



## **FY2018/19 Budget Statement**

**Presented  
By**

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**Minister of Finance**

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**07 March 2018**

*Honourable Speaker;*

*Honourable Members of the National Assembly;*

*Fellow Namibians;*

1. I have the honour to table the Budget for the 2018/19 financial year, a fourth under the administration of His Excellency President Dr Hage Geingob.
2. This budget comes at a time after the Namibian economy had endured its most precarious phase. It is an economy at a turning point and this budget is a funding compact for growth, bringing about jobs, less inequality, less poverty and improved service delivery. It is a fiscal proposition to further consolidate non-core spending and align resources to core national priorities. It is a budget which offers policy consistency with the pro-growth, pro-poor policy stance of long duration. It is a budget anchored on the gains of the necessary but difficult decisions which we have taken since 2016:-
  - we had to make deep but necessary budget cuts to ensure fiscal sustainability and protect macroeconomic stability,
  - the economy has now rebounded to positive growth territory, with a potential boost on jobs and incomes, after a mild contraction in 2017,
  - we have realigned the macroeconomic framework and stabilized public finances,
  - domestic revenue has shown resilience, amidst subdued economic activity
  - with the exception of uranium, commodity prices are rising, rekindling new opportunities for mining activity,
  - key macroeconomic fundamentals have strengthened, fast closing the current account and trade deficits and a strong international reserves position, and
  - the global economy has regained unprecedented momentum since the 2007 financial crisis, offering favourable tailwinds for export-oriented open economies such as Namibia,

3. These early gains should be protected. We should rise up to the occasion to harness the growth opportunities and advance our national development agenda to new heights and with great latitude of quality of outcomes.
4. The effects of a low growth environment in our most important trade partners in the region, external shocks to our small open economy over the past two years, coupled with a weaker domestic fiscal space have led to our growth trajectory to be decoupled from the stronger global growth dynamics in the short-term.
5. Our policy interventions have reinforced the automatic stabilizers and yielded positive results. Domestic economic fundamentals are strengthening and the improving global economic and financial landscape offer a favourable environment for policy effectiveness.

*Honourable Speaker;*  
*Honourable Members;*

*Oscar Wilde said: "Our ambition should be to rule ourselves, the true kingdom for each one of us; and true progress is to know more, and be more, and to do more."*

6. We realize too well that a substantial lot still needs to be done, requiring a coherent and multidimensional set of actions to achieve the shared prosperity for an industrialized economy we aspire for in Vision 2030. To transform our economy, strategy implementation must now be greatly enabled and well-considered targeted action taken to implement the high impact initiatives engendered in the Harambee Prosperity Plan. We must do what we know must be done, we must do it with confidence and conviction and then we shall be more and better.
  - without timely and coherent policy interventions, resurgent growth will be weak for longer,
  - the structure of the economy remains dualistic and is in need of diversification and transformation,

- poverty is on a declining path, but levels are still high for an Upper Middle Income Country and so is inequality,
  - at 34 percent, unemployment is structurally high and youth unemployment distinctively higher,
  - the skills deficit is wide, and
  - we need to hone competitiveness, productive capacity and innovation so as to expand our productivity frontiers and gains from trade, given the increasingly integrated and globalized regional economy,
7. The budget before you seeks to increasingly align resources to these key priority areas. It mobilizes and aligns resources to support long-term economic growth and social development. It retains the policy stance to entrench macroeconomic stability and fiscal sustainability.

*Honourable Speaker,*

8. In this context, and in terms of Article 126(1) of the Namibian Constitution, I have the honour to table, for the favourable consideration and approval of this House:-
- a) the FY2018/19 Budget and FY2018/19 – 2020/21 Medium-Term Expenditure Framework,
  - b) the Estimates of Revenue and Expenditure for the MTEF,
  - c) the FY2018/19 Appropriation Bill,
  - d) the Fiscal Strategy for the 2018/19 -2020/21 MTEF, and
- the Government Accountability Report for FY2016/17

*Honourable Speaker,*

9. The current assumptions of resurgent growth, better revenue outturn and the strengthening of economic fundamentals are an upshot from the difficult but timely corrective policy decisions to reaffirm long-term fiscal sustainability.
10. These are early gains of the fiscal consolidation policy stance, which we defined and implemented since 2016. The journey to continue with this policy stance and reap greater dividends of a successfully targeted fiscal consolidation program has, however, not ceased.

11. To date, this experience bestows upon us valuable lessons for the medium-term fiscal strategy:-

- initial successes should not, in entirety, give way to requests for new additional spending in non-core areas, which could only heighten expenditure levels,
- the sharp fiscal consolidation resulted in the unintended consequences of reduced economic activity,,
- financial indiscipline displayed by wanton overcommitment of the budget undermined the fiscal consolidation effort and reinforced accumulation of spending arrears which placed a heavy burden on the balance sheets of service providers,
- the FY2017/18 Appropriation Amendment Act provided for adequate resources, which catered for the full extent of spending arrears without compromising the implementation of the budget,
- the resultant negative impact on growth and high short-term additional expenditure increases due to the incidence of accumulated spending arrears slowed the pace of fiscal consolidation and attracted the credit rating downgrades. The Government medium-term policy measures are firstly aimed at addressing the needs of the economy and the delivery of essential public services while, at the same time, addressing the concerns and risks cited by credit rating agencies, and
- we should continually take stock of the risks and deploy forward looking risk management strategies

12. Indeed *Honourable Speaker*, in the 2017/18 Mid-Year Budget Policy Statement we set forth a fiscal adjustment path which balances between targeted fiscal consolidation and supporting economic recovery. This is because of the premium that we attach to growth as a necessary condition for increased economic opportunities, growing and sustaining per capita incomes, jobs and public revenue. The policy stance is to gradually reduce the budget deficit as a lever for stabilization and eventual reduction of public debt over time.

13. Evidently, we have reduced the budget deficit by a cumulative 3 percent or 1½ percentage points annually over the past two years, from 8.2 percent in

FY2015/16 to an estimated 5.4 percent by FY2017/18. Budget expenditure as a proportion of GDP has reduced from 42.8 percent in FY2015/16 to an estimated 38.7 percent in FY2017/18. These ratios are projected to continue declining over the coming MTEF.

14. Financing such large budget deficits has led to the rise in debt metrics, from 29.5 percent of GDP in FY2015/16 to an estimated 42.1 percent in FY2017/18. To stall growth in, and eventually reduce public debt, we should bear testimony to consistent implementation of the fiscal consolidation program going forward. To achieve this objective, we must contain growth in non-core spending, raise revenue, effectively manage historical cost drivers and hasten to implement enabling structural reforms. This is particularly in regard to the public wage bill, now standing at 50 percent of total revenue and 16 percent of GDP, perpetual bailouts of some commercial Public Enterprises, escalation in capital project cost prices and the dollar costs of internal inefficiencies in Offices/Ministries and Agencies.

