

Republic of Namibia

Budget Statement
For the 2001/02 Financial Year

Presented By Honourable Nangolo Mbumba,
Minister of Finance

BUDGET STATEMENT 2001/2002

and

MEDIUM TERM EXPENDITURE FRAMEWORK 2001/02 – 2003/04

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I. OPENING REMARKS

1. Mr. Speaker and Honourable Members of the National Assembly, the Budget is tabled in accordance with Article 126 of the Namibian Constitution which states that the Minister in charge of the Ministry of Finance shall, at least once every year, present for the consideration of the National Assembly estimates of revenue, expenditure and income for the prospective financial year. It is therefore an honour and privilege for me to present to this august House the budget proposals for the financial year 2001/2002 and the Medium Term Expenditure Framework for financial years 2001/2002 to 2003/2004.

2. The ***Mission of the Ministry of Finance*** is to promote macroeconomic stability by formulating and coordinating the implementation of fiscal and financial policies that optimise economic growth. Mr. Speaker, allow me first to highlight some important changes that have been introduced in this year's Budget for the purpose of making us more efficient in fulfilling this mission.

3. For the first time, the Budget is presented as a rolling Budget, within a three-year framework. We have adopted such a framework to strengthen fiscal policy management. The rolling Budget facilitates the allocation of resources to achieve strategic policy objectives by linking policy-making, planning and budgeting. This will result in better expenditure control and greater efficiency and effectiveness in the implementation of policies and programmes.

4. Thorough discussions on policy proposals have to precede and guide Budget formulation. It is for this reason that the Medium Term Expenditure Framework includes a section on priorities, thus I will also discuss sectoral priorities in the course of this statement.

5. His Excellency the President confirmed in his State of the Nation address last year that we would be moving to integrate the ***Performance and Effectiveness Management Programme*** into the Budget process. We have made a start on that. Working jointly, the Office of the Prime Minister, the Ministry of Finance and the National Planning Commission have agreed upon a suitable and focussed framework with each Ministry, which is published in the MTEF paper. As part of the budgetary process, social and economic objectives have been set with each Ministry, and agreement has been reached on how we will measure their achievements.

6. Mr. Speaker, the Budget and the Medium Term Expenditure Framework are formulated against the setting of a period of progress in many facets of the socio-economic situation in our nation, and steadily improved economic and fiscal management.

7. We are now able to review and assess the outcome of the NDP1 period regarding macro-economic development and economic policy. In addition, the revised National Accounts, published by the National Planning Commission in December last year, give new insights into these issues.

8. It is necessary to underscore, already at this point, that the Budget has to be formulated against the background of an economic and financial situation that requires a high degree of fiscal restraint and very strict fiscal discipline.

9. It is of crucial importance that the Budget helps stimulate and strengthen economic growth and development in Namibia. At the same time we need to address vigorously the country's deep-seated dilemmas, such as poverty, unemployment and the HIV/AIDS pandemic.

10. The second National Development Plan will play a crucial role with respect to addressing these problems. The Budget and the Medium Term Expenditure Framework have to be closely linked to medium and long-term economic and social objectives and strategies.

11. Mr Speaker, before looking into the future, allow me to present a brief account of economic and fiscal development over the last five years. Such a review can serve to highlight the challenges that have to be addressed in the years ahead.

II. ECONOMIC HIGHLIGHTS OVER THE LAST FIVE YEARS

12. General economic growth in Namibia over the NDP1 period 1995-1999 has been stable with yearly growth rates for Gross Domestic Product between 3 and 4.5 percent. The average growth rate is 3.8 percent. Although this is considerably below the target set in NDP1, it has allowed some growth also in per capita incomes.

13. Strong growth in investment is an important and positive factor in the development pattern. Over the NDP1 period, on average real investment has increased by close to 10 percent per year. This increased capital formation will give support to economic growth over the coming years.

14. Macroeconomic stability and the pursuit of pragmatic economic policies have earned our country high credibility in the world's financial and economic markets. Over the period 1995-1999, Namibia has attracted foreign direct investment totalling N$ 2.6 billion, which corresponds to more than 3 percent of Gross Domestic Product over the same period. While the mining sector still receives the lion's share of foreign direct investment, it is encouraging that statistics indicate that the focus is shifting towards tourism, fishing and the manufacturing of fish products.

15. The role of Government in our economy has expanded – which has helped to stabilise and stimulate economic activities, but at the same time creates risks of increasing dependence on Government as a main provider of goods and services. It is essential that self-sustained financial development be fostered in State-Owned Enterprises and above all in the private sector.

16. The Namibian Government has been able to retain public debt within manageable proportions. This has been made possible by maintaining a stable revenue base through enhanced tax collections, and also by pursuing prudent borrowing policies.

17. Public debt has amounted to 21 percent of GDP as an average for the period 1995-1999. Although this debt ratio can be regarded as fairly low, the tendency for it to increase is recognised by Government as a cause for concern. Budget deficits have amounted to 3.7 percent of GDP on average, which is above the target set in NDP1. It is necessary to bring the deficit ratio down over the next few years in order to ensure a sustainable debt situation and to maintain financial stability.

III. MEDIUM-TERM MACRO-ECONOMIC ENVIRONMENT

18. Mr. Speaker, it is necessary to also take cognisance of the current economic environment – internationally, regionally and nationally – to ensure that budget policies and objectives are properly aligned to other spheres of the economy.

1. Global Economic Outlook

19. Mr. Speaker, the global economy improved noticeably during 1999 and the first half of 2000. During this period, the United States economy continued to show strong growth, and economic growth in Europe improved considerably. Production also increased strongly in the emerging market economies of East Asia and South America.

20. A number of countries, however, continue to experience serious economic problems, in some cases due to natural disasters, in others due to adverse movements in commodity prices. The HIV/AIDS pandemic poses a severe human and economic threat, particularly in sub-Saharan Africa and parts of Asia.

21. From the second half of 2000, a significant slowdown in economic growth started to become evident in Europe as well as in the United States. High oil prices and instability in financial markets pose a threat to continued economic growth in the global economy. GDP growth in the United States is now

expected to decelerate to 2 percent, and growth forecasts for Europe have also been revised downward in recent months.

22. During the year 2000 many advanced countries were growing at rates at or above potential and Central Banks then continued to raise interest rates. However, with weaker economic growth prospects, this trend has now been reversed in a number of countries, for instance in the United States. The threat of inflation remains relatively subdued in most advanced economies.

23. Falling commodity prices in international markets during 1997 and 1998 created problems for the primary sector of the Namibian economy. However, since 1999 world commodity prices have strengthened considerably. Growing demand and rising prices for non-fuel commodities are expected to contribute to higher economic growth in Namibia over the next few years.

24. Mr. Speaker, while the overall outlook is still encouraging, there are significant uncertainties as a number of economic and fiscal imbalances always exist in the global economy. These include the uneven pattern of demand and production growth among the three major currency areas and imbalances in their external current accounts. These imbalances could generate further volatility in financial markets.

25. Although global economic prospects still offer the possibility that export and output conditions for Namibia will improve over the next few years, these "downside risks" have to be taken into account when formulating economic and fiscal policies.

2. Developments on the African Continent

26. For Africa as a whole, economic growth in the last few years has been somewhat lower than expected. GDP growth slowed considerably to less than 2.5 percent in 1999, but is expected to have recovered to 3.5 percent in 2000.

27. At the same time a large number of African countries continue to experience deterioration in their social indicators and worsening growth rates. Only a few countries have sustained growth rates that could significantly reduce poverty within a decade.

28. The growing number of African countries in conflict, with immense damages to human and natural resources and the high incidence of HIV/AIDS significantly contributes to the economic woes of the continent. Economic growth rates in Africa have remained grossly inadequate for reversing the steep decline in real income, rising unemployment and deepening poverty.

29. A recent report from the World Bank states that economic growth in Africa needs to be accelerated from 4 percent of recent years to over 7 percent if

the continent is to reduce poverty by half by the year 2015, and that economic growth must be broad-based and equitably distributed. Our continent's unfinished agenda therefore includes greater efforts towards social inclusion, stable peace and better governance. The latter includes empowerment of local people through community driven programs and enabling Africans to move in the mainstream of the modern money economy by building capacity in the region.

3. Developments in the SADC region

30. Growth in the SADC region is projected to improve over the next three years, due to macro-economic stabilisation, trade liberalisation and falling interest rates. However, note must be taken of the after effects of factors such as the floods in Mozambique, both last year and this year, which have a negative impact on regional economic growth.

31. Economic growth in South Africa remained weak in the first half of the year 2000, due to slow growth in household income and instability in financial markets. The economy appears to have weathered the financial turbulence reasonably well, and economic growth has improved. A period of economic stability is expected to persist for the duration of 2001.

32. South Africa's economic recovery, while still fragile, is gaining momentum with growth prospects of 3 to 4 percent in years 2001 and 2002. Strengthening of public finance, improvement in external competitiveness and growing world demand has supported the rebound.

33. Improvements in productivity growth have helped dampen the potential inflationary impact of economic recovery in South Africa. Some inflation pressures have been evident, however, as a result of the depreciation of the Rand, a flood-related surge in food prices and the rise in the cost of oil imports.

34. Mr. Speaker, we are witnessing increasing progress towards economic integration in the region. The re-negotiation process of the Southern African Customs Union (SACU) Agreement is in the advanced stages, and it is anticipated that the agreement will be finalised this year. The conclusion of these negotiations will result in the creation of a Council of Ministers of the five member states as the supreme decision making body, a SACU Secretariat to handle administrative functions, a tariff setting body of experts and a new revenue sharing formula.

4. Namibia's economic performance and outlook

35. Mr. Speaker, the revised National Accounts show that the growth performance of the Namibian economy during the NDP1 period has been considerably

better than was estimated earlier. Gross Domestic Product on average has grown by 3.8 percent per year. Although that growth rate does not fulfil the target set up in the National Development Plan 1, it is still one percentage point higher than the earlier estimate.

36. The National Accounts also show that growth has been unevenly distributed amongst production sectors. Mining, fishing and (above all) the services sectors account for the major part, while growth has been slow in agriculture and manufacturing (less than 2 percent per year on average). These imbalances need to be addressed by Government's economic policy during the NDP2 period.

37. It is encouraging that domestic investment has shown strong growth. Between 1994 and 1999 gross fixed capital formation increased its share of GDP from 19.5 to 23.2 percent. This increased capital formation will be important for fostering economic growth.

38. Estimates for economic growth in the year 2000 are still uncertain. Quarterly estimates have indicated a marked deceleration, especially in the agriculture, fishing and manufacturing sectors. However, preliminary National Accounts show a considerably more positive growth picture with real GDP increasing by 3.9 percent. Due to uncertainty, this budget has been based on a somewhat more cautious estimate of 3 percent GDP growth between 1999 and 2000.

39. For the coming three years, the average GDP-growth rate is projected at 4.8 percent, based on preliminary estimates for the 2nd National Development Plan. This relatively high figure is attributed mainly to good growth prospects for primary industries such as mining and agriculture. Major investment projects in the mining sector are expected to result in strong production growth in that sector over the next few years.

40. Mr. Speaker, inflation in Namibia averaged around 9 percent in the year 2000. To a large extent, this high inflation rate is the effect of imported inflation, in turn the effect of the weakening of the Namibian dollar in relation to currencies such as the US Dollar, the Pound Sterling, the Euro and the Yen. The inflation rate is, however, forecast to decrease gradually over the next three years.

5. Recent fiscal performance

41. The actual fiscal deficit for financial year 1999/2000 turned out at about N$681 million or 3.1 percent of revised GDP. This is a considerably lower deficit than the N$881 million that was estimated in the Revised Budget for 1999/2000. It also represents a marked improvement from the previous financial year 1998/99, for which the budget deficit amounted to 3.9 percent of GDP.

