



The Namibian Budget

2016/17 - 2018/19

“Towards Pro-growth Fiscal Consolidation”

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OUTLINE



- Why we pay tax
- Macro backdrop
- Revenue
- Expenditure
 - Personnel
 - By vote
 - Development projects
 - Transfers to SOEs
- Debt and deficit
- Assessment
- Budget process
- Conclusions

CURRENT RESPONSIBILITIES OF GOVERNMENT

1. Growth & Employment
 - Creating a sustainable and conducive environment in which jobs and wealth can be created for Namibians
2. International investment rating
 - Responsible use of public funds
 - Deficit containment
 - Debt and debt servicing cost containment
 - External position protection
3. Provision of key service infrastructure
 - Electricity, water, road, rail, etc.
4. Social support, poverty reduction and (sustainable) redistribution
 - Pensions, social grants, social safety net, reduced inequality
5. Housing
 - Access to housing
6. Education and Health
 - Provision of high quality education and health care

QUESTION: DOES THIS BUDGET ADDRESS THESE ISSUES?

MACROECONOMIC BACKDROP

- Been through a period of exceptionally strong growth.
 - Rebased from N\$83bn economy to N\$160bn economy in 6 years.
 - Driven by fiscal and monetary stimulus, and large FDI.
 - Resulted in construction and consumption boom.
- Looking forward, outlook notably weaker
 - infrastructure constraints
 - The unwinding of historically low interest rates
 - lower levels of Government spending
 - less foreign direct investment into the country
 - fewer Angolan retail tourists
 - reduction in diamond output
 - weak commodity prices
 - drought
 - a high base.
- Inflation
- External position

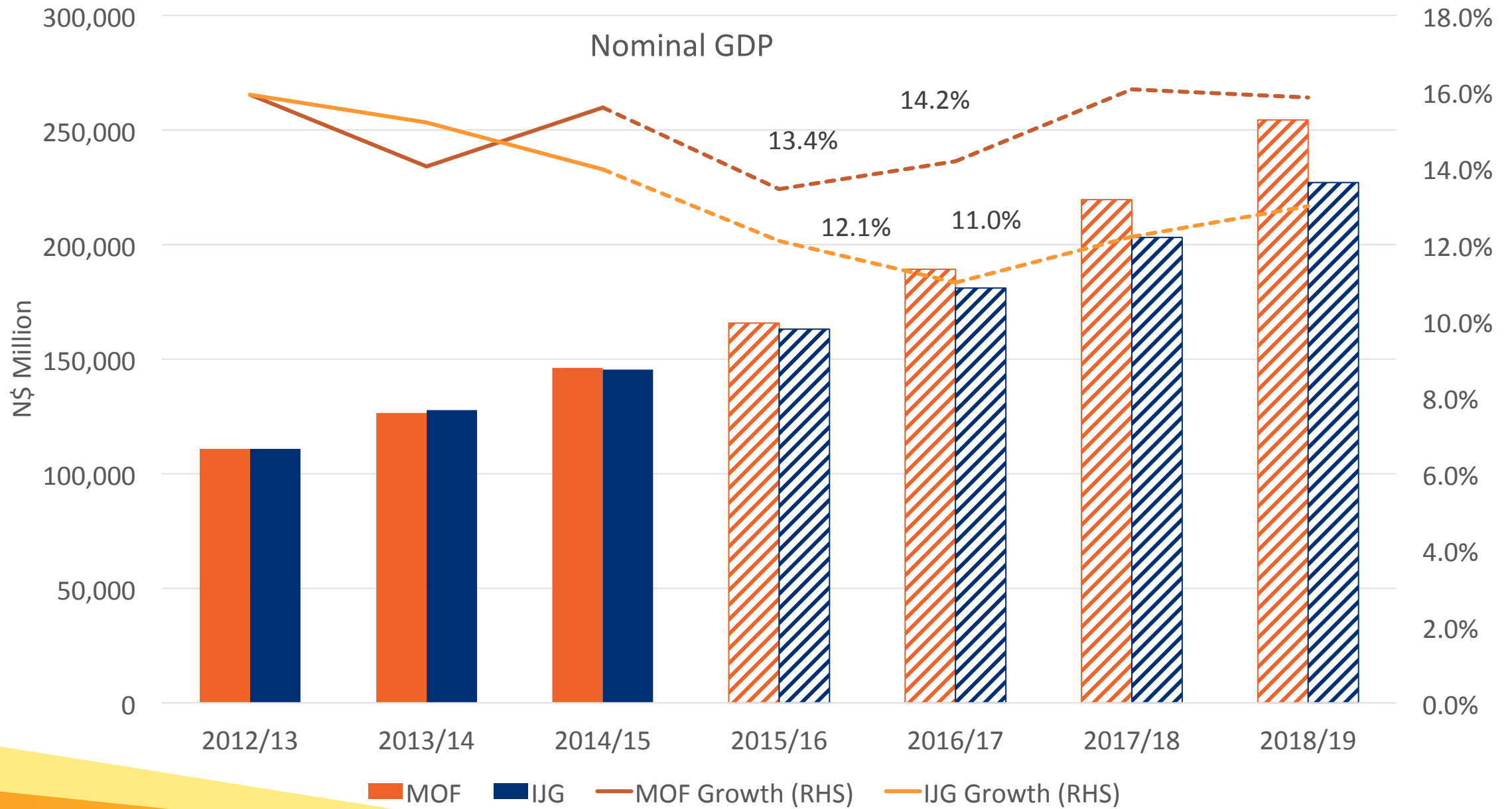
Previous pro-cyclical policy and now high debt levels and weak external position leave limited policy space for Government and BON

Where to from here?

REVENUE

Where does the money come from?

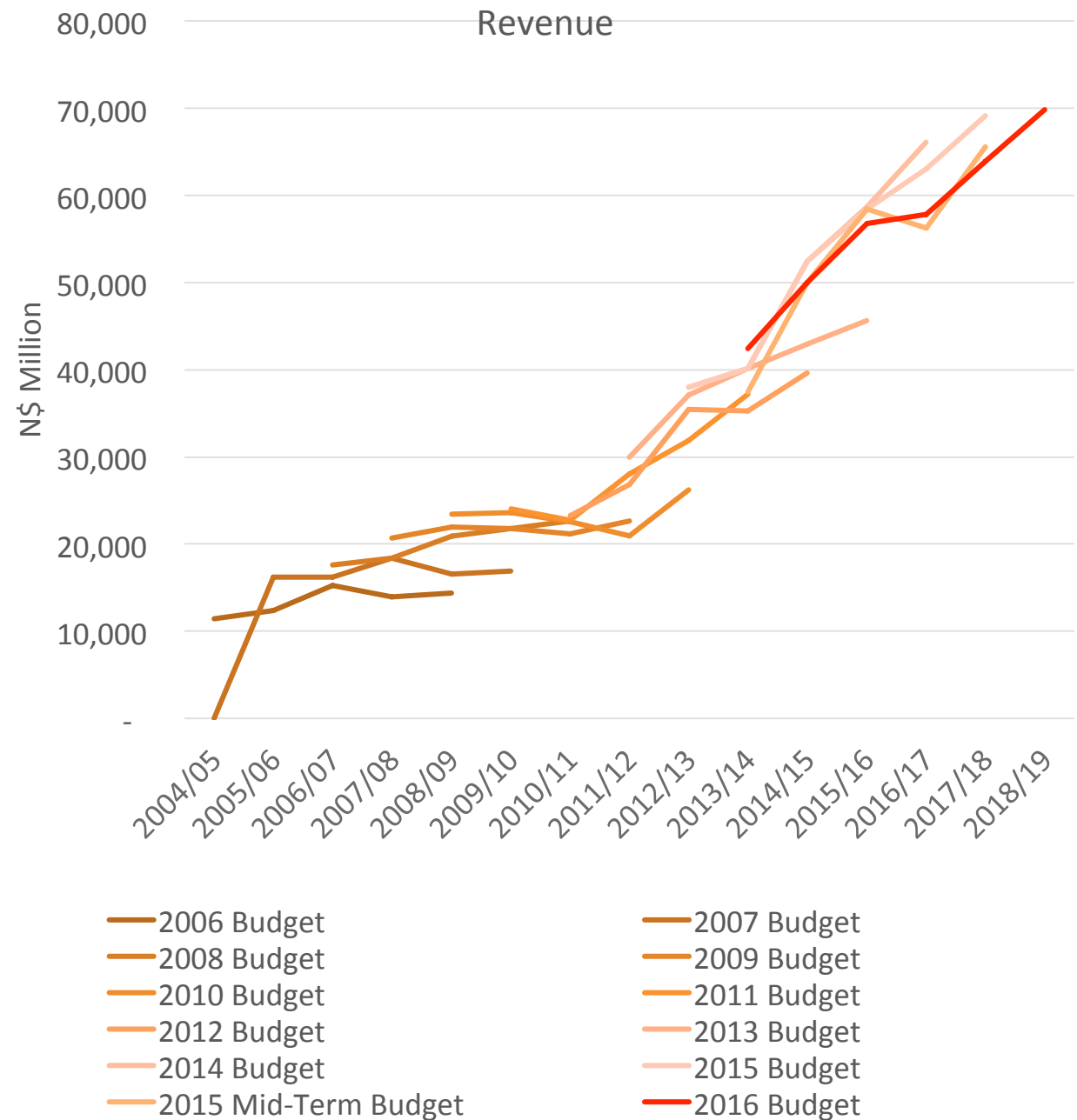
GDP FORECASTS



REVENUE

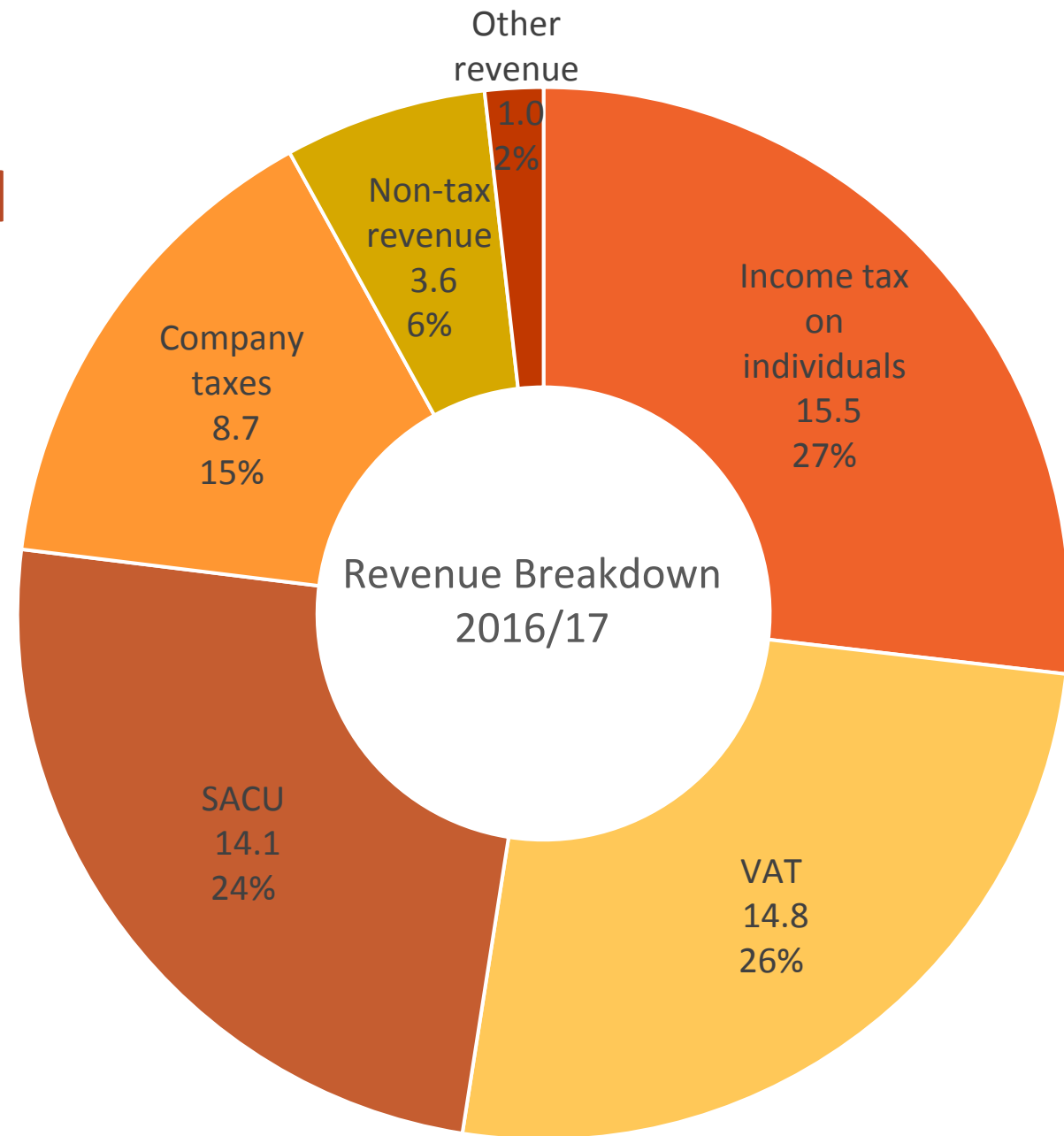


- Total revenue revised down to N\$57.8bn, from N\$63.1bn
- Main source of slowdown lower SACU receipts.
- Growth expected to slow almost across the board.
- Downward revisions for all MTEF years, due to base.
- Expected fast recovery in growth rate in 2017/18 and 2018/19
- Forecasts thought to be ambitious given growth outlook.

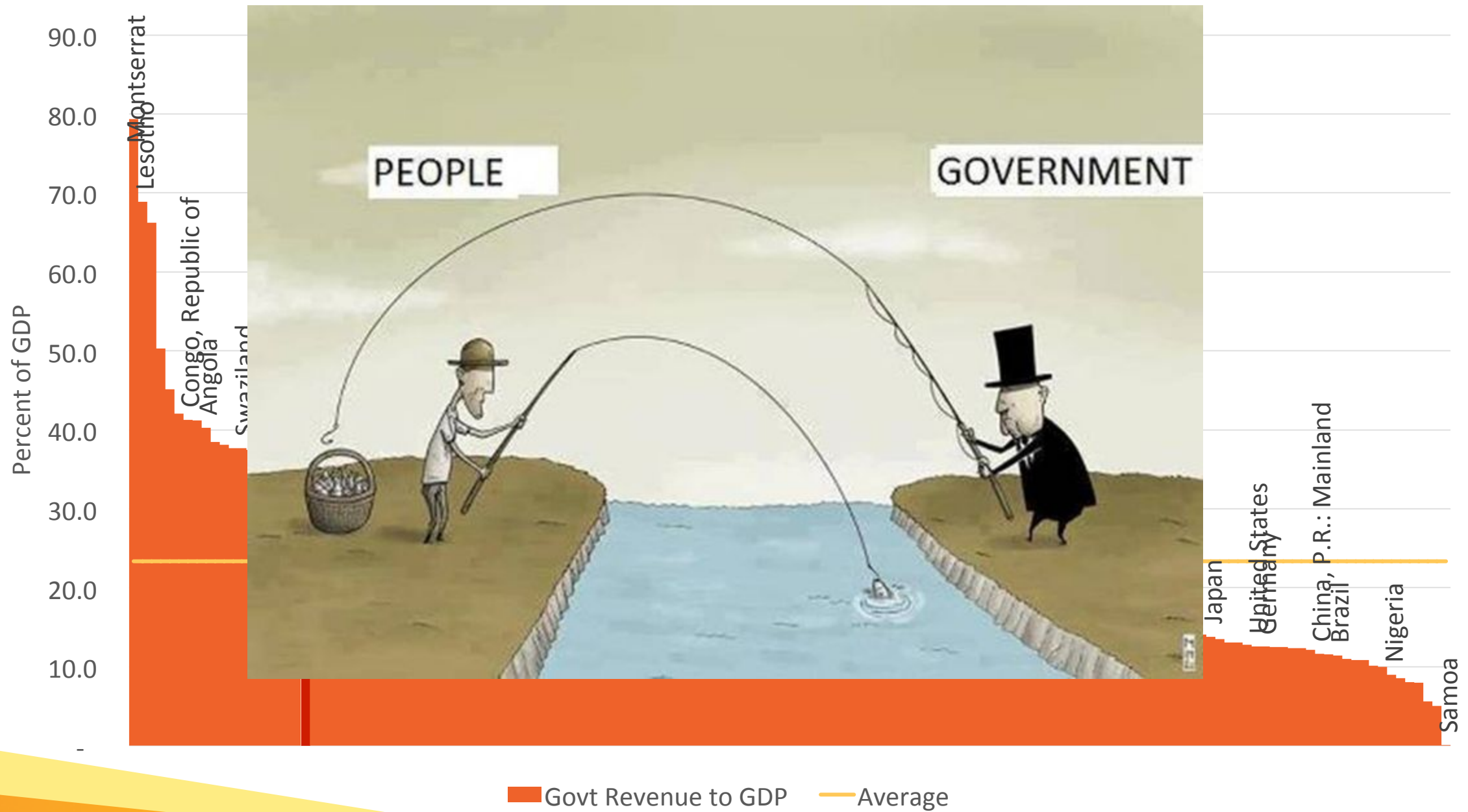


REVENUE BREAKDOWN

- Income tax remains largest single revenue source, followed by VAT
 - Critical for social contract between tax payers and public officials.
- SACU contribution lower than normal due to N\$3bn repayment
- Other sources <25% of total revenue.



