



# ***THE NAMIBIAN BUDGET***

***2015/16 – 2017/18***

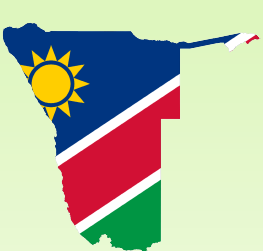
**WEDNESDAY, APRIL 22, 15**



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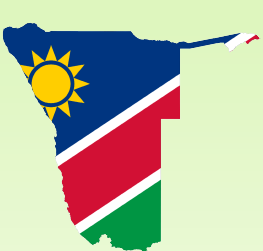
# Outline

- Macro Backdrop
- Revenue
- Expenditure
- Budget balance
- Shortcomings
- Suggestions



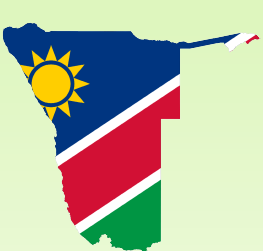
# Macroeconomic Backdrop

- Namibian economy growing at above trend rates
  - Spurred by unprecedented fiscal and monetary policy, as well as FDI (particularly mining sector)
- Rapidly decoupling from languishing SA economy
  - Single currency concerns
- Growing macroeconomic imbalances starting to appear
  - Demand side inflation (particularly services)
    - Education, utilities, transport, housing etc.
    - Hidden by falling cost-side inflation
  - High PSCE growth
    - Increasing household debt
  - Major BOP imbalance
    - Declining reserves
- Some changes structural, but others very cyclical

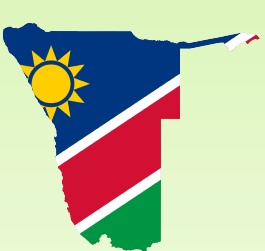
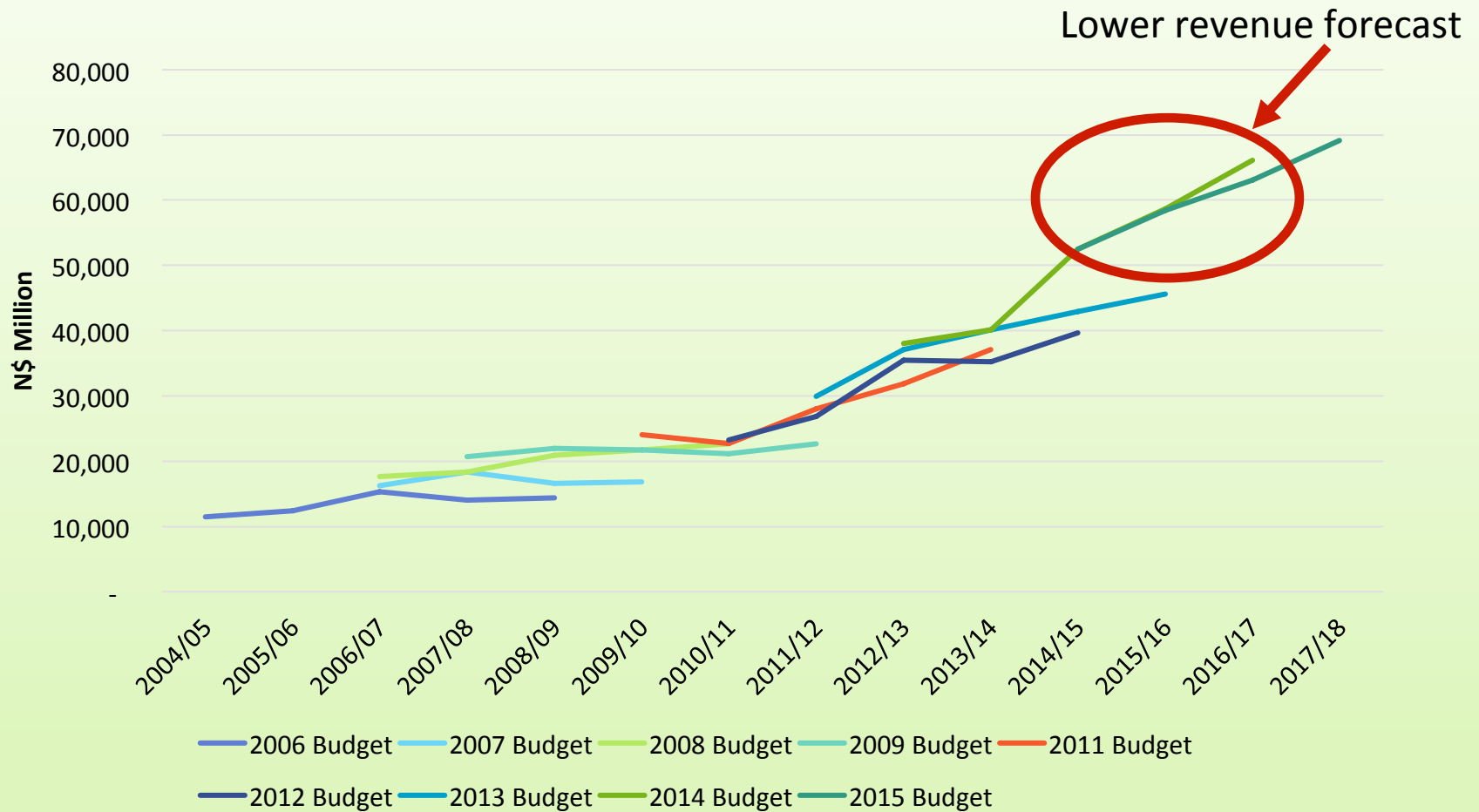


# Revenue

- Forecasts of revenue collection growth for FY15/16 of 11.4%.
- Forecast revised down by 0.4% when compared to previous forecast for current year.
- Total revenue expected at N\$58.4bn in 2015/16
- Revenue forecast to grow by 7.9% in FY16/17 and 9.7% in FY17/18.
- More realistic forecasts than those of 2014/15 (20+% growth).
- Recognition of possible decline in SACU receipts – weak SA + global situation.
- Main revenue source still taxes, particularly tax on income and profit.

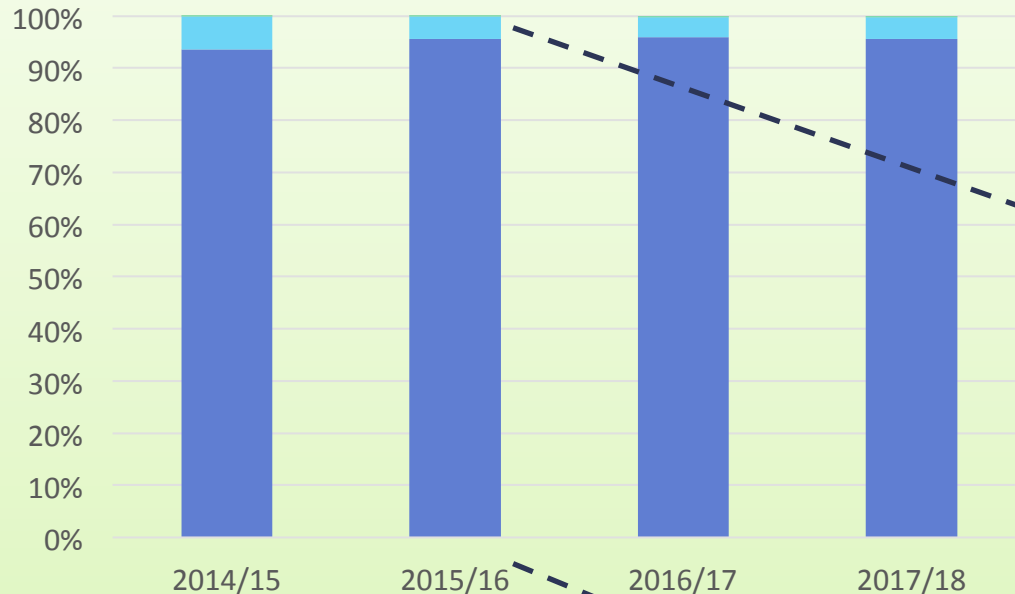


# Revenue



# Revenue Breakdown

Sources of Revenue



Grants

Return On Capital From Lending And Equity Participation

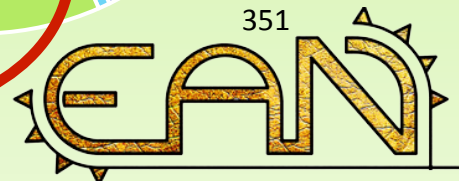
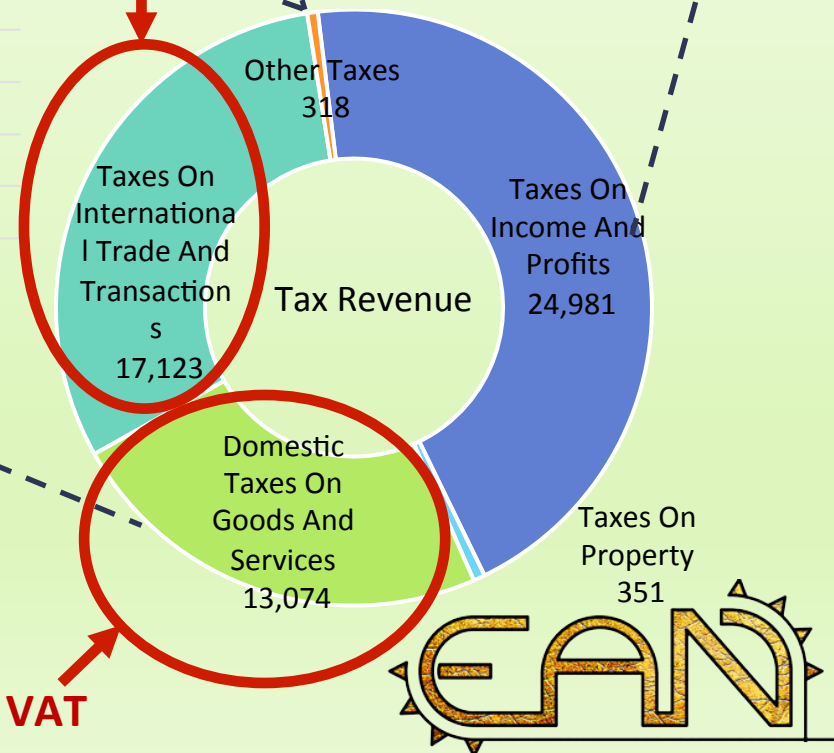
Non - Tax Revenue

