Budget Statement

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I. INTRODUCTION

Honourable Speaker,

1. I have the distinct honour to present the first Budget under the Presidential administration of His Excellency Dr Hage Gotfried Geingob.

2. I wish to thank His Excellency, the President, for the trust and confidence he has bestowed on me to serve as the custodian of our Public Finance Management and the financial sector.

3. I am grateful to the Founding President and Father of the Nation, His Excellency Dr. Sam Nujoma, for the firm foundation he has laid and for entrusting me to serve as Accounting Officer in his first Government and thereafter in the various portfolios.

4. I extend my sincere gratitude to Former President, His Excellency Hifikepunye Pohamba, under whose exemplary leadership I was privileged to respectively serve as the Deputy Minister of Finance and Minister of Trade and Industry; and especially for the quantum progress that the country has made in various facets of socio-economic development agenda during his Presidency.

5. I wish to sincerely thank my predecessor, former Minister of Finance and now the Right Honourable Prime Minister, Saara Kuugongelwa-Amadhila, for her great contribution to building a robust public finance management system and for her effective stewardship of the financial sector. Indeed, I thank her for her sound guidance during the memorable months and years we worked together (as her Permanent Secretary and Deputy Minister) as well as for her support during the last few days of finalizing the budget preparation.

6. Honourable Speaker, let me take this opportunity to congratulate you on your election as Speaker of the National Assembly. In the same vein, may I also congratulate Honourable Loide Kasingo as the Deputy Speaker of this House. I also want to congratulate all the honourable members of the National
Assembly, new and old, for their successful elections. Under your able leadership, this House is destined to steer the legislations to provide for the bread and butter issues affecting our people and our nation’s socio-economic development agenda, including the Appropriation Bill I am tabling today.

7. I recognize the opposition parties, especially the Official Opposition Party, and want to thank them in advance for the positive contribution in the common responsibility for advancing the socio-economic development agenda for our country.

Honourable Speaker, Honourable Members;

8. I wish to draw your attention to Article 126(1) of the Namibian Constitution, which states that “the Minister responsible for finance shall, at least once every year and thereafter at such interim stages as may be necessary, present estimates of revenue, expenditure and income for the prospective financial year”.

9. Based on this constitutional obligation, I table for the favourable consideration of the National Assembly the following documents:

   (a) The Appropriation Bill, 2015; and

   (b) the Estimates of Revenue, Expenditure and Income for the Financial Year 2015/16 and the corresponding Medium-term Expenditure Framework (MTEF) for the financial years 2015/16 to 2017/18;

10. In addition, Honourable Speaker, I present to this august House the Fiscal Strategy policy framework, the Development Budget and the Accountability Report as important policy and information documents.
II. ACCOUNTABLE GOVERNANCE – RESULTS-BASED MANAGEMENT

Honourable Speaker, Honourable Members,

11. Barely a week ago, on the 21st of March 2015, our country and people celebrated twenty-five years of independence, borne out of decades of protracted struggle and selfless sacrifices for the liberty and prosperity for all Namibians.

12. I wish to recall what Jane Addams had asserted, and I quote “The good we secure for ourselves is precarious and uncertain, until it is secured for all of us and incorporated into our common life”.

13. Honourable Speaker, we, the SWAPO Party-led Government, too, are aware and concede to this assertion. Twenty-five years down the line, Namibians look back with firm confidence, because we have made great strides.

14. Our country has been able to make notable progress and register key achievements, which include:

- The expansion of the economy by a factor of 15 since 1990, from N$8.3 billion to N$126.6 billion by 2013, with the corresponding income per capita having increased more than 10 times, from N$5,500 to N$58,300, thus propelling Namibia into the league of upper middle-income economies by global comparison;
- improved access to education, health facilities and basic amenities;
- reduction in relative poverty from 38 percent in 1993/94 to 20 percent by 2009/10 and pushing back extreme poverty from 9 percent to 2.0 percent over the same period;
- an impeccable record of democratic governance, peace and stability epitomized by our outgoing President, the indefatigable His Excellency Hifikepunye Pohamba, having been bestowed the 2015 Mo Ibrahim Award for excellence in African Leadership;
- upholding of macroeconomic stability and fiscal prudence, which enhanced the competitiveness of our economy and the capacity of the State to expand the provision of public services to all our people; and
in spite of the difficult adjustment period stemming from the effects of the global financial crisis, Namibia was able to have its investment grade sovereign credit ratings by Moody’s and Fitch reaffirmed as stable.