GOVERNMENT REVENUE AS % OF GDP



NEW REVENUE SOURCES



“Our focus is not only to broaden and deepen the tax base, but also to make the tax system more progressive, so that it contributes positively to the social objectives of reducing income inequalities” Calle Schlettwein, Budget Speech, March 2016

Government will:

- finalize the approval and implementation process of an Environmental tax, and an Export tax to promote domestic value addition
- increase the fuel levy
- assess the feasibility of a presumptive tax on informal sector
- develop the Double - Taxation Agreement Policy;
- Look to reduce illicit trade flows and transfer pricing;
- continue to finalize the consultation on the proposed Solidarity Tax;
- Improve recovery of tax debts
- deploy the new Integrated Tax System; and
- implement transitional modalities for a Semi-Autonomous Revenue Agency.

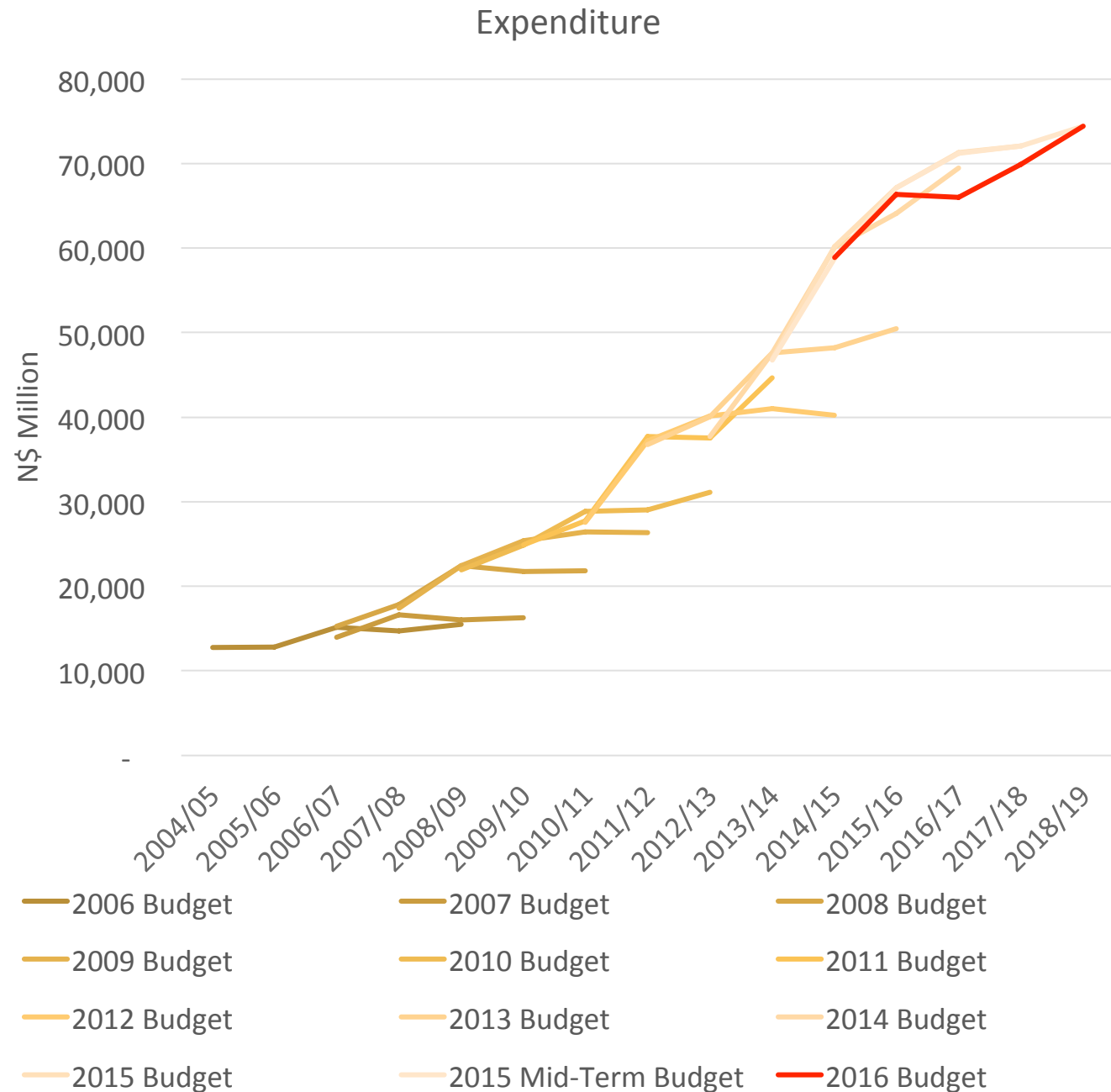
EXPENDITURE

Where will the money go?

EXPENDITURE



- Notable expenditure reduction.
 - Down 1.1% between 2015/16 and 2016/17
 - Down 7.4% when compared to previous budgeted number for 2016/17
- Major expenditure pick-up again in 2017/18 and 2018/19
 - However, last MTEF years rarely play out as initially forecast.
- Huge escalation in spending in past 6 years.
 - Funded by revenue windfall and debt

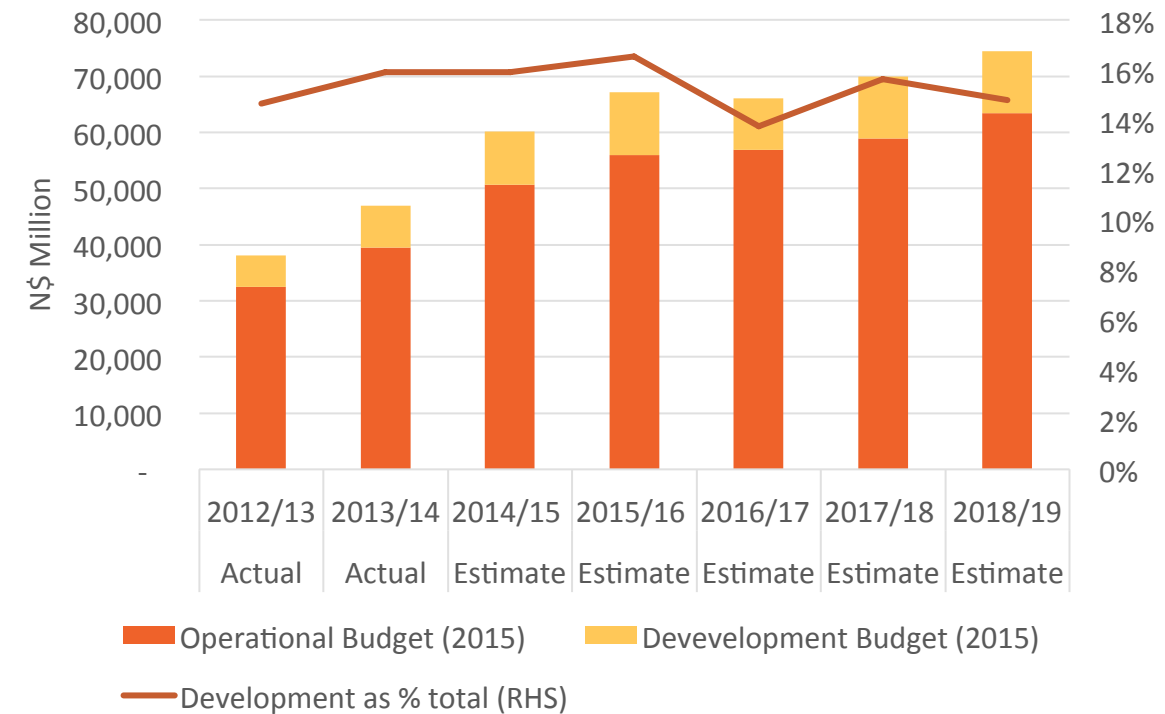


SOURCE OF CUTS

- Major cuts from the development budget.
 - Slashed 18.3% when compared to 2015/16 and;
 - 27.9% when compared to previous levels for 2016/17.
- Development budget now makes up just 13.7% of total expenditure, well below 20% target.
- Operational expenditure up 1.6% over 2015/16 budget, but down 3.0% when compared to previous budget figure for 2016/17



Budget Breakdown

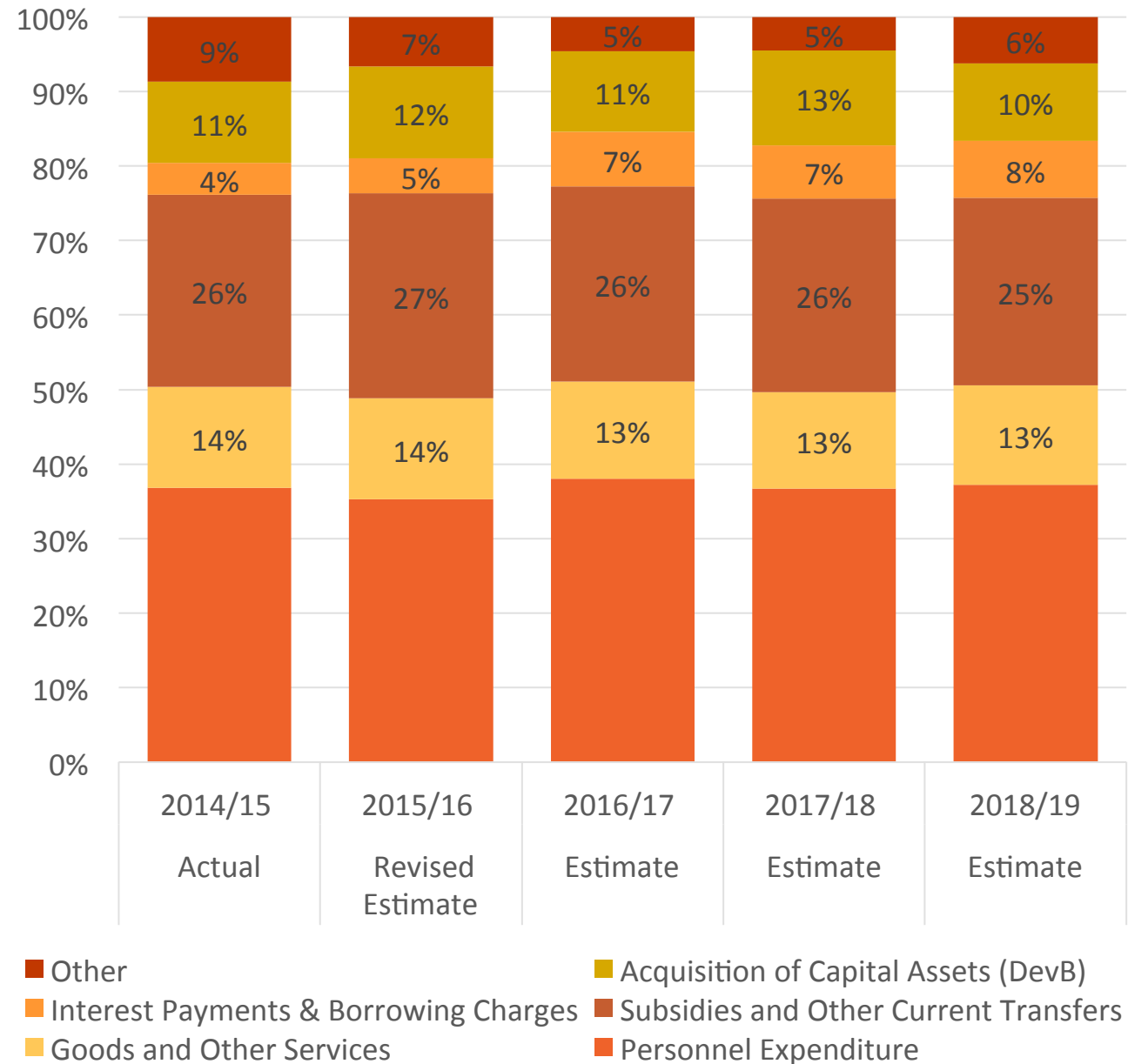


| N\$ Million | Estimate 2015/16 | Estimate 2016/17 |
|---|------------------|------------------|
| Operational Budget (2015) | 55,996 | 58,687 |
| Development Budget (2015) | 11,095 | 12,557 |
| Total (2015) | 67,092 | 71,244 |
| Operational Budget (2016) | 55,280 | 56,939 |
| Development Budget (2016) | 11,065 | 9,057 |
| Total (2016) | 66,345 | 65,996 |
| Operational Change 2015-2016 Budgets (N\$) | (717) | (1,748) |
| Development Change 2015-2016 Budgets (N\$) | (30) | (3,500) |
| Total Change 2015-2016 Budgets (N\$) | (747) | (5,248) |
| Operational Change 2015-2016 Budgets (%) | -1.3% | -3.0% |
| Development Change 2015-2016 Budgets (%) | -0.3% | -27.9% |
| Total Change 2015-2016 Budgets (%) | -1.1% | -7.4% |
| Year on Year Change | 12.7% | -0.5% |
| Development as % of Total | 16.7% | 13.7% |

EXPENDITURE BREAKDOWN

- Personnel costs larger than normal, at 38% of total expenditure.
- Subsidies and other current transfers second largest item at 26%
 - Made up of transfers to SOEs, social grants, pensions etc.
- Goods and other services at 13%, and declining due to notable cuts in:
 - Travel and Subsistence Allowance
 - Transport
 - Training Courses, Symposiums and Workshops
 - Furniture and Office Equipment
- Interest and other borrowing costs becoming significant, as debt stock increases, at 7%.
- Leaves very little for development projects.