Tax Revenue



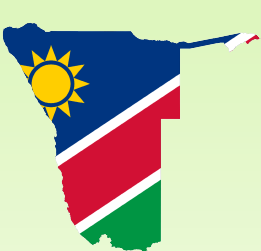
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SACU



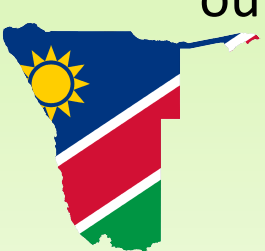
# Expenditure

- Expenditure is to increase to 67.08 billion in FY15/16
- An increase of 11.6% from 2014/15.
- Also up 4.7% when compared to the previous estimates for 2015/16.
- Of this, N\$63.2 billion is non-interest expenditure.
- The remainder (just under N\$4bn) being the interest costs of Government's debt.
- The global increase is much more moderate than the 26.3% increase of 2014/15.
- This expansion can be (partially) justified by the rapid pace of growth in the local economy.
- Revenue forecast to grow 6.2 and 1.2% in FY16 and FY17, respectively.



# Expenditure

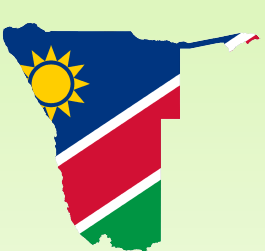
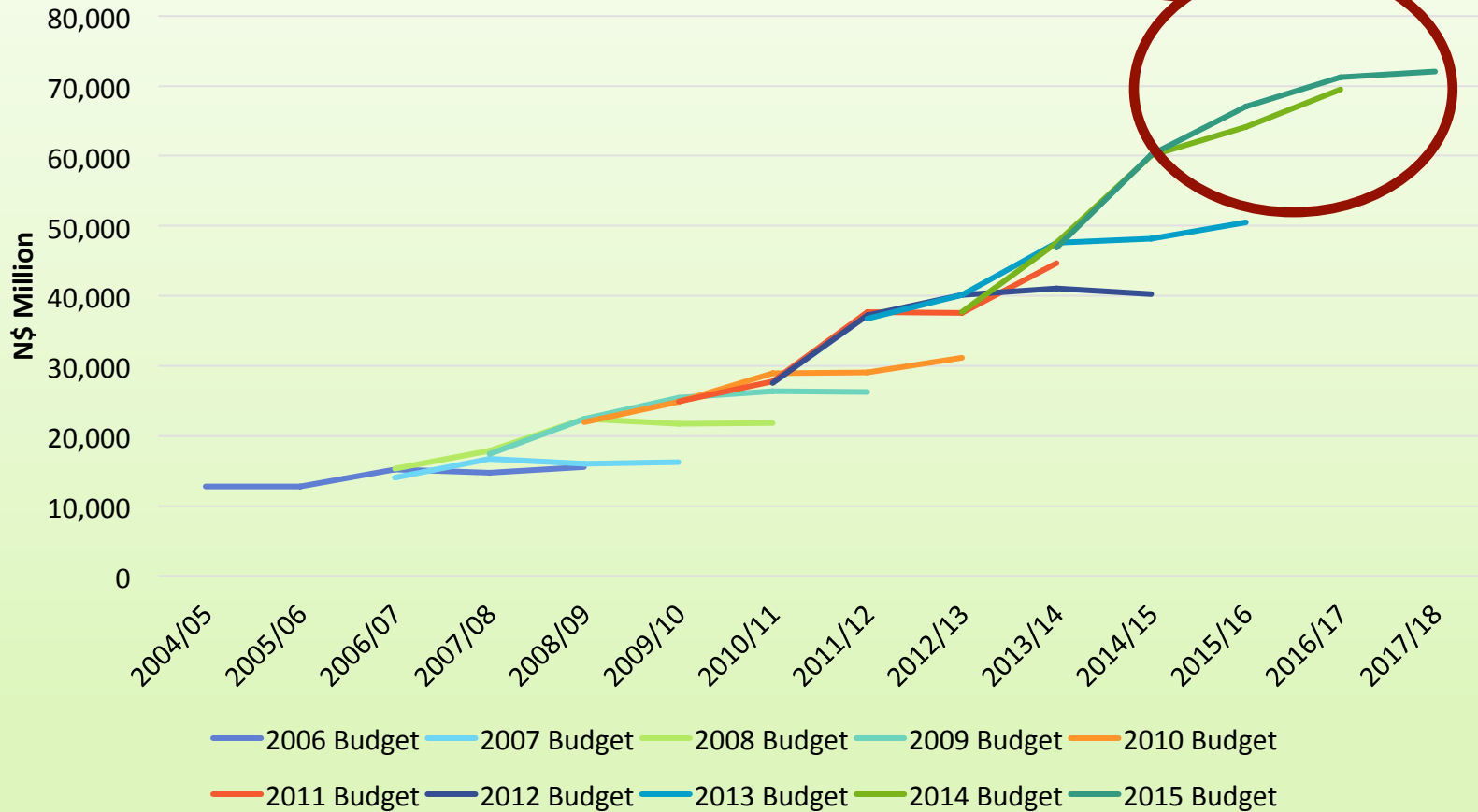
- Expenditure remains heavily slanted towards wages and salaries
- N\$4.93 billion over the MTEF to support the Kudu Gas-to-Power Project
- N\$3.27 billion allocated to road construction
- N\$1.25 billion was allocated over the MTEF for the Mass Housing Project,
- N\$7.75 billion was allocated to agriculture, including the green scheme.
- Huge allocation to Defence, making it second only to Education in receipt of funds
- A number of social spending initiatives launched or extended, most notably the increase in pensions from N\$600 per month to N\$1000 per month.
- In addition, provision of free secondary education is to be rolled out during the MTEF



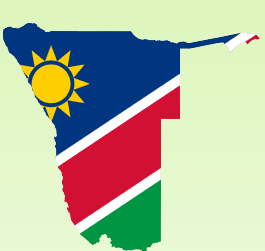
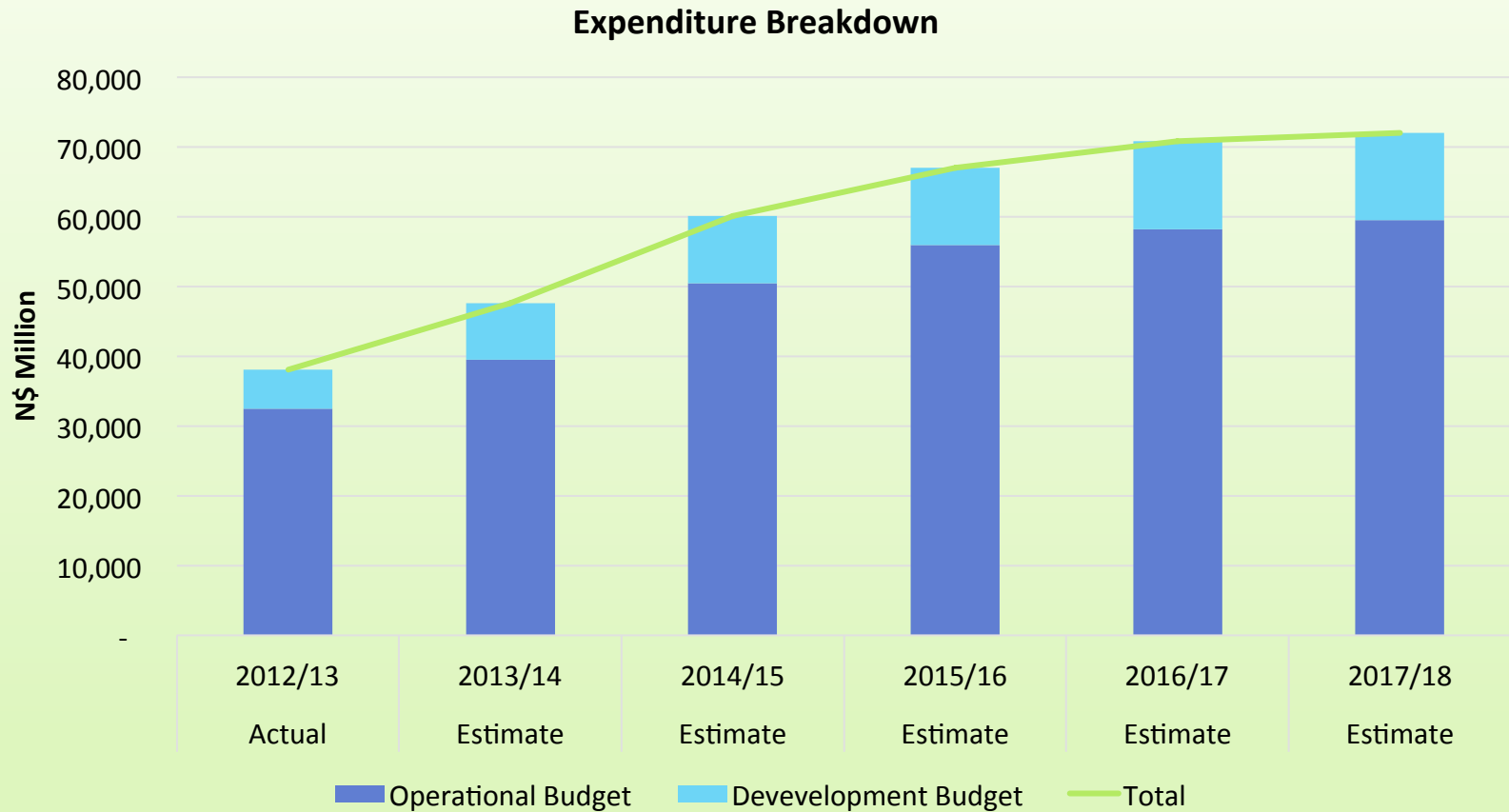