III. SEIZING CHALLENGES, CREATING OPPORTUNITIES

15. Indeed, Honourable Speaker, we made this notable progress amidst daunting challenges and difficult circumstances, borne out of our historical past of glaring inequalities and exclusion. We have not yet fully prevailed over these challenges.

16. Making a significant dent in the development challenges requires prompt implementation of targeted intervention measures and increased service delivery, alongside a robust tracking mechanism to assess the remit of the interventions.

17. In his inaugural address to the nation, His Excellency Dr. Hage Geingob stated, and I quote “We plan to expand and spread the opportunities for growth and prosperity to be enjoyed by all Namibians in all parts of the country, with a specific focus on the disadvantaged sections of our population. We will do so by pursuing policies and strategies to safeguard macroeconomic stability, promote economic diversification and transformation of the Namibian economy to be more inclusive and resilient to internal and external shocks”

IV. WHAT DOES THIS BUDGET OFFER?

Honourable Speaker,

18. The budget and the Medium-term Expenditure Framework I am tabling today are aimed at tackling the structural challenges that affect the development potential of our economy, unlocking opportunities for jobs and wealth creation and improving the welfare of Namibians in an inclusive and sustainable manner. It is a pro-poor, pro-growth budget, with deliberate scaled-up resource allocations to the targeted programmes for broad-based economic growth, job creation and poverty eradication over time.
Honourable Speaker,

Fellow Namibians,

19. To bring about better results in these focal areas of social and economic transformation, we need to depart from a business as usual mindset by making measurable efforts to hold Offices, Ministries and Agencies entrusted with programme execution accountable for their action or inaction. We have to move in top gear in our journey to Vision 2030.

20. In particular, we need to make bold decisions and commence with targeted policies to transform and diversify the economy, alongside a package of strategic interventions to amplify the policy impacts in the targeted areas.

V. POLICY PRIORITIES FOR THE MTEF

Honourable Speaker,

21. His Excellency President Hage Geingob’s administration came into office on the basis of a strong foundation laid over the past twenty-five years. As a matter of policy priorities, this administration will seize the opportunity to address the socio-economic challenges expeditiously.

22. By and large, Namibia’s economic growth so far has been positive and moderately high, but it largely remained jobless, with unemployment perpetually high, and now standing at 28.1 percent. A key challenge that we face is the narrow production base with growth being concentrated largely on the production and export of raw materials and commodities on one hand, and a high import bill on the other hand. This state of affairs limits the job creation potential, continually drives our trade balance deeper into deficit, exerts pressure on the stock of international reserves and renders the economy highly vulnerable to external shocks.

23. Thus, the first priority in this budget and MTEF is to bring about an inclusive growth agenda for our country by:-
- diversifying and industrializing the economy, through targeted budgetary allocations to the priority economic sectors with high economic growth and job creation potential,

- continuous development of functional and technical skills through increased access to tertiary education and vocational training,

- developing and supporting domestic and regional value chains in the areas of comparative and competitive advantage,

- crowding-in the much needed investment through private sector and SME support programmes as well as harnessing PPPs,

- enhancing greater access to development finance through the operations of domestic Development Finance Institutions and tailor-made commercial credit offerings, and

- leveraging PPPs for infrastructure development and public service delivery.

24. Honourable Speaker, although we have, undoubtedly, made a remarkable dent in poverty, deep pockets of poverty and vulnerabilities still remain.

25. Thus, the second priority for this budget and MTEF is to reduce poverty and improve social welfare. A sustainable and long-term strategy to address poverty is the provision of opportunities for income generation as well as promoting the creation of decent jobs. This will be achieved through:-

- strengthening social safety nets in coverage and quantum as the first line of defence against poverty for the vulnerable members of our society,

- supporting the creation of decent jobs and self-employment opportunities in the private sector,

- implementing policies that promote local access to, and ownership of the resources, and nurturing the capacity to exploit the resources profitably,
developing social security networks that are sustainable and meaningful, and

- designing and implementing redistributive tax policies that are pro-poor and pro-growth

26. **Honourable Speaker**, the interconnectedness across the skills deficit, joblessness, poverty, income inequalities and skewed ownership levels, pose an unyielding barrier to wealth creation for the majority of Namibians. We need to recognize that there is no silver bullet to address these challenges. A package of policies and instruments is needed to break this barrier over time.