### **Key Policy Priorities for the Budget**

*Honourable Speaker,*

15. To realize increasing benefits of a successful fiscal consolidation and securing a firm sustainable economic growth trajectory which supports broad-based improvements in per capita income, we must have our priorities right and implement effective strategies to fend for these priorities. A sustainable growth trajectory is one which is underpinned by robust growth engines.
16. In line with the Harambee Prosperity Plan, this budget and MTEF summons resources and structural reform implementation agenda, centered on five key priority areas, namely:-
  - maintaining a gradual fiscal consolidation policy stance to safeguard macroeconomic stability and long-term fiscal sustainability,
  - providing targeted support to fledgling economic growth,
  - protecting core spending in the social sectors of education, health, skills development and housing and sanitation,

- improve domestic resources mobilization through fair and equitable tax policy, efficient and effective tax administration, mobilizing domestic savings as well as utilizing affordable alternative forms of financing, and
- implementing supportive policies and structural reforms to enhance overall policy effectiveness and bolster the competitiveness of the national economy.

17. To support economic growth, provide resources and implement the strategy towards the achievement of these priority areas\_

- the development budget is increased by 30.0 percent relative to the revised allocation for the previous year,
- an economic and social infrastructure investment stimulus is unveiled for capital projects in the logistics, industrial development, agricultural mechanization and social sector infrastructure,
- initial funding is provided for the roll-out of SME Financing Strategy and youth entrepreneurship, comprising of the Venture Capital Fund, Credit Guarantee Scheme and Training and Mentorship Program. This is in addition to funding for the Equipment Aid Scheme and related SME support programs, and
- targeted budgetary transfers to the Development Financial Institutions for private sector support.

18. In the **social sector**:-

- the resource allocation to education, health, housing and land servicing are scaled-up to enhance increased access to services,
- tertiary and vocational skills development will remain a critical component to enhance employability through funding to institutions of higher education and vocational training, the Namibia Student Financial

Assistance Fund and through collaborative partnerships with the stakeholder contributions,

- social safety nets will continue to be strengthened in quality and coverage as the first line of defense against vulnerability. The assessment to achieve quality of spending, integration and better targeting of social safety nets is due to be finalized by June this year in collaboration with the World Bank Group to provide recommendations for reforms,

*Honourable Speaker,*  
*Honourable Members,*

19. The successful implementation of a pro-growth fiscal consolidation program requires coordinated implementation of saving and spending measures, revenue mobilization and supportive policy structural reforms as a package.
20. Non-core expenditure reduction and the moratorium on non-productive capital projects such as construction of office blocks have been implemented and remain critical for the fiscal consolidation measures to free up resources for reallocation to best productive alternative uses. As we align spending to growth enhancing priorities, funding for the adjustment process and the engines of growth requires the contribution of all corporate citizens.
21. This entails:-
  - tax policy proposals to enhance equity of the tax system by removing ineffective preferential tax rates, protecting the tax system from base erosion and enhancing the progressivity of tax policy for individual income tax,
  - adjusting the excise tax rates for domestic revenue purposes,
  - implementing key tax administration reforms through the roll-out of the Integrated Tax System (ITAS), recovery of tax arrears and establishment of the Namibia Revenue Agency (NAMRA), and



- implementing the announced changes to domestic asset requirements to increasingly harness domestic savings to development,

## **Structural policy reforms**

*Honourable Speaker;*

*Honourable Members;*

22. Reforms targeting competitiveness, ease of doing business and investment climate have been identified through, amongst others, the successive business climate surveys and global competitiveness assessments. The reforms should facilitate enabling conditions for a successful fiscal consolidation, improve institutional capacity and coordination, administrative efficiency, local economic development and a more competitive investment climate.

- the Ministry of Finance is addressing the institutional framework for implementing the Procurement Act, by strengthening institutional capacity and regulatory environment as well as effective implementation of the preference provisions. The envisaged repeal of the State Finance Act by the new Public Finance Management Bill will not only enhance public finance management, but also instil provisions for robust financial discipline across the entire public sector. The roll-out of ITAS in July this year and the establishment of NAMRA on 1 March 2019 are an integral part of this reform package.
- The Ministry of Industrialization, Trade and SME Development is overseeing the implementation of the National Single Window facility in collaboration with Namport and the finalization of amendments to the Investment Promotion Act and the repeal of the Export Processing Zones Act this year,
- the New Equitable Economic Empowerment Bill, is set for finalization this year under the leadership of the Office of the Prime Minister, following wide stakeholder consultation,
- the anticipated Land Conference this year will give certainty with regards to land reform, land ownership and tenure as well as land utilization in both rural and urban settings.

- the public wage bill should be managed more effectively, with specific wage bill reduction target ratios set for realization over the MTEF.
- Public Enterprises reforms are indispensable to the realisation of a successful fiscal consolidation measures. Perpetual bail out of the public enterprises, especially those in the economic, financial and commercial sectors is unsustainable and should be reined in.

### ***What does this Budget offer?***

*Honourable Speaker,*

*Honourable members,*

23. The FY2018/19 budget provides a three-pronged set of fiscal policy actions.
24. First, the budget policy stance proposes continued reduction in the budget deficit, in line with the medium-term fiscal consolidation policy stance.
25. Second, it provides for a growth stimulus package, centred on industrial development and logistics hub capital investment program and SME and entrepreneurship support initiatives.
26. Third, it proposes tax policy changes which generate about N\$500 million annually in additional revenue to support the implementation of the fiscal adjustment phase.
27. Taken together, the budget:-
  - proposes to reduce the budget deficit as a proportion of GDP as a lever for stabilizing growth in public debt,
  - reduces the proportion of non-core expenditure to curb wastage and enhance allocative efficiency,
  - scales-up the development budget allocation by 30.0 percent, with greater impetus to economic growth and the completion of current phases of on-going large capital projects,

- introduces a ring-fenced project financing growth stimulus package for industrial development and logistics hub infrastructure investment,
- provides increasing budgetary allocations to social sectors to guard against reversals and enhance access to affordable and reliable public services, and
- further strengthens allocations to social safety nets to maintain coverage of qualifying beneficiaries and maintaining the grants in real terms.

### ***Macro-fiscal Developments and Medium Term Outlook***

*Honourable Speaker,*

28. Before I proceed to the FY2018/19 Appropriation Bill and the specific budget policy proposals, allow me to provide the economic, financial and fiscal context in which this budget and MTEF will be implemented.
29. On account of the negative output rate for the first three consecutive quarters of 2017 estimated in the Preliminary Quarterly National Accounts, real GDP growth for 2017 is estimated at a mild contraction of 0.4 percent.
30. This was mainly on account of reduced public spending, contractions in investment and consumption demand as large capital projects reached completion stage or slowed and weak credit extension to the private sector amidst subdued economic activity.
31. On the supply side, growth in secondary and tertiary industries paused in 2017 as a result of contractionary pressures in the construction; Wholesale and Retail Trade and Real Estates sectors..
32. For 2018, growth is estimated to have returned to positive rates at about 1.2 percent and 2.1 percent for 2019. Over the MTEF economic activity rate is projected to average 3.1 percent, underpinned by robust export growth most especially from mining output, improvements in private and public investment as well as other components of final demand.