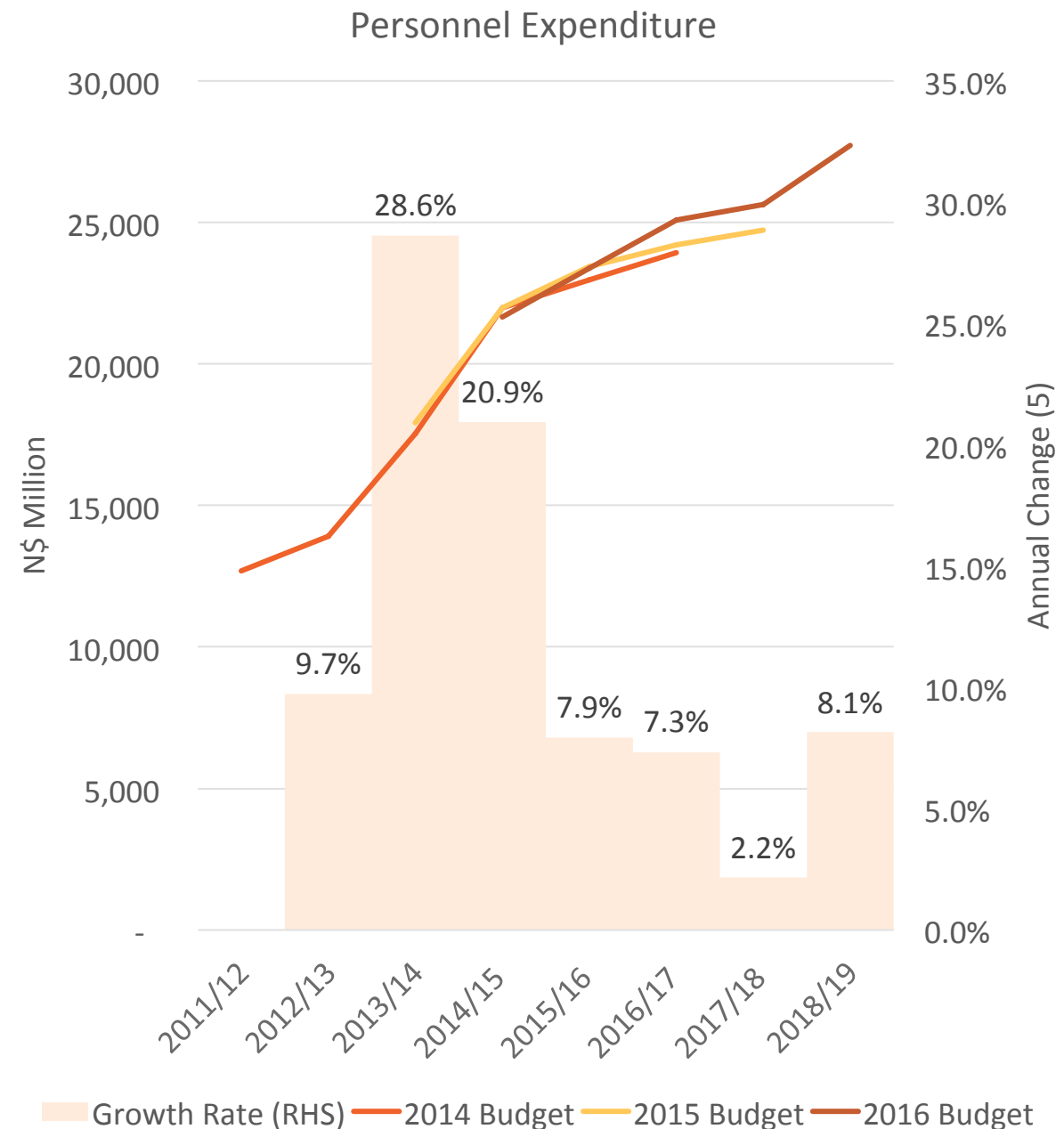
Expenditure Breakdown



PERSONNEL EXPENDITURE

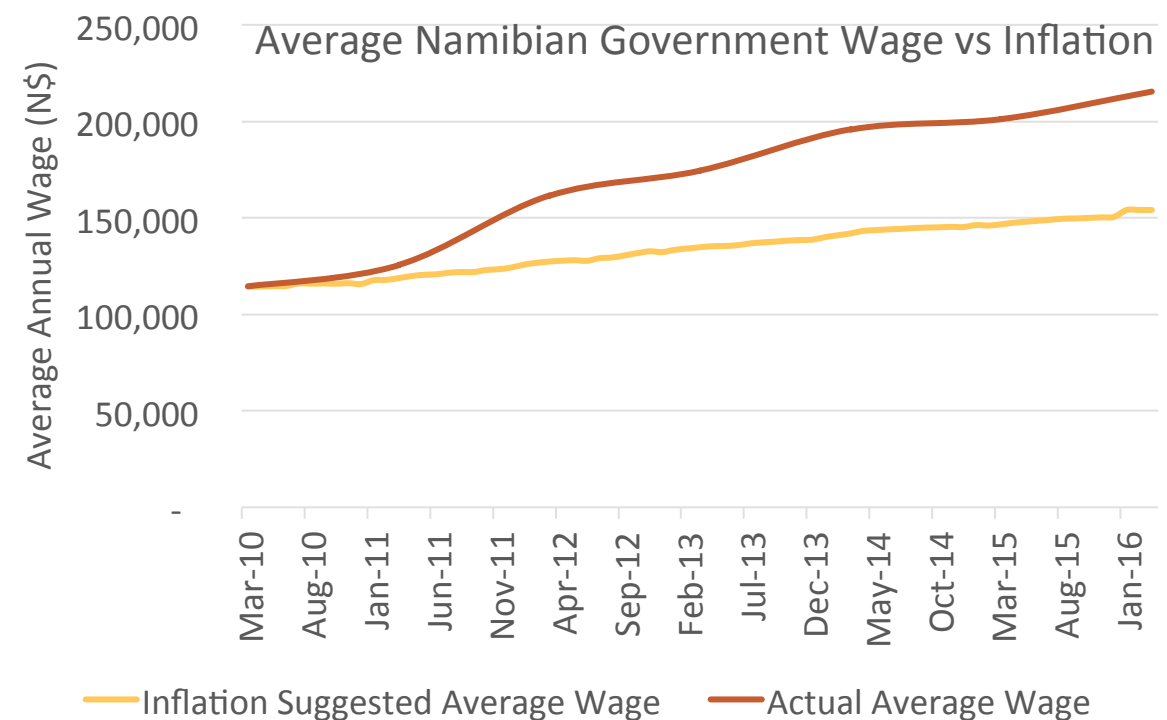
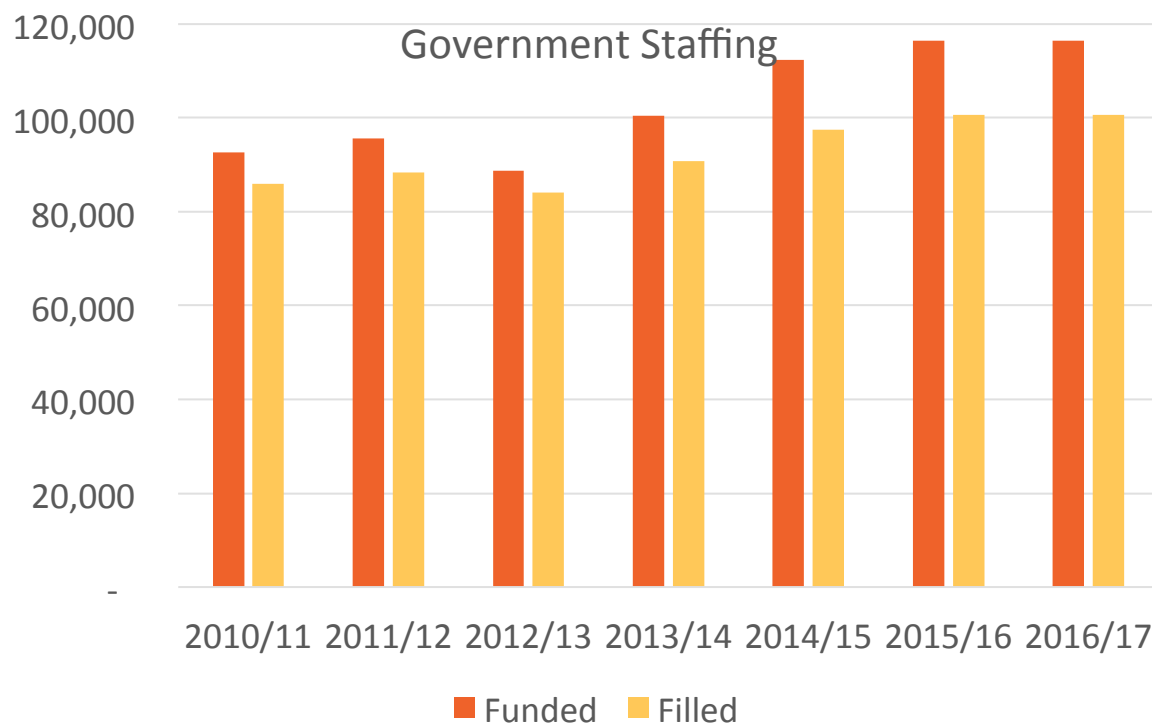
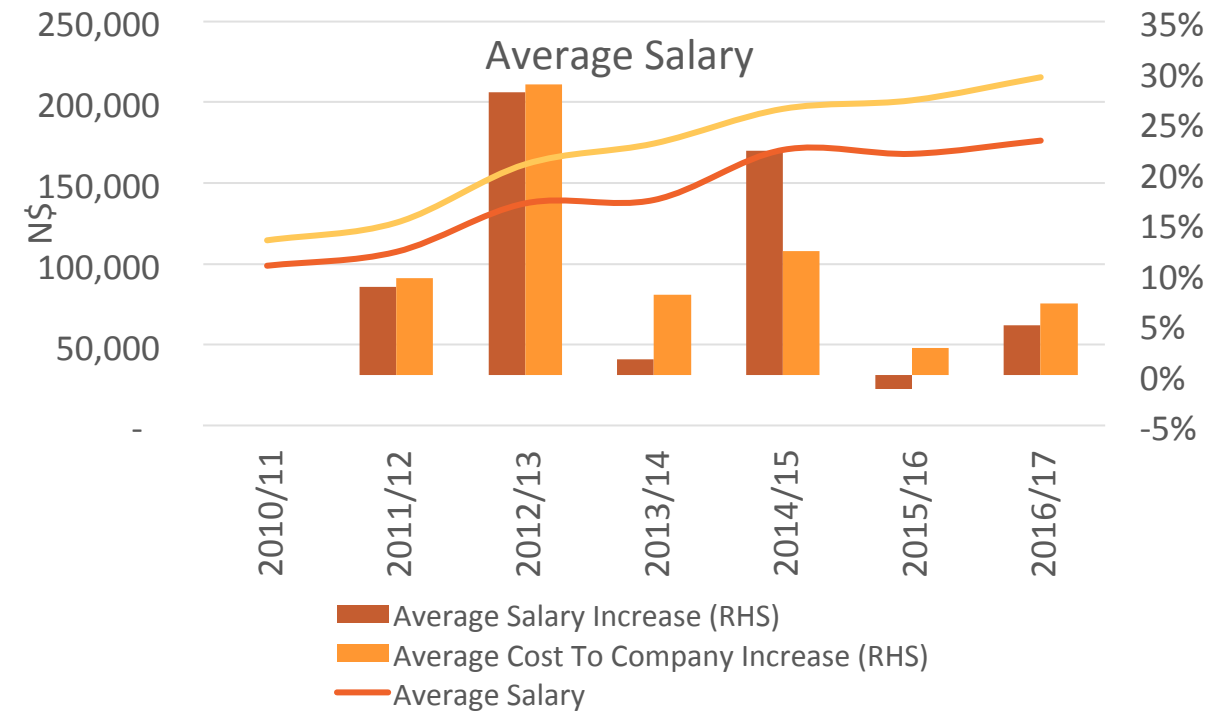


- Personnel expenditure seen sizable increases since 2012/13
- Huge increases in 2013/14 and 2014/15.
 - Part of effort to align civil service wages to private sector to attract in talent.
- Upward revision in 2016/17, from N\$24.2bn to 25.1bn.
- Very ambitious growth target for 2017/18.

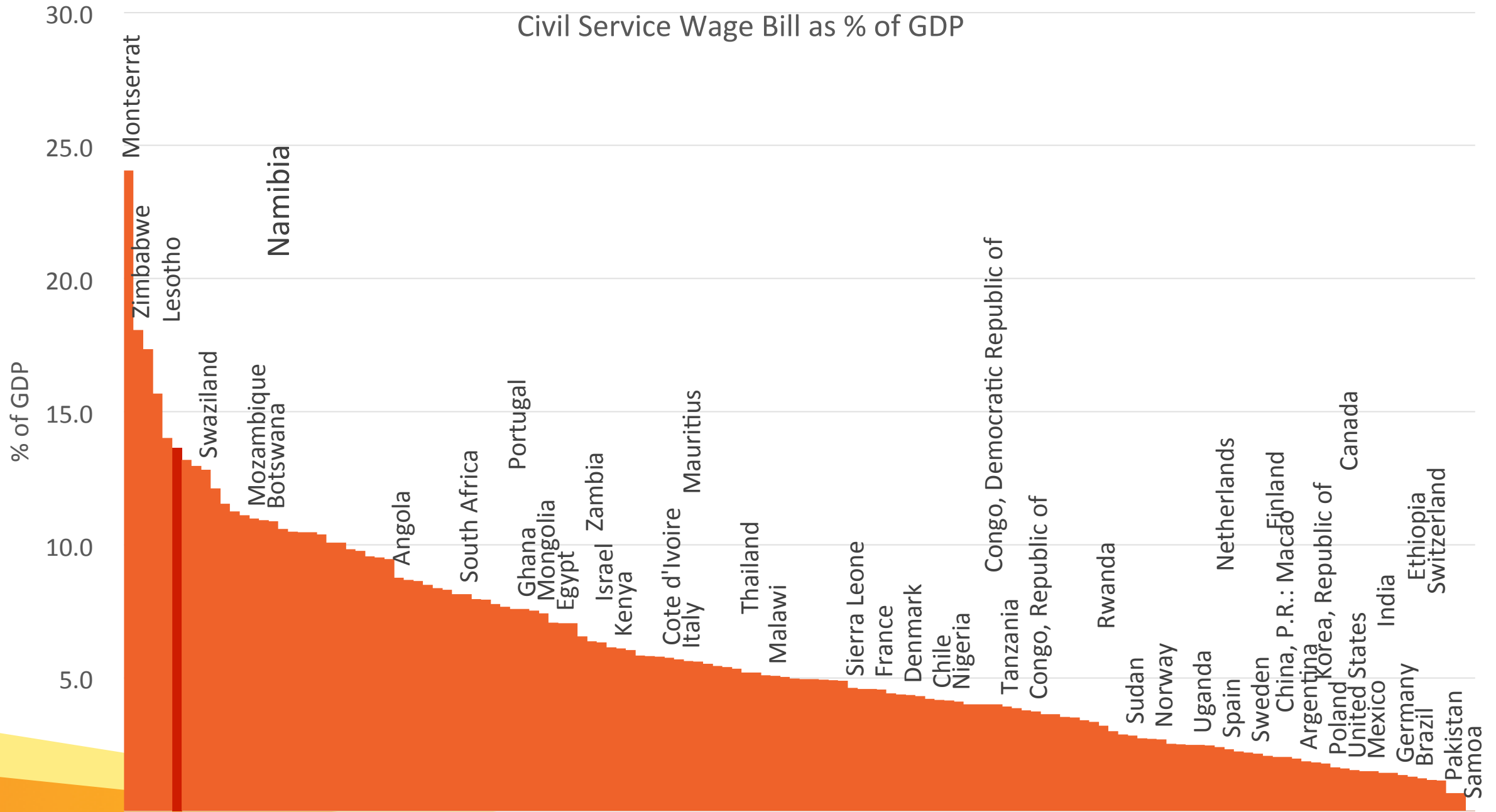


WAGE BILL

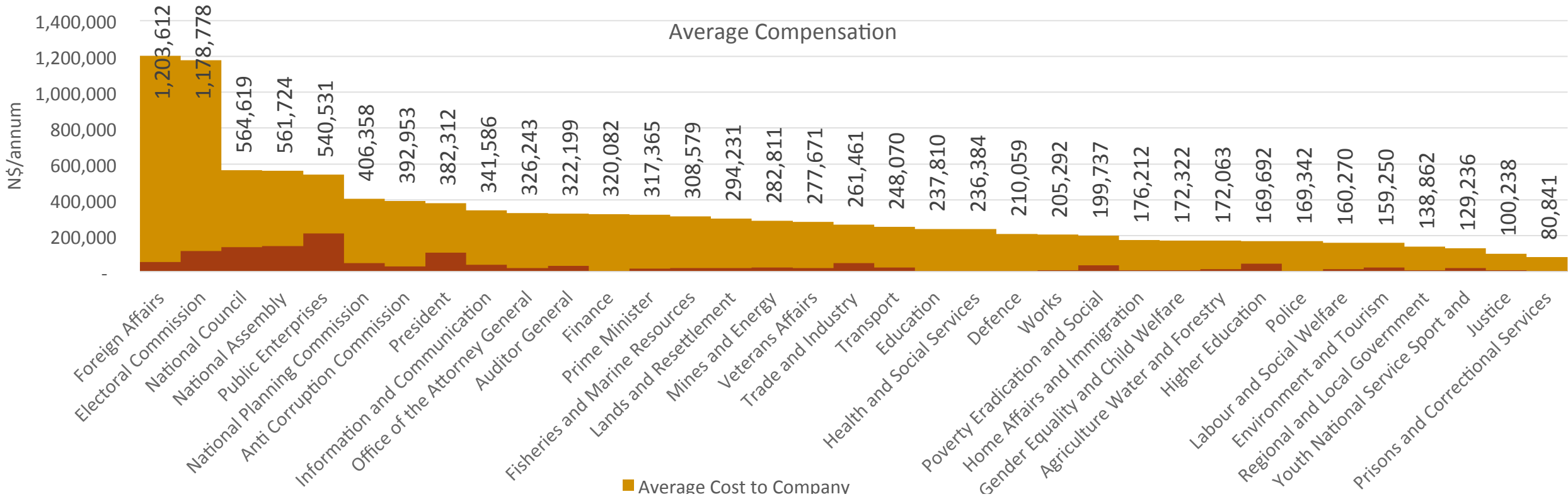
- Wage bill growth driven by both number of employees and average wages
- Average almost doubled from 2010 to 2016.
- Wage increases well ahead of inflation