27. The **third priority** for the budget and MTEF is, therefore, the achievement of prosperity and wealth creation through:

- empowering Namibians in a manner that creates sustainable and broad-based wealth creation,
- promoting affordable and sustainable access to finance and means of production, while maintaining responsible lending,
- developing facilities to support SME access to finance and mentorship programmes,
- increasing the share of local ownership and value share in the value chains across various industrial and service-oriented activities,
- encouraging wealth accumulation and prudent management, and
- expanding the provision of basic amenities to all Namibians.

28. Lastly, a performance-oriented and results-based work culture needs to be strengthened in the realm of public service delivery to ensure accelerated service delivery, accountability and value for money. Hence, the **fourth priority** is to:

- improve service delivery by strengthening internal efficiency of the public service sector through performance measures and accountability;
- continuous skills development, and
- reform of public enterprises to ensure affordable, competitive, reliable and sustainable service delivery.
Honourable Speaker

29. The extent to which we can address these priorities today depends on the multiplicity of internal and external factors impacting on our growth potential, the revenue generation capacity of our economy and the measures that we can deploy to address these constraints. Allow me, therefore, to highlight the economic context and constraints under which this budget and MTEF will be executed.

VI. GLOBAL AND REGIONAL ECONOMIC AND FINANCIAL CONTEXT

30. The global economy is projected to grow, but at a weaker pace of 3.5 percent in 2015 and marginally improving to 3.6 percent in 2016. With the exception of the United States of America, the growth outlook is weaker for other major economies, such as the Euro zone, China and Japan.

31. The Sub-Saharan African region is also not spared, with growth projected to remain relatively flat at 5 percent over the MTEF.

32. Closer to home, the South African economy, which is closely linked to Namibia through strong trade and financial ties, is projected to remain subdued, having only registered an estimated 1.4 percent growth in 2014 and projected to grow by an average of 2.5 over the MTEF, mainly due to the effects of electricity supply shortages.

33. The prolonged low growth spell for the South African economy poses inescapable consequences for Namibia, particularly in regard to export growth and revenue accruing from the Southern African Customs Union (SACU).

VII. DEVELOPMENTS IN THE DOMESTIC ECONOMY

34. With regard to developments in the domestic economy, growth is estimated at 6.2 percent in 2014, an acceleration from the growth rate of 5.1 percent recorded in 2013.
35. Growth in 2014 was anchored by the strong expansion of output in secondary industries, on the back of a booming construction activity and the recovery in the primary industry sector as well as associated increased investment in the mining sector, a strong surge in the retail sector and strong public consumption expenditure. Looking ahead, a stronger economic expansion could benefit from increased value chain developments in agriculture, agro processing, minerals beneficiation and stronger output from the services sector.

**Inflation and Monetary Policy**

36. Inflation remained relatively low, having been declining since 2012 to reach 3.6 percent by February 2015, thanks to lower oil and transport prices. After a sustained period of accommodative monetary policy, the Repo rate was, however, increased by a cumulative 75 basis points since June 2014, from 5.50 percent in May 2014 to 6.25 percent by February 2015, mainly as a measure to contain the rapid rise in household credit extension.

**Balance of Payments and Foreign Reserves**

37. The Overall Balance of Payments recorded a deficit of N$1.8 billion, from a surplus of N$598 million in 2013, mainly as a result of a widening current account deficit. The current account continued to register a deficit as a result of strong inflows of imports over exports, which further puts pressure on the stock of foreign reserves, although the stock remains sufficient to support the currency peg. On the other hand, the capital and financial account recorded an increased surplus, primarily due to large net capital inflows from other long-term investment, albeit not enough to offset the deteriorated current account deficit. These inflows were due to increased borrowings by the private sector, especially in the mining sector.

