

2014/15

Budget Statement

"Inclusive Growth and Fiscal Sustainability"

Jointly Doing More with Less

Presented by

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I. INTRODUCTION

Honourable Speaker,

1. In accordance with Article 126(1) of the Namibian Constitution, I have the honour to present for the consideration of the National Assembly estimates of revenue and expenditure and income for the financial year 2014/15. In fulfilment of this responsibility, it gives me pleasure to submit to this august House for consideration the following documents:

a) The Appropriation Bill, 2014;
b) Proposals for the Estimates of Revenue and Expenditure for the Financial Year 2014/15 and the corresponding Medium-term Expenditure Framework for 2014/15 to 2016/17;

2. In addition, I wish to present the Development Budget 2014/15 – 2016/17, the Macroeconomic Framework and the Fiscal Policy Framework for the MTEF as well the Accountability Report 2012/13 as important information documents.

RESPONSIBLE MANAGEMENT – RESPONSIBLE DECISIONS

3. ***Honourable Speaker***, in February 2013, I asked this august House for support to implement the Annual Budget under the theme of *"Growing the Economy, Optimizing Development Outcomes"*. Today, I am glad to report that we have made good progress to achieve the outcomes anticipated under the budget.

4. Last year's fiscal policy stance was indispensible, given the tremendous challenges that we still face, particularly in the areas of employment creation and poverty reduction. None of us should sleep peacefully until every Namibian is able to say *"I can see a better future. I can find a job. I can learn a skill. Hard work will enable me and my family to have food and shelter. If I do my best at school and university, it will provide me with a better future and new opportunities"*.

5. But, in reality, we know too well that Namibia is still grappling with glaring social and structural economic challenges. These challenges include, but are not limited to:-

    - *a jobless growth trajectory, with a lopsided distribution of income and resource ownership,*
    - *substantial skills deficit and a narrow economic base with primary commodities still serving as the engine of export-led growth.*
    - *low Human Development Index (HDI), which calls for rapid progress in the areas of education and health, and*
    - *susceptibility to climate change,*
    - *moral decay which manifests itself in, among others, increasing violence against vulnerable members of the society,*

6. ***Honourable Speaker***, we must build a new common purpose so that we can use all of our talents, skills and resources to confront our economic and social challenges.

7. So, we have to do things differently – we have to act swiftly and decisively to strengthen the institutions through which public services are delivered, and to transform the structure of our economy, so that all Namibians can share in the opportunities that our country offers.

8. His Excellency Hifikepunye Pohamba, when he addressed the last Cabinet meeting of 2013 stated: *"Our mandate, as a Government, is to respond timely to our nation's needs for the delivery of quality public services. Therefore, we must continue to innovate, to be resourceful and to find the best ways and means to give practical and tangible effect to the decisions that we take. It is only in that spirit that we will realise our national development goals and make Namibia a better place for all our people".*

9. We have made considerable progress in many spheres, thanks to the proactive socio-economic development policies that were implemented. The record of achievements includes:-

- *consistent investment in democratic governance, peace, stability and strong domestic institutions,*
- *maintenance of macroeconomic stability and fiscal prudence,*
- *expansion of the economy by two and a half times since 1990,*
- *expanded access to education, health and basic amenities,*
- *an extensive social safety net system, which contributes to pushing back the frontiers of poverty and vulnerability,*
- *good physical infrastructure in the domains of telecommunications, sea, road and rail transport, water and secure power supply;*

- *positioning Namibia as the dream destination for local, regional and international tourists,*
- *financial stability, thanks to prudent and rigorous financial regulatory framework and good risk management systems, which enabled us to weather the effects of the global economic crisis, and*
- *a relatively efficient tax system with revenue productivity improving from 23.7 percent in 2003/04 to over 32 percent by 2012/13, thereby enhancing the capacity of the state to expand service delivery to the nation.*

WHAT DOES THIS BUDGET OFFER?