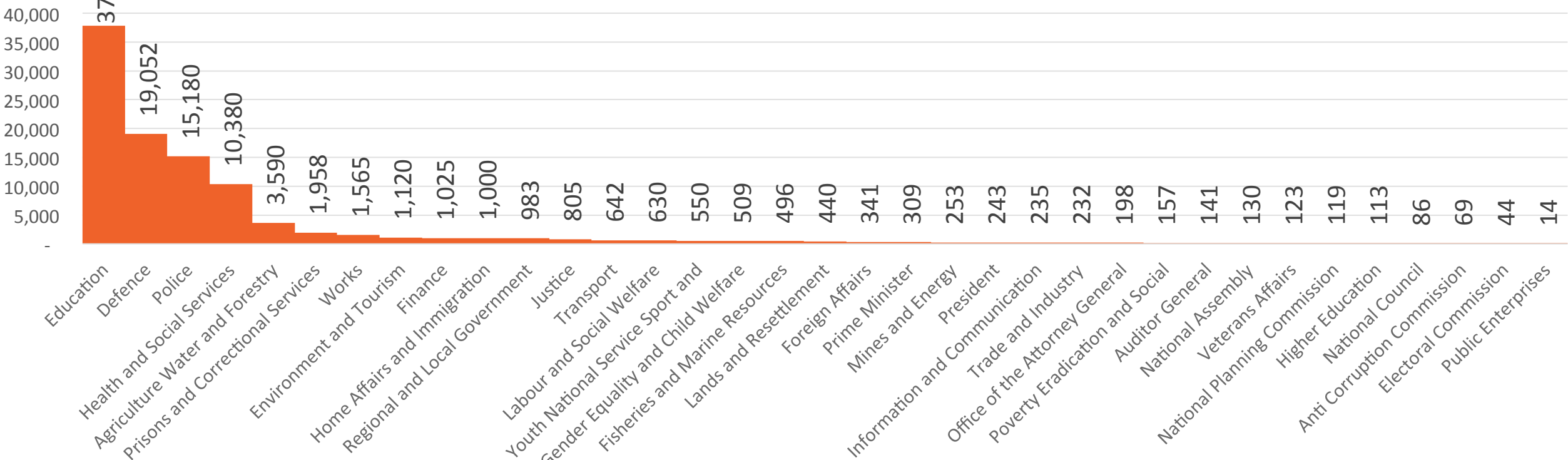
GLOBAL COMPARISON



BY VOTE



Staffing by Vote



Operating Agency: Electoral Commission
 "Accounting Officer : Chief Electoral Officer
 Vote 28 Electoral Commission
 MAINDIVISION02 :Planning, Registration and Voting
 Programme :Administration of Elections
 Activity :Electoral Operations



| | | | | | |
|---|--|--|--|--|--|
| A.Introduction | | | | | |
| Objective and Description: | | | | | |
| To Supervise, direct and control any registration of voters for the purposes of any elections or referenda in a free, fair, transparent and impartial manner. | | | | | |
| Main Operations: | | | | | |
| The main electoral operations are thus: (1) Registration of Voters; (2) Holding of elections; and (3) Updating of National Voters Register. | | | | | |

| | | | | | |
|----------------------------------|--|--|----------------------|-----------------------------|----------------------------|
| B. Staffing | | | | | |
| | | | Establishment | Filled as at Present | Funded in 2016/2017 |
| Administrative Officer | | | 2 | 2 | 2 |
| Assistant Administrative Officer | | | 3 | 3 | 3 |
| Chief Administrative Officer | | | 2 | 1 | 2 |
| Control Administrative Officer | | | 1 | 1 | 1 |
| Senior Administrative Officer | | | 1 | 1 | 1 |
| Deputy Director | | | 1 | 1 | 1 |
| Director | | | | | |
| Private Secretary | | | | | |
| TOTAL | | | | | |

| SUBDIVISIONS | | Actual |
|--------------|---|------------------|
| No | Title | 2014/15 |
| 1 | 2 | 3 |
| 001 | Remuneration | 4,102,466 |
| 002 | Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F. | 325,105 |
| 003 | Other Conditions of Service | 281,395 |
| 004 | Improvement of Remuneration Structure | |
| 005 | Employers Contribution to the Social Security | |
| 010 | PERSONNEL EXPENDITURE-SUBTOTAL | 4,708,966 |

Operating Agency: Electoral Commission
 "Accounting Officer : Chief Electoral Officer
 Vote 28 Electoral Commission
 MAINDIVISION03 :Voter Education
 Programme :Voter Education and Information Dissemination
 Activity :Voter Education

| | | | | | |
|---|--|--|--|--|--|
| A.Introduction | | | | | |
| Objective and Description: | | | | | |
| To provide voter education to all Namibian citizens, particularly the electorate, so that they are able to make informed decisions as well as to encourage participation in electoral processes. | | | | | |
| Main Operations: | | | | | |
| Conduct of Voter Education, Production of Voter Education Materials, Publicity Campaigns, Monitoring and Evaluation of all voter education and electoral activities, Conduct democracy and electoral research and survey. | | | | | |

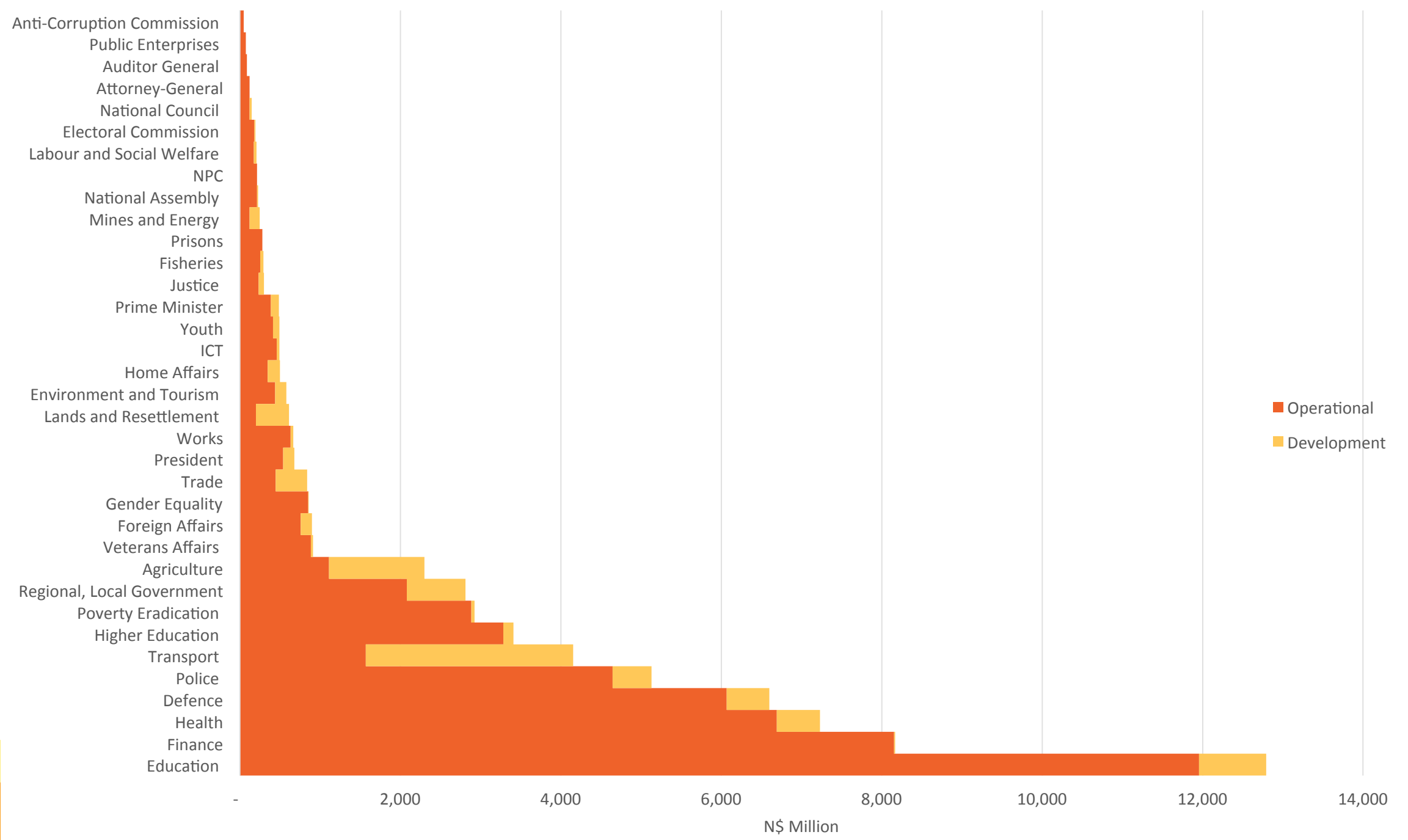
| | | | | | |
|----------------------------|--|--|----------------------|-----------------------------|----------------------------|
| B. Staffing | | | | | |
| | | | Establishment | Filled as at Present | Funded in 2016/2017 |
| Chief Information Officer | | | 1 | 1 | 1 |
| Information Officer | | | 2 | 2 | 2 |
| Senior Information Officer | | | 1 | 1 | 1 |
| Deputy Director | | | 1 | 1 | 1 |
| TOTAL | | | 5 | 5 | 5 |

| SUBDIVISIONS | | Actual | Revised Estimate | Estimate | Estimate | Estimate |
|--------------|---|------------------|-------------------|-------------------|-------------------|-------------------|
| No | Title | 2014/15 | 2015/2016 | 2016/2017 | 2017/2018 | Estimate |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 001 | Remuneration | 2,412,642 | 14,551,917 | 16,467,000 | 16,961,000 | 17,470,000 |
| 002 | Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F. | 219,378 | 213,000 | 256,000 | 264,000 | 272,000 |
| 003 | Other Conditions of Service | | 5,094,330 | 4,279,000 | 4,407,000 | 4,539,000 |
| 004 | Improvement of Remuneration Structure | | | | | |
| 005 | Employers Contribution to the Social Security | | 5,000 | 5,000 | 5,000 | 5,000 |
| 010 | PERSONNEL EXPENDITURE-SUBTOTAL | 2,632,019 | 19,864,247 | 21,007,000 | 21,637,000 | 22,286,000 |

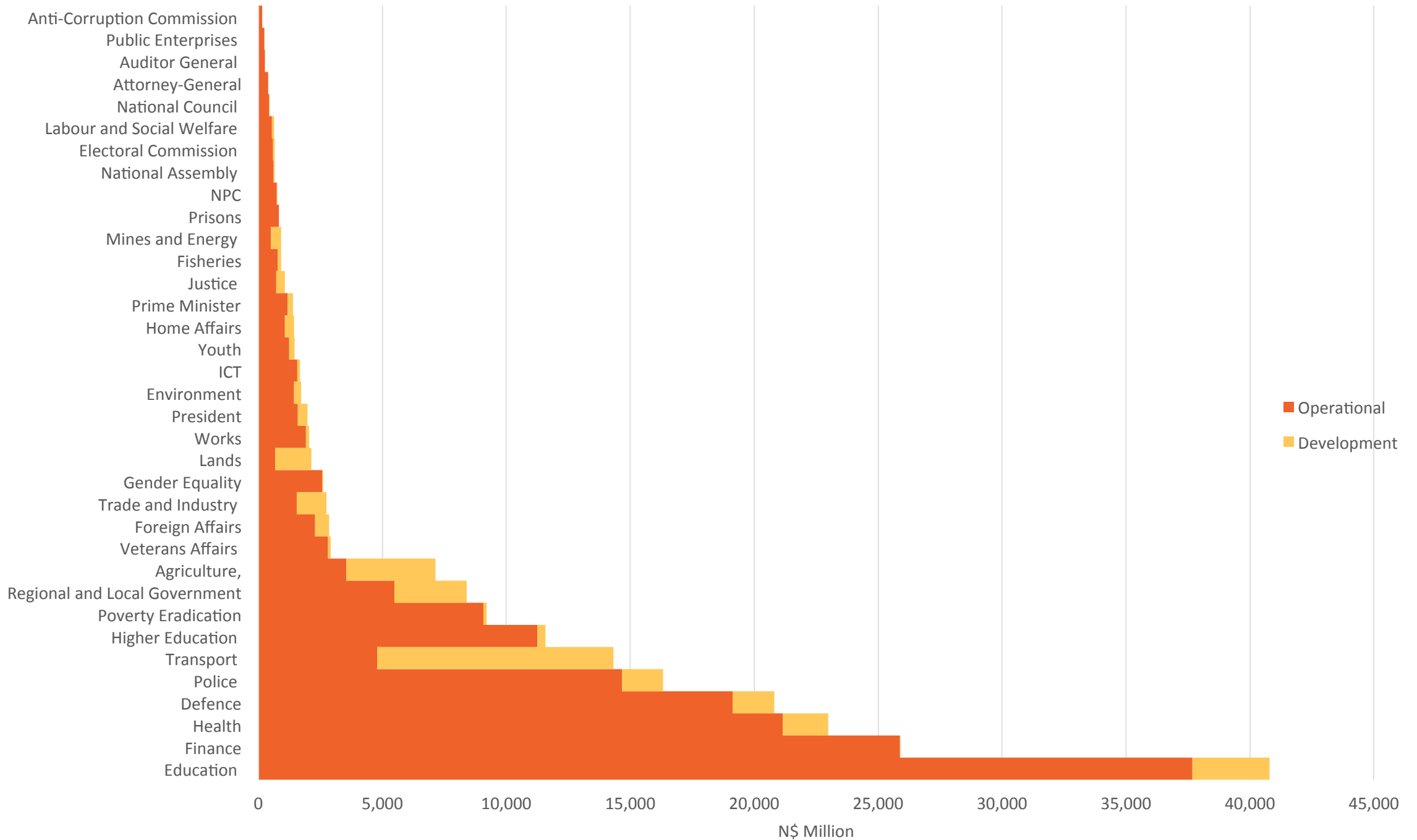
Average of N\$1.07m per

Average of N\$4.2m per employee

2016/17 EXPENDITURE BREAKDOWN



MTEF EXPENDITURE BREAKDOWN



LARGEST DEVELOPMENT BUDGET PROJECTS, 2016/17



| | | |
|---------------------------|--|---------|
| → Transport | Railway Network Upgrading | N\$390m |
| Land Reform | Land Purchase Project | N\$327m |
| → Defence | Research and Development | N\$306m |
| → Agriculture | Construction of Large Dams, Desalination and Provision of Water to larger Settlements | N\$253m |
| Transport | Upgrading the TR9/1: Windhoek-Hosea Kutako road to a dual carriage (44km) | N\$224m |
| Transport | Rehabilitation of the TR 1/16: Windhoek -Okahandja Road (67km) | N\$220m |
| Agriculture | Green Scheme | N\$216m |
| → Transport | Upgrading of MR91 Gobabis - Aminius & MR 40 Aminius - Aranos (245Km) to bitumen standard | N\$182m |
| Transport | Construction of Swakopmund - Henties Bay - Kamanjab Link (412 KM). | N\$154m |
| → Education | Basic Education Facilities Upgrading | N\$150m |
| → International Relations | Purchasing, Constructing and Renovating of Diplomatic Premises Abroad | N\$143m |
| → President | State Security Infrastructure | N\$132m |
| Land Reform | Development of Communal Areas | N\$125m |
| Agriculture | Rural Water Supply Coverage (Rural Secondary Pipeline Construction) | N\$125m |
| Transport | Upgrading of Oshakati - Ongenga (DR 3609) road to bitumen standard | N\$121m |
| Transport | Construction of gravel road: Isize - Sifuha - Malindi- Schuckmannsburg (50km) | N\$116m |
| Transport | Maintenance of Roads: Flood Damaged Infrastructure Repair | N\$100m |
| Transport | Northern Railway Line Extension | N\$98m |
| → Prime Minister | Construction of the Second Office of the Prime Minister | N\$97m |
| Trade | Agro Processing Development | N\$95m |

