Republic of Namibia

Revenue

Debt Management

Education

Health

Infrastructure

Agriculture

Poverty Reduction

Statement for the 2007/08 Budget

Presented by
Hon. Saara Kuugongelwa-Amadhila
Minister of Finance

15 March 2007



Opening Remarks

Honourable Speaker, Honourable Members

1. We have yet again completed a budget cycle and I am honoured to table the Budget for the 2007/08 financial year and Medium Term Expenditure Framework covering the years 2007/08 to 2009/10.

2. As was the case during the past year, we are again in the situation where revenue collections have increased significantly and our share from the SACU customs union pool exceeded expectations. I am appreciating that this situation is opportune, but unfortunately it may not last for long and I shall elaborate as to how we can make the most of this windfall.

3. Reflecting briefly on the past years' performance, I am pleased to state that our policy interventions are yielding the desired results. We had introduced several measures aimed at reducing poverty, and as a result the Gini Coefficient for Namibia has dropped from 0.7 to 0.6. We achieved an estimated GDP growth of 4.7 percent over the past five years. We managed to bring public debt down to 31.4 from 34 percent in 2005 and below the 33.1 percent projected under the current MTEF. The policy mix of pro-poor economic growth and fiscal consolidation proved to be the right approach. We managed to deliver on both.

4. We are in the third year of programme budgeting and there is growing appreciation and understanding of this approach. The donor community has moved towards budget support and the sector wide approach, both being made possible through programme budgeting. Offices/Agencies/Ministries can show how public resources are allocated to priorities and how much expenditure impacts on outcomes. We are however still not yet at the desired levels and further efforts are required to reap the full benefit from this transparent and more efficient way of resource allocation.

Honourable Speaker

5. In his new year's message, H.E. Hifikepunye Pohamba, The President, amongst others said, and I quote "We in Government are mandated by the electorate to manage public resources for the benefit of all our people. In turn and justifiably so, our people expect us to deliver in terms of the undertakings that we have made".

6. The SWAPO-Party Government's policy of human-centred development is encapsulated in His Excellency's statement. The commitment to reduce poverty, create jobs and facilitate equitable opportunities for all remains central to all government activities. To give effect to this education, health and social welfare are prioritised in public spending. The productive sectors equally receive significant budgetary allocations mainly for infrastructure development.

7. As a responsible Government, we are in for the long haul and our development agenda aims at achieving lasting outcomes. This budget therefore reiterates priorities of the previous budget; and that is to accelerate economic growth which is pro-poor. Unfortunately, however, economic growth in Namibia has not generated a commensurate growth in employment. We therefore want to ensure that economic growth translates into improved employment growth. To achieve that, we continue to invest heavily into our human capital. In doing so, we must improve educational outcomes and with that, skills levels and employability. We are addressing the pressing needs of the health sector, where HIV/AIDS is still threatening to undo many of our developmental achievements. Our continued investment into the social safety net will provide relief to the most vulnerable such as the elderly and OVCs. This will contribute to the lifting of living standards of our communities.

8. Further, the enhanced infrastructure development programme will create new job opportunities and stimulate higher economic growth in the undeveloped rural areas.

9. As engines of economic growth, the productive sectors will receive a significant boost to unlock untapped opportunities especially in Agriculture, Tourism and Aquaculture.

Honourable Speaker

10. All our developmental priorities can only be achieved in an environment of macroeconomic stability. It is, therefore, a prerequisite to ensure that this essential stability is maintained.

11. Over the past three years we have managed to consolidate our financial situation. This was made possible due to Namibia's share from the SACU Revenue Pool exceeding projections, the much improved tax collections and the windfall from the sale of MTC shares. Total debt was projected to reach at 33.7 percent of GDP at the end of the 2006/07 financial year. However, the more favourable revenue outturn enabled us to reduce the debt stock to 31.4 percent.

12. For the 2007/08 financial year, this positive trend in revenue is expected from both international and domestic taxes. The resulting surplus is earmarked for scaling up our development programmes to ensure that all our people share in this extra ordinary revenue windfall. However, we shall also use a part of this windfall to reduce public debt.

13. With the SADC Free Trade Area and Customs Union on the horizon by 2008 and 2010 respectively, a significant drop in revenue from international taxes is foreseen. This means that the period of revenue windfalls is coming to an end. However, expenditure is projected to grow during the MTEF period and, therefore, a strategy for maintaining fiscal sustainability has to be put in place.

Honourable Speaker

14. The compelling reasons for continued expenditure growth are to be found in the seriously skewed economy of our country and the resulting needs and demands to level out this injurious bias.

15. A part of this strategy is to utilise the windfall revenue to significantly reduce debt. This in turn will create flexibility in Government's fiscal ability to raise additional funding through borrowing during periods of decreased public revenue without compromising fiscal sustainability.

16. Another component of the strategy entails the ongoing efforts to optimise revenue collection through improved tax law enforcement.

17. Thirdly, accelerated economic growth is achieved through expanded and well targeted public expenditure. This will in turn broaden the tax base. Lastly, foreign and domestic private sector investment is stimulated by deepened regional integration.

Pro-Poor Policies underpinning the MTEF

18. The budget for 2007/08 and the corresponding MTEF continue to address the challenges of poverty reduction and sustainable economic growth. In this context, I wish to announce the following pro-poor policy interventions.

Tax Threshold

19. To relieve the tax burden of low income earners in our society, we are proposing to lift the threshold for taxable income from N$24,000 to N$36,000. This means that as from 2007/08 onwards, individuals earning below N$36,000 will be exempted from paying income tax. This will increase the take-home part of any salary earner and with that the buying power of especially those in the lowest income brackets.

Allowable deductions for Pension contributions

20. The need to adequately provide for financial security after productive employment is critical in any society. In order to improve the ability of employees to cater for their pension needs adequately, I propose the deduction allowable for retirement contributions to be increased from the current N$30,000 per annum to N$40,000. This will also provide an incentive towards increased savings.

Social Safety Nets

21. Last year, I was able to announce a substantial increase of 23 percent in the value of social pensions. This year, additional funds are being made available for a major expansion in the provision of grants and

allowances for orphans and other vulnerable children. This enables us to provide coverage to an additional 78,000 orphans and vulnerable children during the MTEF.

22. Last year, I also announced that more resources are to be made available to hospitals to roll out the AIDS treatment programme. For this MTEF, we are providing a further N$450 million to extend the programme further. We are committed to ensure that all Namibians in need of anti-retroviral treatments are able to access it.

23. We are making additional resources available to improve education and training through the ETSIP programme. In this regard, the expectation is to not only improve access to education but also to improve educational outcomes.

Pro-Growth Policies

24. The Green Scheme and Aquaculture both have their part to play in stimulating the rural economy. Government will continue to play a leading role with the development of the necessary infrastructure and operations including, where appropriate, marketing and research. Monies are also being made available to stimulate best use of communal lands.

Infrastructure Development

25. Infrastructure Development, especially in rural areas, is a prerequisite for economic growth. Public funds are to be significantly increased through the Development Budget to implement several major infrastructure development projects. The bulk will be invested in the national road and rail networks.

26. This year we are utilising a significant portion of the anticipated revenue windfall to implement a number of additional infrastructure projects, thus providing for better access to all parts of our vast country. The Development Budget is therefore expanded by N$ 800 million under the MTEF.

27. Last year, we invested N$250 million in Nampower towards meeting the country's power needs. This year, an additional N$500 million is allocated to ensure that the programme is accelerated. A total budgetary allocation of N$1 billion will be reached at the end of the MTEF.

28. To add impetus to the land reform programme, we shall assist Agribank to raise N$500 million in order to strengthen its balance sheet. Of this, N$150 million will be a capital injection and N$350 million will be in the form of sovereign guarantee. In addition, we are finalising a review of the AALS that will enable us to improve the implementation and outcome of the programme.