**Exchange Rate and Currency Movements**

38. The exchange rate has been depreciating against all major currencies in the recent years which, coupled with low inflation, augurs well for the competitiveness of the export industry, but comes with a higher import bill and increased debt servicing costs. This, together with improved market access
into Africa and other major markets, such as the EU, offers a competitive opportunity for Namibia to further expand her exports.

**Capital Market Developments**

39. Government’s borrowing strategy continues to promote domestic capital market developments, with about 90 percent of borrowing sourced from the domestic capital market during the 2014/15 financial year.

**Regional economic integration**

**Honourable Speaker**

40. In terms of the regional integration agenda, progress remains stalled regarding the current SACU revenue sharing and institutional arrangements.

41. Namibia believes in the relevance of SACU as the engine of regional integration and industrialization. We believe that SACU revenues are currently broadly shared in a manner that reflects the realities of the SACU economies and the proportional benefits accruing from the market share of the Member States in the Customs Union.

42. Regarding the drag on the SACU Revenue Sharing Formula and the perceived dependence on SACU receipts, our stance is that revenue matters cannot be seen in isolation. Associated trade and balance of payment benefits, rebates, duty drawdowns and industrial/agricultural development policies must be considered as well. A more balanced view on the revenue sharing formula through which all Member States of SACU can grow should, therefore, be our aim.

43. In regard to SADC, the Tripartite Free Trade Agreement between and among the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and the Southern African Development Community (SADC) is envisaged for launching in June this year. This promises for a larger market of some 625 million people and representing about 58 percent of the continent’s GDP. However, to optimise trading opportunities, Namibia needs to
significantly improve her productive capacity and avoid the trap of becoming a captive market for those countries with an ability to trade in finished goods.

**Fiscal Developments**

44. *Honourable Speaker*, on the fiscal front, total revenue outturn for 2013/14 stood at N$41.91 billion, 10.3 percent increase from the previous year and 4.4 percent better than the budgeted revenue.

45. For the 2014/15 financial year, the preliminary revenue outturn is estimated at N$53.91 billion, which represents a 28.6 percent increase over revenue collected the previous year and about 2.7 percent better than the budget forecast, supported by robust growth in domestic revenue streams and better SACU receipts for the year.

46. Total expenditure for the 2013/14 financial year stood at N$46.73 billion, or 35.7 percent of GDP. The budget execution rate stood at 98.2 percent, a much better utilization rate, compared to 95.5 spending rate in the previous year. A larger part of the unspent amount is from the development budget allocation.

47. In this regard, *Honourable Speaker*, I must stress again, as my predecessor, Right Honourable Prime Minister Saara Kuugongelwa-Amadhila has done on numerous occasions, that unspent budgetary allocations, particularly those of development nature, have an attendant opportunity cost of foregone development outcomes. Public infrastructure and service delivery are compromised by our inability to fully implement the budgeted development projects.

48. The preliminary expenditure outturn for the 2014/15 financial year, including expenditure commitments, amounts to N$54.32 billion, representing 90.2 percent of the N$60.20 billion budget. We expect this ratio to improve as outstanding information becomes available.
49. The budget balance stood at 3.7 percent of GDP in 2013/14 and an estimated 4.2 percent of GDP by 2014/15, much better than the budgeted deficit of 5.5 percent. While the debt stock has risen in nominal terms, as a proportion of GDP, debt stood at 23.5 percent in 2013/14, and 23.7 percent by 2014/15, seen against the threshold of 35 percent. Contingent liabilities stood at 4.3 percent of GDP in 2014/15, well below our ceiling of 10 percent of GDP.

Honourable Speaker,

50. The Government Accountability Report gives a detailed account of achievements by Vote and Programmes. Let me now to turn to the details of the medium-term outlook.

VIII. THE MEDIUM-TERM ECONOMIC OUTLOOK

51. Over the medium-term, our economy is projected to grow above global averages, but the growth rates are expected to be moderate in line with global trends. GDP is estimated to have grown by 6.2 percent in 2014 and it is projected to moderate to 5.7 percent in 2015 and average at slightly above 5.0 percent over the MTEF.

52. Revenue for the budget year is projected at N$58.44 billion, an increase of 8.7 percent over the previous year. For the MTEF, revenue is projected to increase at a moderate pace of about 9.0 percent, to reach N$69.18 billion by the end of the MTEF or about 35.0 percent of GDP.