# Expenditure

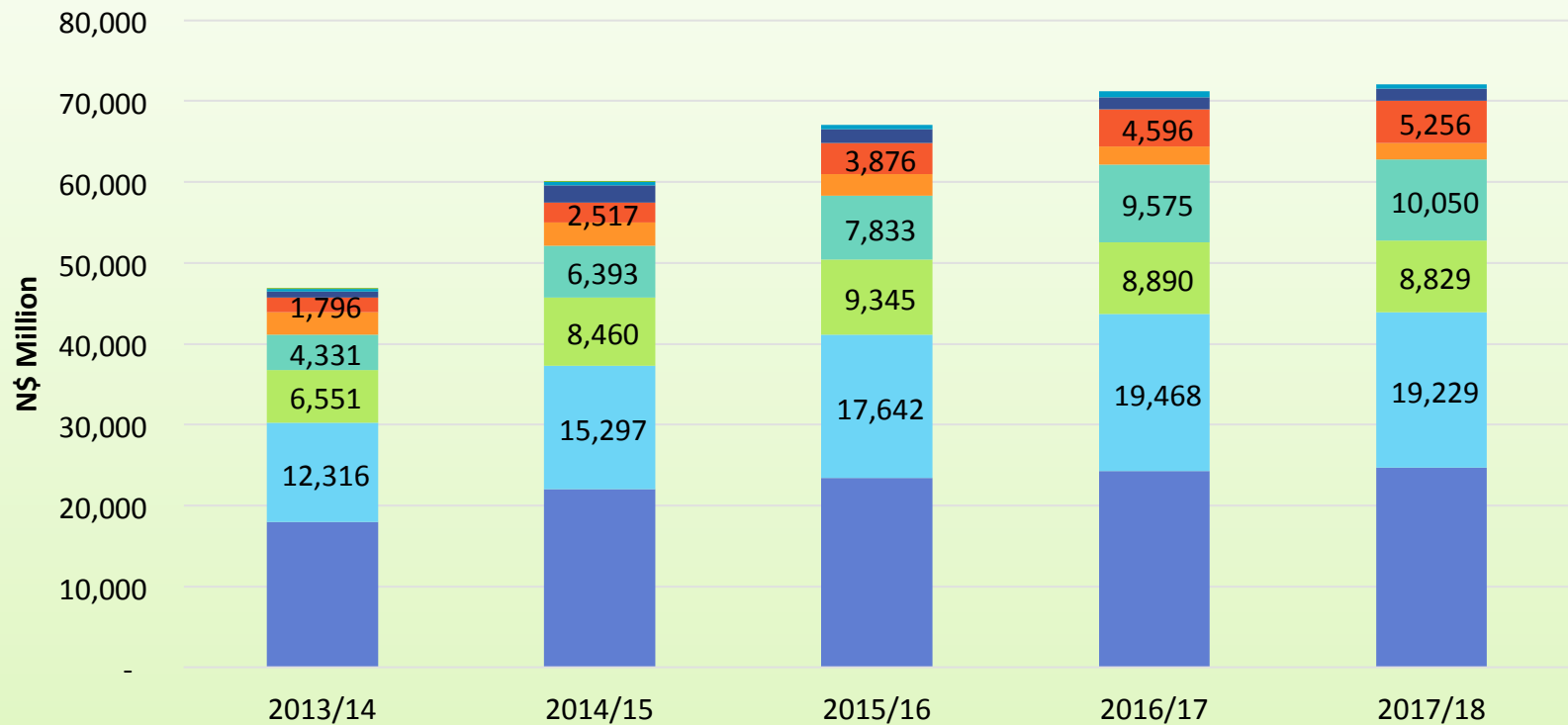
Expenditure to flatten off? See history



# Expenditure



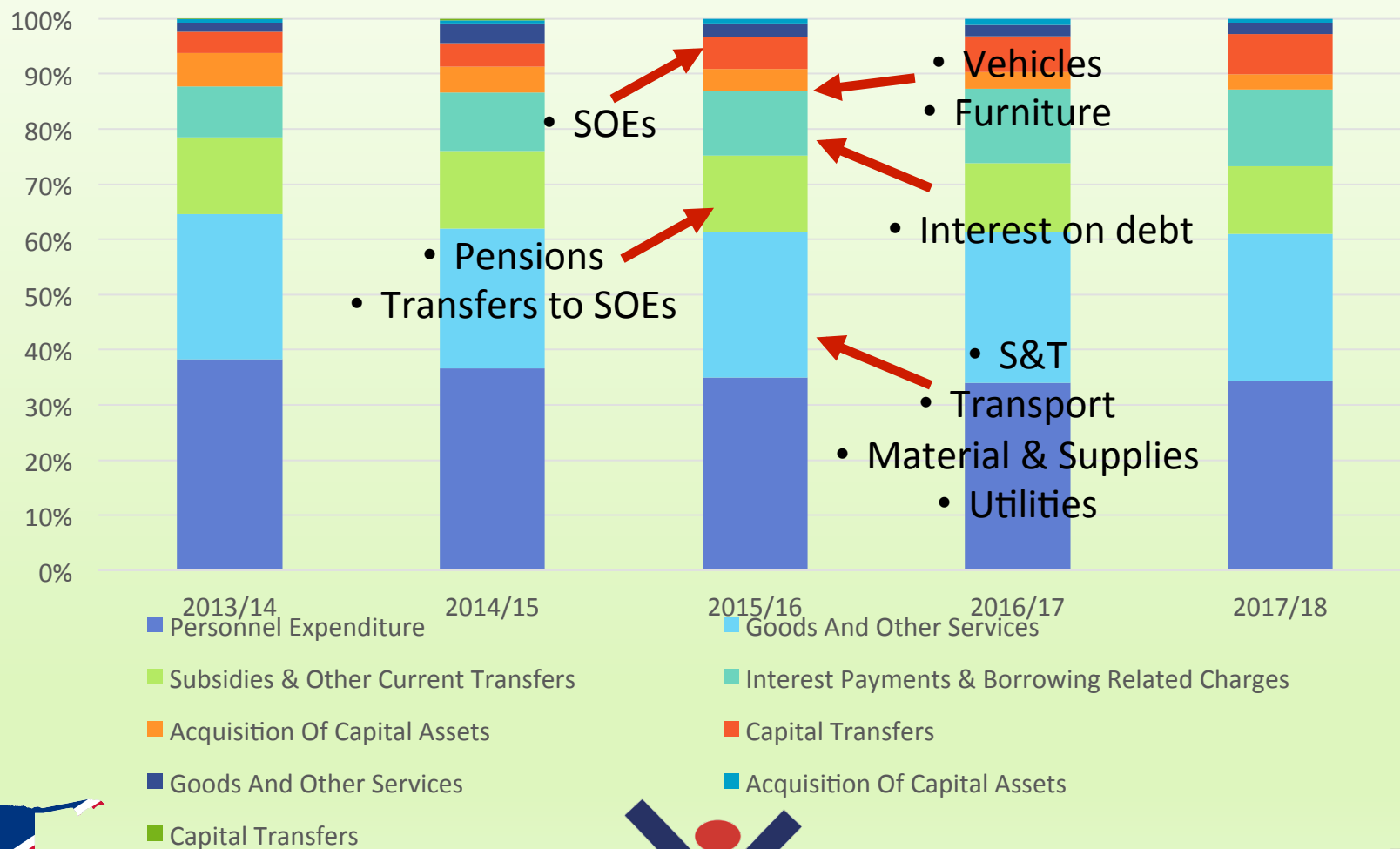
# Expenditure



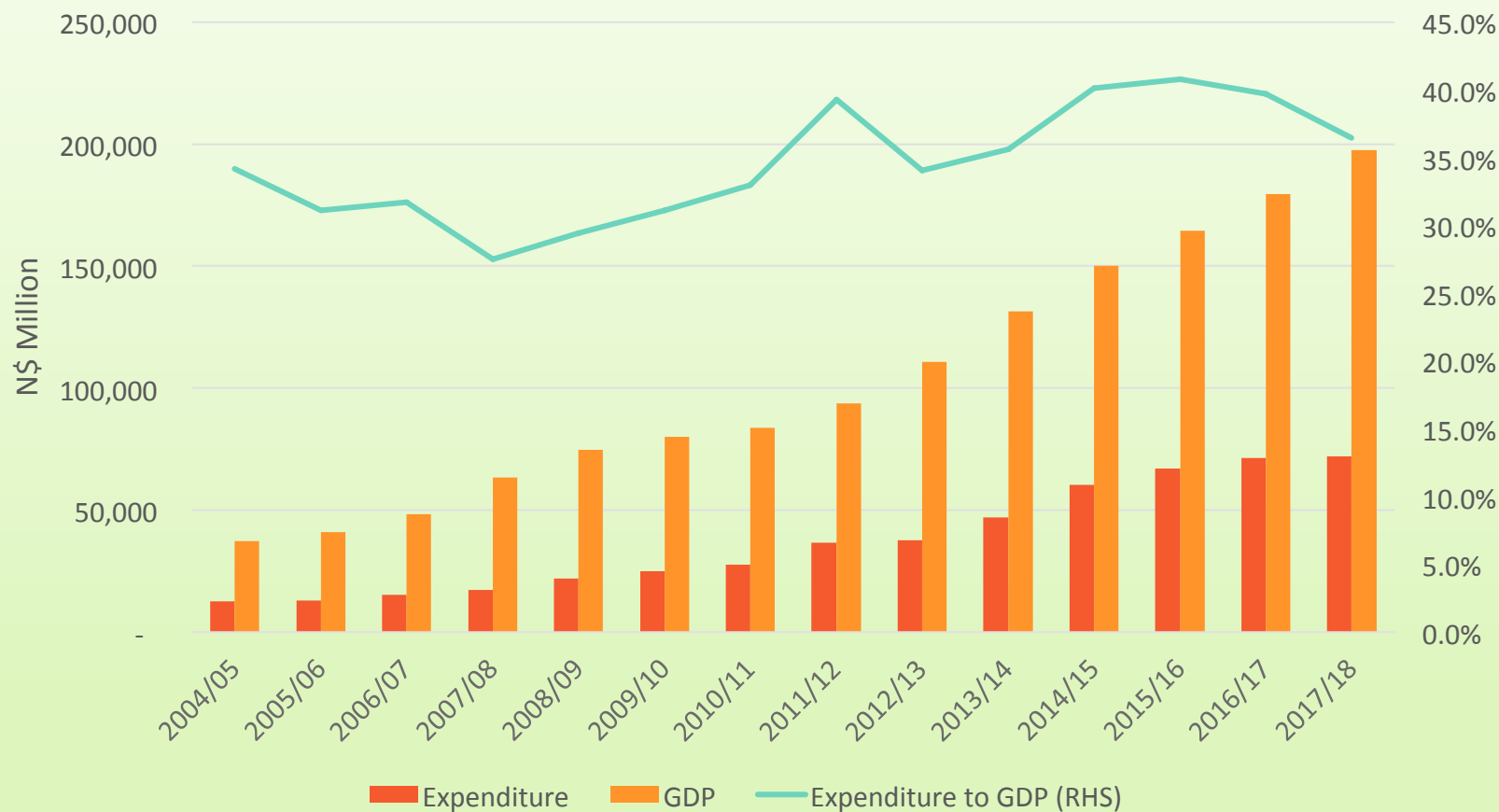
- Personnel Expenditure
- Goods And Other Services
- Subsidies & Other Current Transfers
- Interest Payments & Borrowing Related Charges
- Acquisition Of Capital Assets
- Capital Transfers
- Goods And Other Services
- Capital Transfers
- Acquisition Of Capital Assets



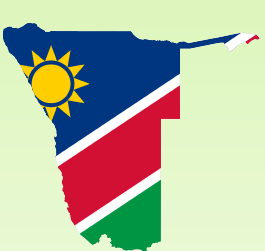
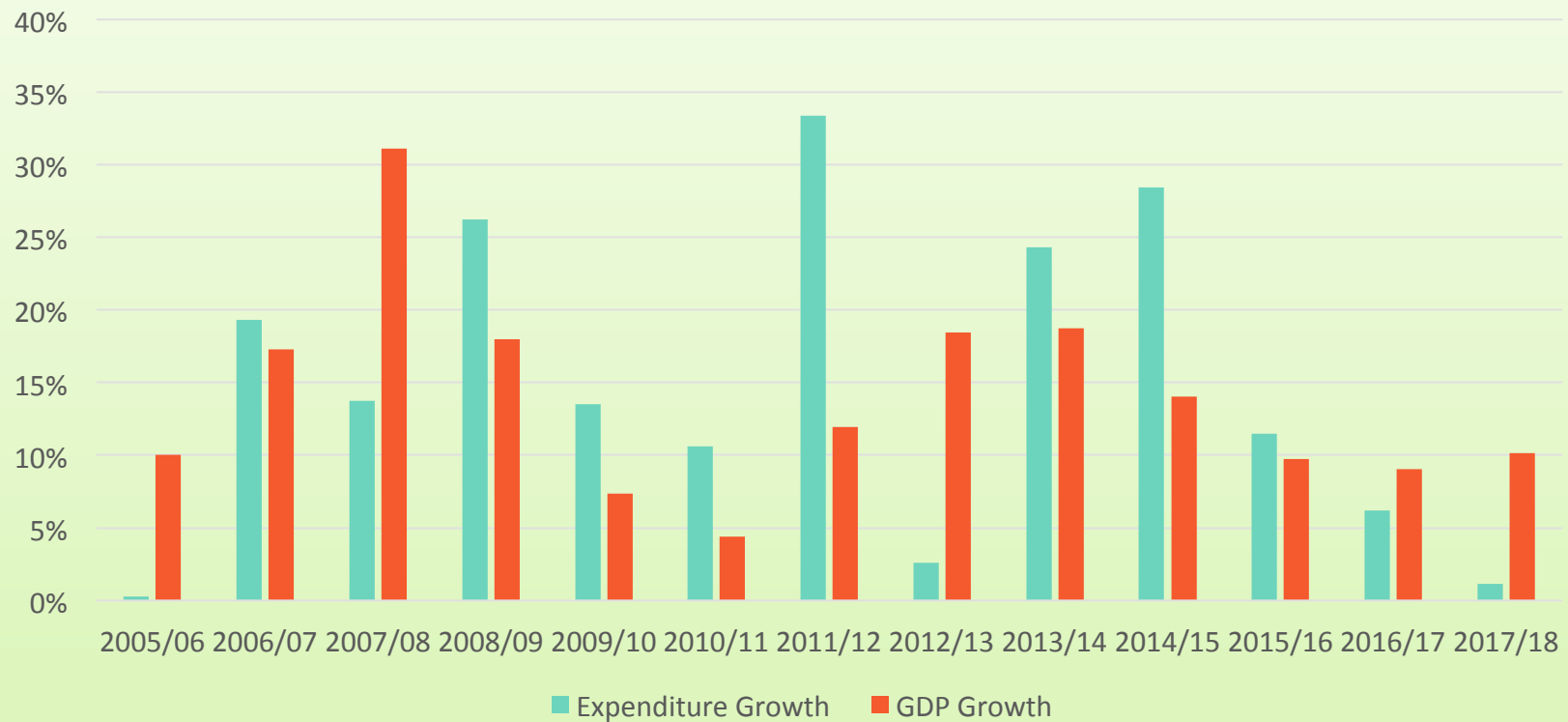
# Expenditure Breakdown