29. The Development Bank will receive N$29 million as further capitalisation aimed at strengthening the Special Development Fund which is a vehicle for SME support. The winding up of NDC is nearing finalization and we envisage the transfer of NDC assets to DBN within the next month. At this point I wish to repeat the Government's call to the private sector to invest part of the savings under their management in the Development Bank. This would stem the continued outflow of capital and ensure that national savings support local development.

Amendment of Regulation 28 of the Pension Fund Act and Regulation 15 of the Long-term Insurance Act

30. In my previous budget speech, I announced legislative amendments to Regulation 28 and 15 of the Pension Funds Act and Long-term Insurance Act, respectively. These amendments will be gazetted in 2007/08 financial year.

31. The salient features of the proposed amendment are, firstly, that pension funds and long term insurers are obligated to take up a minimum investment of 5 percent in unlisted shares in Namibia.

32. It is further envisaged that the qualification of dual-listed shares for Namibian asset status be gradually reduced to 10 percent.

Fiscal Sustainability

Expenditure Policies

33. I have mentioned the importance of maintaining macroeconomic stability. In the past we have experienced pressures from both the expenditure and revenue sides, and therefore our policy interventions need to accommodate both sides of the equation.

34. With regards to expenditure, the main objective is to achieve levels of acceptable value for money. Government, through the Office of the Prime Minister, is implementing a performance based management system. The objective is to identify areas of low productivity within the public service and counteract with corrective measures.

35. In order to get value for money from parastatals, Government has adopted the principle of targeted subsidies. This means that subsidies will be targeted to specific programmes and outcomes.

Debt Policies

Honourable Speaker

36. Our debt strategy does not only focus on raising additional funds for Government, but it also seeks to promote the development of our domestic capital market.

37. In this regard, Government will keep a presence in the capital market. Government will further assist able parastatals to develop debt instruments so that they can actively participate in the capital market and contribute to its development.

38. Significant progress has been made in restructuring public debt in order to mitigate maturity risks.

39. At the end of 2006/07, the debt stock maturing within 12 months is estimated to stand at N$3.9 billion, or 10 percent of GDP down from 11.9 percent in 2005/06. A large part of the current short term domestic debt is made up of the GC07 bond to be redeemed in full in July 2007. Currently, the required funds of N$1.2 billion has already been put aside for redeeming this bond when it matures in July 2007. Moreover, measures for the redemption of the GC08 are also in place.

40. Equally important is the maintenance of a sustainable balance between domestic and foreign debt in order to mitigate foreign exchange risk.

Exchange Control Changes

41. The Government will continue with the gradual process of exchange control liberalization in tandem with the liberalization measures in the CMA and in meeting its commitment towards full liberalization amongst SADC member states.

42. I am pleased to announce the following changes in the current exchange control regime:

43. Special exemption will now be granted to potential oil and gas companies whose sales relate to exploration and production from the requirement of operating Customer Foreign Currency Accounts. This means that companies involved in this trade can now operate Customer Foreign Currency accounts without any restrictions on the nature of transactions passing over that account or compliance with the 90 days rule.

44. With the view to reduce the transaction costs associated with the current Multi-Customer Foreign Currency accounts and their restricted use, companies involved in international trade may now operate a Single-Customer Foreign Currency account for both trade and services, and can use it for a wider variety of permissible transactions.

45. The current threshold of N$250,000 for "cash with order" payments per transaction by Namibian importers has been increased to N$500,000 with immediate effect.

46. To encourage strategic international partnerships, Namibian corporate investing outside the Common Monetary Area will no longer be required to obtain a majority shareholding in foreign entities and/or projects, but must obtain a shareholding of at least 25 percent.

Tax Legislation Amendments

47. Government tax policies are aimed at maintaining a balance between promoting economic growth and poverty reduction on the one hand, and optimising revenue collections on the other. I have already referred to the lifting of the threshold of taxable income to produce relief to tax payers in low income brackets. Other amendments to the Income Tax Act include the withholding of tax rate on interest income and the reduction of the tax rate on this income to 10 percent.

48. Further, the interest calculation on tax arrears will be changed from compound to simple interest, thereby providing relief to taxpayers again.

49. The Transfer Duty Act will be amended in order to prevent the avoidance of transfer duty through the use of Close Corporations in real estate transactions.

50. The VAT amendment Bill is already before this House and I shall not elaborate any further on it. The Income Tax Amendment Bill and the

Transfer Duty Amendment Bill are still to be introduced to Parliament during the 2007/08 financial year.

51. With regard to the newly established Tax Tribunal, the Chairperson has been appointed and the Tax Tribunal will have its first session at the end of March 2007.

Excise Duties

52. In pursuance of our commitments under the 2002 SACU Agreement, I wish to announce the following nominal percentage increases in Excise duties that have been implemented as from the 21 February 2007.

Description	Percentage (%)
Unfortified wine	8.5%
Fortified wine	10%
Sparkling wine	10%
Ciders & alcoholic fruit beverages	8%
Spirits	10.5%
Cigarettes	10.71%
Cigarette tobacco	5.32%
Pipe tobacco	5.76%
Cigars	10.46%

International and Regional Economic Blocks

Honourable Speaker, Honourable Members

53. Namibia is a member of SADC and SACU.

54. Through SACU, Namibia signed on 16 December 2004 a Preferential Trade Agreement establishing a legal framework to govern trade relations between SACU and MERCOSUR.

55. The SACU-EFTA negotiations have been concluded and the Agreement was signed between July and August 2006 by individual Member States. Internal ratification processes are currently underway and the implementation date should be announced soon.

56. Negotiations between SACU and the USA for a FTA could not be finalised within the set time framework due to non conclusion of a number of important issues. The two parties have agreed to continue engagement through a non-negotiating consultative mechanism.

57. As a member of SADC, Namibia is party to the SADC/EPA negotiations. The current trade preference granted to ACP Countries under COTONOU expires at the end of 2007. This presents a special challenge for SADC and EU to conclude negotiations on the EPA in order to promote the trade agenda between the two blocks after the expiry date.

58. Namibia's long term development targets are, like those of other developing countries, dependent on the extent to which it can access international markets for its goods and both the SADC/EU, EPA's and World Trade Organisation's Trade Negotiation are the principal vehicles for the achievement of these important goals. It is therefore a serious concern that progress on both of these fronts is slow.

Global Economic Performance and Outlook

59. The Global economy recorded a moderate growth rate of 4.9 percent in 2005. Performance is estimated to have strengthened in 2006 despite numerous downside effects, such as high oil prices, political upheavals as well as threats to oil production in the Middle East. The output is estimated to increase by 5.1 percent in 2006, and it is projected at 4.9 percent in 2007.

60. Amongst the key drivers of this global economic growth are advanced economies such US, Japan, Euro Zone and other emerging economies such as China and India.

61. In Africa, most economies performed well in 2005, recording an average growth rate of 5.8 percent, but eased to 5.2 percent in 2006. This expansion was largely attributed to a surging growth in oil producing countries. The continent's economic growth rate is projected at 5.9 percent in 2007.

62. The South African economy, recorded a growth rate of 4.9 percent in 2005 and is estimated to have grown at the same rate in 2006. In 2007, the growth rate is projected to decelerate to 4.8 percent. The annual average inflation rate was 3.2 percent in 2005 but is estimated at 4.6 percent in 2006. The South African bank rate remains on par with that of Namibia since 2004, and was at 9.0 percent at the end of 2006.

Domestic Economic Performance and Outlook

63. Against this backdrop of favourable global and regional economic performance, the Namibia economy recorded a favourable growth of 4.2 percent in 2005. An inflation rate of 5.1 percent and a strong current account surplus was also recorded. Economic performance remained robust in 2006 with an estimated growth rate of 4.6 percent, originating mainly from primary industries.