STATE SECURITY INFRASTRUCTURE



PROJECT IDENTIFICATION, FUNDING AND COMPOSITION OF EXPENDITURE, DESCRIPTION, IMPACT AND ACTIVITIES

I. PROJECT IDENTIFICATION

Project Name: 01/02/3 - State Security Infrastructure

NPC CODE: 1496

STARTING DATE: 01-APR-2014

CONCLUDING DATE: 31-MAR-2019

III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)

The project is focusing on the construction, renovation and furnishing of accommodation facilities in the regions to accommodate the President and his entourage while on official visits to the regions. The facilities will provide accommodation and security to the Head of State and his entourage during official visits. The main components of the project are: the acquisition of accommodation facilities, Construction, Renovation and purchasing of equipment. The project will benefit the State, policies and decision makers.

IV. PROJECT ACTIVITIES

A. ACTIVITIES COMPLETED DURING 2015/2016 FINANCIAL YEAR: Construction and renovation of accommodation facilities in Khomas, Karas, Omusati, Ohangwena and Otjozondjupa. And acquired operational and administrative equipment

B. ACTIVITIES PLANNED FOR FIRST FINANCIAL YEAR (2016/2017) OF THIS MTEF: Construction and renovation of accommodation facilities in Khomas, Karas, Erongo, Omusati, Ohangwena, Otjozondjupa, Kavango east, Oshana, Abroad and in Omaheke. And acquired operational and administrative equipment

C. ACTIVITIES PLANNED FOR SUBSEQUENT FINANCIAL YEARS OF THIS MTEF: Acquisition of equipment and construction, renovation and purchasing of office accommodation.

| | | | | | | | |
|-------------------------|-----------|---------|---------|---------|---------|--------|---------|
| Outside SRF: (a) Grants | U | U | U | U | U | U | U |
| (b) Loans | U | U | U | U | U | U | U |
| Total External Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PROJECT FUNDING | 1,584,360 | 689,102 | 153,037 | 131,700 | 162,285 | 78,418 | 369,818 |

Total Project Cost: N\$1.6 billion

**PERSPECTIVE: Nkandla cost an estimated R246m
 2016/17 allocation = cost of servicing +2,600 erven
 Total project cost = cost of servicing +32,000 erven**

CONSTRUCTION OF A NEW NAMIBIAN PARLIAMENT BUILDING

- Development Budget, 2015 (N\$'000)

VOTE NUMBER AND VOTE NAME: 03 - National Assembly

| PROGRAMME : Strengthening and sustaining multiparty democracy | | | | | | | | |
|---|---|------------|---------------------|---------------------|-----------------------|-----------|-----------|---------|
| NPC CODE | PROJECT | Total Cost | Actual To 2013/2014 | Estimated 2014/2015 | Estimated Expenditure | | | Balance |
| | | | | | 2015/2016 | 2016/2017 | 2017/2018 | |
| 18864 | 03/02/6 - Renovation and Upgrading of SADC Forum Building | 10,776 | 0 | 4,170 | 3,701 | 250 | 0 | 2,654 |
| 18863 | 03/02/5 - Construction of a New Parliament Building | 613,011 | 0 | 0 | 20,000 | 20,000 | 20,000 | 553,011 |
| 1219 | 03/02/3 - Upgrading/Renovation of Parliament Buildings | 45,707 | 37,140 | 3,000 | 2,937 | 0 | 0 | 2,630 |
| Programme Sub-Total | | 669,493 | 37,140 | 7,170 | 26,638 | 20,250 | 20,000 | 558,295 |
| Total for Inside State Revenue Fund | | 669,493 | 37,140 | 7,170 | 26,638 | 20,250 | 20,000 | 558,295 |
| TOTAL VOTE EXPENDITURE | | 669,493 | 37,140 | 7,170 | 26,638 | 20,250 | 20,000 | 558,295 |

- Development Budget, 2016 (N\$'000)

VOTE NUMBER AND VOTE NAME: 03 - National Assembly

| PROGRAMME : Strengthening and sustaining multiparty democracy | | | | | | | | |
|---|---|------------|---------------------|---------------------|-----------------------|-----------|-----------|-----------|
| NPC CODE | PROJECT | Total Cost | Actual To 2014/2015 | Estimated 2015/2016 | Estimated Expenditure | | | Balance |
| | | | | | 2016/2017 | 2017/2018 | 2018/2019 | |
| 18864 | 03/02/6 - Renovation and Upgrading of SADC Forum Building | 10,776 | 0 | 3,701 | 1,000 | 0 | 0 | 6,074 |
| 18863 | 03/02/5 - Construction of a New Parliament Building | 2,009,000 | 0 | 20,000 | 12,920 | 43,625 | 0 | 1,932,455 |
| 1219 | 03/02/3 - Upgrading/Renovation of Parliament Buildings | 48,337 | 37,140 | 2,937 | 686 | 0 | 0 | 7,574 |
| Programme Sub-Total | | 2,068,112 | 37,140 | 26,638 | 14,606 | 43,625 | 0 | 1,946,103 |
| Total for Inside State Revenue Fund | | 2,068,112 | 37,140 | 26,638 | 14,606 | 43,625 | 0 | 1,946,103 |
| TOTAL VOTE EXPENDITURE | | 2,068,112 | 37,140 | 26,638 | 14,606 | 43,625 | 0 | 1,946,103 |

N\$613 million to N\$ 2.01 billion in one year. 228% price increase in one year.

Total project cost = cost of servicing +50,000 erven

LARGEST DEVELOPMENT BUDGET PROJECTS



| | | |
|--------------------------|--|-----------|
| Transport | Development of the Cape Fria- Katima Mulilo Railway Line | N\$10.4bn |
| Education | Establishment of Hostels at Schools Nationwide | N\$10.0bn |
| Defence | Research and Development | N\$6.66bn |
| Transport | Railway Network Upgrading | N\$5.46bn |
| Rural, Urban Development | Implementation of the Master Plan for Oshakati Town | N\$3.29bn |
| Transport | Rehabilitation of the TR 1/16: Windhoek -Okahandja Road (67km) | N\$3.26bn |
| Agriculture | Construction of Large Dams, Desalination and Provision of Water to larger Settlements | N\$3.12bn |
| Land Reform | Land Purchase Project | N\$3.01bn |
| Agriculture | Bulk Water Supply | N\$3.00bn |
| Agriculture | De-bushing in Commercial and Communal areas | N\$3.00bn |
| Transport | Upgrading the TR9/1: Windhoek-Hosea Kutako road to a dual carriage (44km) | N\$2.70bn |
| Agriculture | Green Scheme | N\$2.54bn |
| Transport | Northern Railway Line Extension | N\$2.37bn |
| National Assembly | Construction of a New Parliament Building | N\$2.01bn |
| Rural, Urban Development | Construction of Services Infrastructure in Outapi Extension 8 | N\$1.97bn |
| Transport | Maintenance of Roads: Paved and None Paved Roads and Flood Damaged Infrastructure Repair | N\$1.81bn |
| International Relations | Purchasing, Constructing and Renovating of Diplomatic Premises Abroad | N\$1.63bn |
| Education | Basic Education Facilities Upgrading | N\$1.40bn |
| President | State Security Infrastructure | N\$1.38bn |
| Transport | Upgrading of the MR 44: Swakopmund -Walvis Bay Road (44 km) | N\$1.31bn |

LARGEST DEVELOPMENT BUDGET PROJECTS CONT.



| | | |
|--------------------------|---|-----------|
| Agriculture | National Horticulture Development Initiative (Horticulture Production, Processing and Marketing) | N\$1.18bn |
| Transport | Upgrading of MR91 Gobabis - Aminius & MR 40 Aminius - Aranos (245Km) to bitumen standard | N\$1.16bn |
| Education | Construction of Teachers Houses | N\$1.14bn |
| Agriculture | Rural Water Supply Coverage (Rural Secondary Pipeline Construction) | N\$1.11bn |
| Trade | Construction of Sites and Premises Industrial Estates | N\$1.1bn |
| Home Affairs | Construction of Head Office for MHA | N\$1.07bn |
| Agriculture | Integrated Forest Resource Management | N\$1.06bn |
| Correctional Service | Construction and Renovation of Official Accommodation | N\$1.04bn |
| Education | Renovations of School Nation Wide | N\$1bn |
| Prime Minister | Construction of the Second Office of the Prime Minister | N\$0.99bn |
| Rural, Urban Development | Construction of Services Infrastructure in Walvisbay (Phase 3) | N\$0.98bn |
| Police | Upgrading of Police Stations | N\$0.98bn |
| Transport | Upgrading and Rehabilitation of Aus-Luderitz Railway Line | N\$0.89bn |
| Rural, Urban Development | Construction of Services Infrastructure in Katima Mulilo | N\$0.89bn |
| Police | Construction of Police Accommodation in (Housing Various Centre) | N\$0.85bn |
| Transport | Construction of Swakopmund - Henties Bay - Kamanjab Link (412 KM). | N\$0.81bn |
| Defence | Upgrading of Leopards Valley Military Base | N\$0.8bn |
| Defence | Construction of General Military Referral Hospital | N\$0.8bn |
| Health | Construction and upgrading of Primary Health Care Clinics Nationwide | N\$0.74bn |
| Transport | Upgrading of TR 14/2: Gobabis - Otjinene road to bitumen standard | N\$0.72bn |

LARGEST DEVELOPMENT BUDGET PROJECTS CONT.



| | | |
|--------------------------|--|-----------|
| Mines and Energy | Rural Electrification | N\$0.69bn |
| Transport | Construction and Tarring of the road from Opuwo to Epupa | N\$0.68bn |
| Transport | Construction and Tarring of the road from Opuwo to Sesfontein | N\$0.64bn |
| → Defence | Rehabilitation of old bases countrywide | N\$0.62bn |
| Rural, Urban Development | Upgrading and development of Informal Settlements & Low Income Townships in Windhoek | N\$0.61bn |
| Rural, Urban Development | Construction of Services Infrastructure in Nkurenkuru Phase 2 | N\$0.6bn |
| → Education | Building and Maintenance | N\$0.6bn |
| → Defence | Construction of Oluno Military Base | N\$0.57bn |
| Justice | Justitia Building Upgrading & Construction | N\$0.56bn |
| → Defence | Construction of Gobabis Military Base | N\$0.55bn |
| Transport | Upgrading the MR 110: Rundu - Elundu Road to Bitumen Standard | N\$0.55bn |
| → Defence | Construction of Mpacha Military Base | N\$0.55bn |
| → Defence | Upgrading and Renovation of Otjiwarongo Military Base | N\$0.55bn |
| Transport | Rehabilitation of the TR 2/1: Swakopmund -Walvis Bay Road (30 km) | N\$0.54bn |
| Justice | Upgrading and Construction of Lower Courts | N\$0.53bn |
| Transport | Rehabilitation of the Keetmanshoop - Mariental road (386km) | N\$0.53bn |
| Rural, Urban Development | Construction of Services Infrastructure in Oshakati | N\$0.52bn |
| Transport | Upgrading of DR 3608: Omafo - Ongenga - Outapi road to Bitumen Standard | N\$0.5bn |
| → Defence | Construction of H. Katjipuka Military Base | N\$0.5bn |
| Agriculture | Establishment of Agro Processing Facilities | N\$0.5bn |

NEW DEVELOPMENT BUDGET PROJECTS



| Project Name | Project Cost(N\$'000) |
|--|-----------------------|
| 20/11/10 - Bulk Water Supply | 3,615,000 |
| 24/02/122 - Keetmanshoop via Aroab to Klein Menasse Border Post 6 km) | 1,020,600 |
| 08/04/18 - Construction of H. Katjipuka Military Base | 500,000 |
| 08/04/20 - Construction of 21 Guard Military Base | 500,000 |
| 20/07/3 - Establishment of Agro Processing Facilities | 500,000 |
| 19/04/27 - Construction of Pharmaceutical Manufacturing Plant in Okahandja | 303,200 |
| 08/04/19 - Construction of Leopards Valley Sports Complex | 200,000 |
| 16/02/2 - Construction of Attorney-General's Office | 150,000 |
| 21/04/1 - Elizabeth Nepemba Correctional Facility Extension Construction | 140,008 |
| 18/07/8 - Construction of Infrastructure for Solid Waste | 140,000 |
| 20/05/9 - Production incentives for sunflower oil seed and cowpeas | 135,000 |
| 33/04/1 - Construction Food Bank Khomas | 129,254 |
| 18/06/3 - Development and Establishment of Research and Development Center for Biotrade in Namibia | 120,000 |
| 24/02/98 - Construction of gravel road D3622: Omukukutu - Omboloka (25km) | 103,345 |



VOTE: 20 - Agriculture, Water and Forestry

MAIN DIVISION: 10 - Resource Management

EXECUTING AGENCY: Agriculture, Water and Forestry

NDP 4 GOALS: High and sustainable economic growth

STRATEGIC AREAS: Public Infrastructure

DESIRED OUTCOME: Modern, reliable infrastructure

STRATEGIC INITIATIVES: Ensure water security

PROGRAM NAME: Integrated Water Resource Management

TARGET REGIONS FOR THIS MTEF: Khomas

TARGET CONSTITUENCIES FOR THIS MTEF: All Khomas

II. PROJECT FUNDING EXPENDITURE (N\$'000)**A. SOURCE OF FUNDING**

A-1 INTERNAL FUNDING

Government

Other Dev't Funds

Total Internal Funding

A-2 EXTERNAL FUNDING

Inside SRF: (a) Grants

(b) Loans

Outside SRF: (a) Grants

(b) Loans

Total External Funding**TOTAL PROJECT FUNDING****B. COMPOSITION OF EXPENDITURE**

027 Other Services and Expenses

107 Construction, Renovation and Improvement

107 Construction, Renovation and Improvement

107 Construction, Renovation and Improvement

107 Construction, Renovation and Improvement

107 Construction, Renovation and Improvement

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107 Construction, Renovation and Improvement

