



Institute for Public  
Policy Research

# The Namibian Budget

Presented by Klaus Schade  
At the NANGOF – IPPR  
Pre-budget hearing

2 March 2010

# The bigger picture

- Vision 2030 – A prosperous and industrialised Namibia, developed by her human resources, enjoying peace, harmony and political stability
- NDPs – Medium Term Plans implementing VISION 2030
- MTEF – Three-year rolling budget financing NDPs

# Budget documents

- Budget Statement – Speech delivered by the Finance Minister when tabling the budget (contains main fiscal highlights and policy announcements)
  - Estimates of Revenue and Expenditure – responsible MoF: lists all expenditure by vote and main division
  - Medium-Term Expenditure Framework – three-year rolling budget containing the Medium Term Plan of each Vote:
    - Objectives, NDP target, ministerial targets
    - Result of programme budgeting (since 2005)
  - Macroeconomic Framework – prepared by MoF and NPCS outlining the underlying economic conditions of the budget
  - Fiscal Policy Framework – prepared by MoF: Overlapping with macro-economic framework, but focus on fiscal policy stance, fiscal risks etc.
  - Accountability Reports – prepared by ministries: compares targets to actual output
  - Budget at a glance – two-page summary
  - Development Budget – responsible NPCS: describes development projects and fund allocation
- ▶ Documents available on-line – [www.mof.gov.na](http://www.mof.gov.na)