42. The improved budget balance in 1999/2000 can be attributed mainly to a strong increase in tax revenue, which in turn is a result of improved collection and tighter tax administration.

43. The additional net expenditure allocations in the Revised Budget for financial year 2000/2001 increased the budget deficit to 3.5 percent of GDP as compared to 3.1 percent in the Main Budget.

44. Mr. Speaker, the deficit figures for the last few years that I have quoted here may not appear to deviate seriously from the target set in NDP1 – a deficit equal to 3 percent of Gross Domestic Product. Still, if we continue with budget deficits of that size, Government debt and interest payments will gradually become a heavier burden to Government finances. They will also create risks for instability in our economy as a whole. It is of crucial importance, therefore, that the budget deficit is brought down over the next few years to a level at or below 3 percent of GDP.

IV. POLICIES AND INITIATIVES FOR 2001/02 – 2003/04

1. Economic Policy Implementation

45. Worldwide, governments are in the process of re-inventing their missions, reformulating their policies, strategies and priorities and re-evaluating their relationship with the private sector. Their duties are to maintain a sound institutional and legal framework for the provision of public services ranging from the rule of law, law enforcement, education, health care, social security and national security, as well as providing political leadership. Overall leadership entails to work towards fostering peace and social harmony and to guarantee political participation, as well as the maintenance of macroeconomic stability, stable exchange rates and manageable inflation. At the same time, the private sector has ascended to the heights of economic activities such as banking, trade and commerce, manufacturing, transport and communications.

46. The Government of Namibia, not being an exception, has been concentrating on building institutions and on formulating policies according to its set priorities. Mr. Speaker, our challenge is now to ensure and strengthen successful implementation of these policies and programmes. Meeting this challenge is the indispensable condition for improving the standard of living of our people.

47. Mr. Speaker, let me re-emphasise the importance of implementing a ***Medium Term Expenditure Framework***. With the three-year rolling budget I am presenting to you today, the Namibian Government has taken the first step by

focusing on the availability of resources over the three-year period. Our next challenge is to establish a firmer connection between budget allocation and policy prioritisation.

48. Through the ***Performance and Effectiveness Management Programme*** we are strengthening our policy analysis capacity to ensure that we can monitor the impact of our policies. This year we will go further by bringing in measures of performance carefully tailored to each individual part of Government. That will enable us to set targets and develop better ways of working, so as to improve the quality and efficiency of public service delivery.

49. Mr. Speaker, the Ministry of Finance has also embarked upon the process of ***reformulating the State Finance Act, 1991***, to strengthen the legal framework for expenditure management. The reformulation of the State Finance Act, 2001, provides a clearer definition of those responsible for the administration of the Act, their relationship to each other, with Cabinet and with Parliament, and the extent of their mandate. It strengthens integration of the universal principles of accountability and transparency and will improve expenditure control. We need a clear mandate for Cabinet to play a strategic role in the budget process with respect to setting priorities and laying down policy guidelines. Against the background of a growing number of parastatals, statutory bodies and state owned enterprises, the Act also defines the Ministry of Finance's role in the management of Government's investments and interests. It sets unifying principles for the application of the Act to public financial assets and liabilities and elaborates on further issues connected to privatisation, granting of guarantees and on-lending arrangements. The layman's draft of the reformulated State Finance Act, 2001, has been forwarded to the Honourable Attorney-General and her team of legal drafters to be finalised.

50. We still have a number of difficult problems to address regarding the governance of parastatals. Apart from the financial control issues already mentioned, there is a need for evaluation and reform in the following areas:

- Operational performance, competitiveness and the quality of services.
- The functioning and competence of Boards of Directors.
- Remuneration practices for Board members and senior management.
- Private sector participation through privatisation and/or management contracts.

51. Due to the complexity and the need to coordinate the different new approaches to strengthen fiscal policy management, additional measures to evaluate and monitor our progress in the revision of the budgeting system are required. We are working together with the Auditor General's Office to expedite the establishment of an appropriate evaluation system to ensure better and speedier budget performance auditing.

52. In order to build capacity with respect to our staff in the Ministry of Finance, we have organised a training course on taxation and customs issues with UNAM, and we are about to launch a similar course on accounting and auditing with the same institution.

53. We are preparing to call out tenders for the upgrading of the financial management information technology system, to improve the execution of financial control on the basis of appropriate access to current financial data.

54. To get a tighter grip on the cash flow situation, a *Cash flow Committee*, consisting of representatives of the Bank of Namibia, the National Planning Commission and the Ministry of Finance, has actively deliberated on Government's cash flow and borrowing requirements.

55. Government is in the process of revising its resource mobilisation and borrowing strategies, due to a foreseeable decline in grant assistance. Although total external assistance had increased since Independence and reached a maximum of N$ 667 million in 1998 (excluding funds to Namibian NGO's), this trend has reversed and development assistance has fallen by about 40 percent to N$ 391 million for the year 2000. Monetary grant assistance has decreased considerably more compared to grant assistance in kind, which has remained rather stable. Progress was made in re-activating an *Inter-Agency Committee on Development Cooperation and Debt Management*. The Committee consists of members of the National Planning Commission, the Bank of Namibia and the Ministry of Finance and is responsible for the formulation of policy guidelines and procedures governing international grants and loans agreements. A number of policy guidelines have already been drafted and are currently being discussed with stakeholders involved.

56. Mr. Speaker, I will now elaborate on current developments with respect to the Namibian tax system. I will then highlight some of the policies and initiatives, which impact upon Namibia's prospects for growth and development. I will also comment on policies related to improvements in the social and the political-institutional sphere.

2. The Namibian Tax System – recent and prospective reforms

57. VAT was successfully implemented on 27 November 2000. Mr. Speaker, success of this new tax system is attributable to an extensive and countrywide awareness campaign, which the Ministry of Finance conducted over a period of two months. The campaign was carried out in close co-operation with a local audit firm, which was awarded a tender to assist in this regard. During the campaign, 14 different pamphlets were distributed, containing guidelines and procedures.

58. The co-operation received from the entire Namibian Business community and the excellent consultative process spearheaded by the *Parliament Standing Committee on Economics* also contributed to the successful implementation of the VAT.

59. Our appreciation goes to our development partners, specifically the International Monetary Fund, which rendered technical assistance during the whole process of VAT implementation, as well as to the media for good dissemination of important information to the public. We are also indebted to our colleagues from the South Africa Revenue Services, who through the South African National Treasury gave effective training to our staff members.

60. Mr. Speaker, allow me to re-emphasise that, with the introduction of VAT, utility companies, such as NAMPOWER and NAMWATER, when purchasing goods and services, for example, stationery, computer and transport equipment, may now claim back any VAT paid on such purchases. Therefore, the cost structure of these utilities should be reduced in terms of indirect tax.

61. The Ministry of Finance is currently exploring ways of contracting a VAT Refund Administrator to handle VAT refunds to tourists at major entry and exit points.

62. Mr. Speaker, at this early stage it is unfortunately not possible to assess with certainty the effect of VAT with regard to revenue collection. The first VAT Returns were only received on 25 February 2001.

63. Mr. Speaker, I am pleased to announce that Inland Revenue plans to open offices in Otjiwarongo and Keetmanshoop by June 2001, as part of fulfilling Government's Policy on decentralisation. Customer Care Centres are being set up at Regional Offices and a tax payer charter has been launched and made available to the public.

64. Research is being carried out to determine the possibility of reducing transfer duty to lower the tax burden to the lower income group acquiring or building residential buildings. Proposals to this end will be forwarded to Cabinet soon.

65. In addition to the above, Government is considering the possible increase of the taxable income threshold of N$ 20 000 for individuals to a more acceptable threshold. A review will be done with regard to other outdated thresholds and exemptions in the Income Tax Act. This would include exemption of a portion of interest derived by a tax payer, and this, Mr. Speaker, is meant to encourage savings and investment.

66. Progress has been made with the review on the Namibian tax system mentioned in last year's budget statement. The Ministry of Finance will engage a consultancy to review the tax system in its totality and introduce an

overall reform programme. An agreement will soon be concluded between the Government of Namibia and the Swedish Government to secure funds for the tax review exercise. The review will be carried out in close consultation with the Tax Advisory Committee and with experts from the public and private sectors.

3. Stimulating Economic Activity in the Private Sector

3.1 Agriculture

67. Mr. Speaker, agriculture is amongst our country's most important economic sectors. Despite the fact that it contributes only about 6 percent to GDP, this sector employs about 37 percent of the work force, and in rural areas farming is the main source of income. Our agricultural policies and activities focus on a range of issues, such as the promotion of environmentally sustainable rural livelihoods and more equitable access to resources and services for all farming communities. We also implement strategies that enhance the preparedness for agricultural emergency occurrences and enable effective and sustainable responses. We promote a fair and market-oriented food and agricultural trade system, and assist farmers in increasing the production and productivity of crop and livestock farming. To promote the diversification of agricultural production, Government supports the expansion of an export-oriented grape and date production in the Karas and Hardap regions.

3.2 Mining

68. Mr. Speaker, diamond and non-diamond mining contribute almost 10 percent to Namibia's GDP and 8 to 10 percent to total government revenue. Mining related exports constitute a share of 40 percent to Namibia's total export earning from goods and services. Government is, therefore, eager to ensure that a conducive environment for mining is upheld in order to maintain the sector's prosperity. Government has successfully implemented the Diamond Act and has embarked upon the recruitment of Diamond Commissioners who will serve as the custodians and supervisors of the Act. Tax rates for non-diamond mining companies have been amended to encourage greater efficiency. Opening and re-opening of further mines and exploration areas will stabilise or even increase the importance of this sector. We are eagerly looking forward to the construction of the Kudu gas energy system. We believe that this project will contribute substantially to Namibia's GDP growth.

3.3 Fishing and Fish Processing

69. Mr. Speaker, fishing and fish processing are particularly forward-looking industrial sectors. Since Independence, the introduction of monitoring, controlling and surveillance systems has crucially contributed to a drastic reduction in illegal fishing activities within Namibian waters. Government takes responsibility for the enforcement of fishery laws and regulations, as

well as fish processing facilities to ensure the sustainable utilisation of marine resources. Government continues to research the optimal utilisation of fish resources. This will ensure that resources are managed so as to maintain the ecological balance and to ensure that fish stocks are exploited in a sustainable manner.

3.4 Industry and Trade

70. Mr. Speaker, to protect our economy from the vagaries of external shocks, Government is determined to work towards broadening and diversifying our industrial sectors. Despite their importance, agriculture, mining and fishing suffer from a common drawback, which is their susceptibility and vulnerability to external shocks. Government focuses on three programmes to achieve greater diversification with respect to manufacturing.

- The *Industrial Development Programme* aims at establishing industrial parks in various locations. It also includes the completion of an industrial census as well as a number of policies for promoting production and employment in small and medium enterprises.

- The *Investment Promotion Programme* aims at increasing domestic and foreign direct investment, to increase the number of investors located in the EPZ's and to increase the number of companies, which benefit from incentives directed at production and exports of manufactured goods.

- The *Trade Promotion Programme* aims at reviewing the export development strategy to increase its beneficiaries and is also directed at increasing Namibia's share of intra-regional trade. A Quality Control and Standardisation body will be established, and an Industrial Property Act and a Competition Law will be introduced by the Hon. Minister of Trade and Industry with the aim of improving the legal basis for industrial activities.

Government is also supporting important infrastructure projects such as the extension of the Northern Railway line, the rehabilitation of the Luderitz line and the Trans-Caprivi highway.

3.5 Financial Sector Policies

71. Mr. Speaker, Cabinet approved outsourcing of the Ministry of Finance's *Directorate of Financial Institutions Supervision*, in order to establish an autonomous body that will effectively and efficiently regulate and control non-bank financial institutions. The draft bill to establish the *Namibian Financial Institutions Supervisory Authority (NAMFISA)* has been passed by the National Assembly and, with a few amendments, has also been approved by the National Council.