Honourable Speaker,

10. The budget I am tabling today aims to support inclusive growth in a fiscal sustainable manner.

11. The **first** priority for the budget is to continue entrenching macroeconomic stability as a necessary condition to bolster economic growth and sustainability of development outcomes. This requires that expenditure expansion is well targeted and that we live within our means and do not encumber our children with unsustainable debt burdens.

12. The **second** priority is to expand the economy to achieve high economic growth rates with jobs, by investing in infrastructure and through a gradual drive to enhance the industrial sector in the country.

13. The **third** priority is to foster human resources development and skills formation by maintaining priority attention to education, health and the provision of social amenities and social safety nets in order to raise the standard of living for our people.

14. The **fourth priority** is to curb waste and bureaucracy which is costing the Government and hampering the initiative of those who wish to contribute to economic growth and job creation.

ECONOMIC AND FINANCIAL DEVELOPMENTS IN 2013/14

Global Macroeconomic Environment and Financial System

Honourable Speaker,

Honourable Members,

15. The global economy is recovering after many years of fragility and uncertainty, thanks to coordinated policy actions across the globe. Global economic output is now growing at about its average rate over the past three decades.

16. However, the growth outlook in advanced economies is still subject to considerable uncertainty. The US decision to taper its large-scale asset purchase programme has triggered heightened volatility in global financial markets. Further, policy normalisation by advanced economies will spill over to the rest of the world, especially to emerging and developing economies as is already seen in exchange rate volatility as capital flows are seeking higher yield.

Developments in the Regional economy

17. Sub-Saharan Africa continued to post strong economic performance, with growth estimated to have recorded 5.1 percent in 2013. Growth is projected to increase to 6.1 percent in 2014 before moderating to 5.8 percent in 2015.

Developments in Domestic Economy

18. Our economy displayed remarkable resilience despite the uncertainties and volatility in the international markets. GDP is estimated to have expanded by a respectable 4.8 per cent in 2013. All sectors except crop farming, and electricity and water are estimated to have recorded positive growth rates. Sectors that have contributed to this achievement through double digit growth rates are livestock and construction.

19. The inflation rate averaged 5.6 percent in 2013 and edged downward to 4.9 per cent in January this year.

20. Gross fixed capital formation is projected to expand by 17 per cent in real terms during 2013, while private consumption expenditure remains robust with a rate of expansion of 9.5 per cent being projected.

21. Foreign direct investment during the first three quarters of 2013 jumped to an impressive N$6 billion, compared to N$1.5 billion during the same period in 2012. Our foreign reserves stood at N$14.5 billion at the end of the third quarter of 2013, which was equivalent to 9.19 weeks of import cover. While this level of

reserves is sufficient to maintain the currency peg, we must find measures to boost reserve levels over the medium term.

22. ***Honourable Speaker***, one major concern is the volatility of our currency that is pegged to the South African Rand. This is mainly ascribed to the initial decision by the US Federal Reserve to taper its quantitative easing programme. While our exporters must have been quite content with the situation, depreciation puts upward price pressure on imported goods

23. Although our export earnings have recovered well in 2013, our import bill also rose sharply mainly as a result of emergency imports to respond to the drought situation and a strong fixed capital investment, including mineral exploration. Nevertheless, a smaller current account deficit is expected in 2013 compared to the previous year.

24. The resilient performance of our economy is also reflected in the trading volumes and share price performance on the Namibian Stock Exchange.

25. Throughout 2013, the Bank of Namibia maintained its accommodative monetary policy. This was with a view to give the domestic economy room to gain momentum for growth amidst uncertainties in the global economy.

26. Private sector credit extension has increased steadily, buoyed by accommodative monetary policy. However, at the end of the third quarter of 2013 growth in private sector credit extension

slowed, mainly as a result of the reduced credit demand from businesses and households.