107 Construction, Renovation and Improvement

Project Name: 20/11/10 - Bulk Water Supply

NPC CODE: 20120

STARTING DATE: 01-APR-2019

CONCLUDING DATE: 31-MAR-2027

VOTE: 20 - Agriculture, Water and Forestry

MAIN DIVISION: 11 - Rural Water Supply

EXECUTING AGENCY: Agriculture, Water and Forestry

NDP 4 GOALS: High and sustainable economic growth

STRATEGIC AREAS: Public Infrastructure

DESIRED OUTCOME: Modern, reliable infrastructure

STRATEGIC INITIATIVES: Ensure water security

PROGRAM NAME: Strategic water supply infrastructure development

TARGET REGIONS FOR THIS MTEF: Omusati, Kavango West

TARGET CONSTITUENCIES FOR THIS MTEF: Outapi, Mpungu

II. PROJECT FUNDING EXPENDITURE (N\$'000)**A. SOURCE OF FUNDING**

| | Total Cost | Actual till 2014/2015 | 2015/2016 Estimated | Estimate for 2016/2017 | Estimate for 2017/2018 | Estimate for 2018/2019 | Balance to complete |
|-------------------------------|------------------|--------------------------|------------------------|---------------------------|---------------------------|---------------------------|------------------------|
| A-1 INTERNAL FUNDING | | | | | | | |
| Government | 3,615,000 | 0 | 0 | 0 | 0 | 156,502 | 3,458,498 |
| Other Dev't Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Internal Funding | 3,615,000 | 0 | 0 | 0 | 0 | 156,502 | 3,458,498 |
| A-2 EXTERNAL FUNDING | | | | | | | |
| Inside SRF: (a) Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Outside SRF: (a) Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total External Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PROJECT FUNDING | 3,615,000 | 0 | 0 | 0 | 0 | 156,502 | 3,458,498 |

B. COMPOSITION OF EXPENDITURE

| | SOURCE | I/O SRF | | | | | | | |
|---|---|---------|--------|------------------|----------|----------|----------|----------------|------------------|
| 131 | Government Organisation | GRN | Inside | 3,000,000 | 0 | 0 | 0 | 156,502 | 2,843,498 |
| 105 | Feasibility Studies, Design and Supervision | GRN | Inside | 615,000 | 0 | 0 | 0 | 0 | 615,000 |
| Total composition of expenditure | | | | 3,615,000 | 0 | 0 | 0 | 156,502 | 3,458,498 |

III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)

The Central Areas of Namibia (CAN) are currently supplied with reclaimed domestic effluent. Most of the local and regional water need therefore exists, to develop reliable additional water conditions when little surface run-off is available in the dry boreholes, to increase the access to a larger volume of surface supply to the CAN to meet expected increased demand which combination with artificial recharge of the Windhoek Aquifer good water quality. The components of the project include construction of Windhoek to the consumers and artificial recharge potential

III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)

The project aims to supply water in bulk to larger settlement where current water availability is under threat; the main components of the project will be to augment water to Central Area of Namibia (CAN) from the Kavango River. The project will be implemented in phases, Phase 1: Kavango link to Grootfontein and Phase 2: Grootfontein link to CAN. The other main component is to replace the canal with a pipeline from Caulueque to Oshakati. The project aims to increase water security for the country and the beneficiaries will be consumer of portable water in targeted areas as well as the nation at large.

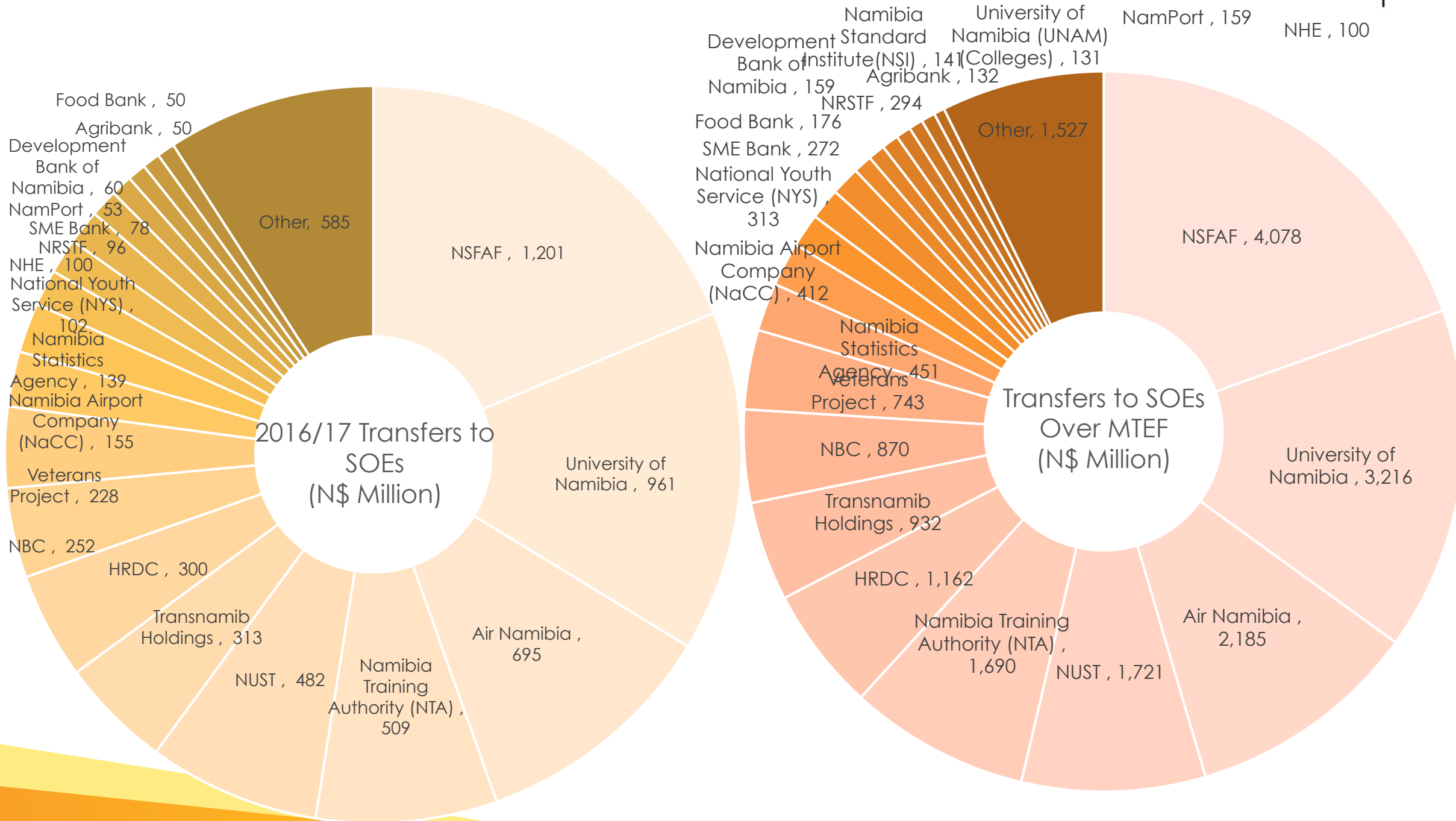
FREE ERVEN EQUIVALENT



| Ministry | Project | Cost | Erven equivalent |
|-------------------------|--|-----------|------------------|
| Defence | Research and Development | | 153 |
| Agriculture | Construction of Large Dams, Desalination and Provision of larger Settlements | | 62,333 |
| International Relations | Purchasing, Constructing and Renovation Abroad | N\$1.63bn | 32,689 |
| President | State Security | N\$1.38bn | 27,586 |
| Home Affairs | Construction | N\$1.07bn | 21,308 |
| Prime Minister | Prime Minister | N\$0.99bn | 19,713 |
| Defence | Military Base | N\$0.8bn | 16,018 |
| | Bases countrywide | N\$0.62bn | 12,305 |
| | Construction of Gobabis Military Base | N\$0.55bn | 11,024 |
| | Construction of Mpacha Military Base | N\$0.55bn | 10,909 |
| Defence | Upgrading and Renovation of Otjiwarongo Military Base | N\$0.55bn | 10,909 |
| Defence | Construction of H. Katjipuka Military Base | N\$0.5bn | 10,000 |
| Defence | Construction of 21 Guard Military Base | N\$0.49bn | 9,800 |
| Labour | Construction of the Ministry of Labour Head Office | N\$0.4bn | 7,967 |
| | | | 385,713 |

PROVIDING A FREE PIECE OF (SERVICED) LAND TO EVERY NAMIBIAN HOUSEHOLD IS VERY POSSIBLENOT A PRIORITY?

TRANSFERS TO SOES



LEVEL OF DETAIL ON TRANSFERS TO SOES - EXAMPLE



| | | | | | | | |
|----|--------------------------------|------------|--|----------------|----------------|----------------|------------------|
| 17 | Urban and Regional Development | NHE | To provide affordable Housing government effort in providing housing | 100,000 | | 0 | 100,000 |
| | | | | | 0 | | |
| | | HRDC | Operational expenses | 300,000 | 400,000 | 462,000 | 1,162,000 |
| | | Trust Fund | Operational expenses | 30,000 | 30,000 | 30,750 | 90,750 |
| | Sub-Total | | | 430,000 | 430,000 | 492,750 | 1,352,750 |

EXPENDITURE BREAKDOWN BY CATEGORY



| | Expenditure | | | Growth | | |
|--|-------------|---------|---------|---------|---------|---------|
| | 2016/17 | 2017/18 | 2018/19 | 2016/17 | 2017/18 | 2018/19 |
| Social | 28,528 | 30,204 | 32,675 | 6.8% | 5.9% | 8.2% |
| Public safety | 13,007 | 13,411 | 14,600 | -9.0% | 3.1% | 8.9% |
| Administration | 6,031 | 5,452 | 6,066 | -7.0% | -9.6% | 11.3% |
| Economic | 8,394 | 9,106 | 9,324 | -15.3% | 8.5% | 2.4% |
| Infrastructure | 5,162 | 6,703 | 6,057 | -11.0% | 29.9% | -9.6% |
| Total (excl. statutory payment) | 61,121 | 64,876 | 68,722 | -3.3% | 6.1% | 5.9% |

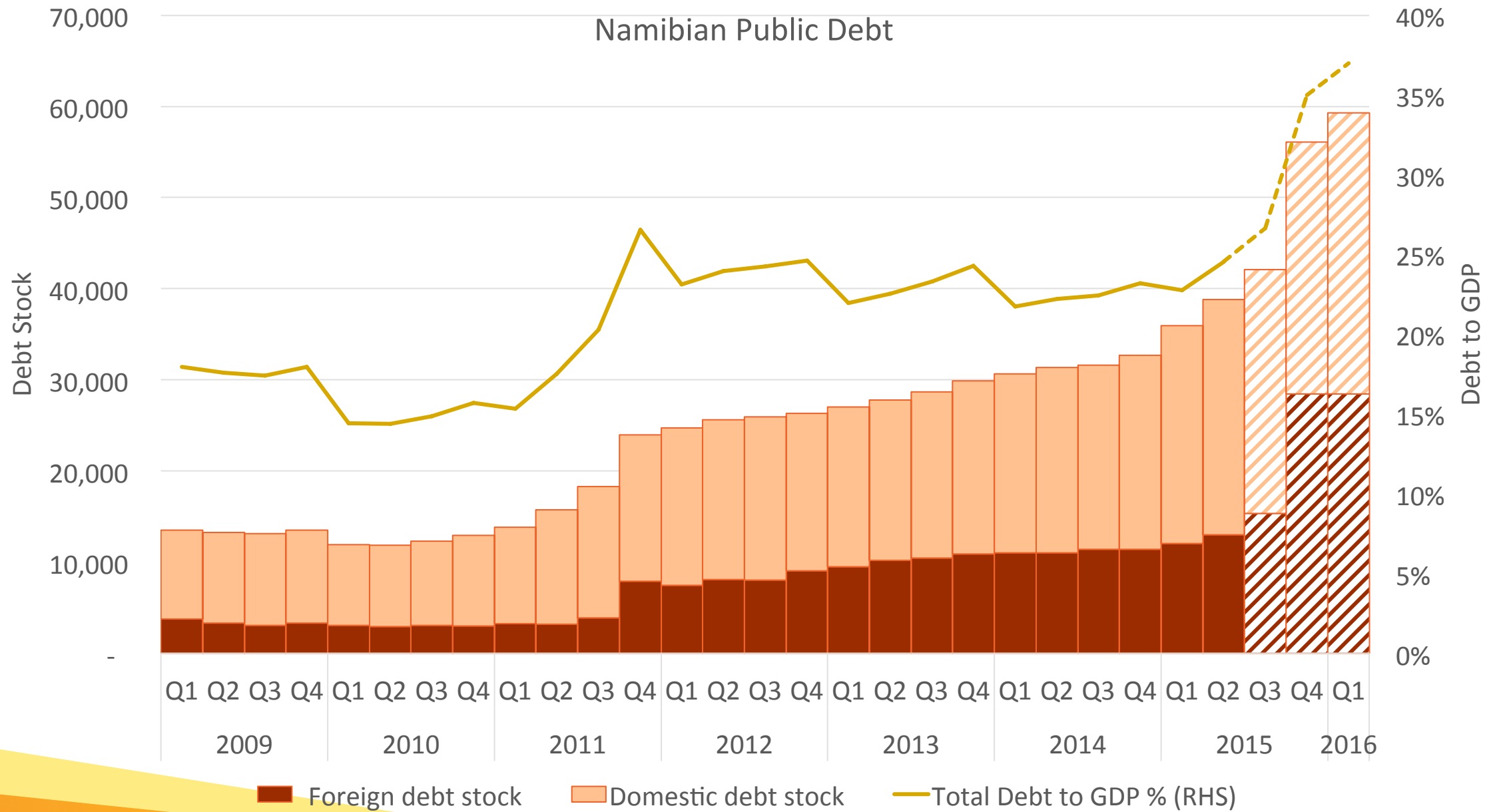
Key questions:

- Where do the funds to support social spending come from?
- Are we doing enough to maintain the ability of these sources to provide these funds?