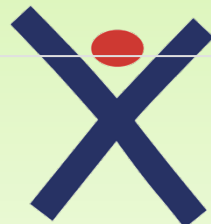
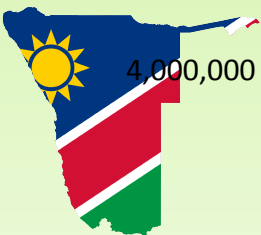
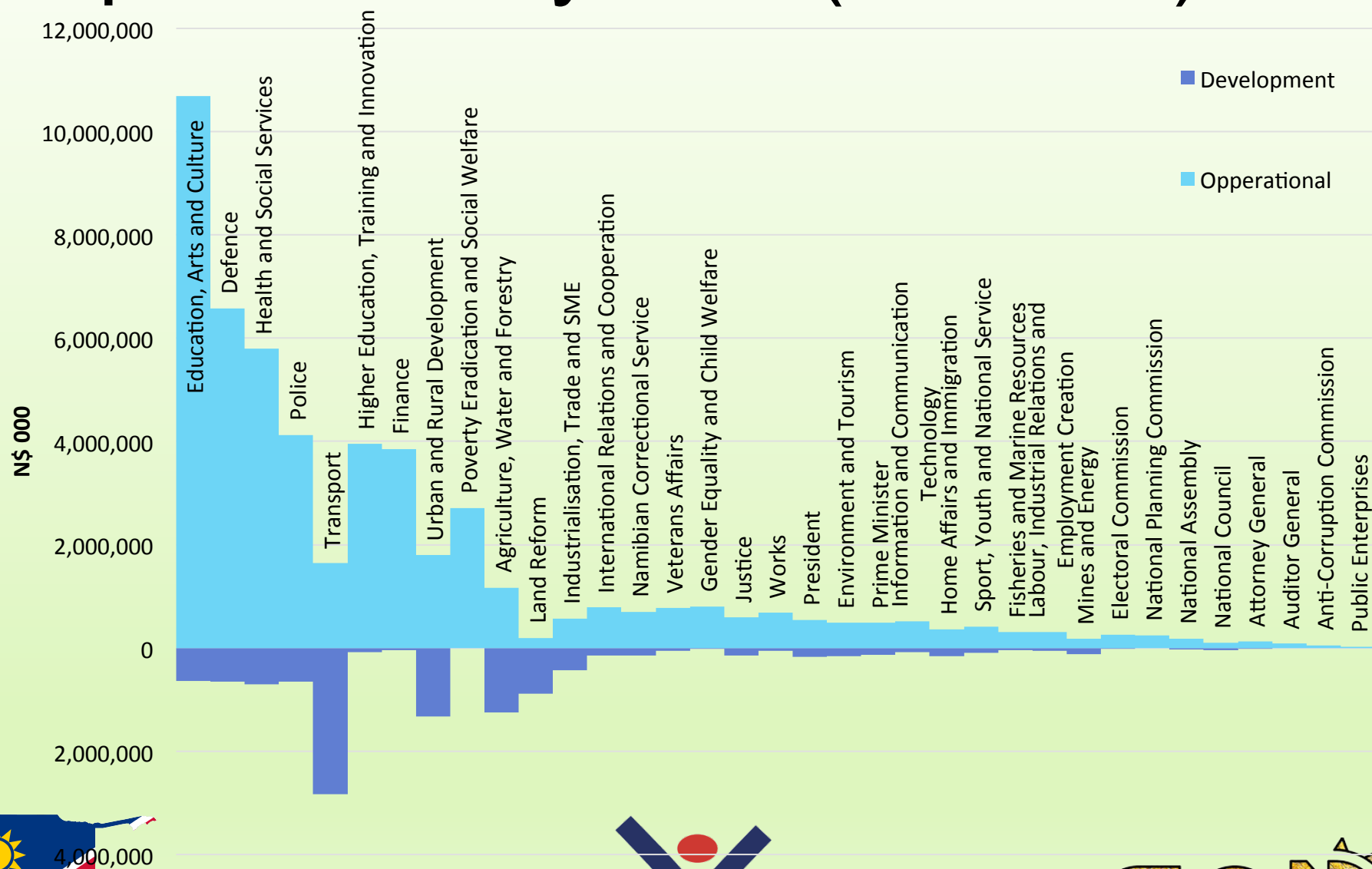
# Government's Involvement in Economy