33. Recovery is expected to be led by increased activity in the mining sector on account of better commodity prices. While commodity prices have improved, the weak rain conditions this year threaten to slow the pace of continued better recovery in this sector since 2017. Thirdly, the easing of recessionary pressures in the construction industry and key sectors in the tertiary industry services sector comes to bear over the MTEF. Climate change is certain and comes with associated costs, requiring us to implement environmental fiscal reforms. Accessing the Global Climate Fund is a priority.
34. However, this growth outlook is generally too weak to support robust expansion of per capita incomes and requires supportive policy interventions going forward to reinvigorate the pace and quality of growth. Timely interventions set out in this budget and an improved external environment offer an opportunity to lift the growth potential.
35. Growth for the global economy is estimated at 3.7 percent in 2017, compared to 3.2 percent recorded in 2016 and it is projected to increase further by 3.9 percent over the medium-term, with notable better performance in Advanced Economies of the Euro Zone, the United States, Asia and some of the Emerging Markets Economies.
36. Growth for the Sub-Saharan African region is estimated at 2.7 percent in 2017, 3.3 percent in 2018 and 3.5 percent in 2019, thanks to improving commodity prices and external demand.
37. Closer to home, the South African economy is projected to benefit from greater policy certainty of latest developments, with growth projected to gather pace from 1.0 percent in 2017 and average around 1.8 percent in the medium-term, while growth for the Angolan economy is expected to benefit from the continued recovery of oil price, with growth estimated at around 1.6 percent.

### **Monetary Policy and External Sector**

38. Monetary policy has remained largely accommodative. The Repo Rate cut by 0.25 basis points to 6.75 since July 2017 is maintained in support of domestic

demand conditions, the policy parity and currency peg with the South African Rand, amidst relatively low and falling inflation levels.

39. Inflation has been on a downward trend, slowing from 6.7 percent in 2016 through 6.2 percent in 2017 to 3.6 percent by January 2018, amidst weak domestic demand and a stronger currency.
40. Other macroeconomic fundamentals have recorded improvements since 2016. The merchandise trade balance has reduced by 51.6 percent from N\$17.6 billion during the second half of 2016 to N\$8.5 billion during the second half of 2017, thanks to increased exports. Similarly, the current account deficit has narrowed to about 1 percent of GDP, and international reserves have firmed up to 4.7 months of import cover by the end of 2017.

### **Fiscal Policy Developments**

*Honourable Speaker,*

41. The FY2017/18 Mid-Year Budget Review gave an account of the fiscal outturns in respect of the previous year and estimates for FY2017/18. The Appropriation Amendment Bill, 2017 provided for an additional budget of N\$4.1 billion, equivalent to 6.5 percent of appropriated expenditure of which N\$2.2 billion was for the settlement of outstanding spending arrears.
42. The Medium-Term Budget Policy Statement revised revenue for FY2017/18 upward by about ½ percentage point, from N\$56.4 billion to N\$56.7 billion on account of the estimated better collection. This outturn marks 11.5 percent growth from N\$50.8 billion collected in FY2016/17, mainly due to better SACU receipts at that point in time and growth in some of the domestic revenue streams.
43. By the end of February 2018, the preliminary revenue outturn for FY2017/18 stood at N\$52.4 billion, reflecting a collection rate of 92.3 percent of the revised target of N\$ 56.7 billion, against the historical average of 89.0 percent collection rate. Against this backdrop, the revenue outturn is further revised to N\$56.8 billion or some 1 percent better than the original budget. A

total of N\$ 972.02 million was collected from the recovery of outstanding tax arrears through the Tax Arrear Recovery Incentive Program initiated last year.

44. The moderate improvement in revenue collection is attributed to better performance of domestic tax revenue, particularly individual income tax and company tax from non-mining and other mining activities as well as the buoyancy arising from tax administration reforms.
45. For FY2018/19, total revenue is estimated at N\$56.70 billion, about 1.3 percent decline from the estimated outturn for 2017/18, due to the decline in SACU revenue and the slowdown in diamond corporate tax and related income as a result of operational factors. Over the MTEF, revenue growth is projected to average 3.4 percent, at N\$57.7 billion in FY2019/20 to reach N\$61.3 billion by FY2020/21.
46. As a proportion of GDP, total revenue is estimated to moderate to 30.7 percent in FY2018/19 from 33.0 percent in FY2017/18 and average around 30.0 percent over the MTEF mainly on account of the expected decline in SACU receipts.
47. The most significant downside risks to revenue regards SACU receipts, which are projected to decline sharply by a cumulative of 18 percent during the next two years. As such, domestic replacement revenue, combined with increased tax administration effort is necessary to mitigate revenue volatility and support the budget implementation.

### **Expenditure, budget deficit and debt**

48. The revised expenditure of N\$66.5 billion for FY2017/18 comprised 3.5 percent once-off increase in original budgeted expenditure to correct for spending arrears from the previous year. This was a 6.9 percent increase from N\$62.2 billion actual spending during FY2016/17.
49. By the end of February 2018, the preliminary expenditure outturn is recorded at N\$58.2 billion, reflecting an execution rate of 87.4 percent. Non-interest operational expenditure outturn is estimated at 87.7 percent (N\$48.6

billion), while the development budget expenditure outturn is approximately 64.1 percent (N\$4.04 billion) over the same calendar.

50. The low spending rate for the development budget is of particular concern, with opportunity cost of foregone benefit to the economy. Measures to address the structural and administrative constraints for effective implementation of development projects are critical for the FY2018/19 budget and over the MTEF.
51. Based on the patterns of revenue and expenditure outturn, the budget deficit for FY2017/18 is estimated at 5.4 percent, in line with the Mid-Year Review.
52. The total debt stock for FY2017/18 is estimated at N\$74.5 billion, equivalent to 43.3 percent of GDP, relative to the national threshold of 35 percent, and an increase from 42.6 percent in FY2016/17. Debt servicing cost stood at 8.8 percent of revenue, compared to 8.6 percent in FY2016/17, compared to the threshold of 10 percent of revenue. Contingent liabilities as a percent of GDP stood at 7.5 percent, seen against the target of 10 percent.
53. This outturn on fiscal targets underscores the materiality of a consistent fiscal consolidation program and its accompanying intervention measures for growth, revenue mobilization, the curbing of wastage and upholding financial discipline across O/M/As.

### **FY2018/19 Budget, Medium-term Expenditure Outlook and Fiscal Policy Stance for the MTEF**

*Honourable Speaker;*  
*Honourable Members;*  
*Fellow Namibians;*

54. Against the backdrop of the current conjuncture of subdued growth outlook and in pursuit of a people-centred sustainable development agenda for inclusive growth, jobs and erosion of poverty and inequalities, I table before you the

FY2018/19 budget, amounting to N\$65.0 billion. This budget represents a reduction of 2.3 percent from the FY2017/18 revised budget.