72. The *Stock Exchange Control Act of 1985* was amended in December 2000, to enable corporate bodies to become members of the Stock Exchange. Amendments also empower the Minister of Finance to determine minimum capital requirements for members of the Stock Exchange and to provide for the disclosure of information related to securities and incidental matters thereof.

73. Proposals for amending the *Unit Trust Control Act of 1981* are also underway. The Attorney-General's Office has been approached for a legal opinion on provisions to be made for compulsory registration and approval of foreign funds and market funds, as well as for the disclosure of information and other related issues. Tabling of the amendments to this Act in Parliament is planned to take place towards the end of this year.

74. With Cabinet's encouragement, the Ministry of Finance is in the process of establishing the *Namibian Development Bank* (NDB), whose objective is to mobilise development funding from domestic and international sources on a wholesale basis. Acquired funds will provide competitively priced financing, which the NDB will forward through on-lending arrangements to beneficiaries, such as parastatals and income-generating development projects. The NDB will furthermore take responsibility for the delivery and coordination of other key development finance programmes and will provide coverage for foreign exchange risks connected to off-shore funding denominated in foreign currencies. Lending procedures will be based upon commercially accepted operating principles, and it will only be allowed to fund projects, which are financially viable. Its own funding will be sourced from the Government, the private sector, parastatals and international donors in the form of equity, lending and wholesale deposits. The Development Fund of Namibia (DFN) will seize existence and will be incorporated into the NDB.

3.6 Exchange control issues

75. Mr. Speaker, Namibia will embark on a new approach for the management of exchange controls and collection of data for all cross border transfers. Instead of outlawing all foreign transactions and then introducing deviations from this rule, the new approach will categorically allow all foreign transactions and will restrict those movements for which controls are still considered to be necessary. Emphasis is also shifted from a rigid control function to capturing vital statistical information on foreign transaction. This requires that we replace the current manual data collection system, and we have therefore started with the groundwork to make the envisaged transformation as smooth as possible. We will have to enact new legislation to govern all foreign currency transactions in and out of Namibia, and I expect to approach this august House during the latter half of the year with the new Bill and accompanying regulations.

76. In accordance with our policy of gradually liberalising exchange controls, I would like to make the following announcements regarding the administration of the existing exchange controls:

- Mr. Speaker, I am happy to announce that all *Emigrant Block Funds* held back in the Namibian economy up to and including 28 February 2001 may be released. As in the past, we will make every effort to ensure that this concession does not cause any disruptions in the exchange market of other Common Monetary Area (CMA) members. We will, therefore, ensure that residents of other CMA member countries will not use Namibia as a channel to release blocked funds.

- To encourage *Foreign Investment by Namibian Corporations*, companies wishing to invest in countries outside the CMA will now, on application, be allowed to transfer increased amounts of funds abroad. The present benchmark amount of N$ 250 million for investment transfers from Namibia into SADC countries is hereby increased to N$ 750 million. Additionally, this amount will not only be applicable to investments in SADC, but also to investments anywhere within Africa. Similarly, the benchmark amount of N$ 50 million for investment transfers to elsewhere is increased to N$ 500 million. Mr. Speaker, by opening up the foreign investment window for residents, we hope to instil confidence and inspire non-resident investors to introduce new capital into our economy.

- *Namibian institutional investors*, i.e. long-term insurers, pension funds, the unit trust industry and fund managers have since 1995 been using asset swap mechanism to invest offshore. As local portfolios are now fairly diversified, we, including the other CMA members, are of the opinion that the original aim of this window has been successfully achieved. Consequently, we have decided to dispense with the asset swap mechanism. Therefore, with effect from today **(14. March 2001)**, no further asset swaps will be permitted irrespective of availability under existing asset swap limits. All other terms and conditions applying to existing asset swap transactions remain unchanged. However, institutional investors will still be allowed to continue acquiring foreign portfolio investments simply by means of foreign currency transfers from Namibia.

- With regard to other exchange control limits, such as study allowances, travel allowances, gifts and maintenance, the required announcements will be made in the foreseeable future.

4. Social and Institutional Issues

77. Mr. Speaker, recent research on economic growth suggests that not only 'hard' economic variables, such as investment and capital accumulation determine a country's growth prospects. 'Soft' variables, such as human capital formation, institutional development, entrepreneurial spirit, initiative and diligence, also play a crucial role through increases in the productivity of labour. Mr. Speaker, allow me to outline some of the social and political-institutional policies:

4.1 Education

78. Right from the beginning this Government has recognised that education and training are among the most important factors for developing a nation's human capital, expanding the economy and creating wealth. Therefore, it is of paramount importance to ensure that Namibian people have adequate and equitable access to education at all levels. We should improve the level of quality of our education system to ensure a more reliable development of our economy and a broad expansion of wealth.

79. One of our greatest financial challenges in the educational sector is adequate coverage of teachers' remuneration. In recent years, personnel expenditure has increased due to two factors: Enrolments have risen, and increasing numbers of teachers have met qualification requirements, which entitle them to higher salaries. While we indisputably welcome improvements in the qualification of teachers and will have to be prepared for a higher wage bill for educational staff, we will be happier if better qualification of teachers translates into higher passing rates of students, particularly at grade levels 8, 10 and 12. Let us keep in mind that 60 percent of all government appointed teachers are still lacking formal qualifications. We also experience a clear urban bias with respect to where qualified teachers are located, and will work together with the two Ministries of Education in setting up an incentive scheme to support a more equitable distribution of qualified teachers throughout the country.

80. As a principle, we need to ensure that all Namibians have access to adequate primary education. It is desirable to gear education towards more technical subjects and vocational training in rural areas, in order to encourage self-employment in and beyond the agricultural sector. As secondary education provides better job opportunities and prepares for entry into tertiary education, we should work towards increasing the number of pupils entering and passing secondary education. We are proud of having succeeded in establishing two tertiary educational institutions, namely UNAM and the Polytechnic. They provide young people with academic qualifications, which enable them to take on leading roles and responsibilities in the public and the private sphere.

4.2 Health

81. Mr. Speaker, Namibia's health care system works by the principle that primary health care provides the foundation and cornerstone of health care delivery. Therefore, health-supporting measures are of particular importance, such as the provision of appropriate nutrition, safe water supplies, well-functioning sanitation, maternal and child-care services, immunisation, health education and epidemiological and environmental health services.

82. On the medical side, health care emphasizes prevention and treatment of Malaria and HIV/AIDS. High prevalence of HIV/AIDS poses great risks to our country, not only with respect to health care, but also to our country's social and economic development. HIV/AIDS seriously affects demography, decreases productivity and requires funds to be diverted to cope with the consequences of the disease. We are, for example, faced with a rapid and sustained increase in the number of orphans. It is projected that by 2006, 13% of Namibia's children under 15 years will be orphans. Research on the economic and social consequences of HIV/AIDS has identified that social cohesion is one of the main factors determining the impact of the disease. Hence, we need to strengthen our society's cohesion within families, communities, the workplace, regions and the nation. It is of utmost importance, that we do our best to work towards efficient and effective solutions to address at all levels the challenges our nation is facing.

4.3 Gender Issues

83. To address the social issue of gender relations, His Excellency the President, has recently established the Ministry of Women Affairs and Child Welfare. The general mandate of this new Ministry is to promote, facilitate, co-ordinate, monitor and evaluate the empowerment and development of women and children. Its activities strive towards empowering women through the dissemination of information, co-ordination and networking and through the promotion of law and policy reforms. Recent transfer of two divisions to this Ministry has increased its responsibilities with respect to child welfare and community development.

4.4 Poverty Alleviation

84. Mr. Speaker, efforts to alleviate poverty continuously deserve special attention, given the persistence of high measures of income inequality in our country. The majority of our people continue to live in poverty, and with 70 percent of the poor being women, poverty is clearly gender biased. The provision of adequate public services is particularly important for the poor who are the most vulnerable, if the public sector does not cater for basic needs. Apart from the sick, the disabled and the aged, poverty in Namibia also carries a rural bias, where employment opportunities are scarcest.

85. As much as the causes of poverty are complex, so interwoven must be the strategies to tackle the problem of poverty, spanning across a range of areas such as infrastructure, education, health, agriculture, public service provision, decentralisation and promotion and expansion of small and medium enterprises (SMEs). Hence, a number of different policies have to be formulated. Amongst these are the setting up of labour-intensive infrastructure projects, formulation and implementation of land use plans and resettlement of farmers, providing training to resettled farmers and supporting self-employment. Cabinet has recently instructed the Ministry of Higher Education, Training and Employment Creation to set up two new entities - the *National Centre for Innovation, Entrepreneurship and Technology* and the *Council on Employment Creation* - to deal with the promotion of employment creation.

86. The *Trust Fund for Regional Development* under the auspices of the Ministry of Regional, Local Government and Housing constitutes a further contribution towards addressing inequity and poverty at the regional level. Giving preference to rural electrification and water tapping, the electricity and water sectors actively contribute to Government's endeavour to alleviate poverty in remote and rural communities.

87. Growing numbers of HIV/AIDS orphans require increasing social assistance, as the State resumes responsibility for their well being. The financial outlay for this assistance puts resources available for other vulnerable social groups under extreme pressure.

88. In this year's budget, N$ 12.4 million have been earmarked for the improvement of the situation of War Veterans and their dependants. The Ministry of Health and Social Services will give to each war veteran an allowance of N$ 500 per month, and the National Planning Commission will distribute to each war veteran orphan an amount of N$ 334 per month. Furthermore, the National Youth Scheme is expanding its programmes and this will help to reduce unemployment amongst the youth and to provide them with valuable skills, which will facilitate entry into the job market.

4.5 Decentralisation Policy at Regional and Local Government Levels

89. Mr. Speaker, in 1997 the Government of Namibia adopted *Decentralisation* as a major policy to bring Government closer to the people, providing citizens with the opportunity to participate in the democratic decision-making process at the grass-root level. Decentralisation should also ensure that satisfactory public services are delivered to all communities on an equitable basis, and that economic, cultural and social development takes place countrywide.

90. At present, the challenge is to develop a strategic plan to ensure its successful implementation. The legal and regulatory framework for decentralisation need to be consolidated and an institutional framework created to support the

implementation of each specific programme. Regional Councils need to build capacity to meet their new responsibilities with respect to service delivery and revenue generation. The proclamation process of towns, villages and settlement areas continues and citizens need to be made aware of the issues and changes involved. Regional Development Plans are being finalised and will guide development activities in the 13 regions of our country.

91. The decision to share governance at different levels has naturally augmented the importance of the Ministry of Regional, Local Government and Housing, which has become responsible for a wider range of acts, programmes and projects and for the execution of policy decisions.

4.6 Population and Housing Census

92. Mr. Speaker, having access to a timely, accurate and reliable socio-economic database is vital for planning, implementing and evaluating policies. Government is undertaking the second post-Independence *Population and Housing Census* to collect information necessary for decision-making in the process of planning and resource allocation. Fieldwork is planned to take place in September 2001.

V. THE BUDGET FRAMEWORK FOR 2001/02 – 2003/04

1. Revenue Projections for the Financial Year 2001/02

93. Mr. Speaker, total revenue and grants are estimated at N$ 8.8 billion for the financial year 2001/02. In current prices, this shows an increase of 14.3 percent from N$ 7.7 billion in the Main Budget 2000/01.

94. The largest share of total revenue is contributed by direct Taxes on Income and Profits, which are projected at N$ 2.95 billion and contribute about 34 percent to total revenue and grants. The second most important source of revenue are Taxes on International Trade and Transactions which comprise Namibia's share of the SACU revenue pool. An amount of N$ 2.64 billion is expected from this source for the financial year 2001/02, equivalent to 30 percent of total revenue and grants. In comparison, SACU revenue for the financial year 2000/01 amounted to N$ 2.9 billion, which constitutes a decrease of 10.3 percent for the financial year 2001/02. This decrease is due to adjustments inherent in the current revenue sharing formula. Third are domestic Taxes on Goods and Services, which entail the VAT, levies and licences. These amount to N$ 2.1 billion and contribute 24.5 percent of total revenue and grants. The estimates for Taxes on Goods and Services must be regarded as highly uncertain as the full effect of the recent VAT implementation still remains to be analysed once figures for the first VAT Return are complete.