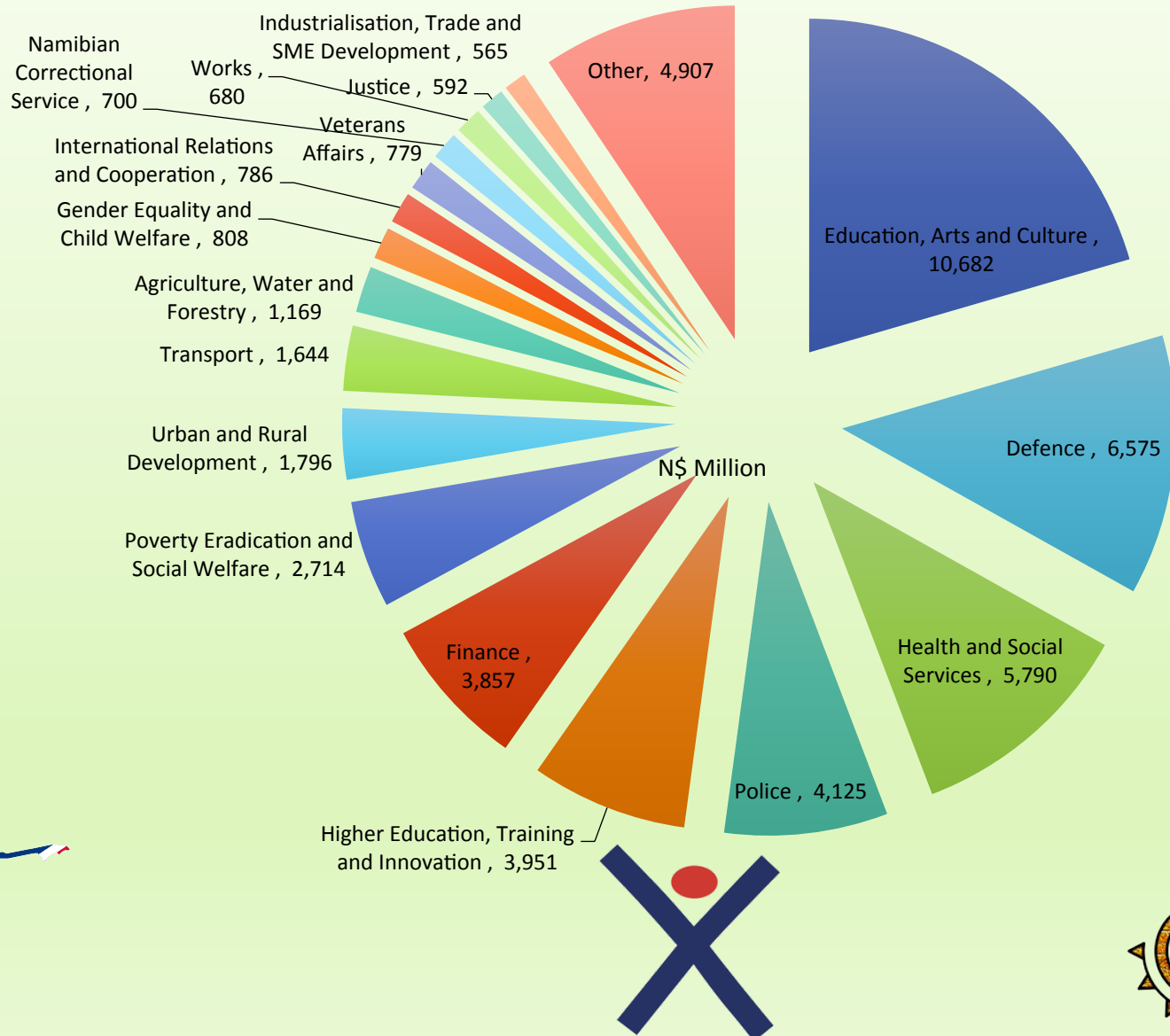
# Expenditure Growth



# Expenditure by vote (2015/16)

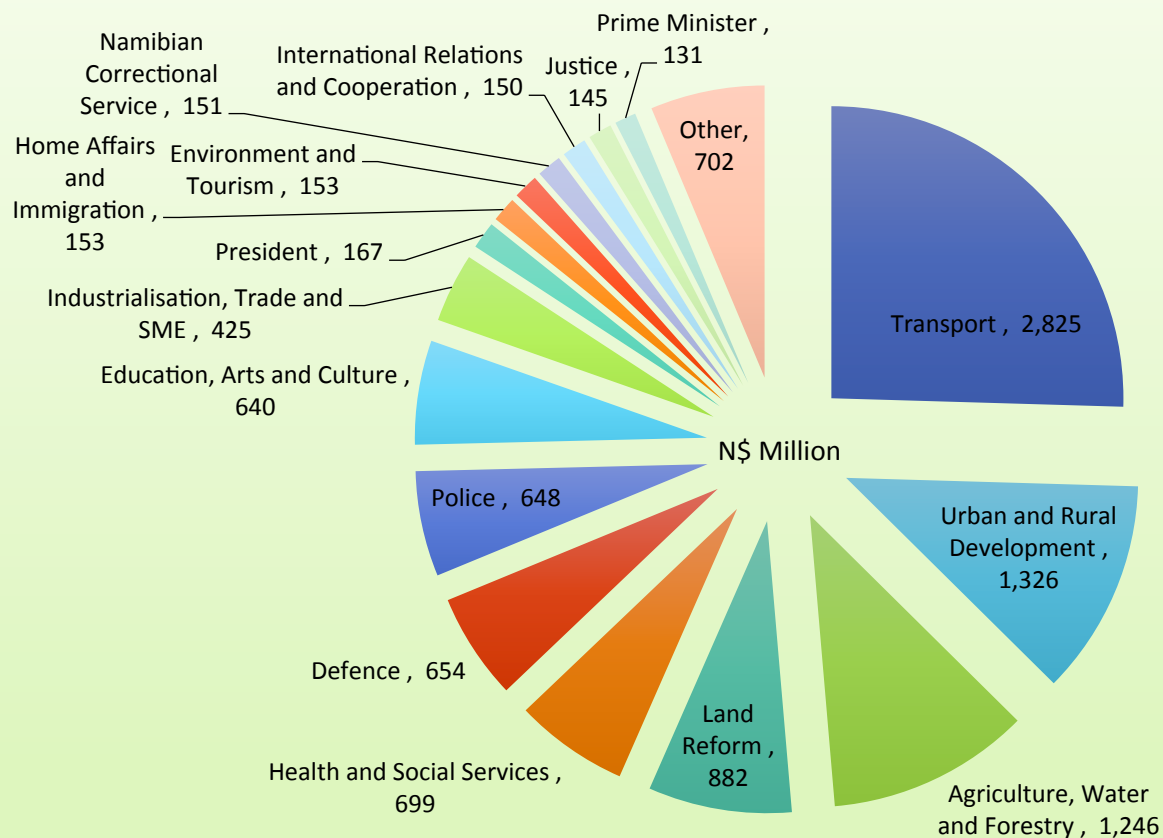


# Operational Budget (2015/16)



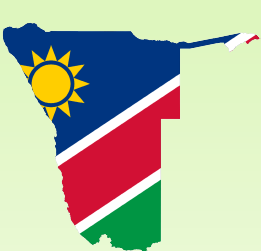


# Development Budget (2015/16)



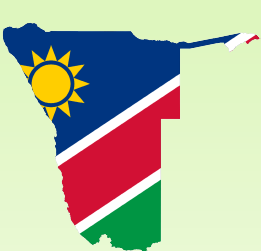
# Development budget – large projects

- State Security Infrastructure – N\$1.5bn
- Construction of the Second Office of the Prime Minister – N\$646 million
- Construction of a New Parliament Building – N\$613 million
- Construction of Head Office for MHA – N\$778 million
- Upgrading of Police Stations – N\$981 million
- Construction of Police Accommodation – N\$851 million
- Purchasing, Constructing and Renovating of Diplomatic Premises – N\$1.4billion
- Research and Development (Defense Force) – N\$6.7billion
- Renovations of School Nation Wide – N\$700 million
- Extension of Existing National Council Building – N\$300 million
- Construction and upgrading of Primary Health Care Clinics Nationwide – N\$905 million
- Construction and upgrading of Primary Health Care Centers Nationwide – N\$647 million
- Rural Electrification – N\$683 million
- Upgrading and Construction of Lower Courts – N\$ 534 million
- Various urban + rural development – township upgrading + formalization, rural + urban sanitation