55. While reducing total expenditure this budget proposes to increase the size of the revised development budget from N\$5.6 billion in FY2017/18 to N\$7.3 billion and reach N\$8.2 billion by FY2020/21. As a share of total non-interest expenditure, the development budget increases from 10.2 percent in FY2017/18 to 12.5 percent in FY2018/19 and reach 13.7 percent by FY2020/21. The amount of the capital expenditure is greatly enhanced by the off-budget project financing, comprising of:-

- AfDB project financing loan, amounting to N\$4 billion over the next two years to fund agricultural mechanization, road and rail infrastructure and schools renovation program Economic Governance and Competitiveness Support Program,
- Industrial and logistics hub infrastructure growth stimulus amounting to N\$10 – N\$15 billion over the next five years to be funded through bilateral concessional loan arrangements,
- Water infrastructure development amounting to EUR 40 million or some N\$590 million, to be funded by KfW,
- In addition, further capital injections for infrastructure development are made through specific Public Enterprises and PPP arrangements:-
  - Road infrastructure maintenance and rehabilitation amounting to about N\$13 billion over the next five years, to be funded through the Road Fund Administration, and project financing in the power and water sectors by Nampower and Namwater as well as PPP investments in public infrastructure,

56. Extra-budgetary expenditure is pursued by taking into consideration debt sustainability objectives, the associated fiscal risks and the efficiency such direct project financing provides.

57. In the context of the projected low private sector investment outlays and the need to provide for the enabling infrastructure, the envisaged public capital



spending will catalyze growth opportunities and address some of the supply side barriers, with financing ring-fenced for productive capital investment.

58. Total non-interest operational expenditure for FY2018/19 is proposed at N\$51.2 billion, compared to N\$55.4 billion in FY2017/18, increasing to N\$51.4 billion by FY2020/21.
59. Interest payments, amounts to N\$5.7 billion or 11.5 percent of revenue in FY2018/19 and hover around 11.4 percent of revenue over the MTEF, reflecting the increasing financing obligations for the budget deficit and project financing obligations.

*Honourable Speaker*

60. Total expenditure over the MTEF is projected to increase by an average of only 1.2 percent on account of expenditure containment measures and the moratorium on new non-productive expenditure items. In this regard, aggregate expenditure levels increase from N\$65.0 billion in FY2018/19, N\$65.7 billion in respect of FY2019/20 and N\$66.3 billion by FY2020/21. As a proportion of GDP, total expenditure is projected to continue declining, from 38.4 percent in FY2017/18 to 35.2 percent in FY2018/19 and hover around 32.8 percent on average over the MTEF.
61. Marked reduction in non-core expenditure items has been realized since the adoption of targeted consolidation measures in FY2015/16. Total spending on Subsistence and Travel Allowance, for instance, has reduced by a cumulative 62.3 percent over the past three years, from N\$634.3 million in FY2015/16 to N\$221.8 million allocation in FY2018/19. I welcome the administrative cost saving measures instituted by the Office the Prime Minister to curb wastage and unnecessary expenditure.
62. In respect of transfers to Public Enterprises, the transfers have reduced by an average of 20 percent since FY2016/17, reducing from N\$7.4 billion to N\$6 billion in FY2016/17 and further to N\$4 billion by FY2017/18.

63. The budget deficit is estimated at 4.5 percent of GDP in FY2018/19, from 5.4 percent in FY2017/18 and average around 3.6 percent over the MTEF.
64. The deficit will be financed through a combination of domestic financing instruments and AfDB operational budget support.
65. By considering overall financing requirements, the total debt stock is estimated at N\$84.6 billion or 45.8 percent of GDP in FY2018/19. Over the MTEF, total debt is projected to stabilize at 46.5 percent and average around 46.1 percent.
66. The fiscal policy stance for the next MTEF is to retain the fiscal consolidation stance to safeguard macroeconomic stability and fiscal sustainability, providing fiscal policy support for inclusive economic growth interventions and the achievement of socio-economic development objectives set out in the Harambee Prosperity Plan, NDP5 and Vision 2030.
67. Thus, during the next MTEF Government will:-
- *maintain a balanced fiscal consolidation policy, with the objective of stabilizing the growth in public debt over the medium to long-term, while maintaining the growth-friendliness and social development objectives of fiscal policy,*
  - *reduce the budget deficit from 5.4 percent of GDP in FY2017/18 to about 4.5 percent in FY2019/20 and average around 3.3 percent of GDP over the MTEF,*
  - *stabilise the growth of Government debt at 46.0 percent of GDP through a gradual reduction in the budget deficit and debt amortization program, and*
  - *implement revenue-raising tax policy changes and alternative forms of financing, particularly PPPs and structural policy reforms to support the implementation of the fiscal consolidation program, while keeping fiscal risks in check.*

*Honourable Speaker,  
Honourable Members,*

68. To enhance the contribution of fiscal policy to the economy and social transformation requires a coherent set of intervention measures, comprising an integrated compact of expenditure-based measures, dependent structural policy reforms and revenue-based measures as an integrated means of implementation of a successful fiscal consolidation..

69. In respect of **expenditure-based** measures,

- non-core expenditure will be kept at the minimum level to support continuation of frontline services across all O/M/As, with the moratorium on construction of new office blocks holding firm over the MTEF. To date non-core operational spending has been reduced by about 73 percent since FY2015/16, which allowed for redirecting resources to productive expenditure and the development budget. These measures needs to be extended to the entire public sector across public enterprises and subnational governments,
- transfers to Public Enterprises are to be targeted at specific productive expenditure programmes and the perpetual bail-out cannot continue *ad infinitum*. In efficient and unsustainable enterprises should be shed in part or entirety. An assessment of the viability and the business model of many Public Enterprises needs to be carried out and a plan of action designed on how best the State can realize net economic gains from its instead of net losses as at present,
- at 50 percent of revenue, Namibia's public sector wage bill is one of the highest in the world and it is driven by the size of personnel and above inflation wage adjustments. Such high ratio of wage expenditure crowds out other operational activities and has become increasaingly unsustainable. Effective measures should be instituted to reduce the wage bill and wage related expenditures in partnership with all social partners. Measures will be instituted at Vote level to bring down the share of the wage bill from 16 percent of GDP to about

12 percent of GDP over the next five years through a combination of natural attrition, lower-than-CPI wage adjustments and vacancy replacement rule. These measures need to be extended to the public service sector, especially those which perpetually depend on Government budgetary transfers,

- In addition to project financing, more growth enhancing allocation will be directed to support SME development and industrialization intervention strategies. The specific interventions entail the implementation of SME Financing Strategy, equity ownership in the planned Peugeot Car Assembly Plant in Walvis Bay and land servicing programmes,

70. Alongside expenditure-based measures, there are key **structural policy reforms** which are critical in their contribution to economic activity, reinforcing the impact of fiscal policy and contributing to the successful implementation of the fiscal consolidation measures. These entail:-

- addressing the institutional and administrative bottlenecks for the smooth implementation of the Public Procurement Act, promoting the ease of paying tax through timely roll-out of ITAS and institutional transformation to establish the Revenue Agency under the leadership of the Ministry of Finance,
- improving overall national investment climate and competitiveness through finalization and tabling of the Investment Promotion Act, operationalization of the National Single Window facility and repeal of the Export Processing Zone Act under the ambit of the Ministry of Trade Industrialization and SME Development,
- finalizing and tabling of the NEEEF Bill to promote real economic empowerment and provide policy certainty,
- establishing the central registry for the social safety net system and instituting measures to address double-dipping, generosity and targeting of

the current system under the leadership of the Office of the Prime Minister and Ministry of Poverty Eradication and Social Welfare,

- improving internal efficiency and quality of basic educational outcomes and spending efficiencies and progressivity of spending on tertiary education,
- implementing options for public asset management and utilization, based on the public asset management Policy approved by Cabinet last year, and
- utilizing Public, Private Partnership arrangements and creating a conducive environment for leveraging private capital in the development of infrastructure and the provision of services,
- further deepening the performance management system where office bearers and officials must account and kept accountable for their performance targets,
- fiscal discipline in public entities, that is in all O/M/As, in local and regional authorities and in Public Enterprises must be enforced.