53. The major drag and significant risk for revenue growth is the projected reduction of SACU revenues, on account of lower growth outlook for the South African economy and clouded by the uncertainty regarding the pending negotiations on SACU institutional and Revenue Sharing Formula arrangements. Going forward, Namibia remains open for dialogue and reiterates the need for constructive engagements on this matter, which should be seen in the wider context than mere revenue sharing.
The FY2015/16 Budget and Expenditure Outlook for the MTEF

Honourable Speaker,

54. The budget that I table before this house, proposes an expenditure outlay of N$67.08 billion for the 2015/16 financial year, equating to 40.8 percent of GDP. This represents 7.0 percent nominal increase over the past year, a much moderate expansion rate, compared to 27.7 percent over the previous year. For the MTEF, total expenditure is forecast to moderately increase to N$72.06 billion by 2017/18 and average 39.0 percent of GDP.

55. Total non-interest expenditure for 2015/16 will increase to N$63.23 billion, from N$57.69 billion in 2014/15, and average around N$65.56 billion over the MTEF.

56. Interest payments, which represents Government obligations to debt servicing is estimated at N$3.87 billion in FY2015/16 or some 6.6 percent of revenue, seen against the limit of 10 percent of revenue.

57. Non-interest operational expenditure for the budget year is set at N$52.12 billion or 31.7 percent of GDP, representing a 3.0 percent nominal increase over the previous financial year, due to expenditure commitments arising from public sector remuneration corrections as well as adjustments to the Government structure.

58. The development budget, which is key to infrastructure development and fiscal countercyclical is proposed to increase at a much higher rate of 15.9 percent to N$11.10 billion in the budget year and average around N$12.05 billion over the MTEF. As a portion of GDP, the development budget allocation increases from 6.4 percent in 2014/15 to 6.7 percent in 2015/16 and averages around this level over the MTEF.

59. In addition to the development budget allocation, budgetary allocations are made under the operational budget for targeted transfers to State-owned Enterprises for investment in strategic infrastructure projects such as the Kudu
Gas-to-Power project, railway and road network rehabilitation, Walvis Bay Port expansion and the Mass Housing flagship projects.

60. Going forward, Government must seek a better alignment of the development budget to our economic priorities, industrialization policy and our Growth at Home Strategy. This alignment would further be optimized through leveraging local sourcing requirements, PPPs, improved Namibian ownership and the development of value chains across the development initiatives.

**Budget Balance and Financing Options**

*Honourable Speaker,*

61. In terms of the projected revenue and expenditure proposals for the MTEF, the budget deficit is projected at 5.3 percent of GDP in the 2015/16 financial year and average 3.8 percent over the MTEF, which is well within the 5 percent target cap.

62. Total debt is projected to increase to an average of 31.5 percent of GDP over the MTEF, seen against the threshold of 35.0 percent. Government intends to finance the substantial component of the deficit from domestic borrowings. Contingent liabilities are projected to increase to an average of 8.7 percent over the MTEF, as Government extends support to SOE project financing on the strength of their balance sheets.

63. The sovereign guarantees in the pipeline include the construction of a dual carriage between Windhoek and Okahandja to the Road Fund Administration, the construction of the national fuel storage facility, fuel pipeline and the fuel offloading jetty at Walvis Bay by National Energy Fund, and guarantees to NAMCOR and NamPower for the Kudu Gas-to-Power Project and the Mass Housing Programme.
IX. EXPENDITURE PRIORITIES AND INTERVENTIONS FOR MTEF

Honourable Speaker,

64. Fundamental changes have been made to the structure of the Government to enhance functional specialization and efficiency in service delivery. These institutional and administrative changes are an expression of the urgency with which the Government wishes to tackle the socio-economic challenges with renewed momentum and strategy.

65. It is with this renewed approach in mind that the sectoral and Vote allocations have been made in this budget and over the MTEF.

Economic and Infrastructural Development

66. In this budget, a total of N$34.41 billion, or 15.7 percent of non-interest expenditure is allocated to the economic and infrastructure sectors over the MTEF to stimulate growth and enhance the competitiveness of our economy through developing a robust transport and logistics sector.