95. Non-tax revenue contributes N$ 741 million to total revenue and grants, which equals a share of 8.4 percent. Almost a third of these funds are derived from Diamond Royalties.

2. Revenue Projections for Financial Years 2002/03 and 2003/04

96. Total revenue and grants for the fiscal years 2002/03 and 2003/04 are projected at N$ 9.1 billion and N$ 9.6 billion, respectively. Revenue projections for the MTEF period, therefore, show overall increases of 3.8 percent from 2001/02 to 2002/03 and 5.2 percent from 2002/03 to 2003/04 in constant 2001/02 prices.

97. SACU revenue projections for the financial years 2002/03 and 2003/04 are based on the proposed new SACU revenue sharing formula and actual trade figures for 1998. They are projected at N$ 2.9 billion for 2002/03 and N$ 3.1 billion for 2003/04, respectively, in constant 2001/02 prices. These projections are to be taken very cautiously, as their underlying parameters are subject to change.

98. Over the three-year period, the share of International Taxes on Trade and Transactions of total revenue and grants is likely to increase from 30 percent in 2001/02 to 32.2 percent in 2003/04. Direct Taxes on Income and Profits' share of total revenue and grants shows a decrease from 33.6 percent in 2001/02 to 32.1 percent in 2003/04. Equally, the share of indirect Domestic Taxes on Goods and Services is decreasing from 24.5 percent in 2001/02 to 22.9 percent in 2003/04.

99. The share of *Non-Tax Revenue* to total revenue and grants is increasing from 8.4 percent to 9.9 percent over the three-year period. Favourable projections for revenue derived from diamond mining are the reason for this development.

3. Expenditure Allocations for the Financial Year 2001/02

100. Mr. Speaker, for the 2001/02 Budget, total estimated expenditure is N$ 9.8 billion. Compared to total expenditure of N$ 8.4 billion for the Main Budget for 2000/01, this represents an increase of 16.2 percent in current prices. As a percentage of projected GDP, total expenditure for 2001/02 amounts to 35.0 percent, compared to 34.4 percent in the 2000/01 Budget.

101. Total operational expenditure for the financial year 2001/02 amounts to N$ 8.1 billion, compared to N$ 7.0 billion in the Main Budget 2000/01. This represents an increase of 15.7 percent, which is substantially higher than the 7.7 percent increase recorded in the previous financial year.

102. This increase in total operational expenditure is attributable to the following:

- Salary increases for public service employees.
- A considerable cost increase in the public service medical aid scheme.
- Introduction of an early retirement scheme for our overstaffed public service.
- Special provisions for the Ministry of Basic Education, Culture and Sports to cover salaries for additional teachers.

I will later on elaborate on these items.

103. For the financial year 2001/02, an amount of N$ 650 million has been earmarked for coverage of statutory interest payments. Thus, interest liabilities have increased considerably, compared to an amount of N$ 536 million in the Main Budget 2000/01.

104. Mr. Speaker, an amount of N$ 1012 million has been allocated for the 2001/02 Development Budget. This figure accounts for an increase of 7.2 percent compared to the 2000/01 Development Budget allocation of N$ 944 million. Concerning the Development Budget, one should remember that not all grants received are channelled through the State Revenue Fund. Hence, monetary grant assistance remaining outside the State Revenue Fund and grant assistance in kind are not reflected in the Budget figures but contribute substantially to the funding of development expenditure. On average 80 percent of total external assistance received by Government between 1997 and 2000 were channelled outside the State Revenue Fund.

105. Mr. Speaker, allow me to cast a view on the sectoral allocation of the 2001/02 budget (Attachments Table 4 and Chart 4): The largest share of total operational expenditure has been allocated to social services. A total amount of N$ 3.5 billion, or 43 percent of total operational expenditure, goes towards the financing of **education, health and social welfare**. Amounts of N$ 1.3 billion, equivalent to 16 percent of total operational expenditure each, will be spent on **justice and security services** and on **financial and administrative services**. **Economic services and infrastructure development** absorb N$ 1.1 billion, equivalent to 14 percent of total operational expenditure. Finally, **central government administration** has been allocated an amount of N$ 0.8 billion, that is 10 percent of total operational expenditure.

4. Expenditure Ceilings for Financial Years 2002/03 and 2003/04

106. Mr. Speaker, for the subsequent financial years 2002/03 and 2003/04 of the Medium Term Expenditure Framework, total expenditure ceilings have been stated in constant 2001/02 prices. Therefore, ceilings will be adjusted once projected indications for applicable inflation rates are obtained. Total

expenditure ceilings were also set at levels, which do not permit the budget deficit to exceed 2.9 percent of projected GDP, in order to attain a sustainable public debt level.

107. For the financial years 2002/03 and 2003/04, total expenditure ceilings were set at N$ 10.0 billion and N$ 10.5 billion, respectively. These figures allow for expenditure increases of 2 and 5 percent, respectively.

108. As a share of projected GDP, total expenditure decreases from 34.9 percent to 33.8 percent for the financial year 2002/03 and for the year 2003/04, this share increases slightly to 34.3 percent. Thus, fiscal constraints for these two financial years are tighter compared to 2001/02.

109. The ceilings for total operational expenditure for financial years 2002/03 and 2003/04 were set at N$ 8.3 billion and N$ 8.7 billion, respectively.

110. Mr. Speaker, interest payments are projected to increase slightly from N$ 650 million for the financial year 2001/02 to N$ 675 million for the financial year 2002/03 and to N$ 690 million for the financial year 2003/04. As a share of projected GDP, statutory interest payments retain a steady level of 2.3 percent for all three financial years. As a share of total expenditure, interest payments comprise between 6.6 and 6.8 percent.

111. For the Development Budget, N$ 1030 million have been earmarked for the financial year 2002/03, and N$ 1060.9 million for the financial year 2003/04. The Development Budget retains a level of roughly 3.5 percent of projected GDP throughout all three financial years. As a percentage of total expenditure, the Development Budget's share slightly exceeds 10 percent.

5. Specific Expenditure Provisions

112. Mr. Speaker, let me highlight a few individual expenditure items, which have influenced the allocation of the 2001/02 Budget and the Medium Expenditure Framework 2001/02 – 2003/04. As I have mentioned earlier, **Special Circumstances** have brought about a situation where it was not possible for the financial year 2001/02 to comply with our defined budget deficit target of 3 percent of GDP.

113. As mentioned, an amount of **N$ 335 million** has been budgeted for all three financial years to cover **Salary Increase for Public Service Employees**. This provision is pending the final outcome of negotiations with recognised trade unions.

114. Mr. Speaker, the **Public Service Medical Aid Scheme** has experienced a considerable cost increase. For the financial year 2001/02 an amount of **N$ 270 million** has been earmarked for cost coverage of medical services,

compared to N$ 205 million budgeted for this item in the Revised Budget 2000/01. For the financial years 2002/03 and 2003/04, amounts of N$ 310 million and N$ 335 million have been budgeted for. To introduce cost management and efficiency in the administration of the scheme, the claim administration function was outsourced to a private administrator.

115. The increase in medical expenses is due to the following three identified factors:

- Implementation of the Guidelines of National Code on HIV/AIDS in Employment increased expenses for medication more than expected. The said resolution stipulates that Medical Aid Schemes and health benefits linked to employment should be non-discriminatory. This has increased costs for chronic medication by 60 percent.

- The number of principal members and their dependants increased by roughly 11 percent in the course of one year.

- Unlimited coverage of luxurious medical services and remedies, such as specialised dentistry and eye laser treatment, also contributes to the drainage of funds. Such health care items are usually not covered by private medical aid schemes; thus, we are seriously working together with the Public Service Commission to improve the scheme.

116. For the financial year 2001/02, an amount of **N$ 30 million** has been budgeted to cover an **Early Retirement Scheme**, which should ease the burden of an overstaffed public sector. Amounts of N$ 20 million and N$ 10 million will also be budgeted for the financial years 2002/03 and 2003/04, respectively.

117. Mr. Speaker, based on the actual usage of the **Contingency Fund** during the financial year 2000/01, the Ministry of Finance has revised the amount of N$ 205 million previously budgeted for the Contingency Fund and concluded that the Contingency Fund can be decreased to an amount of **N$ 150 million**. Thus, I call upon all concerned to take note and to refrain from requesting additional financial allocations from this Fund to cover expenses, which are not truly of emergency nature.

118. Based on a Cabinet Decision, the Office of the Prime Minister has established a **National Disaster Fund**, to allow fast and unbureaucratic responses to unforeseen national emergencies. For this Fund, the Office of the Prime Minister has requested a modest amount of **N$ 5 million** for each of the upcoming three financial years.

119. On the expenditure and the revenue side of the budget, provisions of an amount of **N$ 114 million** have been made for **loans proceeds earmarked for on-lending** to municipalities.

120. Mr. Speaker, for the **Ministry of Basic Education, Sport and Culture** the budget has taken into consideration an amount of **N$ 90 million**. This amount covers a backlog, resulting from increased teachers' salaries due to improved qualifications. With respect to this Ministry, an amount of **N$ 13 million** has also been granted to ease the **educational emergency in the Ondangwa** (East and West) educational regions.

121. An amount of **N$ 73 million** has been earmarked for allocation to **parastatals**. Furthermore, a provision of **N$ 20 million** has been reserved for the establishment of the **Namibian Development Bank**.

VI. THE BUDGET DEFICITS AND FINANCING PROPOSAL

1. Budget Deficit Situation for Financial Year 2001/02

122. Mr. Speaker, given revenue projections and expenditure estimates, total expenditure will exceed total revenue and grants by a margin of N$ 1007 million for the financial year 2001/02. Based on a GDP projection of N$ 28.0 billion, this budget deficit equals a ratio of **3.6 percent of GDP**. I would like to remind the Honourable Members that with this outcome we have not met our Budget Deficit target of 3 percent of GDP for the financial year 2001/02. But I have drawn attention to the fact that a number of circumstances on the expenditure side, as well as a lower yield in SACU revenue contributed to this situation.

2. Budget Deficit for Financial Years 2002/03 and 2003/04

123. For the financial years 2002/03 and 2003/04, total expenditure ceilings were set at a level, which contains the budget deficits at 2.9 percent of projected GDP. The estimated budget deficits are N$ 853 million for the financial year 2002/03 and N$ 886 million for the financial year 2003/04, expressed in constant 2001/02 prices.

124. Restricting the budget deficit at a level not above 3 percent is paramount to keeping government debt below the sustainable level of 25 percent of GDP and to prevent statutory interest payments to absorb an increasing share of total resources available.

3. Financing Proposal for 2001/02

125. The 2001/02 Budget Deficit of N$ 1007 million is proposed to be financed by the following means: An amount of N$ 300 million will be covered by a draw down on Cash Balances. As a result, net borrowing is reduced to an amount of N$ 707 million, which will be covered by net issue of Government Bonds and Treasury Bills.

VII. CONCLUSION

126. Mr. Speaker, let me underscore that the formulation of this three-year rolling budget has been guided by the need to consolidate the fiscal position in view of Namibia's economic situation. It is of crucial importance for the continued stability of our economy that we bring the budget deficit down to a level, where Government debt no longer increases as a percentage of GDP.