### ***Tax Policy, Revenue enhancement and Tax Administration Reforms***

*Honourable Speaker,*

71. Let me now turn to tax policy, customs and excise and tax administration changes. "
72. Joseph Stiglitz is very correct when he says: "The laws of normal economics dictate that lower taxes combined with increased spending will lead to bigger deficits." The successful implementation of the fiscal adjustment and placing the economy on a firm inclusive growth trajectory needs to be funded.
73. In this respect, I wish to propose the following tax policy changes:-
  - phasing out the preferential tax treatment that is only granted to some existing manufacturers to achieve equity and equal treatment of all

operators. As an intervention to encourage business development and job creation, support instruments for SMEs and start-ups will be introduced and developed over the MTEF,

- repealing the Export Processing Zone Act and introduce the Special Economic Zones, with a sunset clause for current operators with the EPZ status,
- re-adjust the current tax brackets for Individual Income Tax, reduce the lower bracket tax rate from 18 percent to 17 percent and introduce new tax rates of 39 percent and 40 percent for individuals earning over N\$1.5 million and N\$2.5 million respectively. This proposal seeks to relieve the low income earners and reinforce the progressivity of the tax system,
- introduce a 10 percent dividend tax for dividends paid to residents to enhance the fairness of the tax system,
- abolish the current practice of a conduit (flow through) principle in the taxation of trusts to harmonize the taxation of trusts in line with regional economies,
- subject income derived from commercial activities by charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax. Such institutions will be required to register as taxpayers and file annual income tax returns,
- deepen the current hybrid tax system by taxing all income earned from foreign sources. Namibian residents will have to declare such income in their annual tax returns,
- explore a profit tax of 37 percent on betting and gaming entities,
- introduce VAT on income of listed asset managers, and
- introduce VAT on proceeds on the sale of shares or membership in a company owning commercial immovable property.

74. The following excise levies and duties will also be introduced:-

- increase the fuel levy by 25 cents per litre for all levied fuel products in terms of the Section 54 of the Customs and Excise Act,
- expand coverage of export levy to include other specific agricultural, forestry and game products and other mining products currently not covered,
- introduce additional 5 percent national "sin" tax on alcohol and tobacco products for national revenue purpose.

*Honourable Speaker,*

75. In terms of the SACU Agreement and taking into account sales volumes and targets set for the total tax burdens on the respective excisable commodities, the following percentage increases have been agreed upon and will be intruded retrospectively with effect from 21 February 2018 as is required under the SACU Agreement, :-

• Malt beer	10.0%
• Unfortified wine	8.5 %
• Fortified wine	6.0 %
• Sparkling wine	10.0 %
• Ciders & alcoholic fruit beverages	10.0 %
• Spirits	8.5 %
• Cigarettes	8.5 %
• Cigarette tobacco	8.5 %
• Pipe tobacco	8.5 %
• Cigars	8.5 %

76. These amended rates of duty are set out in more detail in the Taxation Proposal which I am tabling today in terms of section 65(1) of the Customs and Excise Act, 1998 and which will be deemed to have come into operation as from

midnight 21st February 2018. A Government Notice to this effect will be tabled in the National Assembly within the period prescribed in section 65(8) of the Act.

77. The tax proposals for national revenue purposes are anticipated to generate about N\$500 million. Income tax changes will come into effect in 2019 after drafting and tabling of the specific tax proposals. Excise duties will become effective upon the tabling and gazetting of the schedules.
78. Alongside these tax policy changes, key tax administration reforms will be implemented during the FY2018/19 and over the MTEF. Some of the main reforms are:-
- Transitional arrangements for the establishment of the Namibia Revenue Agency by 1 March 2019,
  - Roll-out of the Integrated Tax System by July 2018,
  - developing guidelines and regulations to give effect to voluntary or forced registration of all small businesses that are currently not registered for tax purposes and to determine the rates payable by such businesses,
  - leveraging regional and international tax cooperation as a mechanism to enhance national technical capacity in various areas of tax administration, specifically in respect of transfer pricing, and
  - scaling-up the programme for targeted recovery of tax arrears for different categories of tax and non-tax revenues, after the expected lapsing of the Tax Arrears Recovery Program on 11 March 2018.

*Honourable Speaker*

79. It is an unfortunate error that Namibia has been classified by the European Union as a tax haven. Tax havens by their nature wield below average or zero tax rates and used as a conduit for transfer pricing. Multinational companies would tend to establish their principal office in tax havens to serve as conduits for transfer pricing and tax planning activities. We do not subscribe to the subjective classification of Namibia as a tax haven because we are not. We are now engaging the EU authorities and we trust that Namibia will be delisted.



80. In fact, Namibia as a resource-based economy is wary of the pervasive transfer pricing, illicit financial flows and misinvoicing prevalent on the African continent which leads to an estimated US\$50 billion illicit financial flows from the continent annually, based on the evidence from the African Union Report by Former President Thabo Mbeki Report. As a resource based economy and a transparent sovereign, Namibia stands to benefit from international tax cooperation and exchange of information for tax purposes.

***The FY2018/19 Appropriation Bill***

*Honourable Speaker,*

*Honourable Members,*

81. Let me now turn to the FY2018/19 Appropriation Bill and the resource allocations per sector.

**Social Sectors**

82. Social sector takes up about half of the budget, with the share of the allocation standing at 49.2 percent and averaging around this level over the MTEF. This is in line with the historical share accorded to this sector. In dollar terms, this is N\$28.8 billion in FY2018/19 or N\$86.9 billion over the MTEF.

- Basic Education receives N\$13.5 billion, 4.0 percent more than the revised allocation for FY2017/18. Over the MTEF, the allocation stands at N\$40.8 billion. The allocation of such a large resource envelop should contribute to commensurate better quality of outcomes. Based on an estimated learner population of 722, 000 learners, Namibia spends over N\$18,668 dollars per learner per year, or some US\$ 1,585 dollars, compared to the world average of US\$ 446.(Source UNESCO). This amount actually rises even higher than this, given the high failure rate annually. There is thus an urgent case for improving the quality of outcomes to justify the high investment rate as more money does not buy success.

