 War Veteran Affairs receives a total of N$167 million for 2008/09, some N$120 million of which will be distributed in grants to veterans worth N$2,000 a month, implying there are 5,000 recipients.

Done and dusted?

In contrast to so many of her Cabinet colleagues, the Minister can now point to an impressive track record of concrete achievements during her time in office. Despite the fact that they took place in a more benign economic environment than her predecessors', she should be congratulated.

Table 3: Saara Kuugongelwa-Amadhila's achievements in office

Achievement	*Comment*
Turned significant budget deficits into surpluses	These are the first budget surpluses since 1990
Dramatically improved revenue collection	Partly thanks to SACU windfalls and favourable external environment
Dispelled any sense of budgetary crisis	She has delivered on what she promised, a reduction in public debt
Consistently met government's deficit target	She has not strayed outside the 3 per cent deficit target
Reduced public debt stock to target level	Public debt is below 25 per cent of GDP
Reduced underspending on the development budget	Her claim of a 97 per cent execution rate has yet to be confirmed by Auditor General's reports
Eliminated the once traditional additional budget	She has allowed only relatively minor

	adjustments half way through the fiscal year
Achieved investment grade sovereign credit rating	Fitch has reaffirmed Namibia's investment grade sovereign credit rating every year since 2005
Published government's first Accountability Report	Government auditing its own performance has little credibility

This does not mean, however, that there is nothing left to do on the bigger budget picture. Namibia is still worryingly dependent on revenues from the Southern African Customs Union (SACU) despite all the talk of enhancing other revenues and broadening the tax base. This year will see SACU revenues account for a staggering 41 per cent of total revenues, the highest since Independence if adjustments are excluded. The Minister must not allow the country to become accustomed to such revenues if they are not to be sustained.

Then there is the age-old question of support to State-Owned Enterprises (SOEs). While on the one hand the Minister insists that "state-owned entities are encouraged to raise funds from the domestic capital market", she continues to lavish hundreds of millions on SOEs that are supposed to be commercially driven. In this budget NamPower, the Road Fund Administration, Namwater, the Roads Contractor Company, Agribank, the Development Bank and the Namibia Airports Company all received generous handouts. If their investments are so good, surely they should be able to attract funds from commercial sources of finance. Ironically, at the same time the Minister regularly chides the private sector for not finding and exploiting local investment opportunities. Private finance will never be able to play the role it should be playing as long as SOEs know the fiscus is such an easy touch. Namibian SOEs require billions to pay for critical new investment and this could and should come from private sources rather than the taxpayer. In South Africa, assistance to Eskom takes the form of long-term loans rather than handouts. The situation is hardly helped by the fact that so much cheap money is available from non-commercial sources abroad. It will take a brave and far-sighted Minister of Finance to change the deeply ingrained view that Namibia's cosseted and sleepy SOEs are somehow better for the economy than companies driven by real commercial pressures.

Now that the sense of impending fiscal crisis has been firmly eliminated, perhaps the most important thing the Ministry of Finance can turn its attention to is improving the effectiveness of government's vast expenditure programme. The IPPR has long criticised government's PEMP as inappropriate, unworkable and lacking credibility. The Accountability Report should be welcomed as a step in the right direction, but how credible can any process be when an institution monitors its own performance?

Finally, there is the question of whether this year's budget can be viewed as a deliberate fiscal stimulus designed to ward off recession or as primarily serving political imperatives. The Minister certainly did not seek to justify her expansionary stance in these terms in her budget speech. Traditionally, it has been hard for Namibia to use such fiscal tools, since boosting demand is likely to lead to little more than greater short-term demand for imports, given the limited multiplier effect of spending. Boosting spending by 3 or 4 per cent of GDP is more than George W. Bush's recent fiscal stimulus package of 1 per cent of GDP in the US. Yet in that case the fiscal stimulus was used in conjunction with monetary stimulus and lower interest rates in a situation where the economy looked certain to be heading towards recession. In Namibia's case inflation and interest rates have been going up while growth this year is forecast by the Minister herself at a robust 4.7 per cent (compared to last year's 4 per cent) and is expected to average 5.2 per cent over the MTEF period.

While the Minister's economic skills are apparent, her political ambitions have never been entirely clear. Is she more of a technocrat, patriotically helping government fill a position few others in Cabinet would be able to handle, or is she a real politician looking to climb the greasy pole of power to the top? Without denying the good fortune of having been appointed Minister of Finance during a period of strong world economic growth, she has demonstrated she can ably handle the nation's finances. Whether that kind of achievement plays any role in helping ambitious politicians in Namibia is open to question. But dishing out great dollops of jam can hardly do her damage.