127. We also have to take into account uncertainties in several important respects.

- The international situation is uncertain regarding economic growth prospects, commodity prices, exchange rates and financial stability;

- Our situation is also uncertain when it comes to future government revenues. It is yet not clear what impact the revision of the SACU revenue sharing formula will have on Namibia's share. Furthermore, at this moment the impact of the introduction of the VAT remains unknown. Although it is expected that revenue from indirect taxes on goods and services will increase, the scope of this increase is not yet determined.

128. It is against this background that we have had to constrain expenditure allocations and ceilings for the next three years and cut down considerably on the expenditure requests on many votes. I wish to thank all Offices, line Ministries and Agencies for their cooperation in this cumbersome budget process and, more generally, in the implementation of the Medium Term Expenditure Framework.

129. Mr. Speaker, let me at this point thank those institutions and governments, which supported our effort to introduce the Medium Term Expenditure Framework into the budget process. Ghana, Malawi, South Africa and Uganda have shown a great sign of cooperation and have assisted us with invaluable information on their respective experiences. I would also like to show gratitude to the Governments of Finland and the United Kingdom, which have provided an all-encompassing technical assistance to the Ministry of Finance. Additionally, we were able to draw on recommendations and suggestions by the World Bank and international consultants on how to improve our budget process.

130. I also wish to thank the Office of the Prime Minister for its valuable contributions in designing and implementing the **Performance and Effectiveness Management Programme**. This programme, together with the rolling budget, will help to make our budget process more effective and efficient. It will allow us to shift focus from asking what funds have been spent on, to asking what has been achieved with the funds provided.

131. The budget is closely linked to the medium-term and long-term objectives and strategies as expressed in the 2nd National Development Plan. I want to emphasize two sets of medium-term objectives that have guided our expenditure priorities:

- To foster economic growth and to create employment by empowering Namibians and by creating investment opportunities in the private sector as well as in state-owned enterprises.

- To address some of our country's most serious problems, which are the persistence of poverty, disparities in income and wealth as well as imbalances in regional development and the availability of education, health services and other social services.

132. Mr. Speaker, let me highlight how these key issues are reflected in our budget allocation:

133. We have catered for an above-average increase of funds to our education Ministries, because education and training are key components of creating employment opportunities and empowering both individuals and families. I have mentioned earlier, that human capital development has proven to bear significant importance with respect to development and poverty alleviation.

134. Additional funds also went to the Ministry of Lands, Resettlement and Rehabilitation to carry forward land use planning policies and corresponding legislation to facilitate more equitable access to and sustainable use of land.

135. To support our efforts to alleviate the poverty of the most vulnerable people in our society, the recently established Ministry of Women Affairs and Child Welfare was granted more than double of its previous budget allocation, to take up new responsibilities with respect to community development and child welfare. One of its greatest challenges lies in coping with the increasing numbers of HIV/AIDS orphans.

136. To carry forward and successfully implement the decentralisation policy, which Government have embarked upon in recent years, an increased amount of funding was also granted to the Ministry of Regional, Local Government and Housing, to cope with its extended range of responsibilities.

137. Mr. Speaker and Honourable Members, the Budget together with all the supporting documents that I have tabled today, should demonstrate to you this Government's determination to further advance good governance in our fiscal operations. In my view, the Budget has improved in the following respects:

- It has certainly increased the transparency of our fiscal operations, in that the Government's sectoral objectives and measurable outcomes are now presented to Parliament.

- The principle of accountability in the use of public funds is reinforced, by making clear performance indicators and outcomes as part of the Budget against which the efficiency of Government service delivery can be measured.

- The Budget is also more forward-looking than before, giving valuable insights into economic and budgetary expectations over the next three years and trying to improve adherence to medium-term fiscal targets through the MTEF.

138. Mr. Speaker, the boost in Government spending is not a blanket increase across all votes, but was aimed at specific and prioritised sectors and programmes, which I have highlighted during the course of my statement. Nonetheless, the slight expansionary effect of the Budget will generate additional demand in the economy and, hence, should spark productive activity on the supply side. We have also designated funds for improvement of conditions of service.

139. I did not announce major measures on the revenue side, but the adjustments that will be considered during the course of the year are directed at bringing relief to taxpayers in the lower income bracket. The size of the budget deficit is not on the level where we would like it to be. But, because of lower SACU revenues this year and the need to finance vitally important expenditure programmes, I believe that it is justifiable, particularly in view of our plan to bring down the deficit to below 3 percent of GDP in the subsequent two financial years. Also, given the current excess liquidity in our financial markets, the Government's net borrowing requirement should not pressurise money supply growth and interest rates.

140. Mr. Speaker, it is against this background, that I trust to obtain the support of this august House to approve the Budget for 2001/02 and the Medium Term Expenditure Framework. By any standards, the Budget should be regarded as politically and socially responsible, and economically sound.

141. Mr. Speaker, give me the opportunity to conclude with a few words of thanks. I am highly indebted to His Excellency the President for his supporting

guidance in our efforts to control and limit public expenditure. In his statement on the first Cabinet Session of 2001, he pronounced that - I cite - *'The waste of Government resources must be addressed at all levels of Government and particularly by all the civil servants…Our effort to cut costs must be implemented as a system-wide holistic initiative. It must be done throughout the entire country. It must cover and involve all Government Offices/ Ministries/Agencies, and all Government assets'.*

142. I would like to express gratitude to the Right Honourable Prime Minister, the Honourable Deputy Prime Minister, the Honourable Cabinet Colleagues and the Honourable Members of Parliament for their consideration of our overall fiscal situation and the need to consolidate our finances. Thirdly, let me thank our foreign development partners for their assistance to foster economic development and policy reforms in our country. Finally, I would like to give credit to my team in the Ministry of Finance, the National Planning Commission and the Bank of Namibia who have contributed to the formulation of the Budget and our first Medium Term Expenditure Framework.

143. Mr. Speaker, in concluding my Budget Statement let me quote Professor Jim Dator from the University of Hawaii:
"For centuries we were taught to worship our ancestors and to be true to our traditions, and it was good that we did so. But now, given the novelty and quantity of the challenges rushing at us from the future, we need to do something we have never had to do before, and which I fear we may not be able to do now: we must worship our descendants; we must love our grandchildren more than we love ourselves."

144. I now move that the Appropriation Bill be read for a second time.

I thank you.

ATTACHMENTS

TABLE 1: EXPENDITURE CEILINGS FOR THE MTEF 2001/02 - 2003/04

000 N$, constant prices based on financial year 2001/02	2001/02 Ceilings	% of Total	2002/03 Ceilings	% of Total	2003/04 Ceilings	% of Total
01 Office of the President	53,824	0.55	53,652	0.54	57,433	0.55
02 Office of the Prime Minister	52,390	0.54	52,564	0.53	55,022	0.53
03 National Assembly	37,458	0.38	37,117	0.37	39,837	0.38
04 Auditor General	11,649	0.12	12,765	0.13	13,860	0.13
05 Civic Affairs (MHA)	53,987	0.55	54,405	0.55	58,357	0.56
06 Police (MHA)	489,693	5.01	513,437	5.15	545,449	5.21
07 Foreign Affairs, Broadcasting and Information	255,148	2.61	257,939	2.59	276,420	2.64
08 Defence	625,730	6.40	673,041	6.76	724,386	6.92
09 Finance	1,264,854	12.93	1,251,694	12.56	1,278,221	12.21
10 Basic Education, Culture and Sport	1,865,589	19.07	1,831,225	18.38	1,943,745	18.57
11 National Council	20,410	0.21	21,919	0.22	22,953	0.22
12 Women Affairs and Child Welfare	31,645	0.32	30,158	0.30	31,930	0.31
13 Health and Social Services	1,257,088	12.85	1,271,053	12.76	1,353,737	12.93
14 Labour	41,815	0.43	43,792	0.44	47,766	0.46
15 Mines and Energy	42,990	0.44	41,269	0.41	43,854	0.42
16 Justice, Office of the Ombudsman	111,614	1.14	112,669	1.13	114,675	1.10
17 Regional, Local Government and Housing	336,743	3.44	363,462	3.65	391,222	3.74
18 Environment and Tourism	109,747	1.12	120,942	1.21	129,877	1.24
19 Trade and Industry	67,704	0.69	66,492	0.67	70,475	0.67
20 Agriculture, Water and Rural Development	386,040	3.95	386,697	3.88	410,412	3.92
21 Prisons and Correctional Services	97,724	1.00	97,136	0.97	105,977	1.01
22 Fisheries and Marine Resources	82,538	0.84	83,276	0.84	89,170	0.85
23 Department of Works (MWTC)	272,299	2.78	265,826	2.67	281,948	2.69
24 Department of Transport (MWTC)	89,944	0.92	94,332	0.95	98,020	0.94
25 Lands, Resettlement and Rehabilitation	49,413	0.51	50,651	0.51	55,667	0.53
26 National Planning Commission	36,427	0.37	35,143	0.35	38,198	0.36
27 Higher Education, Training and Employment	369,541	3.78	400,657	4.02	432,084	4.13
28 Electoral Commission	5,985	0.06	35,000	0.35	6,198	0.06
TOTAL OPERATIONAL EXPENDITURE	**8,119,989**	**83.01**	**8,258,313**	**82.89**	**8,716,893**	**83.27**
Development Budget	1,012,000	10.35	1,030,000	10.34	1,060,900	10.13
Statutory Interest Payments	650,000	6.64	675,000	6.77	690,000	6.59
TOTAL EXPENDITURE	**9,781,989**	**100.00**	**9,963,313**	**100.00**	**10,467,793**	**100.00**

Figures above include:	**2001/02**	**2002/03**	**2003/04**
Office of the Prime Minister: National Disaster Fund	5,000	5,000	5,000
Ministry of Finance:			
Contingency Fund	150,000	150,000	150,000
Salary increases for public servants	335,000	335,000	335,000
Early retirement scheme	30,000	20,000	10,000
On-lending arrangements	114,116	100,000	100,000
Medical Aid Scheme (coverage of claims)	270,000	310,000	335,000

TABLE 2: REVENUE PROJECTIONS FOR THE MTEF 2001/02 - 2003/04

Million N$, constant prices based on financial year 2001/02	2001/02 Projections	% of Total	2002/03 Projections	% of Total	2003/04 Projections	% of Total
Taxes on Income and Profits	2,953	33.7	3,011	33.1	3,075	32.1
Taxes on Property	45	0.5	42	0.5	43	0.4
Domestic Taxes on Goods and Services	2,148	24.5	2,096	23.0	2,199	22.9
Taxes on International Trade and Transactions	2,641	30.1	2,895	31.8	3,084	32.2
Other Taxes	50	0.6	51	0.6	52	0.5
TAX REVENUE	**7,837**	**89.3**	**8,095**	**88.9**	**8,453**	**88.2**
Enterpreneurial and Property Income	510	5.8	599	6.6	714	7.5
Fines and Forfeitures	10	0.1	14	0.2	13	0.1
Admin. Fees & Charges, Incidental Sales	220	2.5	220	2.4	220	2.3
NON-TAX REVENUE	**740**	**8.4**	**833**	**9.1**	**947**	**9.9**
RETURN ON CAPITAL (LENDING AND EQUITY)	18	0.2	17	0.2	17	0.2
TOTAL REVENUE FROM OWN SOURCES	**8,595**	**97.9**	**8,945**	**98.2**	**9,417**	**98.3**
EXTERNAL GRANTS*	66	0.8	66	0.7	66	0.7
LOANS PROCEEDS FOR ONLENING	114	1.3	100	1.1	100	1.0
TOTAL REVENUE	**8,775**	**100.0**	**9,110**	**100.0**	**9,582**	**100.0**