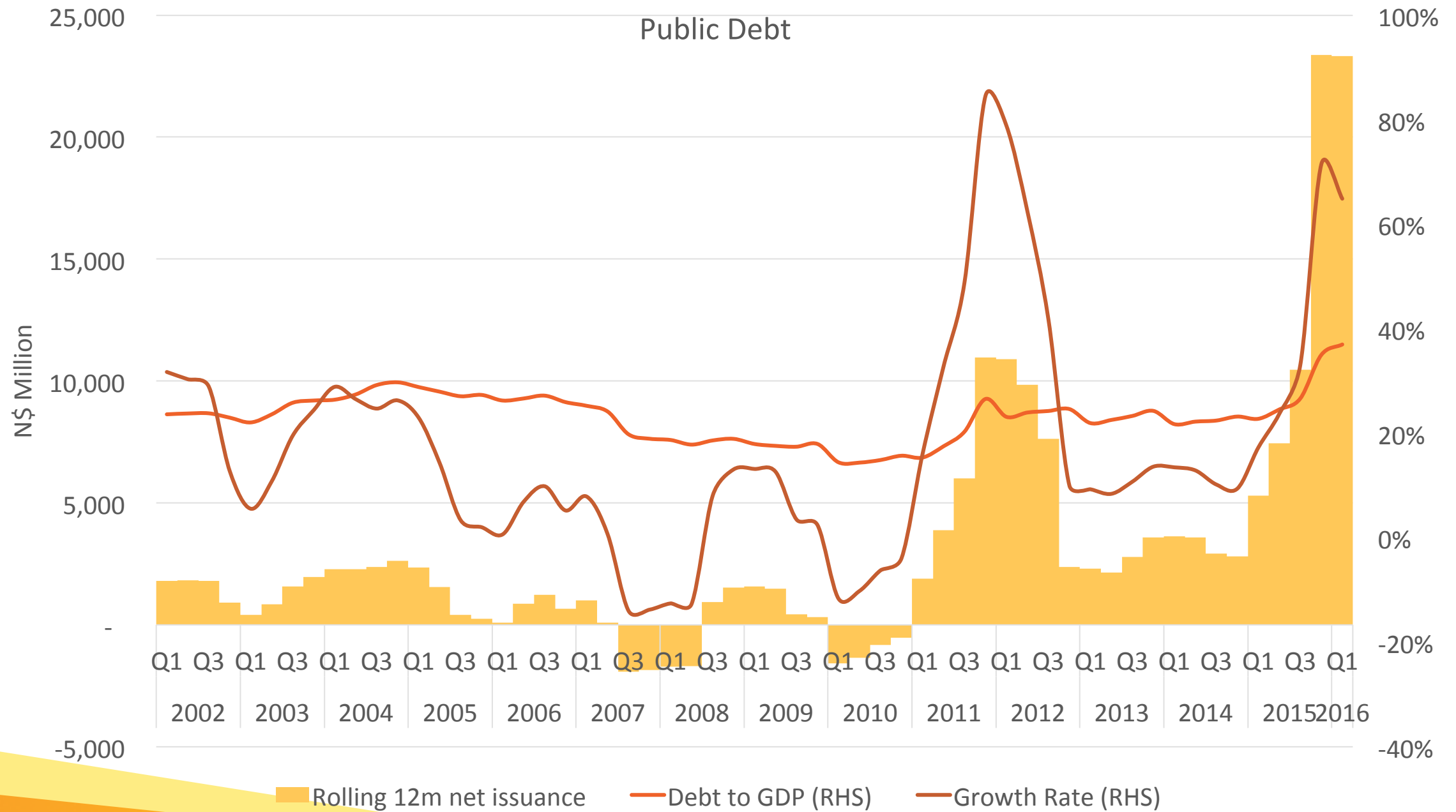
BUDGET BALANCE AND DEBT STOCK

The difference...

DEBT STOCK



GROWTH IN DEBT STOCK



DEBT BENCHMARKS



| | Benchmark | Current |
|---|-----------|---------|
| Total debt / GDP | 35% | 37% |
| Domestic debt / GDP | 28% | 19% |
| Foreign debt / GDP | 7% | 18% |
| Foreign debt (excl. Rand) / GDP | 7% | 12% |
| Total debt Service / Revenue | 10% | 8% |
| Total debt Service/ GDP | 3% | 3% |
| Domestic debt / Total debt | 80% | 52% |
| External debt / Total debt | 20% | 48% |
| External debt (excl. Rand) / Total debt | 20% | 33% |
| Debt falling due within 12 months | 30% | 22% |
| Total Guarantees / GDP | 10% | 8% |
| Bonds as Percent of Total (Domestic) | 60% | 59% |
| TBs as Percent of Total (Domestic) | 40% | 41% |

We have breached a number of debt benchmarks – how seriously is this being taken?

PREVIOUS FORECASTS – 2014 BORROWING PLAN

PERFORMANCE vs. BENCHMARKS



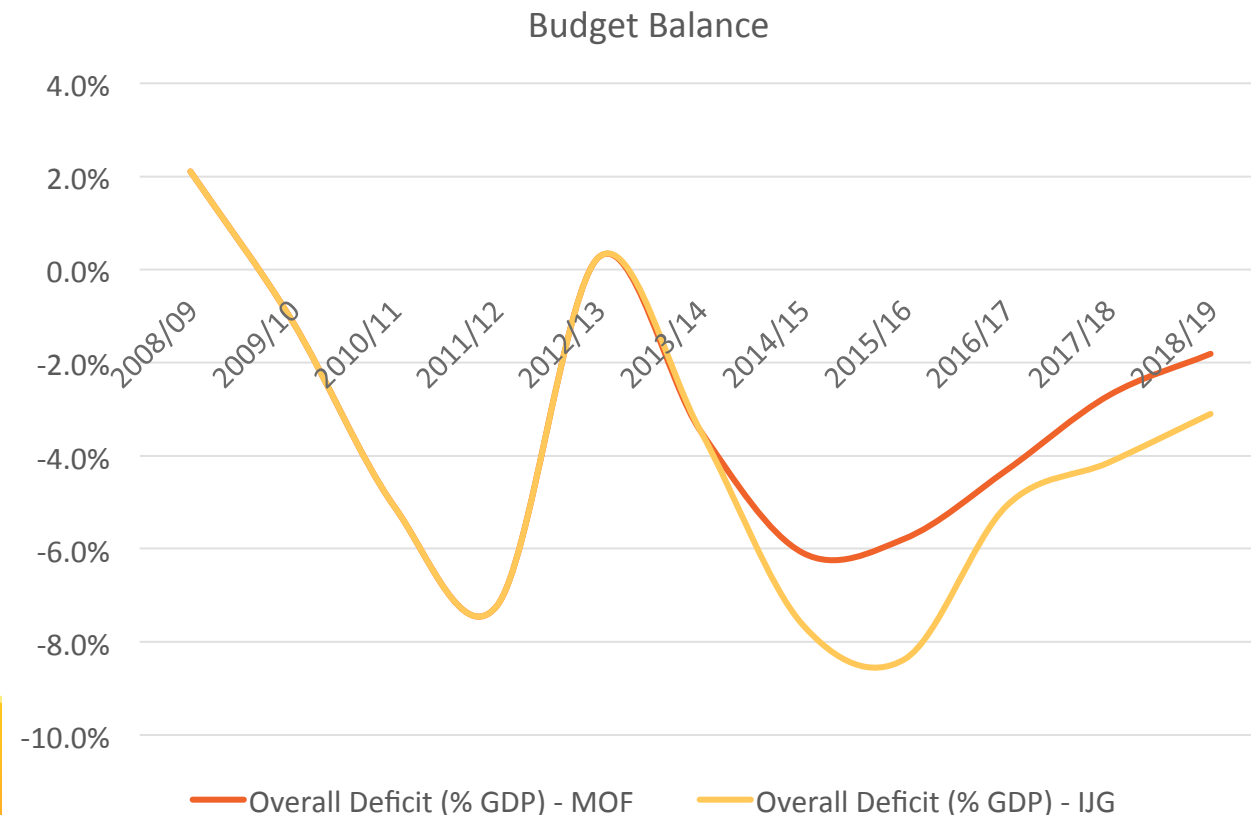
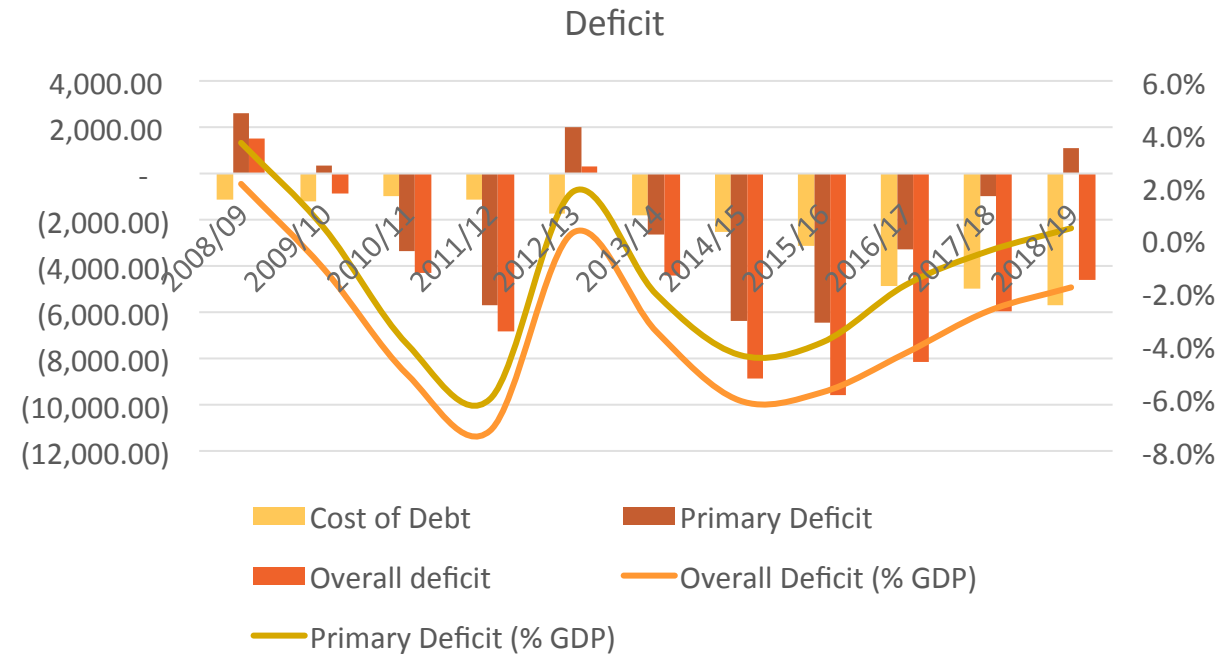
| | Benchmark (%) | 2013-14 | 2014-15 | 2015-16 | 2015-17 |
|---|---------------|---------|---------|---------|---------|
| Total debt / GDP | 35% | 26% | 24% | 23% | 21% |
| Domestic debt / GDP | 28% | 17% | 15% | 15% | 14% |
| Foreign debt / GDP | 7% | 10% | 9% | 9% | 7% |
| Foreign debt (excl. Rand) / GDP | 7% | 9% | 8% | 6% | 6% |
| Total debt Service / Revenue | 10% | 6% | 5% | 5% | 5% |
| Total debt Service/ GDP | 3% | 2% | 2% | 2% | 2% |
| Domestic debt / Total debt | 80% | 64% | 63% | 63% | 65% |
| External debt / Total debt | 20% | 36% | 37% | 37% | 35% |
| External debt (excl. Rand) / Total debt | 20% | 32% | 31% | 28% | 27% |
| Debt falling due within 12 months | 30% | 33% | 31% | 25% | 26% |
| Total Guarantees / GDP | 10% | 5% | 4% | 4% | 4% |

Centre of Excellence

BUDGET BALANCE



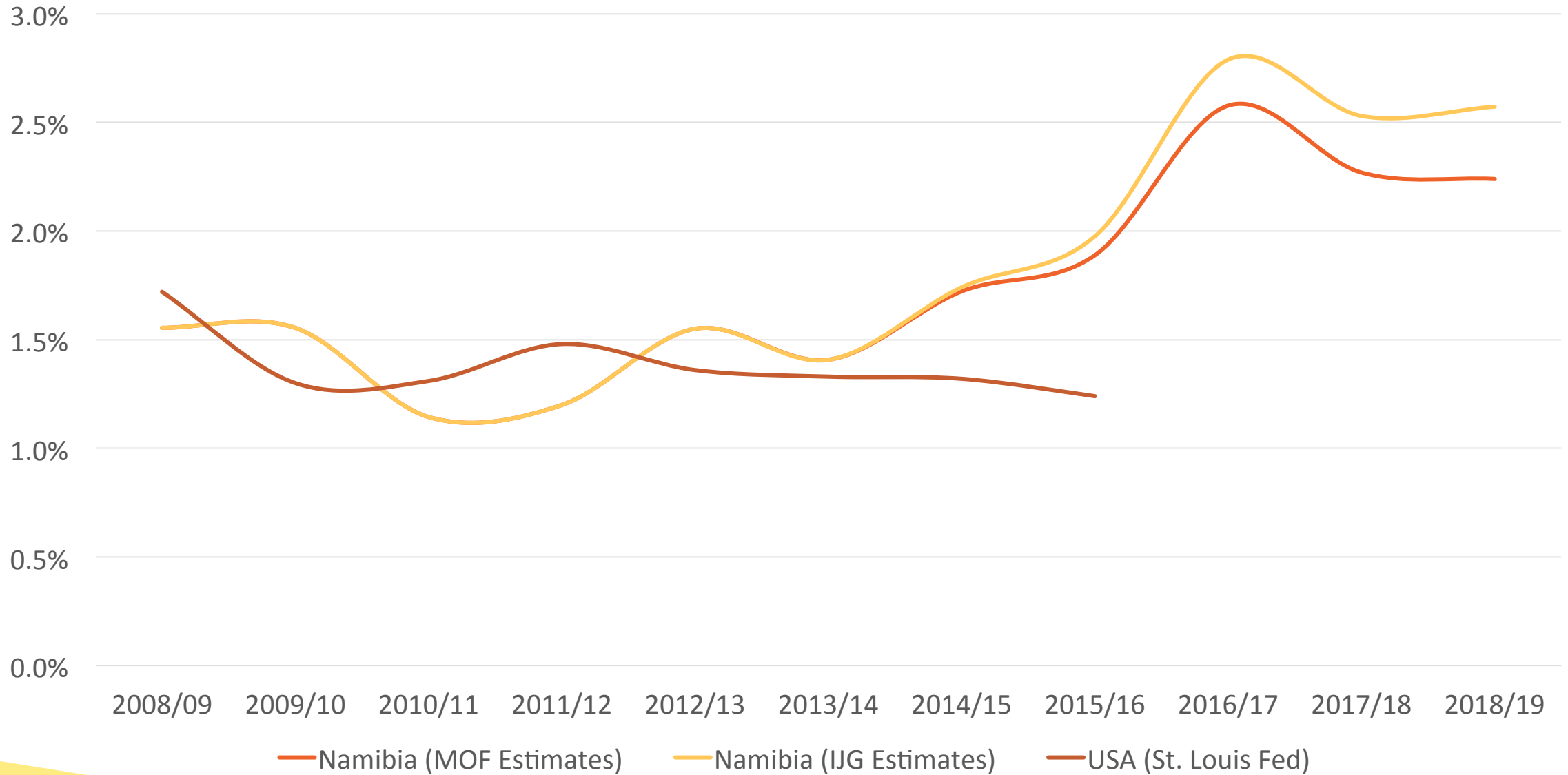
- The deficit for 2016/17 is forecast at N\$8.2 billion, down from N\$9.6 billion in 2015/16.
 - 4.3% of GDP, from 5.8%.
- These deficits are expected to shrink through the MTEF, to 1.8% of GDP by 2018/19
- However, ambitious growth forecasts and downward sticky expenditure make achieving this highly challenging.
- Estimates from IJG Securities, suggest a much larger deficit across all years.
- Cost of debt increasing notably – primary surplus forecast in 2018/19, but debt cost of 2.4% of GDP.