27. Despite the challenging economic environment, Namibia was able to have its sovereign credit ratings with both Moody's and Fitch reaffirmed. This materialised because the fundamentals of our country and its economy remain robust and consistent. Namibia remains committed to consistently address weaknesses and sensitivities identified during the rating process in order to improve investor confidence.

Capital Market Developments

28. Longer dated domestic debt instruments, maturing in 2032 and 2035 respectively were introduced during 2013/14 to cater for longer term projects, demonstrating ability to raise funds for important national projects.

29. The high investors' confidence in the Government of Namibia is not only in the domestic markets, but also in the international capital markets as demonstrated by huge demand for the bonds issued by the Government internationally, the Eurobond and the similar instrument listed on the Johannesburg Stock Exchange.

Regional economic integration

30. As a small economy, Namibia accords high importance to regional economic integration, which it pursues through membership to SACU, SADC and AU.

31. To further enhance regional integration within the union, the SACU Heads of State endorsed five priority reform areas for the organisation. While progress has been realized across the different priority areas, such progress is generally slow. It is important that better progress is made if the region is to fully harness the opportunities of deeper regional integration.

Fiscal Developments

32. ***Honourable Speaker***, on the fiscal front, we have adopted a gradual fiscal consolidation course of action since 2012/13 as a measure to stabilize growth in public debt, given improvement in domestic economic recovery. With the prospect of resurgent risks on growth, the 2013/14 budget adopted a moderate fiscal expansion.

Revenue Outturn

33. Total revenue and grants for 2012/13 is estimated at N$38.0 billion, which is 7.3 percent better than the N$35.42 billion estimated in the budget. The favourable outturn is on account of better-than-expected performance in domestic tax revenue streams, given better economic performance than forecast, and an improved tax collection and administration effort.

34. The revenue outturn represents about 27 percent growth over the N$29.9 billion collected during 2011/12. Both domestic tax revenue streams and the SACU Common Revenue Pool demonstrated strong performance.

35. The SACU Common Revenue Pool recorded a surplus of N$9.07 billion in 2010/11, of which Namibia received N$2.5 billion during 2012/13. A further N$812 million from the 2011/12 surplus will be remitted to Namibia during 2014/15 fiscal year, in addition to the annual pool share.

36. The preliminary revenue outturn for 2013/14 up to mid-February 2014 amounts to N$38.82 billion, equivalent to 96.6 percent of the N$40.14 billion estimated in the budget. Thus, revenue for 2013/14 is estimated to increase to N$43.87 billion, which represents an increase of 15.5 percent over the previous year and 9.3 percent more than the budgeted revenue, on the back of better-than-forecast economic performance and a stepped up tax collection and administration effort.

Expenditure Outturn

37. The total budget execution rate for 2012/13 stood at 95.5 percent, recording an amount spent at N$38.14 billion, out of the total budget of N$40.07 billion, some 34.4percent of GDP and well below the fiscal cap of 40 percent of GDP. Operational budget execution rate stood at 96.8 percent, while the development budget utilisation rate stood at 88.6 percent lower than the rate of 92.9 achieved in 2011/12.

38. ***Honourable Speaker***, the need for improvement in expenditure utilization, especially in respect of the development budget cannot be overemphasized.

39. The preliminary expenditure outturn up to mid-February 2014, including expenditure commitments for 2013/14, amounts to N$44.68 billion, representing 94.0 percent of the N$47.58 billion budgeted expenditure.

Budget Balance

40. On account of the fiscal consolidation and efforts to strengthen revenue collection, the budget deficit in 2012/13 amounted to N$114.37 million or some 0.1 percent of GDP, seen against the budgeted deficit of 2.8 percent of GDP. For the 2013/14 fiscal year, the deficit is expected to be lower than the 6.4 percent of GDP on account of expected better revenue outturn and low budget implementation.