- Higher Education, Training and Innovation receives N\$3.2 billion and about N\$9.8 billion over the MTEF. This entails, among others: -N\$960 million for UNAM, N\$600 million for NUST and N\$1.45 billion for NSFAF in respect of FY2018/19.
- Of total expenditure this year 28.5 % goes to education. This equates to 9 % of GDP and makes Namibia one of the highest spenders on Education.
- Investing in the education sector is more than just an expense, it is contribution towards prosperity for the youth. If and when however the returns on such an investment are not commensurate with expectations we need to worry. The risk prevails that in amongst this generous spending a significant amount of inefficiency crept in. The shortage of money here is not the problem, it may be a nasty combination of inefficient management systems in schools and tertiary institutions, teaching capacity gaps, weak research and innovation drives, lack of performance management, hands-off attitudes of parents. Those aspects call for immediate and urgent attention.
- Health and Social Services receives N\$6.5 billion and about N\$19.6 billion over the MTEF.
- The health system too is suffering from expensive inefficiencies resulting in overpriced services and pharmaceuticals, sometimes three times the value of the respective service or medication. When resources are scarce such inefficiencies must be routed out.
- Poverty Eradication and Social Welfare is allocated N\$3.4 billion, 3.7 percent more than the revised allocation for the previous year and about N\$10.6 billion. The increased allocation is to maintain existing programs. As a commitment to maintain the grants in real value, and given the high dependence ratio, the Old Age Pension is increased by N\$50.00 per month.

### **Economic and infrastructure sectors**

83. Economic and infrastructure sectors take up the third largest share of the budgetary allocations, with a total sectoral share of 21.7 percent and in line with the increased weight accorded to the Development Budget. For FY2018/19, an amount of N\$12.7 billion and about N\$37.7 billion are allocated over the MTEF.

- Transport receives N\$3.5 billion, and over the MTEF, the allocation stands at N\$9.7 billion. This allocation is mainly for the completion of on-going phases of road capital projects with contractual awards. The amount is supported by N\$2.6 billion from the Road Fund in FY2018/19 or about N\$ 13 billion over the MTEF as well as N\$2 billion annually for project financing under the AfDB loan arrangement over the next two years. The envisaged industrialization and Logistics hub investment stimulus will further reinforce this allocation.
- The Ministry of Agriculture, Water and Forestry receives N\$2.1 billion, and about N\$6.7 billion over the MTEF,
- The Ministry of Finance is allocated N\$4.0 billion and about N\$12.1 billion over the MTEF. Out of this amount N\$2.5 billion or 62.5 percent is allocated for PSEMAS or some N\$7.5 billion over the MTEF, N\$124 million is earmarked for transfers to DBN over the MTEF to support implementation of the SME Financing Strategy, N\$70.5 million is earmarked for transfer to AgriBank over the MTEF to support the AgriBank's loan book and lending activities. A total of N\$319.9 million is earmarked for the transitional arrangements for the establishment of NAMRA over the MTEF on top of the allocations made for the Departments of Inland Revenue and Customs and Excise. N\$ 2 million is allocated annually for the Financial Literacy Initiative.
- The PSEMAS Medical Aid Scheme at N\$ 2.5 billion, that is 28% of total allocation the Health Ministry is out of balance. We are grateful for the cooperation we have received so far from the medical professions in our efforts to bring this scheme within affordability ranges whilst maintaining benefits and high quality services. However we have not yet managed

the scheme into a sustainable and affordable medical aid scheme. This therefore is a priority task to be completed within FY2018/19.

## **Public Safety and Order**

84. The Public Safety Sector take up the second largest share of the budget allocations, with a total share of 21.7 percent. For FY2018/19, an amount of N\$12.7 billion is allocated and about N\$38.7 billion over the MTEF.

- In this sector, Defence receives N\$6.0 billion, 4.9 percent more than the allocation for FY2017/18. Over the MTEF, the allocation stands at N\$17.8 billion,
- Safety and Security is allocated N\$5.2 billion, 3.0 percent more than the revised allocation for FY2017/18. Over the MTEF, the allocation stands at N\$16.2 billion,
- The Ministry of Home Affairs and Immigration is allocated N\$609 and N\$1.7 billion over the MTEF,
- The Judiciary receives N\$366 million, and a total of about N\$1.1 billion over the MTEF, while the Anti-Corruption Commission receives N\$61.0 million, and a total of about N\$175.6 million over the MTEF,
- Allocations for this important sector are kept at significant levels and it would be unwise to compromise the sovereignty and safety of our nation and its citizens. This however does not mean that there are no efficiency gains possible here. Namibia's spending on Defence remains high as a portion of GDP and even here performance management systems should be rolled out to improve impact on Namibia's.
- Corruption is been shown the world over to be prevalent, whether in the developed or developing world, it is there. Namibia has been rated for a number of years by several reputable rating agents and all of them rate Namibia relatively favourably as a country with strong institutions and relatively low levels of corruption. We are consistently in the top five least corrupt countries on the African continent.

- This is an achievement, but it falls short of being free of corruption. On face value the cost of corruption is immense. For instance, the customs case in court currently produced figures, where through suspected collusion between clearing agents, importers and customs officials the State is allegedly defrauded of N\$ 3.1 billion. Large infrastructure projects such as the Hosea Kutako Airport Project, which was stopped because cost escalated to more than double for no good reason. Tenderpreneurship and accompanying overpricing is possible only when private operators connive with officials and put own gain above the common good.
- We must therefore ruthlessly implement the zero tolerance stance against corruption at all levels as demanded by His Excellency President Geingob. It must become the Namibian corporate culture, both in the public and private sectors and we must develop the required competencies and capacities to take on this crucial fight.
- Mahatma Gandhi said: *"I will not let anyone walk through my mind with their dirty feet."* That is exactly what it is, corrupt actions mess up the noble objectives of broad based prosperity, of poverty eradication, of equality, indeed the future of our children and ourselves.

## **Administrative Sectors**

85. The Administrative Sector receives the lowest share of the budget allocations, of 7.4 percent, with the share steadily rising to 7.8 percent over the MTEF, mainly due to increasing allocation for land serving programme. For FY2018/19, an amount of N\$4.3 billion and about N\$13.7 billion over the MTEF.

- Urban and Rural Development receives N\$2.2 billion, and a total of about N\$7.0 billion over the MTEF. The emphasis is shifted to the provision of sanitation, serviced urban land and bulk services for water, sewage and electricity
- International Relations and Cooperation is allocated N\$884 million in FY2018/19 and a total of about N\$2.8 billion over the MTEF,
- The National Assembly receives N\$112.5 million in FY2018/19 and a total of about N\$339.0 million over the MTEF, while the National Council is allocated N\$100.4 million and N\$294.4 million over the MTEF.

- An amount of N\$200 million is allocated to the Contingency Fund in the budget year and about some N\$553.0 million for the MTEF to cater for unforeseen emergencies.
- For the FY2017/18, a total of N\$250 million was allocated to the Contingency Fund and N\$179.4 million was spent. I have distributed the corresponding information regarding the utilization of the Contingency Fund.

86. The details of the expenditure allocations per Vote and programmes are contained in the Appropriation Bill and the Estimate of Revenue and Expenditure for the MTEF. The Government Accountability Report provides an account of achievements and outcomes for the FY2016/17.

## **Public Finance and Financial Sector Reforms over the MTEF**

### **Public Finance Management reforms**

*Honourable Speaker,*

87. Following the enactment and implementation of the Public Procurement Act and PPP law, the main policy reform in the public finance sphere is the review and the State Finance Act and its repeal into the new Public Finance Management Bill. This reform agenda is envisaged to modernize public finance management practices, introduce measures for managing fiscal risks, transparency and accountability as well as bringing the entire public sector into specific provisions of the law.