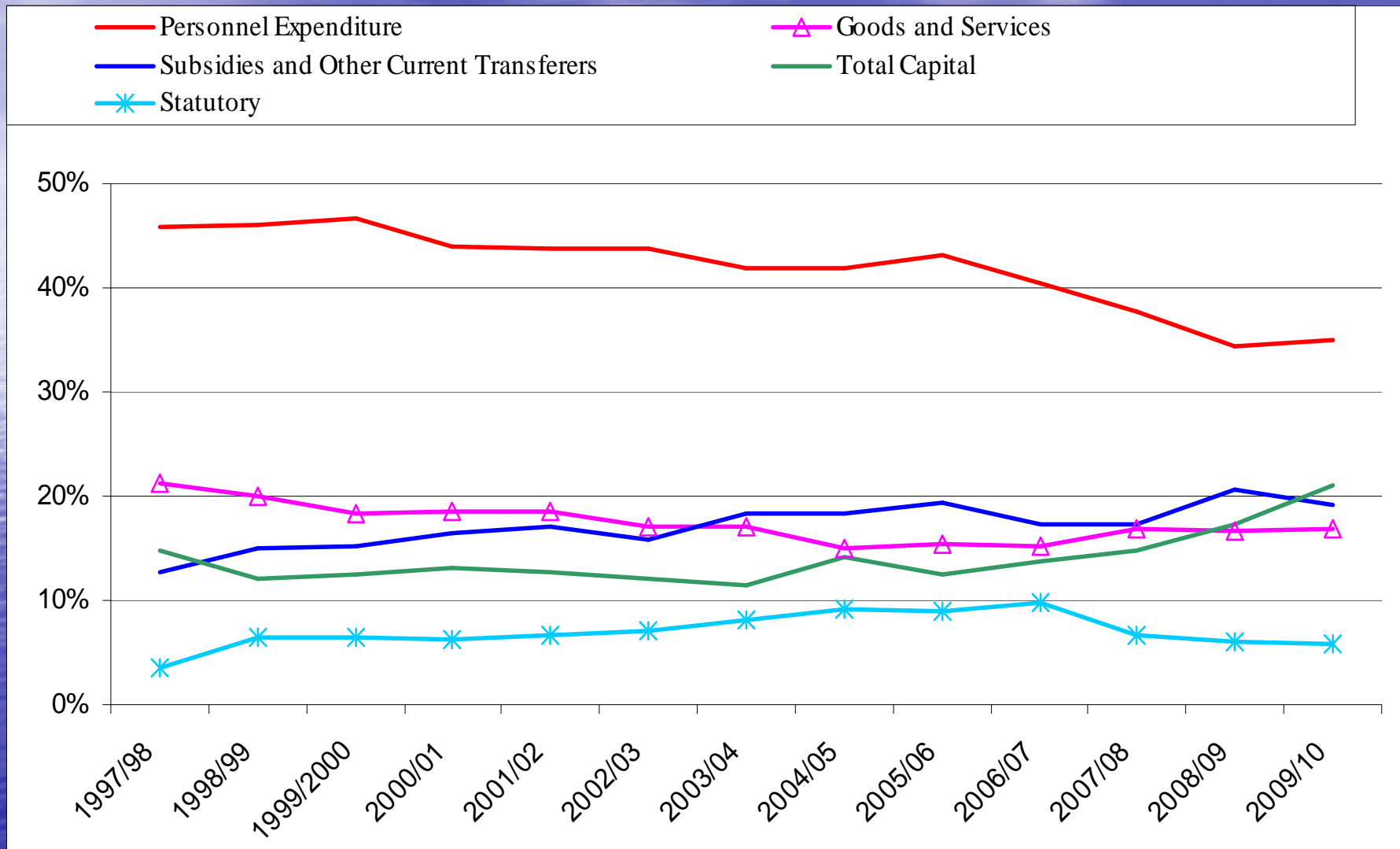
# Budget cycle

- Budget preparations start in June / July with preparation of the Macroeconomic Framework
- up to Dec. / Jan. budget hearings – expenditure proposals (based on MoF ceilings) of O/M/A discussed in detail with MoF; completion of macro-economic framework
- Jan. / Feb. submission of draft budget to Cabinet Treasury Committee and afterwards to Cabinet
- Feb. / Mar. – Budget presentation to Parliament (Budget Speech)
- March to May – Budget debate in Parliament
- May – Signing of Appropriation Act by President
- Since April – Budget implementation
- August following year – submission of accounts to OAG
- Presentation of Auditor General's report to Parliament at the end of the following Financial Year