Debt stock and contingent liabilities

41. The debt stock increased in nominal terms to N$32.39 billion by 2013/14, from N$27.55 billion in 2012/13. As a proportion of GDP, however, the total debt at 26.3 percent of GDP falls well within the 35 percent benchmark. Stabilization of growth in public debt is an important medium-term policy for Namibia.

42. Contingent liabilities stood at an estimated N$2.6 billion, or 2.4 percent of GDP.

43. The imperative to maintain the direction of fiscal consolidation and, at the same time, fund critical national priorities, call on Government to strengthen revenue mobilization strategies and increasingly harness measures to improve internal efficiency,

reduce waste and realise internal savings as important facets for public finance management in the medium-term.

STRATEGIC POLICY INTERVENTIONS

Honourable Speaker,

Honourable Members,

44. We have been able to realize these fiscal outcomes, thanks to strategic policy interventions implemented during the previous MTEF.

Fiscal Policy Interventions

45. Government undertook the following interventions to reinforce the pulse of fiscal policy in the economy:-

- *targeted expansionary fiscal policy which helped to lift economic recovery and expand the provision of services to an increased number of Namibians,*
- *tax policy and administration reforms, which lowered the tax burden on individuals and corporations, broadened the revenue base, enhance compliance and grow national revenue*
- *strengthened social safety nets which helped to push back the frontiers of poverty and vulnerability,*
- *scaled-up investment in infrastructure and private sector support, and*
- *improvements in public finance management to enhance value for money and responsible management of public resources*

46. In addition to the reforms, Government has taken a decision to establish a semi-autonomous Revenue Agency as a measure to achieve operational efficiency gains in the revenue administration function. I have commissioned a Task Team to steer the transitional process over the next 36 months.

47. May I use this opportunity, ***Honourable Speaker***, to urge all taxpayers with outstanding tax arrears to approach the Rvenue Office and make arrangements to settle their liabilities before Government institutes statutory penalty measures.

48. As part of the on-going efforts to identify alternative sources of revenue, Government is investing the introduction of a presumptive tax for small businesses and the capital gains tax.

Targeted Intervention Programme for Employment and Economic Growth (TIPEEG)

49. ***Honourable Speaker***, the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) is now in its third year of implementation.

50. A total of N$14.5 billion has been allocated to this programme for the three-year period.

51. To date, an estimated 83,315 jobs have been created (15,829 permanent, 67,485 temporary). The details of the performance of the TIPEEG intervention are provided under Vote 26 Accountability Report.

Financial Sector Developments

Access to financial services

52. During 2012, a provisional licence was granted to an applicant bank. Another licence application is being examined, while an application to operate a branch office by a foreign bank has also been received. These developments are expected to promote competition among banks and contribute to improved banking services in the sector. Competition is further enhanced by Electronic money (or E-money) issuers. There are currently three authorised e-money issuers offering e-money services as well as one e-banking institution. E-money services, particularly when provided through mobile devices, have the potential to provide financial access to a large number of unbanked Namibians.

Localization of payment system infrastructure

53. The Namibian banking industry completed the Namclear Automated Clearing House Project during 2013 by localising the EFT and NAMSWITCH systems. This project will enable the Namibian banking industry to maintain a modern, streamlined, and cost-effective payments infrastructure.

Ensuring fair market conduct by financial institutions

54. To ensure fair market conduct by banking institutions, the Bank of Namibia issued determination on standards for Cash Deposit fees and a Basic Bank Account which allows individuals and businesses to deposit certain amounts without paying deposit fees. All commercial banks now offer Basic Bank Account facilities, which are currently used by around 96,000 active accountholders. Through these actions, we expect to reduce barriers to accessing financial services such as high fees and charges.

Regulation of credit bureaus

55. The Credit Bureau Regulations have been finalized. We believe that regulating the sharing of credit information in Namibia facilitates access to finance and it will bring about behavioural changes by those that use credit irresponsibly, besides protecting consumers of financial services.