67. These allocations will cater for growth-enhancing infrastructure in the logistics and energy sector as well continued interventions in the agricultural sector to boost national food security. Railway and roads rehabilitation, the expansion of the Port of Walvis Bay and the Kudu Gas-to-Power Project, are the flagship projects over the MTEF. The following key project financing allocations are made:-

- N$4.93 billion over the MTEF to support the balance sheets of Nampower and Namcor for the Kudu Gas-to-Power Project. In addition, the State will provide a guarantee for the financing that will be sourced outside the budget,
- N$1.25 billion over the MTEF for Mass Housing Project. In addition, Government will issue a sovereign guarantee to the tune of N$2 billion for NHE to access funding for this vital project,
• N$3.27 billion over the MTEF for the roads projects, in addition to N$1.7 billion to be raised by the Road Fund Administration, and
• N$945.84 million for railway projects, with funding outside the scope of the State Revenue Fund to the tune of N$3.79 billion over the MTEF.
• N$7.75 billion is allocated to the Agricultural Sector to cater for, among others, the Green Scheme programme and other interventions in the sector over the MTEF.

Social Sectors,

68. Honourable Speaker, Namibia has an impeccable record of according the highest share of the national budget to the social sectors, particularly education, health and social safety net systems. Commensurate attention is also being accorded to the housing sector. Thus, a total of N$23.99 billion is allocated to the social sectors, which is 38.9 percent of the total non-interest budgeted expenditure. Over the MTEF, this allocation amounts to N$74.42 billion.

- the largest share of this allocation accrues to the education sector, with a combined allocation of N$15.35 billion in the budget year and N$48.07 billion over the MTEF,

- The Ministry of Basic Education, Arts and Culture receives N$11.32 billion in the budget year or 73.7 percent of the total allocation to the education sector. The Ministry of Higher Education, Training and Innovation gets N$4.03 billion in the budget year and N$12.04 billion over the MTEF,

- For basic education, we shall be able to provide both primary and secondary education for free with this allocation. Access to tertiary education will be further expanded through a formula based funding and enhanced financial assistance to students. In addition, better facilities and equipment will be provided for vocational training,
- The Old Age Pension grant is increased by N$400.00 to N$1,000.00 per month. This will further be increased annually to reach N$1,200.00 per month at the end of the MTEF period. Other social grants will be strengthened in coverage. This places our elderly above the national poverty line, which is estimated at N$530.00 per month in 2015 and compares very favourably with R1,410.00 per month offered in South Africa.

- The health sector receives N$6.49 billion for the coming financial year, and a total of N$19.78 billion over the MTEF to expand and improve the quality of health service delivery,

- N$303.81 million is allocated for National Youth Service development programmes over the MTEF to implement a host of youth empowerment programmes.

Public Safety and Order
Honourable Speaker
69. Investment in peace, public safety, security and rule of law remains key to our national development. A total allocation of N$14.29 billion in FY2015/16 or some N$42.77 billion is made over the MTEF to the safety and security sector.

Administrative Sectors
70. Maintaining democratic governance and an effective state, such as ours, requires continuous investment in institutional and administrative capacity. A total allocation of N$8.16 billion is made to the administrative sector. This is 10.8 percent increase from the previous budget and funds the rendering of the services emanating from the constitutional changes and functional realignments to the structure of Government. Over the MTEF, this allocation amounts to N$23.76 billion.

71. Four new budget Votes have been created as a result of the changes to the Government structure. New functions and offices have also been defined, while some functions have been re-arranged.
An amount of N$499.24 million is allocated to the Contingency Provision for the budget year and N$1.10 billion over the MTEF to cater for unforeseen emergencies. An amount of N$334.0 million was allocated during 2014/15 and N$319.48 million was spent. I have distributed the information regarding the use of the Provision in the last financial year.

**X. POLICY INTERVENTIONS FOR THE MTEF**

*Honourable Speaker,*

In the coming financial year and MTEF, Government will implement and undertake specific policy interventions and reforms in the areas of tax policy, public finance management and financial sector reforms.

**Tax Policy Proposals**

The Government tax policy plays a key role in contributing to Government socio-economic development objectives, through enhancing competitiveness of the economy, income distribution and the generation of revenue for the state to provide public services.

We have noted that our tax system rests on a narrow base and displays varying levels of skewness, in terms of the taxpayer community and the relative contribution to the fiscus.