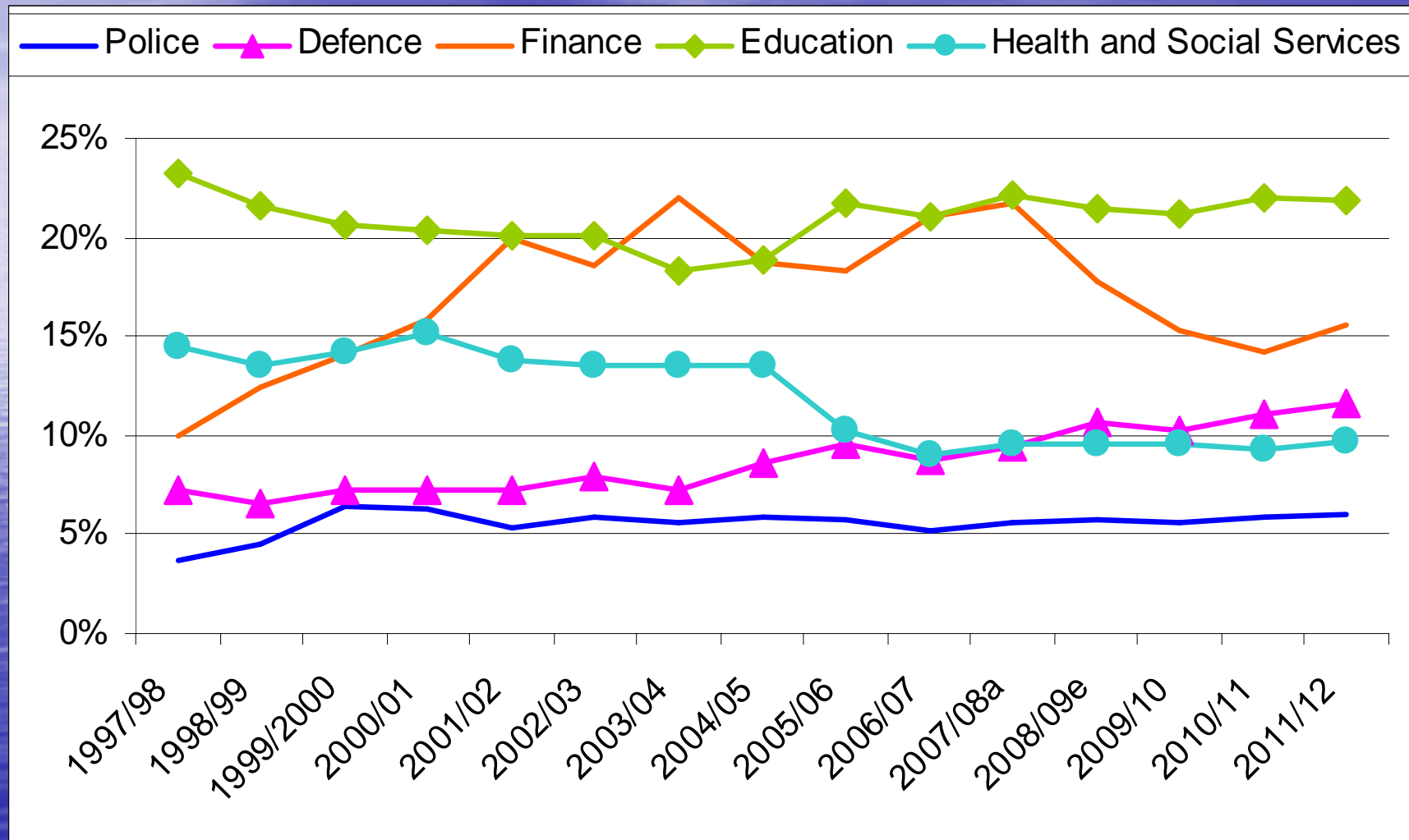
# Main expenditure items

- Personnel
- Goods and other services
- Subsidies and other current transfers
- Capital expenditure
- Statutory expenditure

# Main expenditure items



# Budget allocation to selected votes



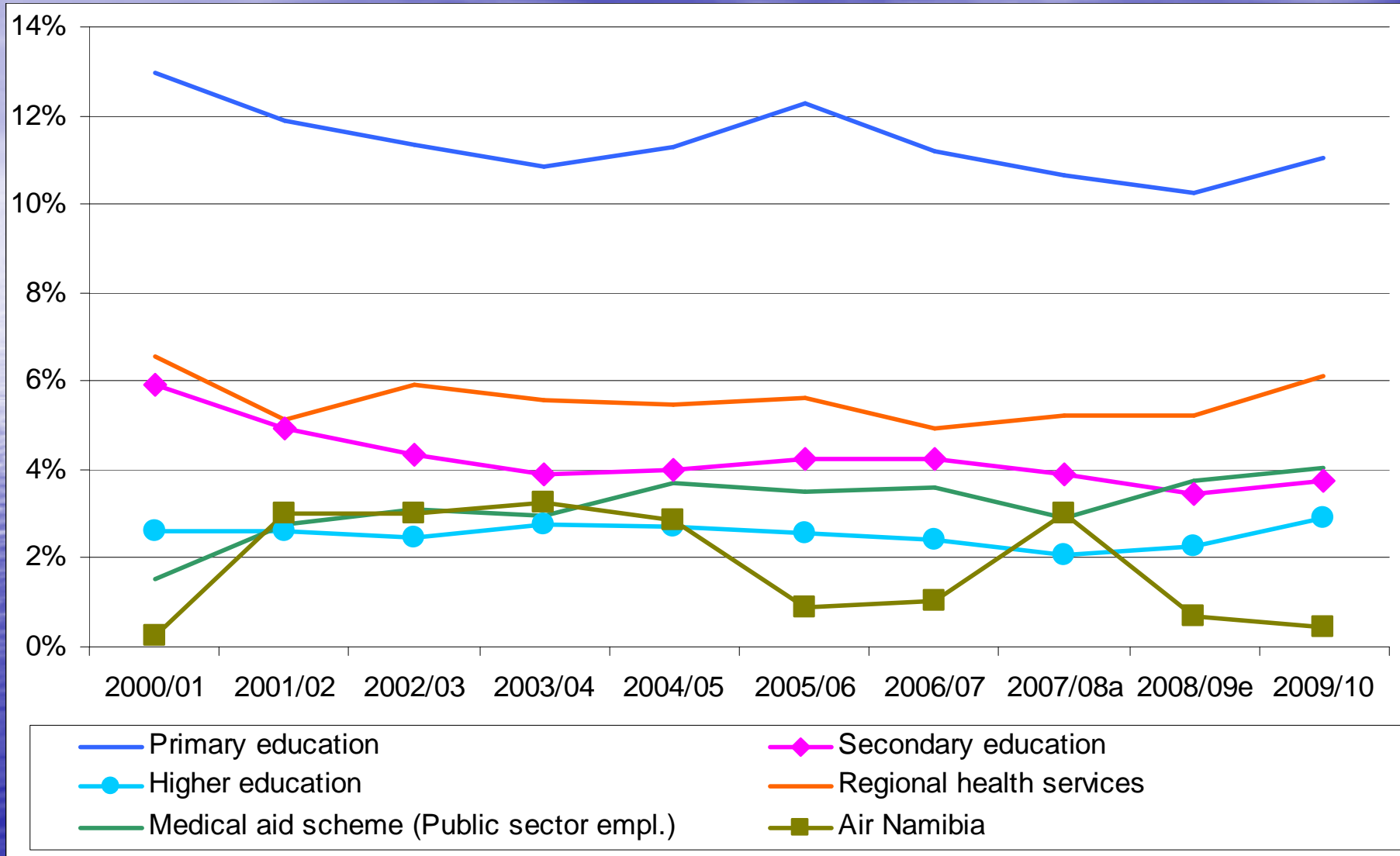
# Budget allocation to selected votes

Budget allocation to votes depend on vote's responsibilities:

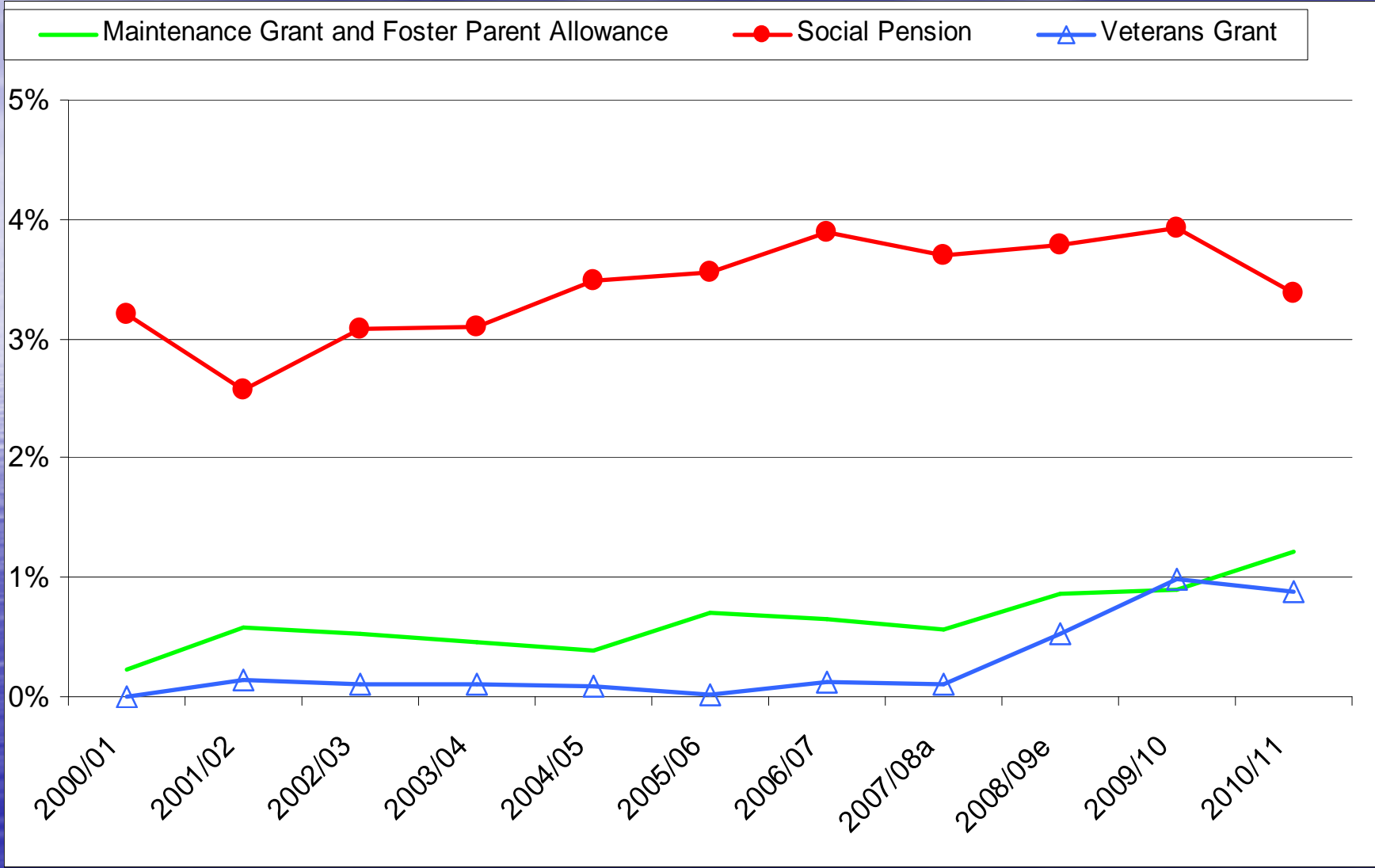
- Basic and Higher Education merged, while Sport and Culture moved to 'Youth, National Service, Sport and Culture'
- Responsibility for social grants moved from Health to Labour
- Allocation to Finance strongly influenced by Statutory Expenditure