Consumer protection

56. In a further effort to ensure the protection of financial consumers, a Code of Banking Practice was developed. The Bank of Namibia also developed the Guidelines for Lodging Customer Complaints which serve as a guide to consumers when lodging complaints against banking institutions. Both the Code and the Guidelines were jointly launched in February 2013.

57. Two other related statutes that are currently receiving attention, are the Financial Services Ombudsman Bill and the Consumer

Credit Bill. The Bills will undergo further intensive consultations with key stakeholders before they are finalized.

Fiscal and Financial Sector Law Reforms

Public Finance Management Bill

58. We have decided to redraft the Public Finance Management Bill in order to take advantage of new developments in financial management. Extensive consultations were undertaken with a wide range of stakeholders and useful inputs were received. We shall pursue the finalisation of the new bill during the course of the year. The Audit Bill which was already finalized will have to be reviewed to achieve streamlining with the Public Finance Bill.

Public Procurement Bill

59. The consultations on the Public Procurement Bill will be pursued as a matter of priority so that the bill returns to Parliament during the first half of this year. In the meantime, we have amended the regulations under the current Tender Board Act to strengthen empowerment provisions.

60. All tenderers are now required to have local shareholding and to source their supplies locally. Provision is also made for tender reservations for local SMEs and companies owned by Namibian youth and women. We are setting up a database to facilitate monitoring of compliance with these provisions.

Public-Private Partnership

61. Following the adoption of the Public-Private Partnership policy last year, the Ministry of Finance has developed guidelines for PPP implementation and formulation of the enabling legislation is underway. Public consultations on these documents are planned for this year. The Ministry is also establishing an appropriate Unit to coordinate the implementation of the PPP system.

NAMFISA Bill and Financial Institutions and Markets (FIM) Bill

62. The new NAMFISA Bill and the FIM Bill are now with the legislative drafting department and will be tabled once this is finalized. The amendments to Regulations 15 and 28 and the new regulation 29 are now in force. These regulations will make way for the channelling of some of our savings towards unlisted investments in order to support local economic development. Further to that, the amendment to the Pension Funds Act is now finalized and the amendments bill will be tabled in this session . This will facilitate for members of Pension funds to access part of their pension benefits to acquire homes even in communal areas.

Budget Achievements and Challenges

Honourable Speaker,

63. I now would like to highlight some of the key budget achievements during 2012/13 and 2013/14.

Economic Sectors

64. In the **agricultural sector**, the drought marketing incentives scheme was initiated to help farmers cope with the effect of the drought. Progress was also made to expand access to potable water and to secure supply for commercial production, to promote animal health quality and food security.

Energy

65. Investment in this sector focused on energy generation and transmission infrastructure in order to promote security of energy supply for industrial and household use. Through the rural electrification programme an additional 22 localities and 68 business units country-wide were electrified during 2012/13.

Port Infrastructure and expansion

66. Progress was made with expansion of the Port of Walvis Bay, and construction of a new container terminal. In this regard, Government has issued a guarantee of N$2.9 billion for Namport to secure a loan to undertake the project.

Transport infrastructure

67. For the road and rail infrastructure ,the key transport projects that were completed include:-

- *Section C of Tsumeb-Katwitwi road,*
- *Upgrading of Gobabis-Otjinene road to bitumen standard, and*
- *On-going upgrading of the Kranzberg-Tsumeb railway.*

Honourable Speaker,

68. Access to finance is a critical component for promoting business growth
    - During 2013, the Development Bank of Namibia extended business loans to the tune of N$340 million, bringing the total loan book of the bank to N$1.73 billion. This had benefited all categories of businesses, including SMEs, with 1619 new jobs created.
    - AgriBank's loan disbursement during 2013 amounted to N$383.18 million which benefitted over 730 farmers, bringing the AgriBank total loan book to N$2.14 billion. The bank has put aside N$91 million to assist farmers to mitigate the effects of the drought.
    - The SME Bank became operational in 2012. The new bank is a welcome development and provides a much needed support to the financial sector's capacity to address the funding needs of SMEs.