### **Financial Sector Legislative Reforms**

*Honourable Speaker*

88. A number of financial sector reforms have been implemented under the Financial Sector Strategy, with further reforms still under way. The policy imperative is to safeguard financial stability and foster financial inclusion and access to finance.

- In the banking sector, the Bank of Namibia Bill is at legal drafting stage to, among others, harmonize the legislation with central banking law within the SADC region and also to bring it in line with the third Constitutional

amendment. The Banking Institutions Amendment Bill is also finalized with specific localization provisions, while a new Deposit Guarantee Scheme to protect depositors against potential losses in the event of commercial bank failures has been finalized and due for tabling later this year,

- the legislative framework governing the non-banking financial sector has also reached finality with the NAMFISA Bill, Financial Institutions and Markets Bill and the Financial Services Adjudicator Bills due for tabling this year. The tabling of this comprehensive set of legislation will introduce risk-based supervision in the non-banking financial sector, while ensuring policy harmonization across different industry subsectors,
- the Financial Sector Assessment Program (FSAP) has been carried out last year in collaboration with IMF and the World Bank Group since the last FSAP was conducted in 2007. The recommendations from the assessment underscored the need for continued macro-prudential oversight which extends to Development Financial Institutions, consolidated supervision as well as institutional arrangements to enhance financial stability. Such recommendations are filtered in the draft legislations.

## **CONCLUSION AND ACKNOWLEDGEMENTS**

Honourable Speaker,  
Honourable Members,

89. The budget and the MTEF before you propose to persist with the fiscal consolidation policy stance with gradualism.
90. It is a proposition for growth, jobs and the continued erosion of poverty and inequalities.
91. It is a call for coordination and timely implementation of critical dependency policy reforms.
92. I wish to express my profound gratitude to His Excellency President Hage Geingob for his leadership, guidance and support as we chart our course from the prevailing economic environment.

93. Equally, His Excellency Vice President Nangolo Mbumba and Former Vice President Dr. Nicky Iyambo, Right Honorable Prime Minister Kuugongelwa-Amadhila, the Hon. Deputy Prime Minister Netumbo Nandi Ndaitwah for their guidance and input on the budget.
94. I thank my Cabinet Colleagues for the budget policy prioritization, policy coordination and common understanding during these challenging times for which we now see the green shoots budding. We are unanimous in our conviction that we are on the right path. And that the long-term gains far outweigh short-term pain.
95. I thank Honourable Obeth Kandjoze, Minister of Economic Planning and Director General of the National Planning Commission and his entire staff for the joint work and usual support. Let me also thank Honourable Tom Alweendo, Minister of Mines and Energy, for the invaluable contribution he has made to the financial sector and public finance as a former Governor of the Bank of Namibia and former Minister of Economic Planning and Director General of the National Planning Commission.
96. I thank the Bank of Namibia and the staff at NAMFISA for all-round support.
97. My gratitude also extends to my Deputy Minister, Honourable Natangue Ithete, the Permanent Secretary, Madam Ericah Shafudah, my officials who put in late hours in preparing the documentation and all senior officials in all O/M/As for the hard work and understanding for the necessity of the fiscal stance.
98. Let me also extend my appreciation to the staff at the Government Printers for the countless hours they devote to the printing the voluminous budget documents.
99. I thank the business community, social partners, the financial services industry players, the Bankers Association of Namibia, Asset Managers, Insurance industry, Economic Association of Namibia for collaboration and support.



100. This budget calls on the collective support for all Namibians and, more than ever before, the contribution of the private sector to the national development objectives.

*Honourable Speaker,  
Honourable members,*

101. As I conclude, let me quote Abraham Lincoln as he stated *"adhere to your purpose and you will soon feel as well as you ever did. On the contrary, if you falter, and give up, you will lose the power of keeping any resolution, and will regret it all your life"*

102. This budget encapsulates our resolve to implement the policy and development intentions expressed in our national development plans. It actualizes the high impact initiatives which will take our country forward on the path towards prosperity for all.

I now appeal for your support.

I thank you.

(N\$ Thousands 000)	Actual 2016/17	Resived estimate 2017/18	Estimates 2018/19	Estimates 2019/20	Estimates 2020/21
<b>GDP in Fiscal Year</b>	<b>164,155,567</b>	<b>171,851,845</b>	<b>184,748,490</b>	<b>200,758,926</b>	<b>219,314,213</b>
<b>Taxes on income and profits</b>	<b>20,606,830</b>	<b>21,211,084</b>	<b>22,192,470</b>	<b>23,700,402</b>	<b>25,125,498</b>
<b>Taxes on Property</b>	<b>283,991</b>	<b>242,721</b>	<b>260,269</b>	<b>283,361</b>	<b>312,954</b>
<b>Domestic taxes on goods and services</b>	<b>12,430,096</b>	<b>12,286,921</b>	<b>13,279,883</b>	<b>14,181,993</b>	<b>14,980,377</b>
<b>Licence fees and other charges</b>		<b>242,001</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Taxes on international trade</b>	<b>14,070,730</b>	<b>19,597,423</b>	<b>17,374,890</b>	<b>16,219,090</b>	<b>17,045,802</b>
<b>Other taxes</b>	<b>183,024</b>	<b>137,183</b>	<b>147,101</b>	<b>150,143</b>	<b>165,823</b>
<b>Total Tax Revenue</b>	<b>47,574,672</b>	<b>53,717,333</b>	<b>53,254,612</b>	<b>54,534,990</b>	<b>57,630,454</b>
<b>Entrepreneurial and property income</b>	<b>2,305,383</b>	<b>2,235,000</b>	<b>661,062</b>	<b>322,426</b>	<b>695,771</b>
<b>Fines and forfeitures</b>	<b>66,587</b>	<b>68,000</b>	<b>81,582</b>	<b>90,551</b>	<b>99,887</b>
<b>Administrative fees</b>	<b>902,115</b>	<b>726,000</b>	<b>2,699,079</b>	<b>2,794,828</b>	<b>2,881,684</b>
<b>Return of capital from lending and equity</b>	<b>16,119</b>	<b>15,000</b>			
<b>Total Non-Tax Revenue</b>	<b>3,290,204</b>	<b>3,044,000</b>	<b>3,441,723</b>	<b>3,207,805</b>	<b>3,677,343</b>
<b>Total revenue (own sources)</b>	<b>50,864,875</b>	<b>56,761,333</b>	<b>56,696,335</b>	<b>57,742,795</b>	<b>61,307,797</b>
<b>Grants</b>		<b>50,000</b>			
<b>Total Revenue and Grants</b>	<b>50,864,875</b>	<b>56,811,333</b>	<b>56,696,335</b>	<b>57,742,795</b>	<b>61,307,797</b>
<b>As % of GDP</b>	<b>31.0%</b>	<b>33.1%</b>	<b>30.7%</b>	<b>28.8%</b>	<b>28.0%</b>
<b>Operational Expenditure</b>					
Social Sector	26,626,654	28,838,396	27,561,852	27,672,620	27,773,162
Public Safety Sector	10,921,671	11,828,879	11,644,277	11,638,950	11,681,857
Administrative Sector	4,074,716	4,413,182	3,378,689	3,302,974	3,312,576
Economic Sector	6,858,150	7,427,822	6,386,326	6,370,202	6,393,688
Infrastructure Sector	2,694,986	2,918,845	2,193,856	2,204,020	2,212,145
<b>Operational Budget Expenditure, MTEF</b>	<b>51,176,176</b>	<b>55,427,124</b>	<b>51,165,000</b>	<b>51,188,766</b>	<b>51,373,428</b>
<b>As % of GDP</b>	<b>31.2%</b>	<b>32.3%</b>	<b>27.7%</b>	<b>25.5%</b>	<b>23.4%</b>
<b>Development Budget Expenditure</b>					
Social Sector	979,411	815,601	1,239,472	1,261,934	1,393,837
Public Safety Sector	1,187,726	989,075	1,030,376	1,238,277	1,425,192
Administrative Sector	816,852	680,231	1,016,754	1,287,986	1,478,616
Economic Sector	1,637,683	1,363,775	1,748,533	1,979,359	2,086,858
Infrastructure Sector	2,118,479	1,764,156	2,288,876	2,027,191	1,799,982
<b>Development Budget Expenditure MTEF</b>	<b>6,740,152</b>	<b>5,612,838</b>	<b>7,324,011</b>	<b>7,794,747</b>	<b>8,184,485</b>
<b>As % of GDP</b>	<b>4.1%</b>	<b>3.3%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>3.7%</b>
<b>Total Operational &amp; Development Expenditure</b>	<b>57,916,328</b>	<b>61,039,962</b>	<b>58,489,011</b>	<b>58,983,513</b>	<b>59,557,913</b>
<b>As % of GDP</b>		<b>35.9%</b>	<b>31.7%</b>	<b>29.4%</b>	<b>27.2%</b>