*Not all external grants are channelled through the State Revenue Fund

TABLE 3: PROJECTION OF BUDGET DEFICIT SITUATION FOR THE MTEF 2001/02 - 2003/04

Million N$, constant prices based on financial year 2001/02	2001/02	2002/03	2003/04
TOTAL REVENUE AND GRANTS	**8,775**	**9,110**	**9,582**
Total Operational Expenditure	8,120	8,258	8,717
Development Expenditure	1,012	1,030	1,061
Statutory Expenditure	650	675	690
TOTAL EXPENDITURE	**9,782**	**9,963**	**10,468**
BUDGET DEFICIT	**1,007**	**853**	**886**
in % of GDP			
TOTAL REVENUE AND GRANTS	**31.3**	**31.0**	**31.4**
Total Operational Expenditure	29.0	8,258	8,717
Development Expenditure	3.6	1,030	1,061
Statutory Expenditure	2.3	675	690
TOTAL EXPENDITURE	**34.9**	9,963	10,468
BUDGET DEFICIT	**3.6**	**2.9**	**2.9**
GDP in constant prices	28,000	29,434	30,548

TABLE 4: SECTORAL ALLOCATION OF EXPENDITURE FOR THE MTEF 2001/02 - 2003/04

in N$ Million, in constant 2001/02 prices	Allocation 2001/02	% of Total	Allocation 2002/03	% of Total	Allocation 2003/04	% of Total
CENTRAL GOVERNMENT ADMINISTRATION Office of the President; Office of the Prime Minister; National Assembly; Civic Affairs; National Council; Electoral Commission; Regional and Local Government	816	10.0	876	10.6	907	10.4
FINANCIAL AND ADMINISTRATIVE SERVICES Finance; National Planning Commission; Auditor General	1,313	16.2	1,300	15.7	1,330	15.2
SOCIAL SERVICES Health and Social Services; Women Affairs and Child Welfare; Basic Education, Culture and Sport; Higher Education, Training and Employment;	3,524	43.4	3,533	42.8	3,761	43.2
JUSTICE AND SECURITY SERVICES Justice; Attorney-General; Prisons and Correctional Services; Defence; Police;	1,325	16.3	1,396	16.9	1,490	17.1
ECONOMIC SERVICES AND INFRASTRUCTURE Labour; Mines and Energy; Trade and Industry; Fisheries and Marine Resources; Works; Transport; Lands, Resettlement and Rehabilitation, Environment and Tourism; Agriculture, Water and Rural Development;	1,142	14.1	1,153	14.0	1,227	14.1

Table 5: Macroeconomic indicators and projections

	Unit	1995	1996	1997	1998	1999	Projections 2000	Projections 2001
National accounts								
GDP at current market prices	N$ Mill.	12,707	15,012	16,795	18,887	21,124	23,750	27,100
At constant 1995 prices:								
GDP	N$ Mill.	12,707	13,112	13,703	14,176	14,717	15,159	15,886
Real economic growth	*% p.a.*	*4.1*	*3.2*	*4.5*	*3.5*	*3.8*	*3.0*	*4.8*
Real GDP per capita	N$	7,992	7,995	8,108	8,194	8,362	8,329	8,540.92
Change in real GDP per capita	*% p.a.*	*0.85*	*0.04*	*1.42*	*1.06*	*2.05*	*-0.40*	*2.55*
Gross fixed capital formation	N$ Mill.	2,817	3,306	2,938	3,667	3,837	4,144	4,248
Change in gross fixed capital formation	*% p.a.*	*15.1*	*17.4*	*-11.1*	*24.8*	*4.6*	*8.0*	*2.5*
Inflation, interest and exchange rates								
Consumer price index (annual change)	% p.a.	8.9	9.1	8.8	6.2	8.6	9.4	7.5
Prime overdraft rate (year-end)	% p.a.	19.00	20.70	20.00	23.55	16.70	15.90	15.00
US-Dollar exchange rate (N$ per US$)	N$/US$	3.63	4.27	4.60	5.49	6.11	7.60	8.00
Balance of Payments								
Trade Balance	N$ Mill.	-785	-1203	-1677	-2246	-2463	-2993	-3214
Trade Balance in % of GDP	*%*	*-6.2*	*-8.0*	*-10.0*	*-11.9*	*-11.7*	*-12.6*	*-11.9*
Current account balance	N$ Mill.	1177	856	559	480	364	340	284
Current account balance in % of GDP	*%*	*9.3*	*5.7*	*3.3*	*2.5*	*1.7*	*1.4*	*1.0*

Table 6: Fiscal indicators, current prices

	Unit	1995/96	1996/97	1997/98	1998/99	1999/00	Est. 2000/01	Est. 2001/02
Total revenue and grants	N$ Mill.	**4081**	**4676**	**5690**	**6186**	**7272**	**7686**	**8775**
Total tax revenue	N$ Mill.	3610	4114	5106	5501	6598	6935	7837
Total non-tax revenue	N$ Mill.	426	512	530	648	605	671	758
Grants and loans	N$ Mill.	44.9	50.3	54.0	37.4	68.5	80.0	179.7
Total expenditure	N$ Mill.	**4557**	**5567**	**6129**	**6936**	**7953**	**8447**	**9782**
Total current expenditure (excl. interest)	N$ Mill.	3780	4587	4912	5614	6371	6653	7704
Total interest payments	N$ Mill.	145	251	350	489	513	536	650
Total capital expenditure	N$ Mill.	632	729	867	833	1069	1258	1429
Overall deficit	N$ Mill.	**476**	**891**	**439**	**749**	**681**	**761**	**1007**
Overall deficit in % of GDP	*%*	*3.6*	*5.8*	*2.5*	*3.9*	*3.1*	*3.1*	*3.6*
Total central government debt	N$ Mill.	**2673**	**3258**	**3186**	**4394**	**4830**	**5556**	**6263**
Foreign debt	N$ Mill.	503	490	352	730	742	820	860
Domestic debt	N$ Mill.	2169	2767	2834	3664	4089	4736	5403
Total central government debt in % of GDP	*%*	*20.1*	*21.1*	*18.4*	*22.6*	*22.2*	*22.8*	*22.4*

Sources:

Central Bureau of Statistics, National Accounts 1993-1999.

Bank of Namibia, Quaterly Bulletin December 2000, Vol. 9, No. 4

Ministry of Finance, unpublished information.

National Planning Commission, NDP2 Draft, February/March 2001

Table 7: Government's financial operations

N$ million, fiscal years	actual 1995/96	actual 1996/97	actual 1997/98	actual 1998/99	actual 1999/00	Estimates 2000/01	Revised Estimates 2000/01	Estimates 2001/02
REVENUE AND GRANTS								
Taxes on income and profits	1088.8	1353.9	1979.1	2031.3	2315.4	2374.0	2509.0	2952.5
Taxes on property	36	32.9	36	40.3	46.7	50.0	40.0	45.0
Domestic taxes on goods and services	1293.8	1342	1490.7	1581.8	1943.6	1586.1	1641.1	2148.1
Taxes on international trade	1155.6	1348.7	1560.4	1805.2	2240.7	2877.3	2877.3	2641.2
Other taxes	36.1	36.4	39.8	42.8	51.3	48.0	48.0	50.0
Total Tax Revenue	**3610.3**	**4113.9**	**5106.0**	**5501.4**	**6597.7**	**6935.4**	**7115.4**	**7836.8**
Entrepreneurial and property income	201.4	303.5	300.8	378.8	402.7	405.4	405.4	510.4
Fines and forfeitures	9.1	10.8	13.5	9.4	10.9	10.5	10.5	10.0
Administration fees and charges	207.9	183.3	171.4	205.1	171.6	236.6	234.0	220.4
Return on capital from lending and equity	7.1	14	43.9	54.3	20.1	18.3	18.3	17.5
Total Non-Tax Revenue	**425.5**	**511.6**	**529.6**	**647.6**	**605.3**	**670.8**	**668.2**	**758.3**
Total revenue (own sources)	**4035.8**	**4625.5**	**5635.6**	**6149.0**	**7203.0**	**7606.2**	**7783.6**	**8595.1**
Grants & loans earmarked for on-lending	**44.9**	**50.3**	**54.0**	**37.4**	**68.5**	**80.0**	**128.7**	**179.7**
TOTAL REVENUE AND GRANTS	**4080.7**	**4675.8**	**5689.6**	**6186.4**	**7271.5**	**7686.2**	**7912.3**	**8774.8**
EXPENDITURE								
Current Expenditure								
Personnel expenditure	2086.8	2649.7	2830.5	3162.0	3618.7	3719.1	3824.4	4280.9
Expenditure on goods and other services	1084.4	1151.2	1240.6	1350.4	1583.3	1539.1	1616.9	1759
Interest payments	145.1	250.5	350.1	488.7	512.9	535.7	545.7	650
Subsidies and other current transfers	609	786.2	841.1	1101.5	1168.8	1394.9	1454.3	1663.6
Total Current Expenditure	**3925.3**	**4837.6**	**5262.3**	**6102.6**	**6883.7**	**7188.8**	**7441.3**	**8353.5**
Capital Expenditure								
Capital expenditure	577.0	624	779.2	737.1	917.5	1075.4	1134.1	1207.1
Capital Transfers					30.1	30.7	34.6	44.3
Total lending and equity participation	54.5	105.3	87.5	95.9	121.4	152.0	152.0	177.1
Total Capital Expenditure	**631.5**	**729.3**	**866.7**	**833.0**	**1069.0**	**1258.1**	**1320.7**	**1428.5**
TOTAL EXPENDITURE	**4556.8**	**5566.9**	**6129.0**	**6935.6**	**7952.7**	**8446.9**	**8762.0**	**9782.0**
OVERALL DEFICIT (-)/ SURPLUS (+)	**-476.1**	**-891.1**	**-439.4**	**-749.2**	**-681.2**	**-760.7**	**-849.7**	**-1007.2**
TOTAL FINANCING								
Net borrowing	547.3	520.6	1065.4	428.5	436	726	815	707
Decrease (+)/ Increase (-) in cash balances	-71.2	370.5	-626	320.7	245	35	35	300
TOTAL FINANCING	**476.1**	**891.1**	**439.4**	**749.2**	**681**	**761**	**850**	**1007**

Government's financial operations in % of GDP at current market prices

	actual 1995/96	actual 1996/97	actual 1997/98	actual 1998/99	actual 1999/00	Estimates 2000/01	Revised Estimates 2000/01	Estimates 2001/02
REVENUE AND GRANTS								
Taxes on income and profits	8.2	8.8	11.4	10.4	10.6	9.7	10.3	10.5
Taxes on property	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Domestic taxes on goods and services	9.7	8.7	8.6	8.1	8.9	6.5	6.7	7.7
Taxes on international trade	8.7	8.7	9.0	9.3	10.3	11.8	11.8	9.4
Other taxes	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Tax Revenue	27.2	26.6	29.5	28.3	30.3	28.4	29.2	28.0
Non-Tax Revenue	3.2	3.3	3.1	3.3	2.8	2.7	2.7	2.7
Total Revenue	30.4	29.9	32.5	31.6	33.0	31.2	31.9	30.7
Grants and Loans	0.3	0.3	0.3	0.2	0.3	0.3	0.5	0.6
Total Revenue and Grants	**30.7**	**30.2**	**32.9**	**31.8**	**33.4**	**31.5**	**32.4**	**31.3**
EXPENDITURE								
Total current expenditure	29.6	31.3	30.4	31.4	31.6	29.5	30.5	29.8
Total capital expenditure	4.8	4.7	5.0	4.3	4.9	5.2	5.4	5.1
Total current & capital expenditure	34.3	36.0	35.4	35.7	36.5	34.6	35.9	34.9
Overall deficit	3.6	5.8	2.5	3.9	3.1	3.1	3.5	3.6
Net borrowing	4.1	3.4	6.2	2.2	2.0	3.0	3.3	2.5
GDP at market prices (N$ million)	*13283.0*	*15458.0*	*17318.0*	*19446.0*	*21800.0*	*24400.0*	*24400.0*	*28000.0*