64. Growth in primary industries originated from the mining sector which grew at an estimated rate of 13.6 percent in 2006. This growth was driven by the strong demand for diamonds and other base metals in the world market. Agriculture and fishing sectors are expected to decline during that year by 2.8 percent and 0.5 percent, respectively. The decline in the agricultural sector originates from the livestock sub-sector that saw a decline in the numbers of cattle marketed as a result of livestock restocking after a good rainy season. Furthermore, cereal production has declined due to the effect of floods in the Eastern Caprivi. The fishing sector hardly recovered in 2006 due to

high costs in terms of fuel needed for vessels and declining fish stocks.

65. Secondary industries are expected to be resilient despite the negative developments in agriculture and fishing. Output in the manufacturing sector is expected to grow by 3.1 percent in 2006 after a decline of 0.6 percent recorded in 2005, while the construction, water and electricity sectors are expected to grow by 7.5 percent and 2.8 percent, respectively.

66. Tertiary industries showed strong growth and improved contributions to GDP during 2006. Within the service sectors a growth of 9.8 percent is expected in 2006, from transport and communication. Wholesale and retail trade grew with 4.5 percent and hotels and restaurants also with 4.5 percent.

67. An average GDP growth rate of 4 percent is expected for the MTEF period. For 2007 a growth rate of 4.9 percent is expected, which is higher than originally projected.

68. The Balance of Payment for 2006 reflects a healthy economic position as indicated by a surplus. This surplus is a result of the positive current account balance of N$7.7 billion, which is attributable to the higher export earnings and SACU receipts. However, the capital and financial accounts deficit increased from N$3.1 billion in 2005 to N$7.1 billion in 2006. The deterioration of this component was caused by higher capital outflows.

69. The annual inflation has increased from 2.2 percent in 2005 to an estimated 5.1 percent in 2006. This increase is mainly due to persistent high and volatile oil prices. However, monetary policy tightening has managed to curb further inflationary pressures. Inflation is expected to remain within single digit levels. However, developments in international oil prices will continue to pose a major risk to Namibia's inflation outlook.

70. Interest rates reached 9.0 percent in December 2006, up from 7.5 percent in June the same year. This followed developments in the South African currency, to which Namibia's currency is linked.

Financial Sector Charter

71. Some progress was made towards developing Namibia's financial sector charter.

72. I am concerned, however, that the Charter's formulation is yet uncompleted long after the initial target date of September 2006. I again urge the industry to ensure that the latest target date of the end of this month for the completion of the Charter is met.

73. A persisting matter of concern is the very high transaction costs in the financial sector. For instance, it cannot be right that a person gets out less than deposited into a savings account. I expect that the Financial Charter will give serious attention to excessive transaction charges by

our financial institutions. I look forward to the outcome of the debate on the report of the Parliamentary Committee on Economics and Natural Resources on this issue.

Sovereign Credit Rating

74. In 2006, Fitch Ratings affirmed the Republic of Namibia's credit ratings at foreign currency Issuer Default 'BBB-' (BBB minus), local currency Issuer Default 'BBB' and Short-term foreign currency 'F3'. Both the Issuer Default ratings ("IDRs") have Stable Outlooks. The Country Ceiling improved from "A-" to 'A'. This affirmation confirms Namibia as a safe and reliable investment destination.

75. Fitch Rating however identified areas to be improved including the following:

- High capital outflows, which deprive the country of foreign reserves.
- Social challenges, including high unemployment, a highly skewed income distribution and high relative poverty and HIV/AIDS.

Honourable Speaker, Honourable Members

Fiscal Review of 2004/05 – 2006/07 Medium Term Expenditure Framework

76. Before I dwell on the allocations under the next MTEF, let me share the fiscal review of the 2004/05 - 06/07 Medium Term Expenditure Framework with the House.

77. The MTEF under review was marked by positive developments in revenue collection, which as a share of GDP, stood at 30.6 percent and 33.1 percent for the financial years 2004/05 and 2005/06, respectively. The positive trend was supported by the improved collection in the categories of tax on income and profit, value added tax and tax on international trade. Furthermore, measures implemented by the Ministry, such as the forensic tax audits and training of tax administrators, yielded positive results.

78. **Total Expenditure** as a ratio of GDP stood at 34.2 percent in 2004/05 and 33.3 percent was recorded in the following year. The overall expenditure trend was stable during the MTEF and this could be attributed to expenditure control measures introduced by Government.

79. **Public debt** as a share of GDP stood at 33.2 percent in 2005/06, lower than the debt of 33.8 percent in the preceding financial year.

80. Turning now to the preliminary outturn of 2006/07 financial year, **Honourable Speaker**, late in 2006, I tabled a Revised Budget with the main aim to re-allocate resources for the improvement of conditions of service for civil servants from the Vote of the Prime Minister to the various Votes. Overall, the Additional Appropriation comprised additional allocations for the operational budget amounting to N$132.6 million. This brought the Main Budget for 2006/07 of N$15.2 billion to a total Revised Budget of N$15.3 billion, or 0.8 percent higher than the Main Budget.

81. **Total revenue** projections for the 2006/07 financial year were significantly raised in the Revised Budget, from N$15.3 billion to N$16.2 billion and that is 6 percent higher than originally anticipated. The main drivers of this increase in revenue are receipts from SACU, which increased by N$322 million, and the one-off proceeds from MTC shares sale of N$648 million. As of January 2007, the preliminary outturn of total revenue collected amounted to N$13.6 billion, which is on target. Contributing to this performance were revenue components on taxes raised from diamond companies, international trade, value added tax, and non-tax revenue.

82. Turning to the **total expenditure**, as I have already indicated, the Revised Budget for 2006/07 stands at N$15.3 billion including statutory payments. Of this total, N$11.9 billion covers operational expenditure and N$1.9 billion is earmarked for development expenditure. The balance of N$1.3 billion is provided for interest payments.

83. The preliminary outturn indicates an amount of N$8.5 billion spent on the operational and N$919.5 million spent on the development budget so far. These preliminary figures indicate that O/A/Ms are managing cautiously their spending. Expenditure on domestic interest, which is N$1.05 billion is lagging behind the estimates by N$176 million due to the positive fiscal outturn. At the end of March 2007, total expenditure is estimated to be around 34.7 percent of GDP, which is on target with projections.

84. With regard to **the Budget Balance,** we have budgeted for a surplus of 2.1 percent in 2006/07. The preliminary outturn for revenue and expenditure gives an indication that such a surplus will be realized.

85. Total **public debt** is estimated at N$13.8 billion for 2006/07 financial year. This comprises N$425.6 million of loans raised outside the Budget. As of December 2006, total public debt stood at N$13.5 billion or 30.4 percent of GDP.

86. As for Contingent Liabilities, during 2006/07, we have managed the contingent liabilities at a low rate of 8.9 percent, below the benchmark of 10.0 percent. Domestic guarantees increased from 3.6 percent in 2004/05 to 3.8 percent in 2005/06, followed by a further increase to 4.2 percent in 2006/07. During 2006/07, amounts of N$ 240 million and N$120 million guarantees were issued on behalf of Air Namibia and Namibia Wildlife Resorts, respectively.

87. Foreign guarantees increased from 2.9 percent of GDP in 2004/05 to 5.1 percent of GDP in 2005/06. This increase was mainly due to new guarantees issued to secure Air Namibia's lease of aircrafts for the total amount of USD 139 million. During 2006/07, foreign guarantees are expected to decrease to 4.7 percent of GDP.

Medium Term Expenditure Framework for the period 2007/08 -2009/10

88. The 2007/08 – 2009/10 MTEF and the proposed budget for the coming financial year reflect the commitment of the SWAPO Party Government to achieve the national development objectives and improve the socio-economic conditions of the people of Namibia through a frontal attack on the challenges of poverty, inequality in income distribution, unemployment, imbalanced development in the regions, and HIV/AIDS.

89. After a lengthy process of negotiating the numerous requests for additional expenditure during the MTEF 2007/08 – 2009/10, I am finally able to lay before this Honourable House the proposed budget for 2007/08 and the corresponding MTEF for the period 2007/08 – 2009/10.