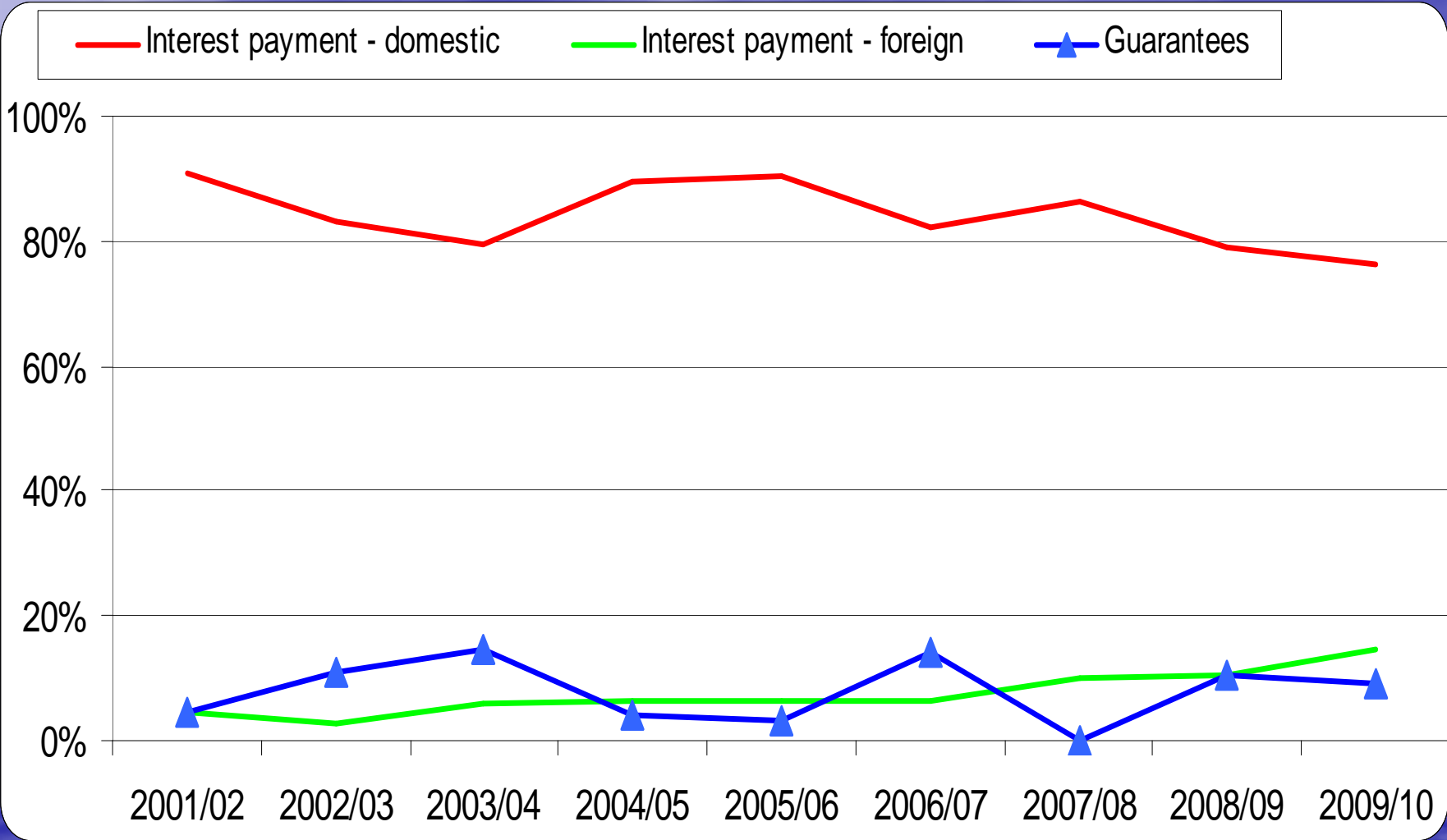
# Major divisions



# Social grants



# Disaggregation of statutory expenditure



# Expenditure

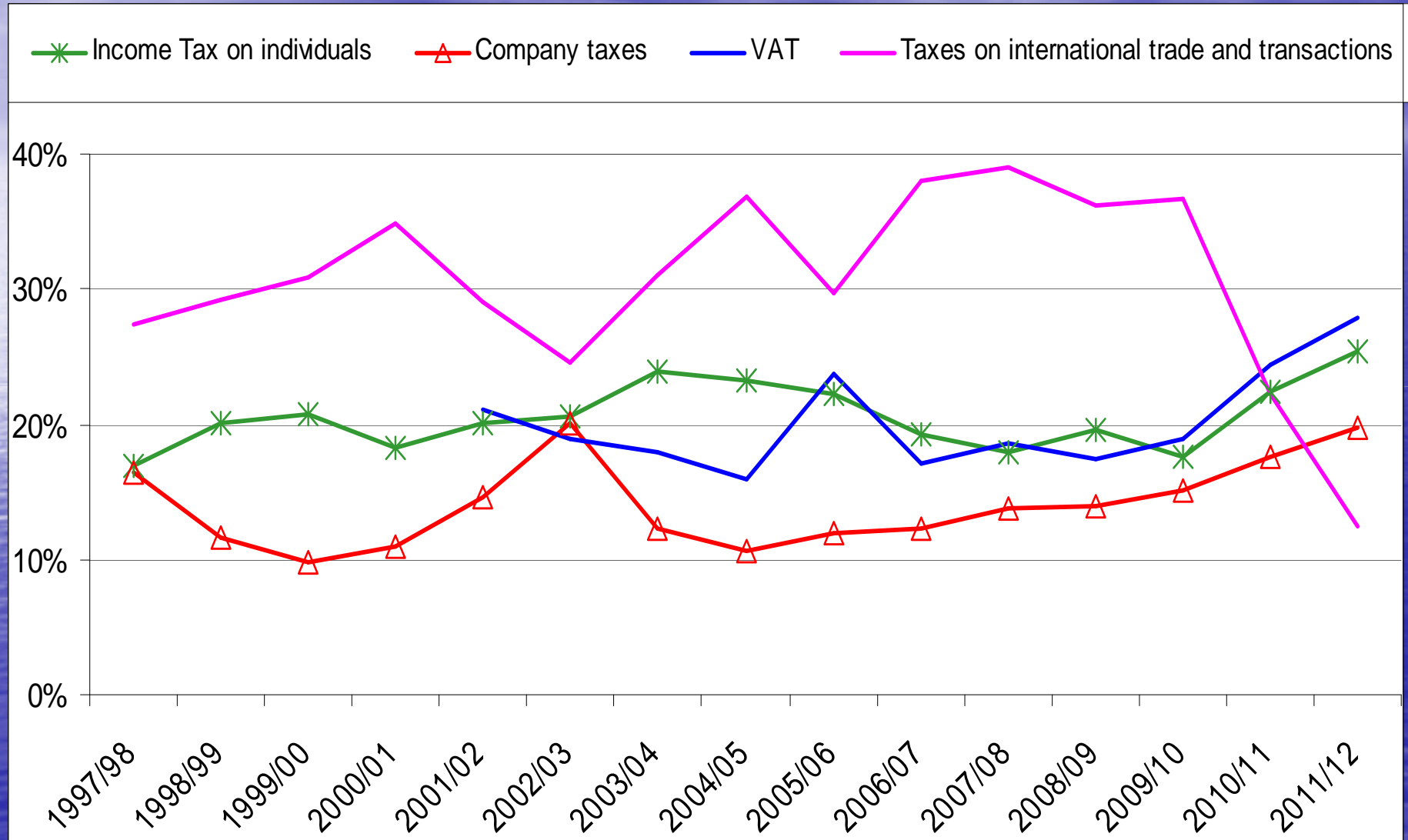
Shift from focus on inputs to outputs /  
outcomes

- Introduction of Performance and Effectiveness Programme (PEMP)
- Medium-Term Plans
  - ▶ Identification and monitoring of output indicators (often too many indicators)