Table 8: Main Budget Framework - Comparing 2000/01 and 2001/02

	N$ Million		Deviation		In % of GDP		% Composition	
	Budget 2000/01	Budget 2001/02	N$ Million	Per cent	Budget 2000/01	Budget 2001/02	Budget 2000/01	Budget 2001/02
REVENUE, GRANTS AND LOAN PROCEEDS								
Taxes on income and profits	2,374.0	2,952.5	578.5	24.4%	9.7%	10.5%	30.9%	33.6%
Taxes on property	50.0	45.0	-5.0	-10.0%	0.2%	0.2%	0.7%	0.5%
Domestic taxes on goods and services	1,586.1	2,148.1	562.0	35.4%	6.5%	7.7%	20.6%	24.5%
Taxes on international trade	2,877.3	2,641.2	-236.1	-8.2%	11.8%	9.4%	37.4%	30.1%
Other taxes	48.0	50.0	2.0	4.2%	0.2%	0.2%	0.6%	0.6%
Total tax revenue	**6,935.4**	**7,836.8**	**901.4**	**13.0%**	**28.4%**	**28.0%**	**90.2%**	**89.3%**
Entrepreneurial and property income	405.4	510.4	105.0	25.9%	1.7%	1.8%	5.3%	5.8%
Fines and forfeitures	10.5	10.0	-0.5	-4.8%	0.0%	0.0%	0.1%	0.1%
Administrative fees and charges	236.6	220.4	-16.2	-6.8%	1.0%	0.8%	3.1%	2.5%
Repayment of loans extended by government	18.3	17.5	-0.8	-4.4%	0.1%	0.1%	0.2%	0.2%
Non-tax revenue	**670.8**	**758.3**	**87.5**	**13.0%**	**2.7%**	**2.7%**	**8.7%**	**8.6%**
Total Revenue	**7,606.2**	**8,595.1**	**988.9**	**13.0%**	**31.2%**	**30.7%**	**99.0%**	**98.0%**
Grants	**5.0**	**65.6**	**60.6**	**1212.0%**	**0.0%**	**0.2%**	**0.1%**	**0.7%**
Loan proceeds earmarked for on-lending	**75.0**	**114.1**	**39.1**	**52.1%**	**0.3%**	**0.4%**	**1.0%**	**1.3%**
TOTAL REVENUE, GRANTS AND LOAN PROCEEDS	**7,686.2**	**8,774.8**	**1,088.6**	**14.2%**	**31.5%**	**31.3%**	**100.0%**	**100.0%**
EXPENDITURE								
Personnel expenditure	3,719.1	4,280.9	561.8	15.1%	15.2%	15.3%	44.0%	43.8%
Expenditure on goods and services	1,539.1	1,759.0	219.9	14.3%	6.3%	6.3%	18.2%	18.0%
Subsidies and other current transfers	1,394.9	1,663.6	268.7	19.3%	5.7%	5.9%	16.5%	17.0%
Total current expenditure to be voted	**6,653.1**	**7,703.5**	**1,050.4**	**15.8%**	**27.3%**	**27.5%**	**78.8%**	**78.8%**
Recurrent capital	134.0	202.5	68.5	51.1%	0.5%	0.7%	1.6%	2.1%
Development capital	908.4	945.2	36.8	4.1%	3.7%	3.4%	10.8%	9.7%
Other operational capital expenditure	33.0	59.4	26.4	80.0%	0.1%	0.2%	0.4%	0.6%
Capital transfers	30.7	44.3	13.6	44.3%	0.1%	0.2%	0.4%	0.5%
Lending and equity participation	152.0	177.1	25.1	16.5%	0.6%	0.6%	1.8%	1.8%
Total capital expenditure to be voted	**1,258.1**	**1,428.5**	**170.4**	**13.5%**	**5.2%**	**5.1%**	**14.9%**	**14.6%**
Total expenditure to be voted	**7,911.2**	**9,132.0**	**1,220.8**	**15.4%**	**32.4%**	**32.6%**	**93.7%**	**93.4%**
Total statutory expenditure	**535.7**	**650.0**	**114.3**	**21.3%**	**2.2%**	**2.3%**	**6.3%**	**6.6%**
TOTAL EXPENDITURE	**8,446.9**	**9,782.0**	**1,335.1**	**15.8%**	**34.6%**	**34.9%**	**100.0%**	**100.0%**
OVERALL DEFICIT	**-760.7**	**-1,007.2**	**-246.5**	**32.4%**	**-3.1%**	**-3.6%**	**-9.0%**	**-10.3%**
GDP at market prices	**24,400.0**	**28,000.0**	**3,600.0**	**14.8%**	**100.0%**	**100.0%**		