Revenue Outlook

90. Before I proceed to the allocations to specific votes, I shall shed light on the total estimated revenue envelope for the MTEF.

91. Total revenue and grants for the MTEF is estimated to reach an amount of N$51.8 billion. Of this amount, N$47.9 billion is from tax revenue, N$3.4 billion from non-tax revenue, N$72.5 million from the return on equity, and grants through budget will contribute N$488.9 million. For each respective financial year, total revenue and grants is projected at N$18.4 billion, and then drop to N$16.6 billion and N$16.9 billion.

92. For 2007/08, the total revenue and grants represents an increase of 13.4 percent compared to the revenue estimate for 2006/07. Total revenue and grants as a share of GDP will be 36.3 percent in 2007/08; thereafter it is forecast to drop to 30.1 percent in 2008/09 and 28.6 percent in 2009/10.

Expenditure Outlook

93. Within the above resource envelope, Total Expenditure for the MTEF is projected at N$52.5 billion. Of this amount N$43.1 billion is for Operational Expenditure, N$5.8 billion for Development Expenditure while statutory obligations account for N$3.6 billion**.** The breakdown of Total Expenditure per financial year is as follows: N$17.8 billion in 2007/08; N$17.1 billion for 2008/09 and N$17.5 billion for 2009/10. As a share of GDP, total expenditure is projected to record a downward trend of 35.2 percent, 31.2 percent and 29.7 percent in 2007/08, 2008/09 and 2009/10, respectively.

94. To complement the Government's endeavours for sustainable development, external funding of N$1.9 billion over the MTEF period has been secured from Development Partners. These grants are outside the State Revenue Fund and will be used to implement development projects. Moreover, Government is committed to raise N$978 million through foreign loans at concessional rates.

95. Government is currently negotiating additional concessional loan funding, which would allow public expenditure to be supplemented when revenues decline as from 2008/09.

96. Even though we have provided for a surplus of about N$559.4 million in 2007/08, the overall budget balance for MTEF is projected to be a budget deficit. In absolute terms the MTEF deficit is estimated at N$682.4 million, which is 1.1 percent as a share to GDP.

97. Taking into consideration the estimated borrowing and the above referred debt redemption partly funded with the surpluses, the Total Debt amounts to N$12.5 billion in 2007/08; N$13.0 billion in 2008/09 and N$14.1 billion in 2009/10. As a share of GDP, the total debt is around the debt target of 25 percent, on average during the MTEF.

MTEF Allocations

98. Let me now turn to some of the major programmes funded under the MTEF. I will not refer to all Votes' ceilings as these are contained in

the Bill and the MTEF document. The fact that some Votes are not mentioned is simply to save time and not to diminish their importance.

99. Education and Health continue to take the lion's share of the budget resources, scooping N$11.7 billion and N$5.5 billion respectively.

100. The Vote for Regional and Local Government, Housing and Rural Development receives N$1.1 billion for the MTEF period. Amongst the urgent priorities facing this Ministry is the need to the face out the inhumane and unhygienic buckets system, expand provision of shelter in poor communities, support development in small, upcoming towns and villages and promote development of rural unserviced areas.

101. The productive sectors of Mines and Energy, Trade and Industry, Fisheries, Agriculture and Tourism will receive a total amount of N$4 billion. This allocation will boost economic growth and job creation.

102. Transport infrastructure will receive N$1.8 billion over the MTEF period towards the development of national roads and rail networks. Additional loan funding is being negotiated to close existing funding gaps that would raise total funding to this sector significantly.

103. The Police will receive an additional amount of N$3.1 billion to improve law enforcement and for the combat against crime.

104. To enhance the rule of law and to reduce the backlog in court cases a total amount of N$685 million is allocated to the Vote of Justice and Attorney General for the MTEF period.

105. An amount of N$1.1 billion has been allocated to the Vote or Works for the management and upkeep of Government fixed assets.

106. The realization of public programmes is dependent on availability of resources. The Ministry of Finance will receive additional funding to improve revenue collection through strengthened tax law enforcement and tax administration. It is envisaged to acquire scanning equipment for the various border posts to improve customs administration. IT systems and staff capacities will be upgraded in order to improve tax administration. The costs for medical aid continue to escalate and necessitated an additional allocation.

107. The allocation to the Office of the Auditor General has been allocated N$78.8 million for the MTEF period to ensure that public resources offer value for money and that public expenditure is properly accounted for and to clear up the backlog in audit reports.

108. We commissioned an independent study in October 2006 to assess the viability of Air Namibia as a business in an effort to restructure the company. The report of the consultants has been tabled with Government and internal consultations are ongoing.

109. To enable the company to continue its operations in the meantime, we have made provision for some support under the budget. In addition, Air Namibia's debt will be ringfenced and serviced by Government.

Special Authority

110. Honourable Speaker, in order to meet the funding requirements of the recently created Ministry of Veteran Affairs, I issued a Special authorization to the amount of N$7.453 million. This was issued in terms of section 9(1)(b) of the State Finance Act. I herewith in Terms of Section 9(2) of the State Finance Act request the National Assembly to appropriate this amount as part of the appropriation for the financial year 2007/08 to the Vote of Veteran Affairs.

Conclusion

Honourable Speaker, Honourable Members

111. In concluding, I want to quote from the foreword to Vision 2030, by the Founding Father and former President, HE Dr Sam Nujoma.

112. "Our future is about the people. Therefore, at the centre of the visionary exercise is concern for the population in relation to their social (particularly health), economic and overall well-being".

113. This budget and the corresponding MTEF put the well-being of our people at the centre. We need to improve their living standards and

therefore our intervention must be pro-growth for the poor. Equally we may not allow that what we have achieved so far is eroded away and therefore our intervention must be sustainable.