This is especially in regard to the relative high tax burden on individuals vis-à-vis corporations. Our aim is to make it easier for SMEs to meet their tax obligations, and curb tax evasion especially by entities which conduct their activities as corporations but they are registered as charity organizations, trusts and Non-governmental organizations which are exempted from tax.

I am thus going to commission an investigation into the equity and effectiveness of the tax system, with the view to broaden and deepen the tax base, improve the fairness of sharing the tax burden, while keeping in check
78. I wish to make the following tax policy proposals, to be implemented upon favourable consideration of the Appropriation Bill:-

- reduction of the withholding tax on services rendered by Non-residents from 25 percent to 10 percent,
- implementation of the reduction of the non-mining corporate income tax from 33 percent to 32 percent as announced last year,
- introduction of the first phase of environmental taxes on carbon dioxide emission tax on motor vehicles, incandescent light bulbs and motor vehicle tyres as considered and announced last year,
- lifting of the Value-Added Tax (VAT) threshold for registration from N$200,000 to N$500,000 as announced last year, following a lengthy consultation process,
- introduction of criteria for voluntary VAT registration and VAT import accounts,
- introduction of mandatory security requirement for the deferral of VAT goods,
- introduction of electronic communication rules, which enable online filing of tax returns and online payment of taxes,
- introducing taxation of restraint of trade payments, as well as proceeds from the sale of a petroleum licence or right to explore, develop and produce petroleum,
- introducing transfer duty on the sale of shares in companies and membership interest in close corporations owning residential property, commercial property, land and mineral licences, as announced previously,
- tabling of the Customs and Excise Bill, following regional harmonization and modernization of customs and excise procedures,
- strengthening the provisions for recovery of tax debts, and
- introduction of taxes to promote domestic value-addition in the primary commodity and natural resources sectors.
79. In line with the SACU common excise policy, the excise duty rates (sin taxes) on alcoholic beverages and tobacco products will increase as follows:
   - the tax on a quart of beer goes up by 15½ cents,
   - a bottle of wine will cost 15 cents more,
   - a bottle of sparkling wine goes up by 48 cents,
   - a bottle of whisky will go up by N$3.77; and
   - a pack of 20 cigarettes goes up by 82 cents

80. Alongside the tax policy proposals, we will press ahead with the implementation of various tax administration and business process re-engineering reforms in the collection of domestic taxes and customs and excise.

81. By 2016 tax returns and tax payments are envisage to be on line, heralding the full implementation of the e-filing system.

82. I will pursue work towards the establishment of the Revenue Agency for Namibia, in line with the work calendar approved by Cabinet.

**Public Finance Management Reforms**

*Honourable Speaker*

83. With regard to Public Finance Management, I intent to introduce and further take forward the following reforms:

   - introduction of a Mid-Year Budget Review and Pre-Budget Statement, to be presented in October/November each year, as a measure to assess the budget execution and budget policy implementation as well as to further inject greater transparency in the budget process. The review for coming financial year will greatly assist in further refining expenditure programmes for the newly established portfolios,

   - extending the Public Expenditure Reviews and Public Expenditure and Financial Accountability (PEFA) self-assessments to major budget Votes, as a mechanisms of assessing the quality of expenditure in terms of outcomes and enhancing value for money,
- strengthening the capitalization and supporting the market operations of our Development Financial Institutions to enhance access to development finance,
- improving Government accounting standards to strengthen the accounting system and accounting skills in line with best international practices,
- tabling the revised Public Procurement Bill, pursuant to further consultations and legislative inputs provided,
- develop and implement a policy framework for the structuring and management of Government sovereign guarantees to diversify risks, realize improved financial terms and manage the macro-fiscal exposures,
- finalizing work on the Public Private Partnership legislation and facilitating the preparation of bankable projects for private sector investment in the potential areas of Mass housing, energy, railways, ports, health and industrial parks, and
- working closely with the Law Reform and Development Commission on the drafting of a new Public Finance Management Bill.

XI. Financial Sector Law Reforms

84. With respect to policies to advance financial sector development, Government will continue to work collaboratively with the financial services industry to implement the commitments set out in the Financial Sector Strategy and the Financial Sector Charter. This is especially in regard to initiatives to promote access to finance and modernize the supervisory regime, elevate the role of the sector in the economy, strengthen financial safety nets, and improve Namibian ownership in the sector.