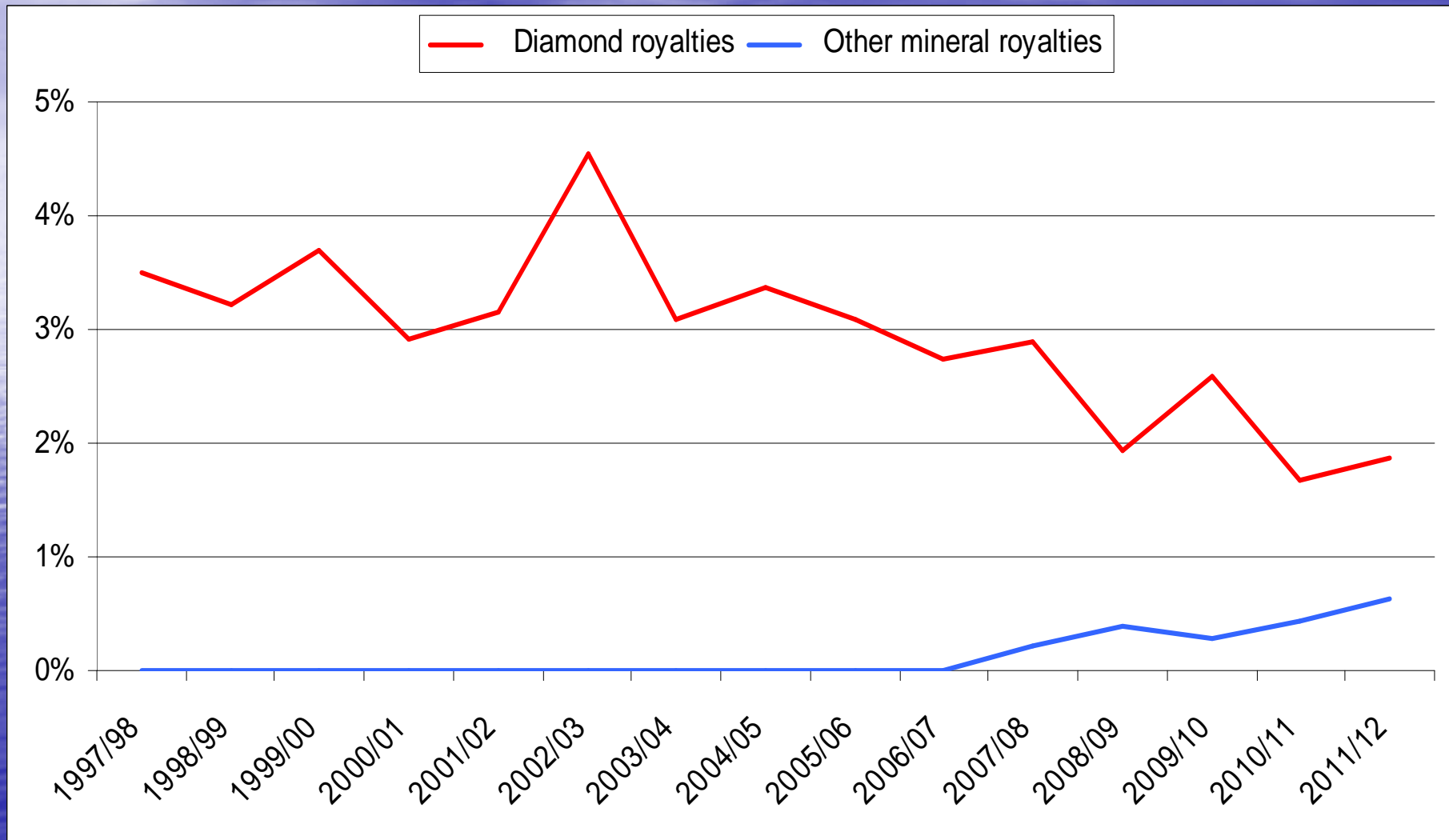
# Main revenue categories

- Income tax on individuals
- Company tax
- Value-Added Tax (VAT)
- SACU transfers (tax on international trade)
- Non-tax revenue
  - Mineral royalties
  - Dividends
- External Grants (< 1% of total revenue)

# Main tax categories



# Mineral royalties



# Budget surplus / deficit

- Budget surpluses in 2006/07 and 2007/08 due to:
  - Improved revenue collection
  - Increased transfers from SACU CRP
- Increased deficit since then due to economic crisis, financed through
  - Domestic borrowing (Treasury-Bills, Bonds)
  - Foreign borrowing (lower interest rates but exchange rate risk)