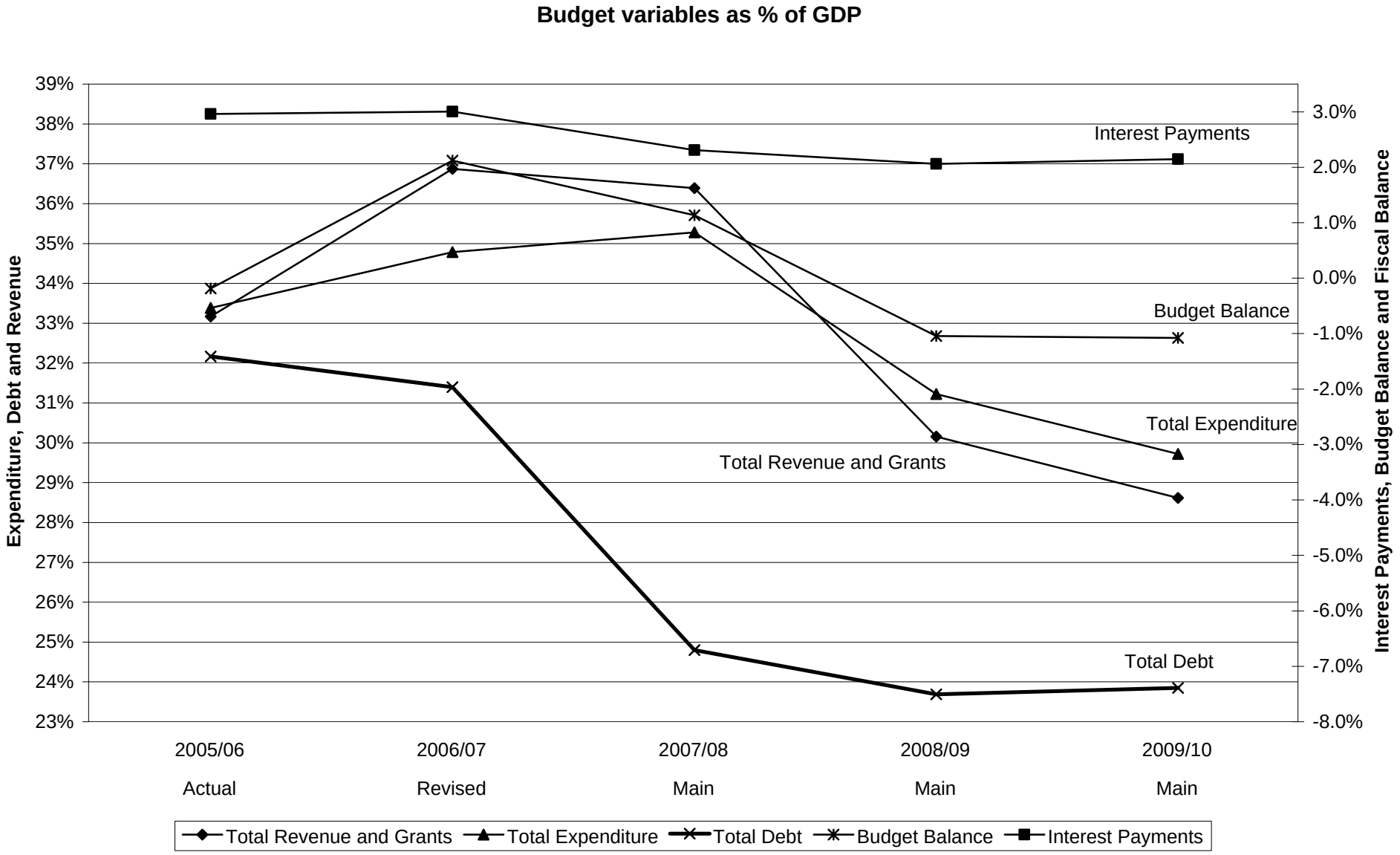
114. I want to take this opportunity to thank H.E. The President, Comrade Hifikepunye Pohamba and the Right Honourable Prime Minister, Comrade Nahas Angula for their support. My Cabinet Colleagues fully participated in the consultations leading up to developing the Budget for the 2007/08 financial year and the corresponding MTEF and I thank them also for their contributions. It was a give and take process where all of us had to accept compromises, but where we held the peoples' interest always as top priority. My gratitude also goes to all the officials who participated in preparing and compiling the budget and MTEF.

Honourable Speaker, Honourable Members

115. I believe it is an opportune occasion to place on record our gratitude to all our Development Partners, who with their assistance have proven their solidarity with our people and our needs to improve living standards.

116. It is now my pleasure to table the Appropriation Bill for 2007/08 and the MTEF for the financial years 2007/08 – 2009/10 before this August House for its consideration and approval.

117. I thank you!


Budget variables as % of GDP
Expenditure, Debt and Revenue
Interest Payments, Budget Balance and Fiscal Balance
39%
38%
37%
36%
35%
34%
33%
32%
31%
30%
29%
28%
27%
26%
25%
24%
23%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-7.0%
-8.0%
Interest Payments
Budget Balance
Total Expenditure
Total Revenue and Grants
Total Debt
2005/06
Actual
2006/07
Revised
2007/08
Main
2008/09
Main
2009/10
Main
Total Revenue and Grants
Total Expenditure
Total Debt
Budget Balance
Interest Payments

	Government Financial Operations (000)	Actual 2005/06	Revised 2006/07	Main 2007/08	Main 2008/09	Main 2009/10
1	**GDP**	**39,562,000**	**43,934,000**	**50,583,000**	**54,973,000**	**59,049,000**
2	Taxes on income and profits	4,575,653	4,689,000	5,201,000	5,543,000	5,632,000
3	Taxes on property	110,111	122,000	134,000	146,000	160,000
4	Domestic taxes on goods and services	3,272,367	3,186,110	3,487,600	3,653,245	3,825,872
5	Taxes on international trade	3,891,882	6,471,418	8,085,000	5,771,223	5,813,017
6	Other taxes	113,356	123,000	134,000	146,000	160,000
7	**Total Tax Revenue**	**11,963,369**	**14,591,527**	**17,041,600**	**15,259,468**	**15,590,889**
8	Entrepreneurial and property income	542,892	1,048,942	662,827	647,305	664,092
9	Fines and forfeitures	17,617	23,500	23,500	23,500	23,500
10	Administration fees and charges	**512,386**	407,079	431,062	483,533	404,853
11	**Total Non-Tax Revenue**	**1,072,895**	**1,479,521**	**1,117,389**	**1,154,338**	**1,092,445**
12	**Return on capital from Lending and Equity**	**32,406**	**66,035**	**23,674**	**24,127**	**24,689**
13	**Total revenue (own sources)**	**13,068,671**	**16,137,084**	**18,182,663**	**16,437,933**	**16,708,023**
14	**Grants**	**39,041**	**72,000**	**204,030**	**118,190**	**166,700**
15	**Loans earmarked for on-lending**	**0**	**0**	**0**	**0**	**0**
16	**Total Revenue and Grants**	**13,107,712**	**16,209,084**	**18,386,693**	**16,556,123**	**16,874,723**
17	*As % of GDP*	33.1%	36.8%	36.3%	30.1%	28.6%
18						
19	Social Operational	4,581,306	4,725,219	5,518,672	5,966,795	6,085,771
20	Public Safety Operational	2,196,122	2,363,361	2,864,062	3,002,062	2,891,556
21	Administrative Operational	2,723,303	3,450,848	4,628,695	3,668,632	3,906,447
22	Economic Operational	822,729	980,704	1,045,470	1,035,609	1,044,299
23	Infrastructure Operational	356,152	414,051	493,254	455,857	462,847
24						
25	**Operational Budget Expenditure**	**10,679,612**	**11,934,183**	**14,550,153**	**14,128,955**	**14,390,920**
26	*As % of GDP*	27.0%	27.1%	28.8%	25.7%	24.4%
27						
28	Social Development	229,878	269,878	283,949	303,741	314,815
29	Public Safety Development	254,725	360,837	266,122	278,379	278,865
30	Administrative Development	290,449	386,153	606,239	519,083	523,595
31	Economic Development	371,927	316,521	277,766	271,717	284,229
32	Infrastructure Development	179,749	542,140	641,412	511,887	470,757
34	**Development Budget Expenditure**	**1,326,728**	**1,875,529**	**2,075,488**	**1,884,807**	**1,872,261**
35	*As % of GDP*	3.4%	4.3%	4.1%	3.4%	3.2%
36						
37	Borrowing Related Charges	2,136	2,050	2,050	2,050	2,050
38	Ex-Gratia Payments	0	0	0	0	0
39	Guarantees	23,898	165,399	45,500	11,000	11,000
40	**Statutory Excluding Interests**	**26,034**	**167,449**	**47,550**	**13,050**	**13,050**
41						
42	**Total Expenditure Excluding Interests**	**12,032,374**	**13,977,161**	**16,673,191**	**16,026,812**	**16,276,231**
43						
44	**Primary Budget Balance**	**1,075,338**	**2,231,923**	**1,713,502**	**529,311**	**598,492**
45	*As % of GDP*	2.7%	5.1%	3.4%	0.96%	1.0%
46						
47	Domestic Interest Payments	1,077,980	1,213,221	1,035,199	987,497	1,113,149
48	Foreign Interest Payments	82,253	97,460	118,945	130,386	138,544
49	**Interest Payments**	**1,160,233**	**1,310,681**	**1,154,144**	**1,117,883**	**1,251,693**
50	*As % of GDP*	2.9%	3.0%	2.3%	2.0%	2.1%
51						
52	**Total Expenditure**	**13,192,607**	**15,287,841**	**17,827,335**	**17,144,695**	**17,527,924**
53	*As % of GDP*	33.3%	34.7%	35.2%	31.2%	29.7%
54						
55	**Budget Balance**	**-84,895**	**921,242**	**559,358**	**-588,572**	**-653,201**
56	*As % of GDP*	-0.2%	2.1%	1.1%	-1.1%	-1.1%
57						