- Construction of MICT Head Office – N\$290
- Acquisition/Construction of Offices for MoV HQ & Regional Offices – N\$308 million

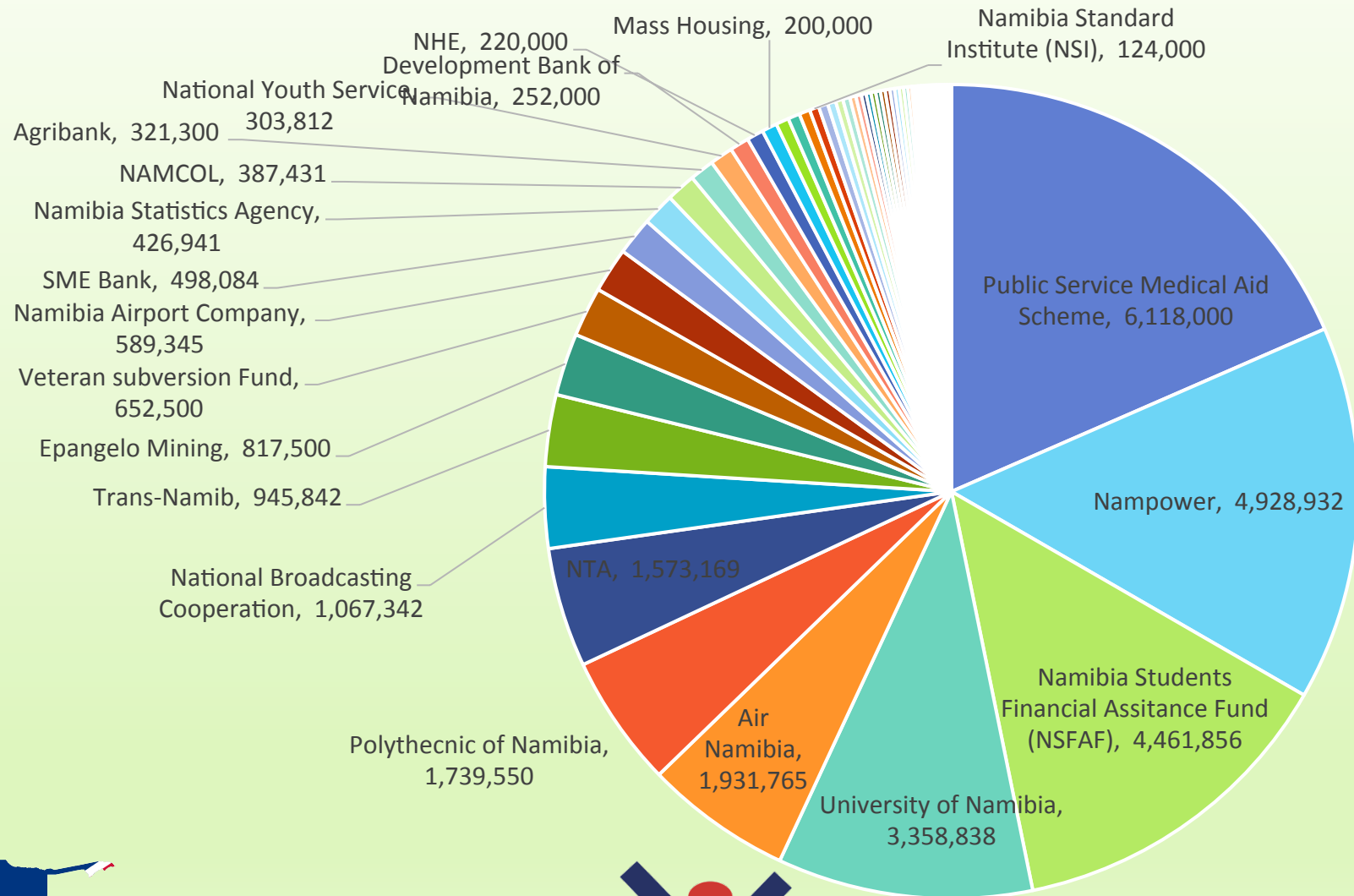


# Development budget – large projects

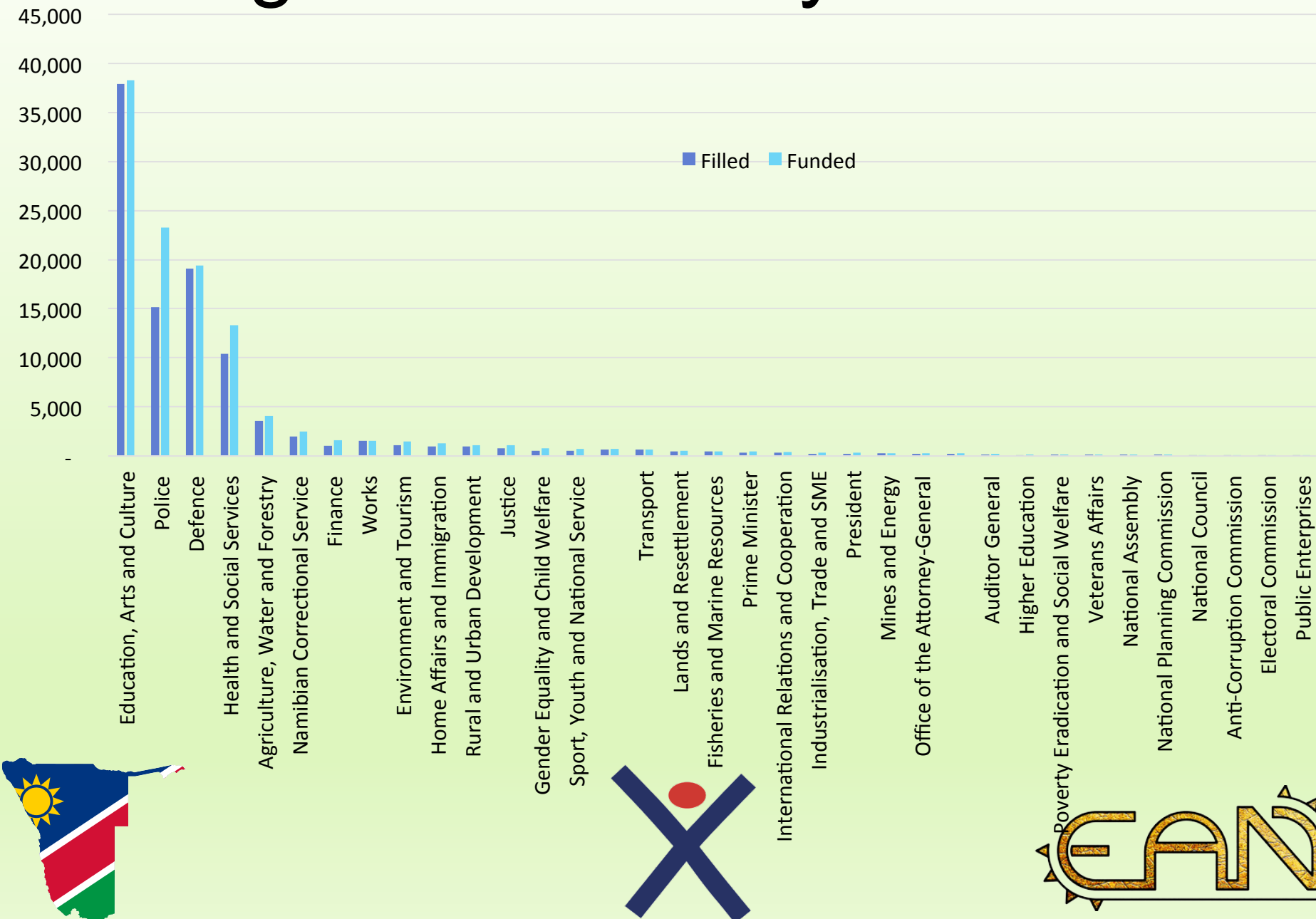
- Construction and Upgrading of MET Headquarters – N\$274 million
- Construction of Ministry of Trade Headquarters – N\$400 million
- Construction of Sites and Premises Industrial Estates – N\$923 million
- Special Industrialization Programme – N\$1 billion
- External Trade Infrastructure Development – N\$1.6 billion
- Product Development and Group Purchasing Project – N\$400 million
- Construction of MAWF Regional Offices – N\$480 million
- Green Scheme – N\$3.1 billion
- National Horticulture Development Initiative – N\$1.2 billion
- Construction of Large Dams, Desalination and Provision of Water to larger Settlements – 3.1 billion
- Railway Network Upgrading – N\$5.3 billion
- **Development of the Cape Fria- Katima Mulilo Railway Line – N\$2,4**
- Northern Railway Line Extension – N\$2.1 billion
- Various roads
- Land Purchase Project – N\$2.4 billion
- Development of National Fundamental Data Sets – N\$201 million
- Construction of Ministerial Head Quarter – N\$300 million