85. These measures and interventions set out in this budget will benefit from other sectoral policy and legislative reforms aimed at improving the general business environment and administrative efficiency across the spectrum of the public sector.
86. On the banking sector, I intent tabling the Banking Institutions Bill to bring the legal framework in line with recent international developments, introduce a framework for regulation of microfinance (second tier) banking institutions as well as clarify local ownership provisions.

87. Regarding the non-banking financial sector, I intend tabling the new NAMFISA Bill, Financial Institutions and Markets Bill and the Financial Adjudicator Bill once the legal drafting and scrutiny is completed.

88. The budgetary allocations and other policy intervention measures set out in this budget represent the Government’s resolve to address the socio-economic challenges that we face in a more targeted manner.

XII. ACKNOWLEDGEMENTS

Honourable Speaker,

89. Over the past twenty-five years, we have laid a strong pillar for macroeconomic stability, robust public finance management and robust financial policies. This is the framework which I am honoured to preserve and improve as a foundation for accelerated inclusive economic growth and wealth creation.

90. I wish to thank the Honourable Minister of Economic Planning and Director-General of the National Planning Commission and his staff for his supportive role in formulating the Development Budget for this MTEF and for his role played in monitoring and evaluating development projects and programmes.

91. I also wish to thank Governor Ipumbu Shiimi and his staff at the Bank of Namibia for ensuring financial stability and a monetary policy that is supportive of the country’s development goals. I thank Namfisa for the stern efforts to improve supervision and compliance in the non-banking financial sector.

92. I also welcome our new Deputy Minister of Finance, Honourable Natangwe Ithete. I believe he will be a strong asset in the Ministry of Finance.
93. I thank the Budget Team in the Ministry of Finance, under the leadership of the Permanent Secretary, whose passion to serve their country surpasses the countless hours they devoted in the preparation of this budget. I equally extend my sincere gratitude to the Receiver of Revenue and Commissioner of Customs and Excise and their staff for meeting or even exceeding the revenue collection targets as well as the trade facilitation functions they render.

94. I thank the staff of the Government Printers under the Ministry of Works and Transport for their hard work to ensure the timely delivery of the Budget documents.

95. On behalf of the Ministry of Finance, the Government and the people of Namibia, I wish to acknowledge the financial and technical support we continue to receive from our development partners.

XIII. CONCLUSION

Honourable Speaker and Members of the National Assembly,

96. Joseph Stiglitz once said that, and I quote “macroeconomic policy can never be devoid of politics: it involves fundamental trade-offs and affects different groups differently”

97. We are experiencing such trade-offs vividly, hence our struggle for a free and prosperous Namibia.

98. And now we have taken the following route:-

- Achieving greater inclusiveness and prosperity for all and we know that this requires high and sustainable economic growth, grounded on strong macroeconomic fundamentals.
In this budget, we have scaled-up allocations to the economic and social sectors to spur growth, job-creation and long-term productivity gains.

We have increased Old Age Pension grants and made a commitment to future adjustments in line with resource availability and regional best practices. Anti-poverty policy packages and instruments are being streamlined through the deliberate intervention to create a dedicated Government Ministry.

Government is taking measures to improve internal efficiency and accelerate service delivery to all Namibians.

We have extended free education to the secondary education phase, increased the support to tertiary and vocational education, land reform programme and the provision of basic services so that no Namibian must feel left out.

We are investing in the youth through continuous skills development and empowerment opportunities.

We are keeping fiscal operations within sustainable levels, and working collaboratively with organized labour and the private sector for the common good of our country.

Through this budget, we will move a step closer to our objective of inclusivity, reduction of poverty and income inequalities.

Honourable members,

99. Targeted resource allocation proposals have been made. What matters is effective implementation and results-based management. And we need to act decisively and in the shortest time possible. I thus seek for your support and insights going forward.
100. I want to end with a quotation from Charles Darwin who quite rightly said, and I quote “If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin.”

101. It is now my distinguished honour to submit for your favourable consideration the Appropriation Bill 2015, and the 2015/16 – 2017/18 MTEF.

I thank you.