	Government Financial Operations (000)					
		Actual	Revised	Main	Main	Main
		2005/06	2006/07	2007/08	2008/09	2009/10
58	Budget Balance	-84,895	921,242	559,358	-588,572	-653,201
59	Expenditure Outside Budget (Foreign Loans)	-418,594	-425,603	-360,220	-365,049	-253,132
60	Additional Borrowing for Bond Redemption	570,000	-1,030,000	1,200,000	620,000	0
61	**Fiscal Balance/ Net Borrowing Requirement**	**66,511**	**-534,361**	**1,399,138**	**-333,621**	**-906,333**
62	*As % of GDP*	0.2%	-1.2%	2.8%	-0.6%	-1.5%
63						
64	**FINANCING**					
65	Treasury Bills Issued	6,842,750	5,608,000	5,044,600	4,585,550	4,612,280
66	Treasury Bills Repaid	7,715,670	6,333,000	5,505,052	4,714,822	4,256,544
67	Net Issue of Treasury Bills	-872,920	-725,000	-460,452	-129,272	355,737
68						
69	Governments Bonds Issued	1,620,100	971,640	63,144	864,055	2,242,718
70	Government Bonds Repaid	620,462	0	1,195,862	582,200	1,749,647
71	Net Issue of Government Bonds	999,638	971,640	-1,132,718	281,855	493,070
72						
73	**Net Domestic Borrowing**	**126,718**	**246,640**	**-1,593,170**	**152,583**	**848,807**
74						
75	Loans Outside the Budget (Foreign Borr)	418,594	425,603	360,220	365,049	253,132
76	Foreign Loans Repayments	121,010	169,113	166,188	184,010	195,605
77	**Net Foreign Borrowing**	**297,584**	**256,490**	**194,032**	**181,040**	**57,526**
78						
79	**Total financing**	**424,301**	**503,130**	**-1,399,138**	**333,622**	**906,334**
80	*Currency Depreciation*	*46,597*	*143,810*	*125,728*	*141,177*	*154,734*
81	Domestic Debt Stock	10,669,797	10,944,350	9,351,180	9,503,762	10,352,570
82	Foreign Debt Stock (est.)	2,039,739	2,854,824	3,174,583	3,496,800	3,709,061
83	**Total Debt**	**12,709,536**	**13,799,173**	**12,525,763**	**13,000,562**	**14,061,630**
84						
85	*As a % of GDP*					
86	*Domestic Debt Stock*	27.0%	24.9%	18.5%	17.3%	17.5%
87	*Foreign Debt Stock*	5.2%	6.5%	6.3%	6.4%	6.3%
88	***Total Debt***	**32.1%**	**31.4%**	**24.8%**	**23.6%**	**23.8%**

Government's financial operations														
		1996/97	1997/98	1998/99	1999/00	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
N$ million, fiscal years		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Revised	Estimates Main	Estimates Main	Estimates Main
GDP		**15,446.8**	**17,262.8**	**19,262.0**	**21,509.5**	**28,158.4**	**33,140.5**	**34,607.0**	**37,384.7**	**39,562.0**	**44,002.0**	**50,583.0**	**54,973.0**	**59,049.0**
REVENUE AND GRANTS														
	Taxes on income and profits	1353.9	1979.1	2031.3	2315.4	3285.6	4442.3	3618.5	4024.2	4575.7	4689.0	5201.0	5543.0	5632.0
	Taxes on property	32.9	36.0	40.3	46.7	64.1	79.3	75.2	85.9	110.1	122.0	134.0	146.0	160.0
	Domestic taxes on goods and services	1342.0	1490.7	1581.8	1943.6	2107.4	2135.7	1950.8	2057.3	3272.4	3186.1	3487.6	3653.2	3825.9
	Taxes on international trade	1348.7	1560.4	1805.2	2240.7	2641.2	2596.9	3035.6	4206.8	3891.9	6471.4	8085.0	5771.2	5813.0
	Other taxes	36.4	39.8	42.8	51.3	67.6	75.6	82.8	94.1	113.4	123.0	134.0	146.0	160.0
Total Tax Revenue		**4113.9**	**5106.0**	**5501.4**	**6597.7**	**8165.9**	**9329.8**	**8762.9**	**10468.2**	**11963.4**	**14591.5**	**17041.6**	**15259.5**	**15590.9**
	Entrepreneurial and property income	303.5	300.8	378.8	402.7	463.4	703.2	488.8	490.0	542.9	1048.9	662.8	647.3	664.1
	Fines and forfeitures	10.8	13.5	9.4	10.9	18.2	19.6	18.9	17.0	17.6	23.5	23.5	23.5	23.5
	Administration fees and charges	183.3	171.4	205.1	171.6	254.0	382.3	449.3	342.1	512.4	407.3	431.1	483.5	404.9
	Return on capital from lending and equity	14.0	43.9	54.3	20.1	21.4	15.9	13.5	36.8	32.4	66.0	23.7	24.1	24.7
Total Non-Tax Revenue		**511.6**	**529.6**	**647.6**	**605.3**	**757.1**	**1121.1**	**970.5**	**885.9**	**1105.3**	**1545.7**	**1141.1**	**1178.5**	**1117.1**
Total revenue (own sources)		**4625.5**	**5635.6**	**6149.0**	**7203.0**	**8923.0**	**10450.9**	**9733.4**	**11354.1**	**13068.7**	**16137.3**	**18182.7**	**16437.9**	**16708.0**
Grants		**50.3**	**54.0**	**37.4**		**58.1**	**34.4**	34.2	**70.4**	39.0	72.0	204.0	118.2	166.7
Loans earmarked for on-lending					**68.5**	**116.8**	**76.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL REVENUE AND GRANTS		**4675.8**	**5689.6**	**6186.4**	**7271.5**	**9097.9**	**10562.1**	**9767.6**	**11424.5**	**13107.7**	**16209.3**	**18386.7**	**16556.1**	**16874.7**
EXPENDITURE														
Current Expenditure														
	Personnel expenditure	2649.7	2830.5	3162.0	3618.7	4325.5	4708.9	5117.0	5527.1	5888.3	6144.9	6725.0	7201.4	7325.8
	Expenditure on goods and other services	1151.2	1240.6	1350.4	1583.3	1977.3	1993.6	2079.4	1921.9	1922.4	2198.8	2995.3	3212.7	3326.2
	Statutory	250.5	350.1	488.7	512.9	602.7	907.6	996.0	1040.2	1186.3	1478.1	1201.7	1130.9	1264.7
	Subsidies and other current transfers	786.2	841.1	1101.5	1168.8	1769.2	1892.8	2255.9	2296.9	2544.7	2717.1	3067.0	3320.8	3393.7
Total Current Expenditure		**4837.6**	**5262.3**	**6102.6**	**6883.7**	**8674.7**	**9503.0**	**10448.3**	**10786.0**	**11541.7**	**12538.8**	**13989.0**	**14865.9**	**15310.4**
Capital Expenditure														
	Capital expenditure	624.0	779.2	737.1	917.5	1098.7	1158.7	1293.4	1401.1	1337.4	1,848.2	2277.4	2005.0	1976.7
	Capital transfers				30.1	51.1	87.2	103.6	217.4	106.0	248.4	341.8	168.6	135.6
	Total lending and equity participation	105.3	87.5	95.9	121.4	477.8	649.7	400.0	365.9	207.5	652.4	1219.2	105.2	105.3
Total Capital Expenditure		**729.3**	**866.7**	**833.0**	**1069.0**	**1627.7**	**1895.7**	**1796.9**	**1984.5**	**1650.9**	**2749.0**	**3838.3**	**2278.8**	**2217.5**
TOTAL EXPENDITURE		**5566.9**	**6129.0**	**6935.6**	**7952.7**	**10302.4**	**11398.7**	**12245.2**	**12770.5**	**13192.6**	**15287.8**	**17827.3**	**17144.7**	**17527.9**
BUDGET BALANCE		**-891.1**	**-439.4**	**-749.2**	**-681.2**	**-1204.5**	**-836.6**	**-2477.6**	**-1346.0**	**-84.9**	**921.4**	**559.4**	**-588.6**	**-653.2**
	Current Balance	**-161.8**	**427.3**	**83.8**	**387.8**	**423.1**	**1059.1**	**-680.7**	**638.5**	**1566.0**	**3670.4**	**4397.7**	**1690.2**	**1564.3**
	Primary Balance	**-640.6**	**-89.3**	**-260.5**	**-168.3**	**-601.8**	**71.0**	**-1481.6**	**-305.8**	**1101.4**	**2399.5**	**1761.1**	**542.4**	**611.5**
TOTAL FINANCING														
	Net borrowing	520.6	1065.4	428.5	829.1	1206.5	699.3	1788.3	2441.5	67.1	1089.6	-1273.4	474.8	1061.1
	Decrease (+)/ Increase (-) in cash balanc	370.6	-626.0	320.7	-147.9	-2.0	137.3	689.3	-1095.5	17.8	-2011.0	714.1	113.8	-407.9
TOTAL FINANCING		**891.0**	**439.4**	**749.2**	**681.2**	**1204.5**	**836.6**	**2477.6**	**1346.0**	**84.9**	**-921.4**	**-559.4**	**588.6**	**653.2**
TOTAL CENTRAL GOVERNMENT DEPT		**3258.9**	**3290.4**	**3927.5**	**4768.1**	**6796.5**	**8412.6**	**10200.9**	**12642.4**	**12709.5**	**13799.2**	**12525.8**	**13000.6**	**14061.6**
	Domestic Debt	2091.1	3030.9	3753.7	4456.6	5946.9	6712.0	8606.2	10543.0	10669.8	10944.3	9351.2	9503.8	10352.6
	Foreign Debt (est.)	557.0	566.7	660.4	959.2	1599.3	1700.6	1594.8	2099.4	2039.7	2854.8	3174.6	3496.8	3709.1