Chart 1: Budget Allocations for the MTEF 2001/02- 2003/04

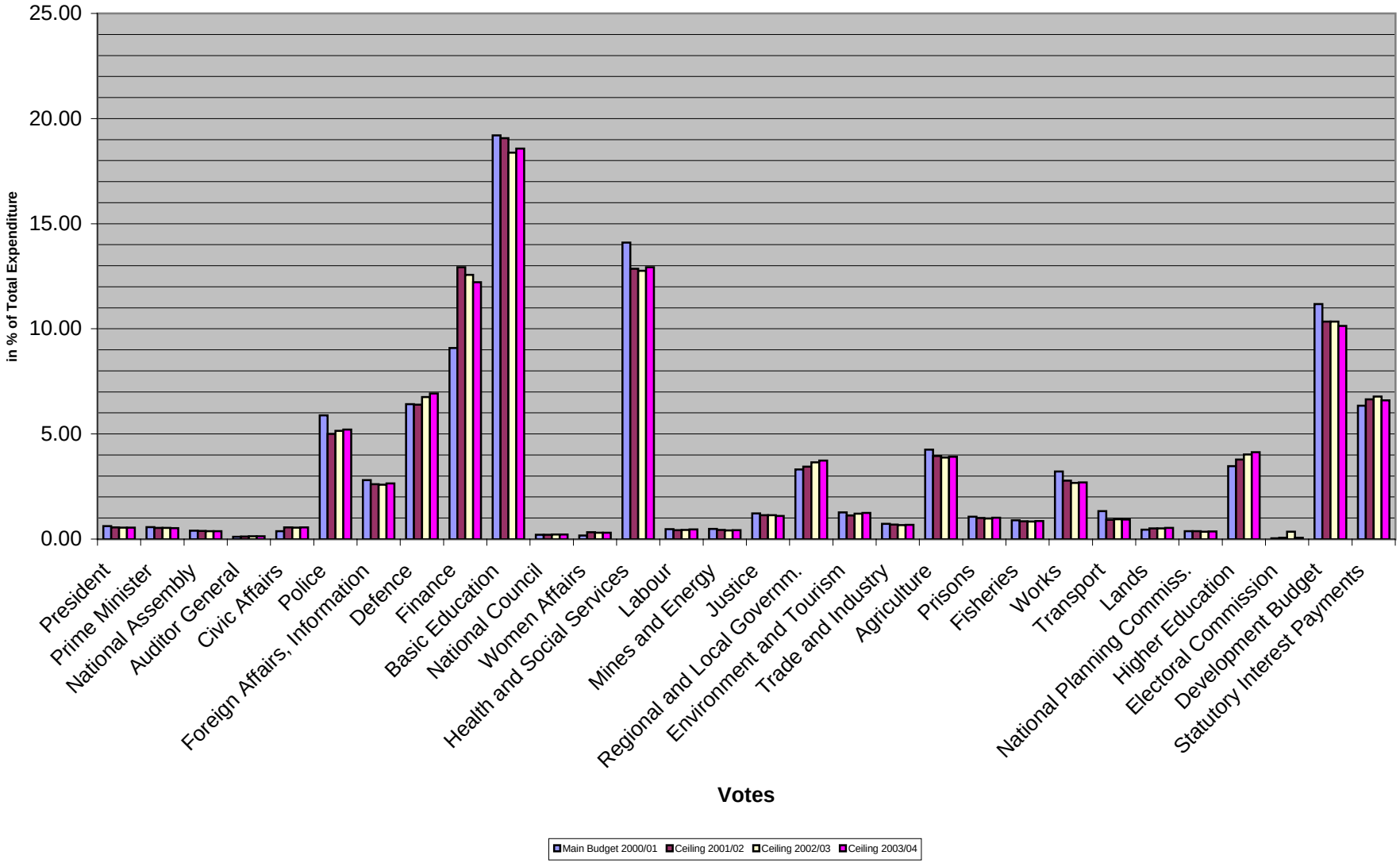


Chart 2: Revenue Projections for the MTEF 2001/02 - 2003/04

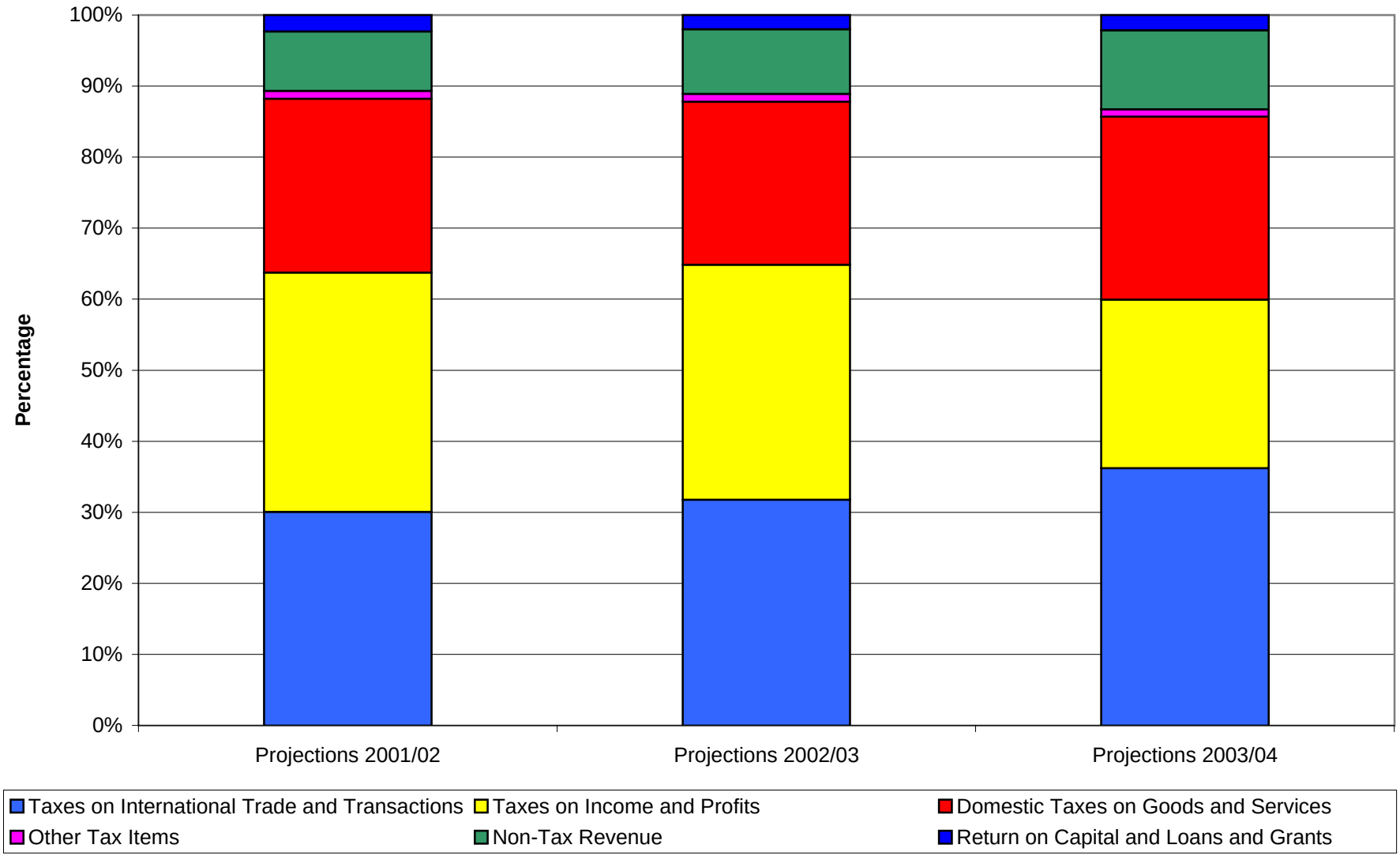


Chart 3: Budget Allocation 2001/02

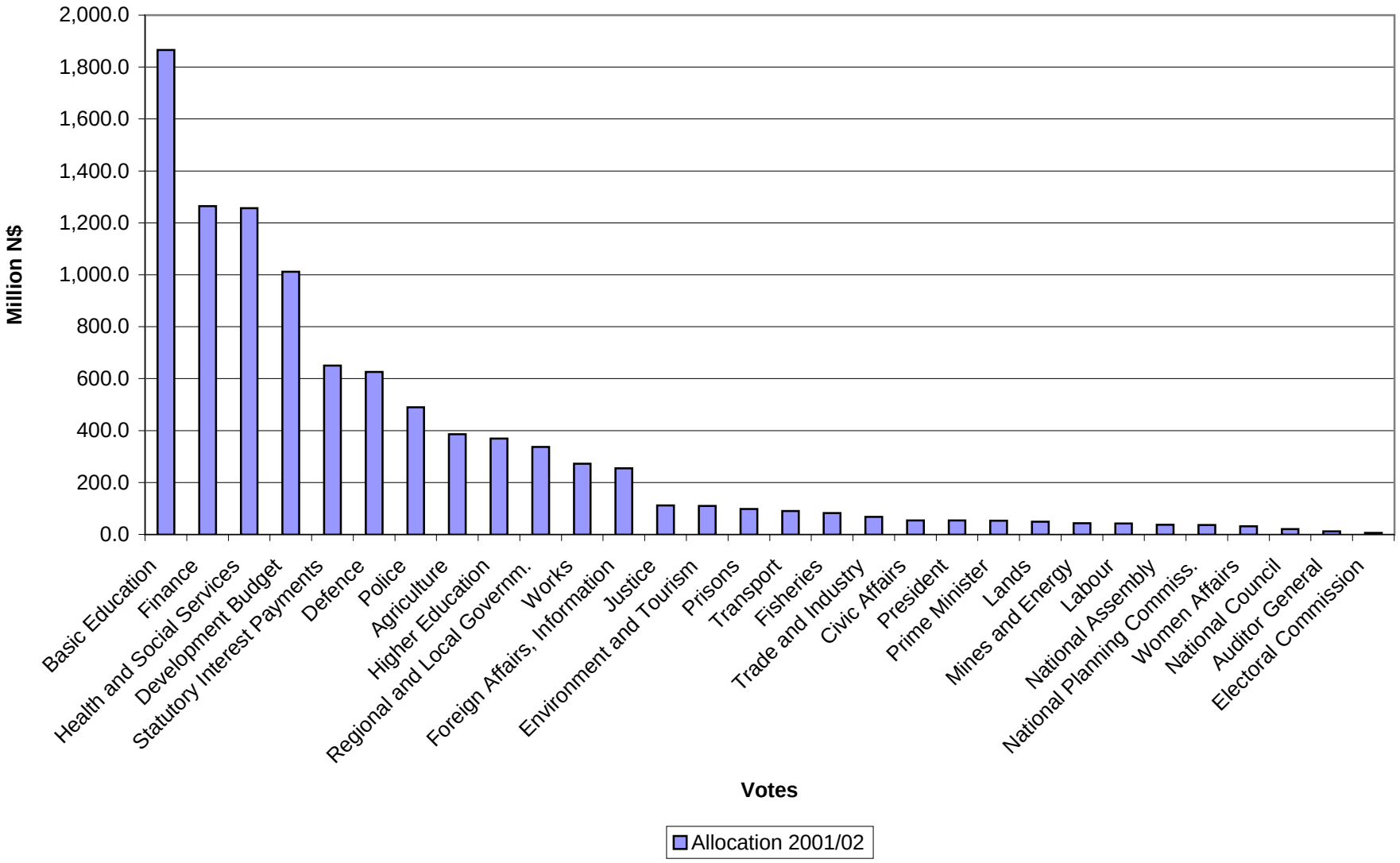
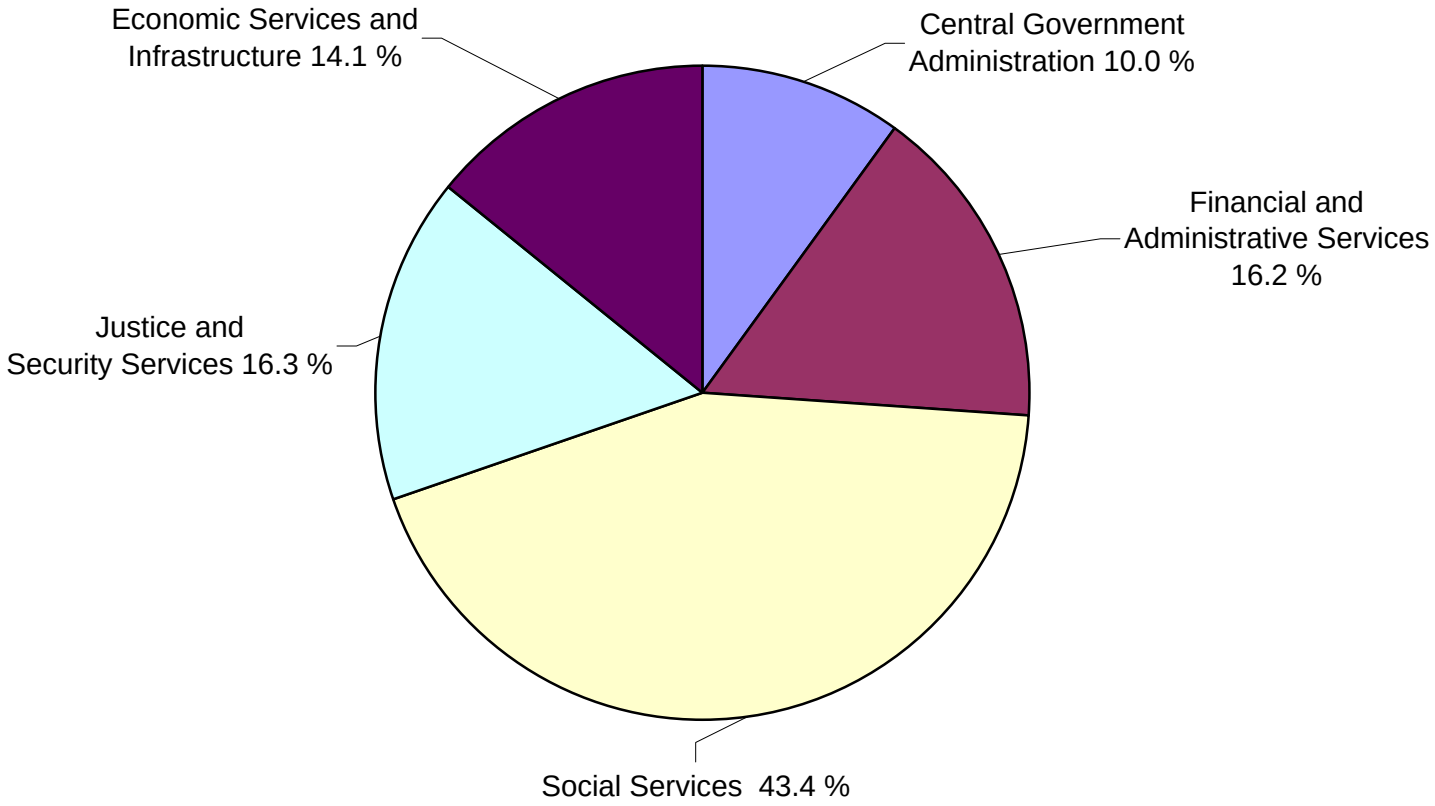
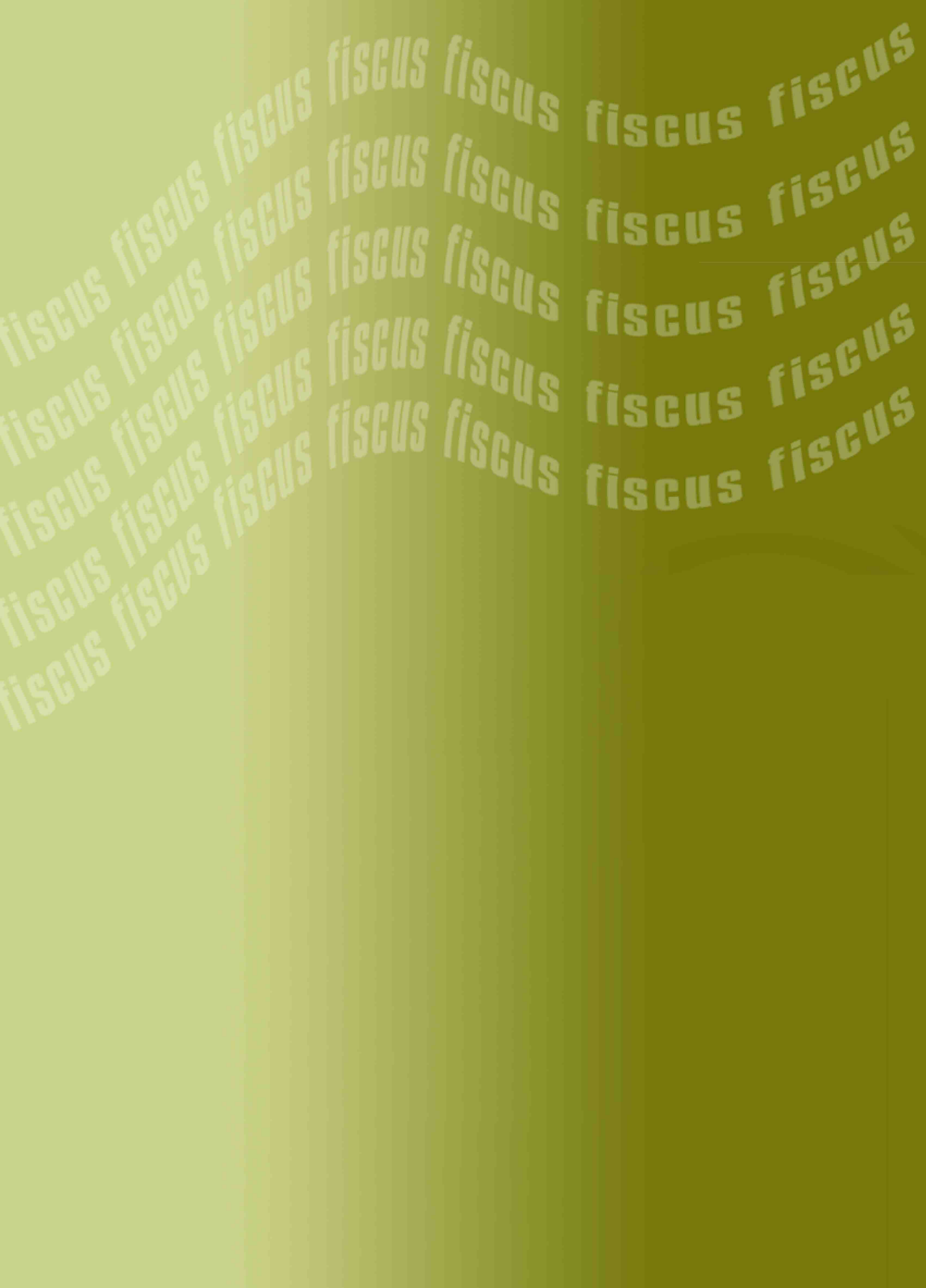


Chart 4: Sectoral Allocation of Expenditure 2001/02




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