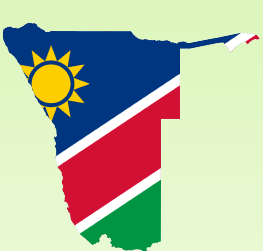
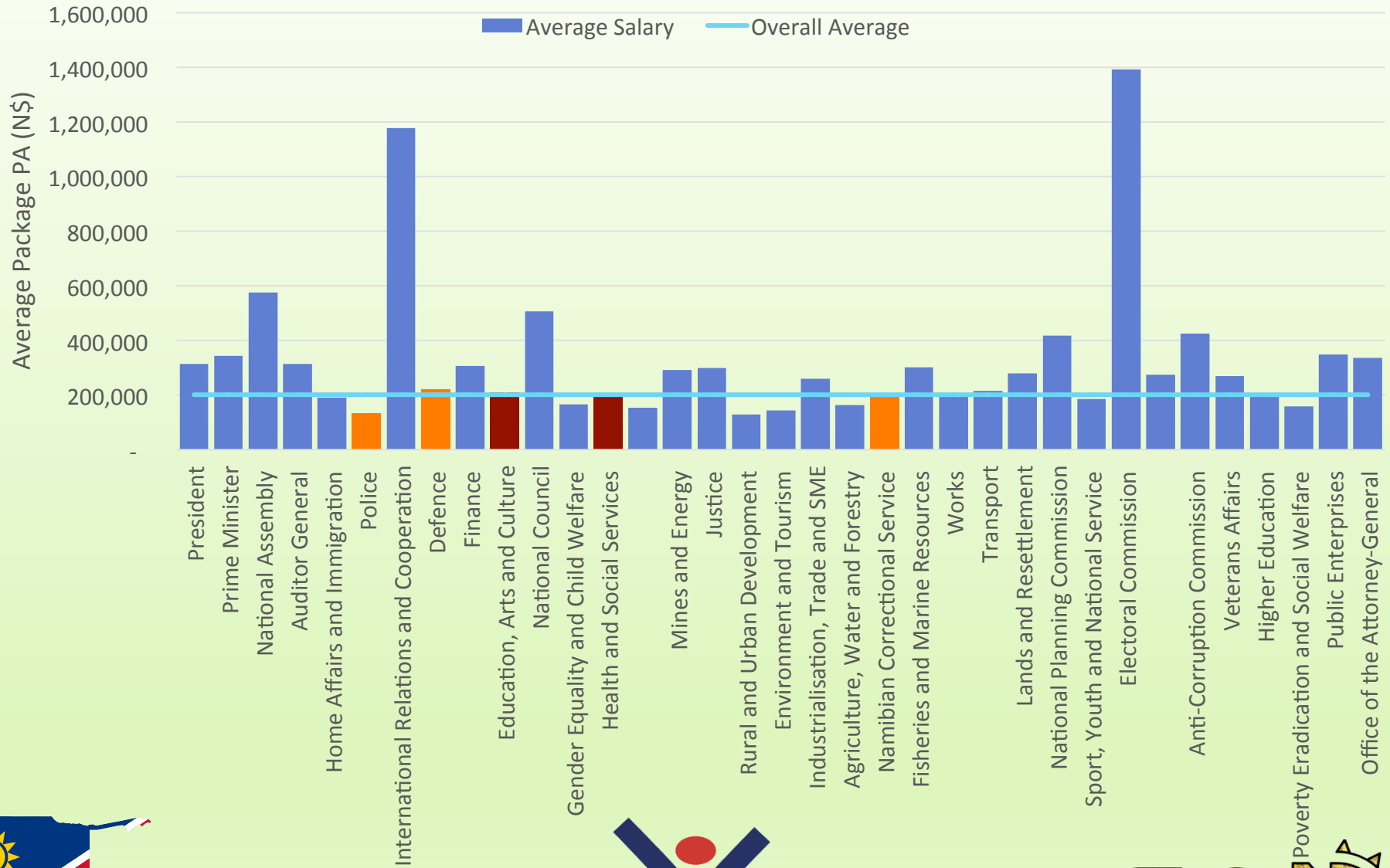
# Transfers to SOEs (MTEF)



# Staffing – Positions by OMA

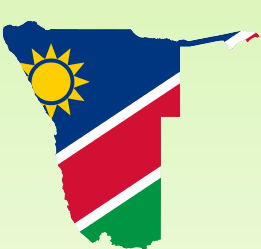


# Salaries

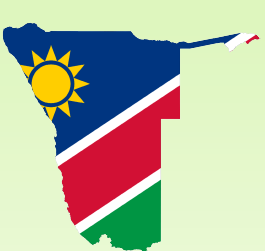


# Budget Balance

- Projected budget deficit of 5.3 percent of GDP
- On the high end given the extended period of expansive fiscal policy seen in the country since 2011.
- That said, the deficit is expected to be reduced in the latter years of the MTEF, although such forecasts are usually unreliable if history is anything to go by.
- Total debt is projected to increase to an average of 31.5% of GDP over the MTEF, below the 35% threshold, but still high compared to five years ago when the level was little over 16%.
- Still low by global standards
- Contingent liabilities are projected to increase to an average of 8.7% of GDP over the MTEF, below the 10% benchmark.
  - Construction of a dual carriage between Windhoek and Okahandja
  - National fuel storage facility, fuel pipeline and the fuel offloading jetty at Walvis Bay
  - Kudu Gas-to-Power Project
  - Mass Housing Programme.