Government's financial operations														
		1996/97	1997/98	1998/99	1999/00	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
N$ million, fiscal years		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Revised	Estimates Main	Estimates Main	Estimates Main
GDP		**15,446.8**	**17,262.8**	**19,262.0**	**21,509.5**	**28,158.4**	**33,140.5**	**34,607.0**	**37,384.7**	**39,562.0**	**44,002.0**	**50,583.0**	**54,973.0**	**59,049.0**
REVENUE AND GRANTS														
	Taxes on income and profits	8.76%	11.46%	10.55%	10.76%	11.67%	13.40%	10.46%	10.76%	11.57%	10.66%	10.28%	10.08%	9.54%
	Taxes on property	0.21%	0.21%	0.21%	0.22%	0.23%	0.24%	0.22%	0.23%	0.28%	0.28%	0.26%	0.27%	0.27%
	Domestic taxes on goods and services	8.69%	8.64%	8.21%	9.04%	7.48%	6.44%	5.64%	5.50%	8.27%	7.24%	6.89%	6.65%	6.48%
	Taxes on international trade	8.73%	9.04%	9.37%	10.42%	9.38%	7.84%	8.77%	11.25%	9.84%	14.71%	15.98%	10.50%	9.84%
	Other taxes	0.24%	0.23%	0.22%	0.24%	0.24%	0.23%	0.24%	0.25%	0.29%	0.28%	0.26%	0.27%	0.27%
Total Tax Revenue		**26.63%**	**29.58%**	**28.56%**	**30.67%**	**29.00%**	**28.15%**	**25.32%**	**28.00%**	**30.24%**	**33.16%**	**33.69%**	**27.76%**	**26.40%**
	Entrepreneurial and property income	1.96%	1.74%	1.97%	1.87%	1.65%	2.12%	1.41%	1.31%	1.37%	2.38%	1.31%	1.18%	1.12%
	Fines and forfeitures	0.07%	0.08%	0.05%	0.05%	0.06%	0.06%	0.05%	0.05%	0.04%	0.05%	0.05%	0.04%	0.04%
	Administration fees and charges	1.19%	0.99%	1.06%	0.80%	0.90%	1.15%	1.30%	0.92%	1.30%	0.93%	0.85%	0.88%	0.69%
	Return on capital from lending and equity	0.09%	0.25%	0.28%	0.09%	0.08%	0.05%	0.04%	0.10%	0.08%	0.15%	0.05%	0.04%	0.04%
Total Non-Tax Revenue		**3.31%**	**3.07%**	**3.36%**	**2.81%**	**2.69%**	**3.38%**	**2.80%**	**2.37%**	**2.79%**	**3.51%**	**2.26%**	**2.14%**	**1.89%**
Total revenue (own sources)		**29.94%**	**32.65%**	**31.92%**	**33.49%**	**31.69%**	**31.54%**	**28.13%**	**30.37%**	**33.03%**	**36.67%**	**35.95%**	**29.90%**	**28.30%**
Grants		**0.33%**	**0.31%**	**0.19%**	**0.00%**	**0.21%**	**0.10%**	**0.10%**	**0.19%**	**0.10%**	**0.16%**	**0.40%**	**0.21%**	**0.28%**
Loans earmarked for on-lending		**0.00%**	**0.00%**	**0.00%**	**0.32%**	**0.41%**	**0.23%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
TOTAL REVENUE AND GRANTS		**30.27%**	**32.96%**	**32.12%**	**33.81%**	**32.31%**	**31.87%**	**28.22%**	**30.56%**	**33.13%**	**36.84%**	**36.35%**	**30.12%**	**28.58%**
EXPENDITURE														
Current Expenditure														
	Personnel expenditure	17.15%	16.40%	16.42%	16.82%	15.36%	14.21%	14.79%	14.78%	14.88%	13.96%	13.30%	13.10%	12.41%
	Expenditure on goods and other services	7.45%	7.19%	7.01%	7.36%	7.02%	6.02%	6.01%	5.14%	4.86%	5.00%	5.92%	5.84%	5.63%
	Statutory	1.62%	2.03%	2.54%	2.38%	2.14%	2.74%	2.88%	2.78%	3.00%	3.36%	2.38%	2.06%	2.14%
	Subsidies and other current transfers	5.09%	4.87%	5.72%	5.43%	6.28%	5.71%	6.52%	6.14%	6.43%	6.17%	6.06%	6.04%	5.75%
Total Current Expenditure		**31.32%**	**30.48%**	**31.68%**	**32.00%**	**30.81%**	**28.67%**	**30.19%**	**28.85%**	**29.17%**	**28.50%**	**27.66%**	**27.04%**	**25.93%**
Capital Expenditure														
	Capital expenditure	4.04%	4.51%	3.83%	4.27%	3.90%	3.50%	3.74%	3.75%	3.38%	4.20%	4.50%	3.65%	3.35%
	Capital transfers	0.00%	0.00%	0.00%	0.14%	0.18%	0.26%	0.30%	0.58%	0.27%	0.56%	0.68%	0.31%	0.23%
	Total lending and equity participation	0.68%	0.51%	0.50%	0.56%	1.70%	1.96%	1.16%	0.98%	0.52%	1.48%	2.41%	0.19%	0.18%
Total Capital Expenditure		**4.72%**	**5.02%**	**4.32%**	**4.97%**	**5.78%**	**5.72%**	**5.19%**	**5.31%**	**4.17%**	**6.25%**	**7.59%**	**4.15%**	**3.76%**
TOTAL EXPENDITURE		**36.04%**	**35.50%**	**36.01%**	**36.97%**	**36.59%**	**34.40%**	**35.38%**	**34.16%**	**33.35%**	**34.74%**	**35.24%**	**31.19%**	**29.68%**
BUDGET BALANCE		**-5.77%**	**-2.55%**	**-3.89%**	**-3.17%**	**-4.28%**	**-2.52%**	**-7.16%**	**-3.60%**	**-0.21%**	**2.09%**	**1.11%**	**-1.07%**	**-1.11%**
	Current Balance	-1.05%	2.48%	0.44%	1.80%	1.50%	3.20%	-1.97%	1.71%	3.96%	8.34%	8.69%	3.07%	2.65%
	Primary Balance	-4.15%	-0.52%	-1.35%	-0.78%	-2.14%	0.21%	-4.28%	-0.82%	2.78%	5.45%	3.48%	0.99%	1.04%
TOTAL FINANCING														
	Net borrowing	3.37%	6.17%	2.22%	3.85%	4.28%	2.11%	5.17%	6.53%	0.17%	2.48%	-2.52%	0.86%	1.80%
	Decrease (+)/ Increase (-) in cash balanc	2.40%	-3.63%	1.66%	-0.69%	-0.01%	0.41%	1.99%	-2.93%	0.04%	-4.57%	1.41%	0.21%	-0.69%
TOTAL FINANCING		**5.77%**	**2.55%**	**3.89%**	**3.17%**	**4.28%**	**2.52%**	**7.16%**	**3.60%**	**0.21%**	**-2.09%**	**-1.11%**	**1.07%**	**1.11%**
TOTAL CENTRAL GOVERNMENT DEPT		**21.10%**	**19.06%**	**20.39%**	**22.17%**	**24.14%**	**25.38%**	**29.48%**	**33.82%**	**32.13%**	**31.36%**	**24.76%**	**23.65%**	**23.81%**
	Domestic Debt	13.54%	17.56%	19.49%	20.72%	21.12%	20.25%	24.87%	28.20%	26.97%	24.87%	18.49%	17.29%	17.53%
	Foreign Debt	3.61%	3.28%	3.43%	4.46%	5.68%	5.13%	4.61%	5.62%	5.16%	6.49%	6.28%	6.36%	6.28%