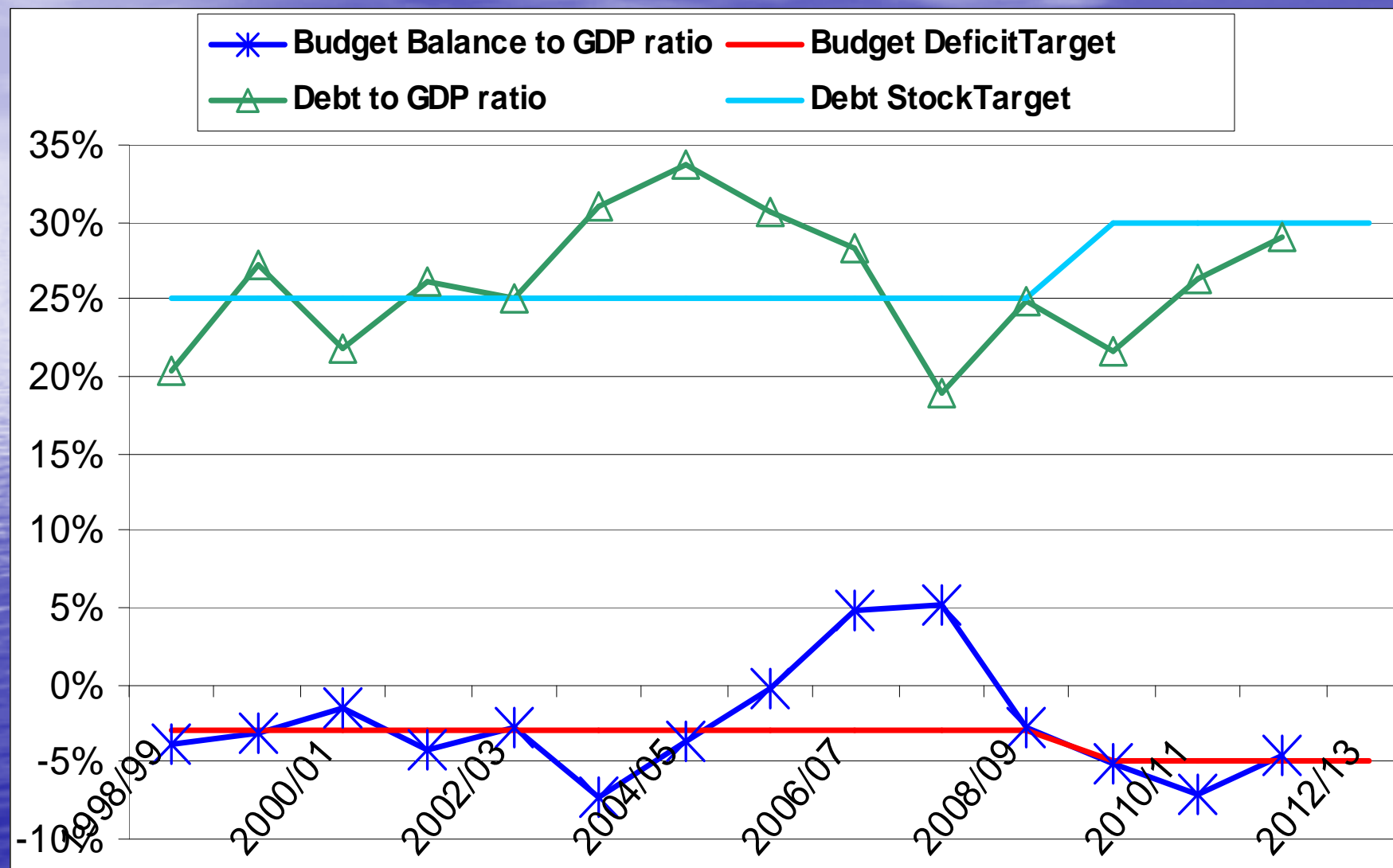
# Debt stock

Total amount of government debt dropped:

- as a ratio over GDP since 2004/05 (economy grew faster than debts)
- in absolute terms in 2007/08 (from 13.6 bn to 11.9 bn), but foreign debts constantly rising

Increase in absolute terms as well as a ratio over GDP since then

# Budget deficit and debts - trends



# Pros and cons of budget deficits

## Pro:

- Stimulate economy in times of depressed private demand
- Address country's development needs such as infrastructure, schools, clinics
- Address social issues such as unemployment, poverty and income inequality

## Contra:

- Reduces fiscal space in following years since statutory expenditure have to be honoured first
- Increases burden on future generation (repayment of debts including interests)
- Can create macro-economic instability (inflation, currency depreciation)
- Can result in lack of fiscal discipline
- Crowd out private investment

# Expectations - 2010/11 budget

- Corporate taxes from diamond mining companies drop to zero, but royalties recover
- Increased revenue (tax and royalties) from other mining companies (uranium)
- Decline of SACU transfers by some NAD3.1 billion
- Excise duty increase in line with RSA / SACU
- Introduction of Environmental Tax (as announced in last year's speech, but revenue impact unknown)
- Implementation of lower company taxes
- Expenditure increase most likely lower than economic situation would require
- No increase in social grants
- Deficit widening but within manageable ranges

# Policy challenge

How to balance fiscal prudence with stimulating economic growth and addressing social challenges

- Achieve fiscal targets (budget deficit, debt to GDP ratio, expenditure to GDP ratio)
- Achieve higher economic growth (result in increased tax revenue and perhaps job creation)
- Address unemployment (>52%), poverty and income inequality
  - ▶ Set clear policy priorities
  - ▶ Identify programmes / projects with high economic returns (crowd in / attract private investment, improve competitiveness and business climate)
  - ▶ Assess programmes' impact on job creation and poverty (beneficiaries)

Thank you for your attention

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