<b>Sectoral as % total Expenditure</b>					
Social Sector	47.7%	48.6%	49.2%	49.1%	49.0%
Public Safety Sector	20.9%	21.0%	21.7%	21.8%	22.0%
Administrative Sector	8.4%	8.3%	7.5%	7.8%	8.0%
Economic Sector	14.7%	14.4%	13.9%	14.2%	14.2%
Infrastructure Sector	8.3%	7.7%	7.7%	7.2%	6.7%
<b>Expenditure Categories as % to Total Exp</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Economic Classification as % of Total Expenditure</b>					
010 Personnel Expenditure			49%	51%	52%
030 Goods and Other Services			11%	10%	9%
080 Subsidies and other current transfers			27%	26%	25%
110 Acquisition of capital assets			12%	13%	13%
130 Capital Transfers			1%	1%	1%
		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Expenditure Excluding Interest &amp; on</b>	<b>57,916,328</b>	<b>61,039,962</b>	<b>58,489,011</b>	<b>58,983,513</b>	<b>59,557,913</b>
<b>Primary Budget Balance</b>	<b>-7,051,453</b>	<b>-4,228,629</b>	<b>-1,792,676</b>	<b>-1,240,718</b>	<b>1,749,884</b>
<b>As % of GDP</b>	<b>-4.3%</b>	<b>-2.5%</b>	<b>-1.0%</b>	<b>-0.6%</b>	<b>0.8%</b>
Domestic Interest Payments	2,831,232	3,074,000	3,795,504	4,105,485	4,365,485
Foreign Interest Payments	1,478,885	1,926,000	1,987,294	2,078,294	2,123,525
Guarantees & Other Statutory Commitments	40,858	12,963	731,000	515,000	265,000
<b>Interest Payments</b>	<b>4,350,975</b>	<b>5,012,963</b>	<b>6,513,798</b>	<b>6,698,779</b>	<b>6,754,010</b>
As % of GDP	2.7%	2.9%	3.5%	3.3%	3.1%
As % of Revenue	8.6%	8.8%	11.5%	11.6%	11.0%
<b>Total Expenditure Including Interest &amp; on</b>	<b>62,267,303</b>	<b>66,052,925</b>	<b>65,002,809</b>	<b>65,682,292</b>	<b>66,311,923</b>
<b>As % of GDP</b>	<b>37.9%</b>	<b>38.4%</b>	<b>35.2%</b>	<b>32.7%</b>	<b>30.2%</b>
<b>Budget Balance</b>	<b>-11,402,428</b>	<b>-9,241,592</b>	<b>-8,306,474</b>	<b>-7,939,497</b>	<b>-5,004,126</b>
<b>As % of GDP</b>	<b>-6.9%</b>	<b>-5.4%</b>	<b>-4.5%</b>	<b>-4.0%</b>	<b>-2.3%</b>
Budget Balance	-11,402,428	-9,241,592	-8,306,474	-7,939,497	-5,004,126
Expenditure Outside Budget (Foreign Loans)			-947,532	-1,067,887	-1,408,097
<b>Fiscal Balance/Financing Requirement</b>	<b>-11,402,428</b>	<b>-9,241,592</b>	<b>-9,254,006</b>	<b>-9,007,384</b>	<b>-6,412,223</b>
Financing by Net Domestic Borrowing	9,417,302	6,242,592	5,306,474	6,351,598	4,003,301
Financing by Net Foreign Borrowing	1,986,827	3,000,000	3,947,532	2,655,787	2,408,922
<b>Total Borrowing</b>	<b>11,404,129</b>	<b>9,242,592</b>	<b>9,254,006</b>	<b>9,007,384</b>	<b>6,412,223</b>
<b>Total Financing</b>					
Domestic Debt Stock	41,647,720	48,608,980	53,915,454	60,267,051	64,270,352
Foreign Debt Stock (est.)	28,248,728	25,858,942	29,806,474	32,462,261	34,871,184
<b>Total Debt</b>	<b>69,896,448</b>	<b>74,467,922</b>	<b>83,721,928</b>	<b>92,729,313</b>	<b>99,141,536</b>
As a % of GDP					
Domestic Debt Stock	25%	28%	29%	30%	29%
Foreign Debt Stock	17%	15%	16%	16%	16%
<b>Total Debt</b>	<b>42.6%</b>	<b>43.3%</b>	<b>45.3%</b>	<b>46.2%</b>	<b>45.2%</b>
<b>Sinking Fund Balances</b>					
ZAR Cash Reserves	862,190	1,360,743	1,204,743	1,804,743	900,000
USD Cash Reserves	3,906,546	3,589,473	4,389,473	5,389,473	6,389,473
<b>Total cash reserve</b>	<b>4,768,737</b>	<b>4,950,216</b>	<b>5,594,216</b>	<b>7,194,216</b>	<b>7,289,473</b>
<b>Guarantees</b>					
Domestic Guarantees	1,452,313	2,012,313	2,512,313	3,512,313	4,762,313
Foreign Gurantees	4,898,221	10,800,000	12,300,000	12,300,000	12,600,000
<b>Total Guarantees</b>	<b>6,350,534</b>	<b>12,812,313</b>	<b>14,812,313</b>	<b>15,812,313</b>	<b>17,362,313</b>
<b>As a % of GDP</b>	<b>4%</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>