DEBT SERVICING COSTS

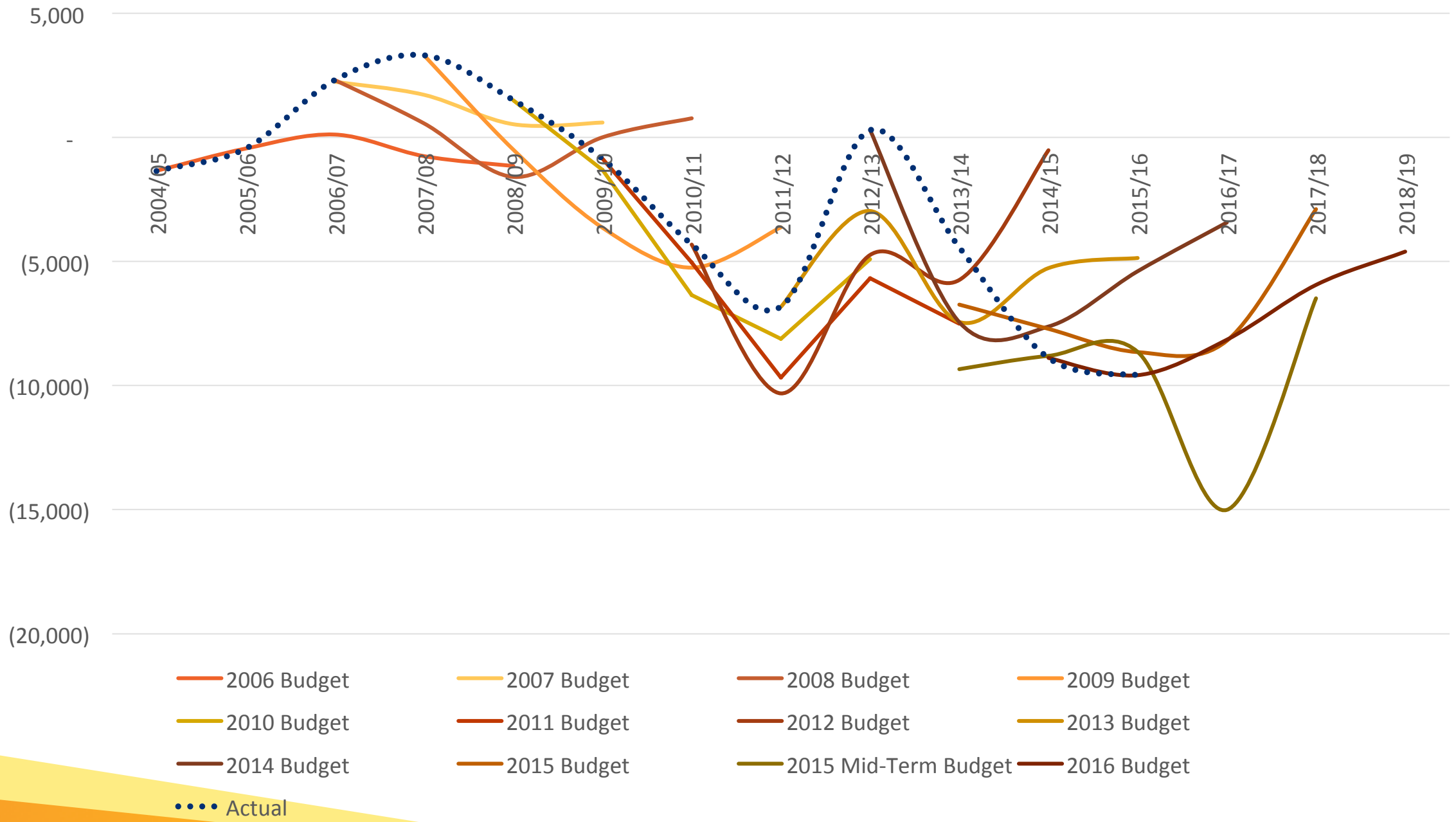


Debt Servicing to GDP



GROWTH (AND INFLATION) KEY TO OVERCOMING HIGH SERVICING COSTS
GROWTH OUTLOOK UNCERTAIN

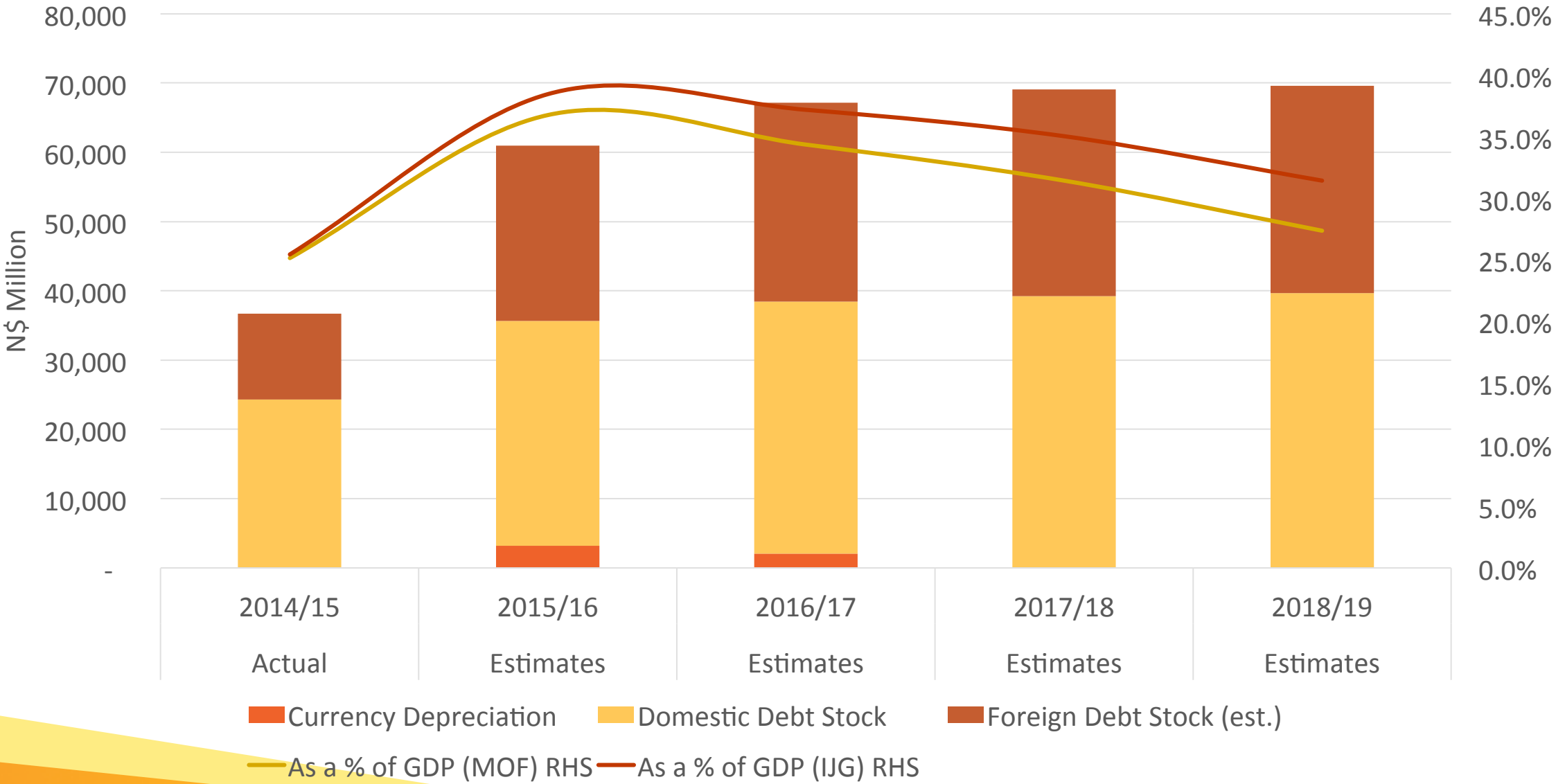
DEFICIT FORECASTS VS. ACTUAL



DEBT STOCK FORECAST



Debt Stock



ASSESSMENT

How do we fare?

GROWTH & EMPLOYMENT



What is being done:

- Sizable direct employment by Government
- Historic stimulus key driver of recent growth.
- Government remains key player in the local economy

What more needs to be done:

- Desperate need to move away from Government creating jobs/growth, to Government facilitating the creation of jobs/growth.
 - Improved business environment
 - Improved access to services
 - Improved education
 - Less red tape
 - Less pernicious legislation/regulation

INTERNATIONAL INVESTMENT RATING



What is being done:

- Notable efforts made to bring expenditure under control.
- Efforts seen to reduce deficit and control debt stock.
- Foreign bond issuance to support external position.

What more needs to be done:

- BON – needs to take external position mandate more seriously.
- Efforts needed to extend duration (zero net TB issuance).
- Foreign currency debt still desperately in need of hedging.
- Further constrain on spending, caution on forecasts
- Infrastructure provision

PROVISION OF KEY SERVICE INFRASTRUCTURE



What is being done:

- **CAN Water**
 - Artificial recharge of the Windhoek aquifer **N\$343.8 million in 2017/18 and 2018/19**
 - Bulk Water Supply – **N\$156.5m in 2018/19**, N\$3.5 billion thereafter.
 - **Nothing in 2016/17** – high probability of 30% water supply to CAN from September – **ECONOMIC AND SOCIAL DISASTER.**
- **Energy**
 - No allocation to NamPower
 - Full costs of emergency power to be passed through to consumers?
- **Road, Rail**
 - Notable allocations to both key road and rail infrastructure.

What more needs to be done:

- All stops need to be removed to provide immediate funding for CAN water.
- Funding needs to be made available for NamPower should energy prices increase as a result of poor planning by SOE monopoly.
- Improved maintenance of current infrastructure.
- Sell off non-core assets and infrastructure (and use funds for new, core, infrastructure)

SOCIAL SUPPORT, POVERTY REDUCTION AND (SUSTAINABLE) REDISTRIBUTION



What is being done:

- Sizable increases in social spending.
- Pensions increased by 10%.
- Transfers to food banks
- New Ministry established
- “War on Poverty”
- “Solidarity” Tax

What more needs to be done:

- Better utilization of current budget funds
 - Improved access to housing – best redistribution to give each Namibian family serviced land.
 - Improve quality of healthcare
- BIG?

HOUSING



What is being done:

- NHE allocated N\$100 million in 2016/17, nothing thereafter
- Habitat, Research and Development Centre N\$300m in 2016/17, N\$1.2 billion across MTEF.
- Small allocations through development budget (Whk – N\$10 million in 2016/17 etc.)
- Other PPP projects.

What more needs to be done:

- Can, and should, provide free serviced land to every Namibian family, funded through the budget.

EDUCATION AND HEALTH



What is being done:

- Large budget allocations to both education and health.
- Notable spend in development budget, looking to improve coverage.
- Notable increases in maintenance .
- Large transfers to SOEs.

What more needs to be done:

- Radical change in system needed.
- Focus on quality improvement at all costs.
- Private sector involvement (education in NEEEF – genuine empowerment?).

OTHERS



What is being done:

- Huge budget allocations to Defence (not just for employment)
- Huge allocation for “ivory tower” parliament buildings
- Huge allocations for Government offices (+-N\$12bn of projects in Development Budget)
- Many wasteful, non-productive projects.
- Huge personnel costs
- Large transfers to SOEs

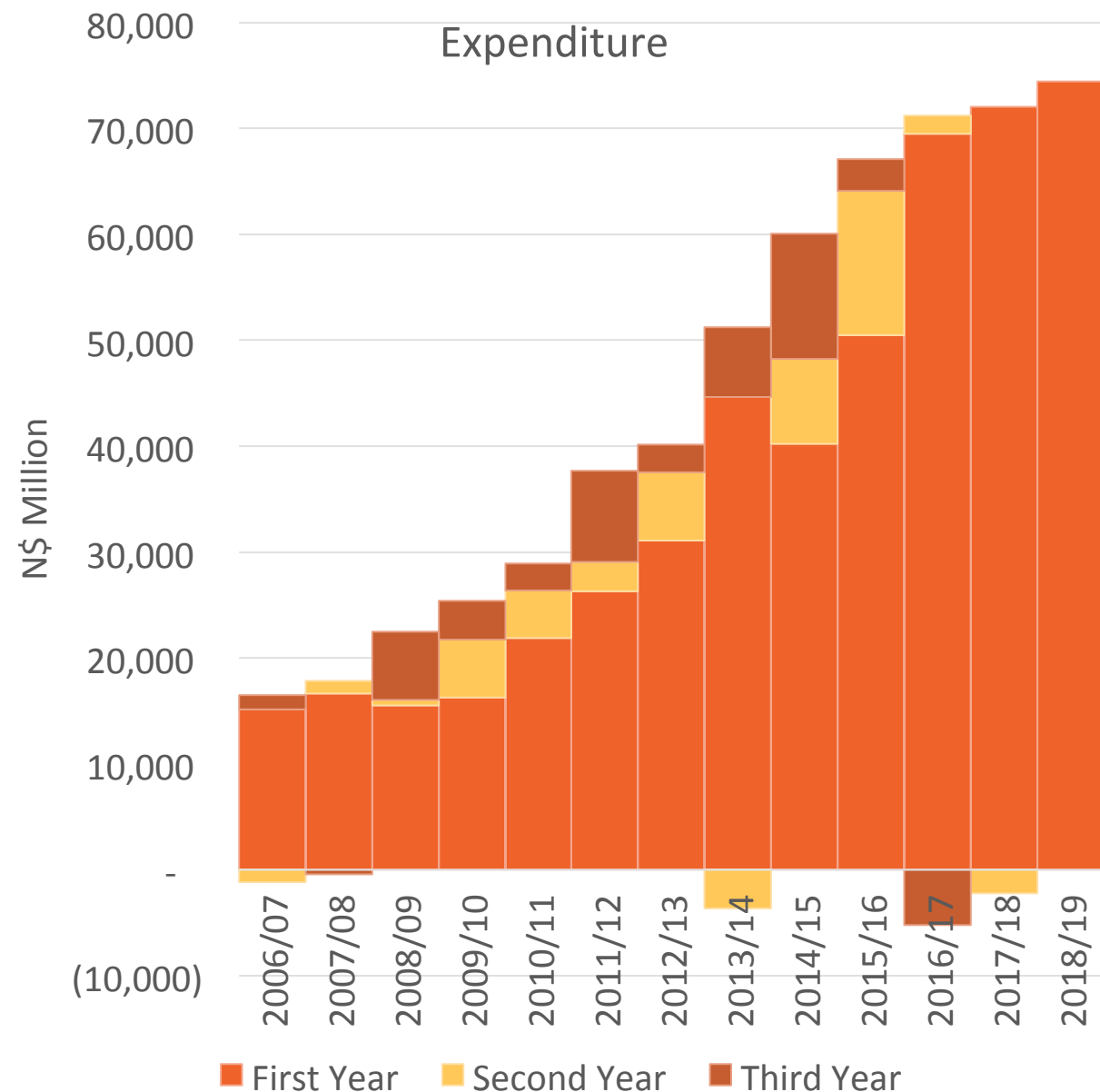
WHAT MORE NEEDS TO BE DONE:

- Capping of Defence spending at current levels; reduction in development budget expenditure; REMOVAL OF ALL NEW MILITARY BASE PROJECTS; involve Defence Force in current priority projects (i.e. land servicing and poverty reduction) so as not to have to employ more people.
- SCRAP NEW PARLIAMENT. Upgrade, renovate and maintain current parliament (as budgeted for); spend “savings” on housing Namibia.
- Moratorium on all new Government offices; budget to improve use of space, renovation and maintenance; full audit of current Government assets.
- Scrap current non-productive development budget project; conduct proper appraisals of all future projects; reroute funds to key infrastructure projects (WATER, road, rail, energy etc.)
- Cap civil service at current levels; conduct (credible) HR needs assessment, don't refill unnecessary positions; encourage movement within Government, freeze positions once vacated unless critical.
- Demand that all SOE's have annual audits; conduct (credible and transparent) cost benefit analysis for Air Namibia.

BUDGET PROCESS



- The budget shows hallmarks of being a rushed, excel exercise.
- There remains a notable disconnect between priorities (speech, NDP4, V2030) and expenditure.
- N\$210bn envelope – has enough attention and expertise been seen?
- Budget cycle and planning cycles misaligned.
- Little feedback on spend quality- little M&E



CONCLUSIONS



- Definite moves in the right direction, but still much to be done.
- Minister to be commended on efforts to date.
 - Reducing expenditure challenging politically.
 - Slow improvement in alignment of budget to priorities.
 - Allocations to rail and road
 - Some allocations to water
 - Improved allocation to maintenance
 - Still large allocations to education and health – quality still worrying
- Greater spend needed on key infrastructure, poverty reduction and housing.
- Less spend needed on parliament, offices and Defence (amongst others).
- Tough decisions needed on wage bill, civil service reform and SOEs.
- Incredibly difficult to maneuver with current budgeting approach. Rolling 3 year MTEFs remain a disaster.

Thank you

Questions?

FINAL POINTS:



- Regulation 15, 28
- Listing of SOEs
- Infrastructure bonds and funds
- Solidarity tax
- NEEEF