Namibia Budget in Brief
MTEF 2007/08 – 2009/10

Namibian Economy

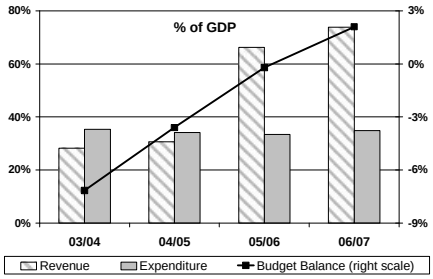
- Real GDP expanded by 4.2% in 2005 and preliminary analysis estimate growth to increase to 4.6% in 2006. Economic performance is expected to remain buoyant throughout the MTEF period and across most sectors; for 2007-2010, average growth of 4.0% projected, peaking at 4.9% during 2007.

- Average annual inflation escalated from 2.2% in 2005 to 5.1% in 2006. Inflation is expected to stabilize below 6 percent in the medium-term.

- Persistent high levels of poverty, unemployment and HIV/Aids remain the most daunting challenges for Namibia.

Fiscal Developments

- From 2003/04 onwards the budget deficit has been substantially reduced; in 2006/07, the first surplus since Independence will be achieved, estimated at N$921m, or 2.1% of GDP. The path of fiscal consolidation is found below:



The figure shows total government revenue, expenditure and the budget deficit as percentage of GDP in the past 4 years.

Revenue

- Between 2003/04 and 2006/07, total revenue increased steadily both in terms of value and as a percentage of GDP.

- On the back of improved SACU receipts and the once-off sale of MTC shares, **total revenue** projections for the FY 2006/07, were significantly raised in the revised budget, from N$15.3 billion to N$16.2 billion. This latter figure is expected to turn out even higher, mainly due to the strong economy and high collections from corporations.

Expenditure

- Expenditure increased at a moderate pace in absolute terms over the past four years, and fluctuated around 34%of GDP.

- For 2006/07, preliminary analyses of expenditure up to January 2007 yielded a figure of N$9.3 billion, which is significantly below the Revised Budget estimates for that period. However, the amount does not include a number of payments already committed to by O/M/A but not yet effected.

Debt

- Total debt stood at N$13.5 billion, or 30.4 percent of GDP as of end-December 2006; as such it is on target to meet the figure projected for the end of 2006/07.

Credit Rating

- In December 2006, Fitch Ratings confirmed the investment grade rating it awarded Namibia one year earlier for its credit risk. Both the long and short-term foreign currency risks remained the same at 'BBB-' and 'F3' respectively. As before, the long-term domestic currency risk received a 'BBB' rating and the outlook remained 'stable'. The overall country ceiling was upgraded from 'A-' to 'A'.

The 2007/08 – 2009/10 MTEF

- Pro-poor and Pro-growth Budget

- A budget surplus of N$559m, or 1.1% of GDP, is estimated for 2007/08

- Budget deficits of N$589m (1.1%) and N$653m (1.1%) are projected for 2008/09 and 2009/10 respectively.

Revenue

- Revenues will further increase compared to 2006/07, especially in 2007/08.

- Total revenue is increased by 13.4% in 2007/08, to N$18.4bn. This comes mainly as a result of a spike in SACU receipts, supported by the expectation of solid overall tax collections.

- Lower revenues of N$16.6bn and N$16.9bn are projected for 2008/09 and 2009/10. This is a consequence of an expected reduction in taxes from international transactions and trade as SACU's FTA with third parties is implemented.

Expenditure

- Total expenditure in 07/08 will be N$17.8bn, an increase of 16.6% year-on-year. The subsequent years, total expenditure will amount to N$17.1bn and N$17.5bn.

- Development expenditure is projected to stand at an aggregate of N$1.9 billion during the next MTEF. From 06/07 to 08/09, the development budget is increased by 35.5%.

Government Debt

- Resultant of the budget surpluses in 06/07 and 07/08, and the consequent reduced borrowing requirements, the fiscal target for the public debt stock, below 25% of GDP, will be achieved throughout the MTEF period.

Expenditure Priorities

- **Poverty and Inequality,** such as
  - Added resources for OVCs.
  - Increase in the coverage of social grants to 85 percent in 2008/09
  - Improve support for war veterans with dedicated Ministry
  - Additional funding for fight against HIV/AIDS, TB and Malaria.
  - Upgrading and improvement to Health facilities.
- **Growth and Employment,** such as
  - Support of tourism sector by upgrading of facilities at Etosha and Ai-Ais
  - Added resources for the maintenance, extension, and upgrading of roads, aerodromes, the Northern railway and the track to Luderitz.
  - Funding commitment under ETSIP to continue for a further year up to 2010.
- **Rural Development**, such as
  - Equity participation in Agribank to support provision of credit in rural areas
  - Green Scheme and Aquaculture
  - Support for community-based natural resource management
- **Peace and Stability**, such as
  - Establishment of the Prevention of Organized Crime Unit (POCU) and the Tracing Unit – by the Namibian Police Force.
- **Governance and Democratic Process**, such as
  - Improving service delivery by O/M/A
  - Increased funding for Anti-Corruption Commission
  - Better management of SOEs
  - Funding for the Presidential and National Assembly elections.

Tax Policy Update

- The existing threshold of individual income tax will be raised from N$24,000 to N$36,000 in an effort to provide relief to low-income earners.

- In order to improve the ability of employees to cater for their needs adequately, it is proposed that the deduction allowable for pension contribution be increased from N$30 000 to N$40 000 per annum. This is anticipated to create an incentive for increased savings.

Public Finance Management

- To enhanced planning and execution, a series of expenditure audits are to be undertaken.
- Top Level Audits into spending efficiency by Ministries
- Promulgation of (SOE) Governance Act to improve the financial management of parastatals.
- Dividend Policy Framework
- Expansion of tax audits to Windhoek area
- Development of comprehensive asset register
- Improved risk management
- Parastatals and local authority audits
- Building human resource capacities to strengthen programme budgeting.