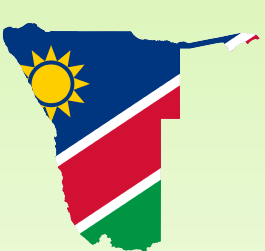
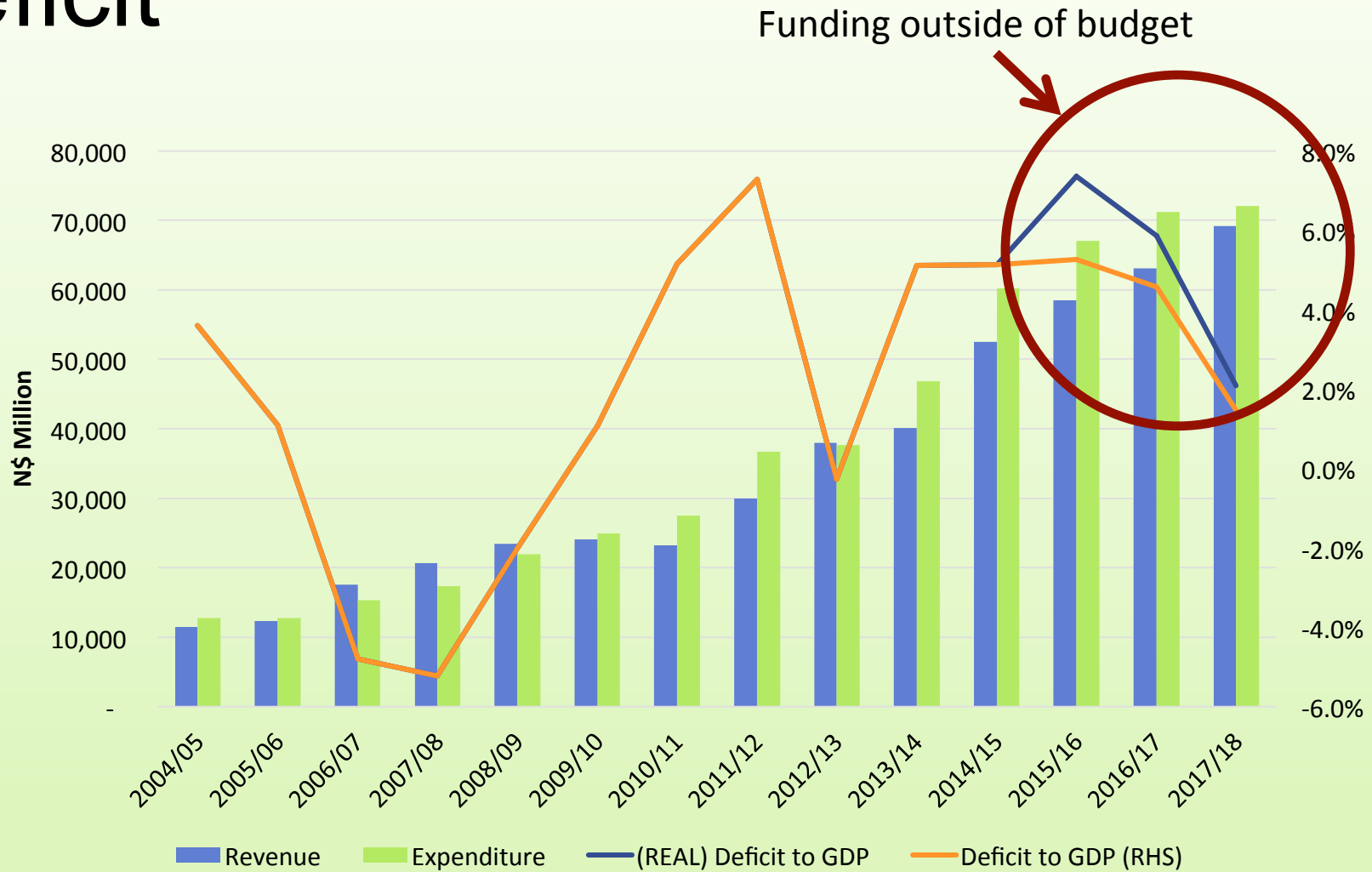


# Budget Balance

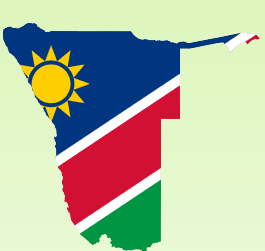
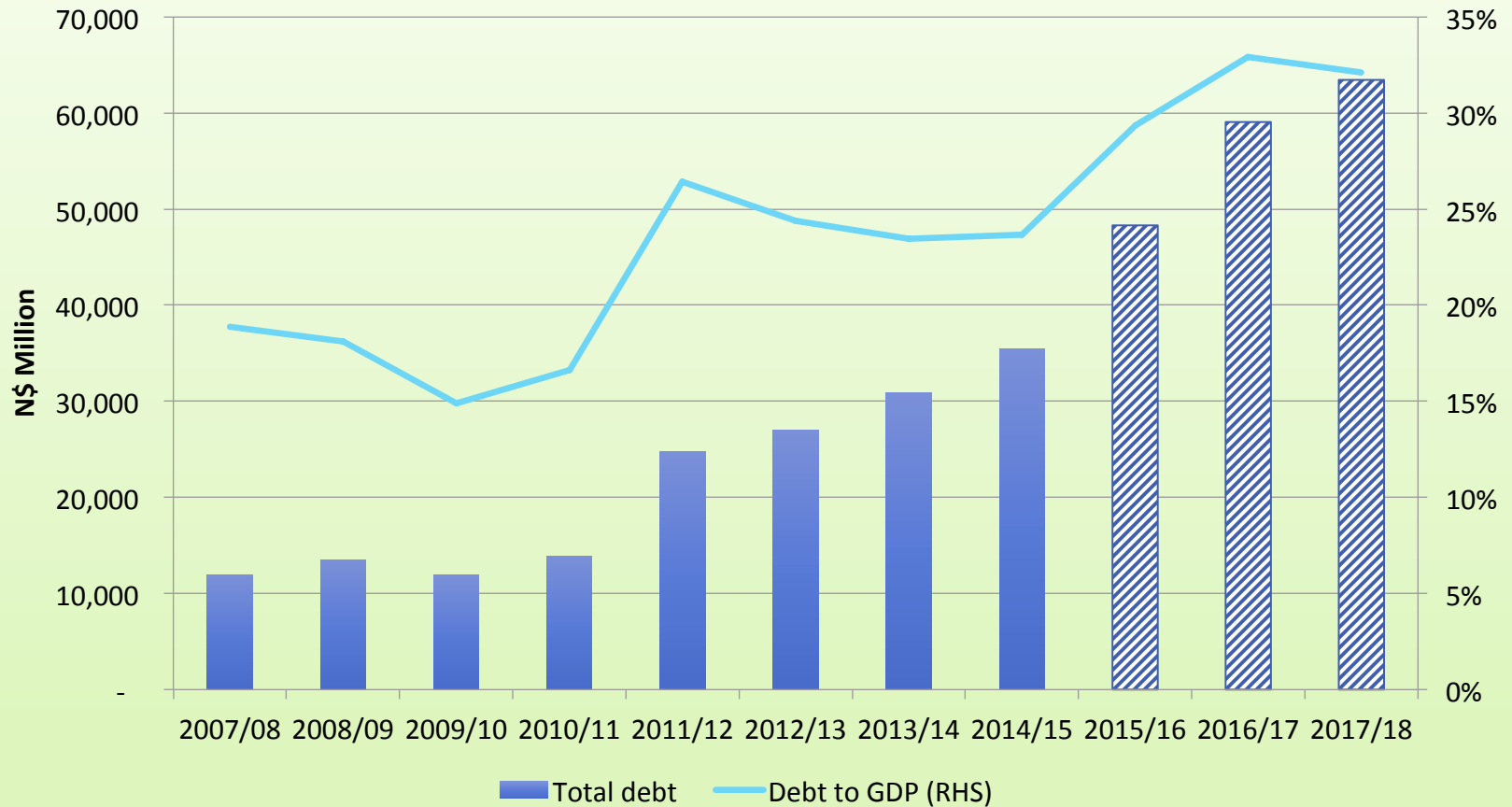




# Deficit



# Debt



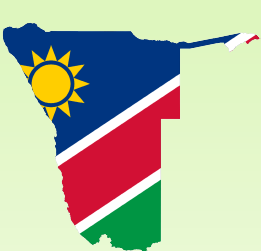
# Shortcomings

- Must consider reason we pay tax
  - Redistribution
  - Social support
  - Service delivery
    - Water, electricity, education, health, police etc.
- Does budget achieve these?
  - Very poor on redistribution, unless you consider government salaries etc. redistributive.
  - Limited social spending, but improving
  - Some service delivery, but highly inefficient.
- Does it align to NDP4?
  - Definite improvements, still not entirely



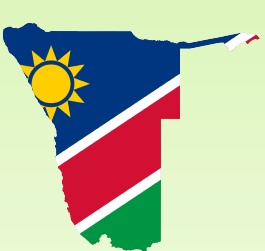
# Shortcomings

- Inefficient allocation driven by hugely flawed budgeting process
  - Last minute changes
  - Rolling 3 year budget
  - Poorly aligned to development plan cycle
  - Little analysis of funding applications
  - Little M&E
  - Little idea of developmental outcomes
  - Questionable forecasts
  - Limited data availability



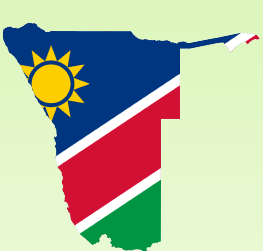
# Concerns

- **MAJOR** under allocation to housing
- Little structural change in economy – cyclical growth?
- Interest charges to **N\$10 billion** per year by 2017/18
- Crowding out risk?
  - Should growth slow
  - Should
- **Expenditure envelope stretched to the maximum**
  - Next few years will be critical



# Concerns

- Fast growing expenditure increasing deficit and debt stock
  - Means MOF has VERY LITTLE policy space should further counter-cyclical policy be needed in future
  - We need look no further than SA to see this in action
  - Without any changes to expenditure, will be at the top of the prudential limit by 2016/17, and expenditure always revised up.
  - Very difficult to reduce operational expenditure
  - Development expenditure most important, and most likely to suffer
  - Exploiting all avenues to increase spending – guarantees, outside budget, etc.



# Suggestions

- Introduce genuine 3-year MTEF budgets
- Align budget cycles with development plan cycles
- Align budget expenditure with NDP priorities
- Ensure project & programme alignment to NDP priorities
- Ground up budgeting every 3 or 6 years
- Minimise additional budgets (5%)
- Introduce regular audits of vehicle, furniture and other assets
- Ensure proper analysis and appraisal of projects and programmes
- Review the roll of MOF in budgeting
- Focus on returns on expenditure
- Develop watertight indicators
- Introduce M&E on results (not just expenditure)



# National Budget 15/16

Thank you