Social Sectors

69. In the **education sector**, access to education continues to improve. An increased number of students received financial assistance to access institutions of higher learning, thus empowering our youth to become the drivers and beneficiaries of our country's development.

70. In the ***health sector***,
    - a significant reduction was recorded in malaria and tuberculosis related mortalities. Coverage for antiretroviral therapy was also increased through decentralization of services to the primary health care clinics,
    - construction and upgrading of existing health facilities were undertaken in various parts of the country, and
    - increased intake was recorded for nurses and medical doctors training to help address medical staff shortages in the country

THE MEDIUM-TERM ECONOMIC OUTLOOK

The Global Outlook

71. Building on the progress made in 2013, the recovery in the developed economies is expected to provide a basis for a global economic recovery in 2014. For the recovery to be sustained, economic policies should be geared toward restoring the role of the private sector in the growth process and should foster productivity gains, increased employment and higher investment in the real sector.

72. This is important to avoid a relapse as policy support is withdrawn.

Domestic Economic Outlook

73. Honourable members, for the coming MTEF, our economy is projected to grow above global averages, but the growth rates

are expected to be moderate in line with global trends. GDP is projected to grow by 5.0 percent in 2014 and remain relatively flat at 4.8 percent over the MTEF.

74. Stronger investment activity, the coming on stream of some of the investment projects in the mineral and manufacturing sectors and the strengthening of demand conditions in key trade partners for Namibia will account for improved pace of activity in 2014.

75. In particular, increased activity in the construction and manufacturing sub-sectors will anchor growth during the MTEF, while slow recuperation in mineral commodity prices and the devastating effects of the 2013 drought country-wide are expected to cause a drag on the volatile primary sector.

Fiscal Outlook

76. ***Honourable Speaker***, taking into consideration the projected economic outlook, total revenue and grants for the MTEF is projected to increase by about 14.7percent annually on average. In nominal terms, revenue is projected to increase from a revised estimate of N$43.87 billion in 2013/14 to N$52.47 billion in 2014/15 and average around N$59.08 billion over the MTEF.

77. SACU revenue for 2014/15 is estimated at N$18.12 billion or 34.7 percent of total revenue, which comprises N$17.31 billion from current collections and N$812 million from the surplus emanating from 2011/12.

78. While domestic revenue stream will contribute significantly to the expected revenue, a significant risk to the outlook derives from uncertainty regarding future SACU revenues due to on-going reforms.

Expenditure Outlook

79. This budget presents a total expenditure outlay of N$60.28 billion for 2014/15. The proposed expenditure level represents 26.7 percent increase from N$47.58 billion allocated for 2013/14. For the MTEF period, total expenditure is projected to average around N$64.92 billion.

80. Operational expenditure for 2014/15 is budgeted at N$48.0 billion, equivalent to 29.1 percent rise from N$37.18 billion allocated during 2013/14. The increase is mainly due to the salary increase for civil servants as agreed with Unions, and the Job Evaluation and Re-grading. Operational budget includes a total of N$9.52 billion earmarked for transfers to SOEs, mainly for infrastructure development in the energy and transport sectors. Over the MTEF, transfers to SOE's stand at a staggering N$24.84 billion or 16.3 percent of the operational budget.

81. The development budget allocation has increased by 17.6 percent to N$9.58 billion from N$8.15 billion allocated in 2013/14. The development budget allocation should be seen together with the targeted transfers to SOEs much of which accrues to infrastructure projects.

Budget Balance and Financing Options

Honourable Speaker,

82. The budget deficit is projected at N$7.62 billion, corresponding to about 5.4 percent of GDP. This is a moderation from the deficit of 6.4 percent budgeted for 2013/14, in line with the gradual fiscal consolidation programme. As a percentage of GDP, the deficit is estimated to average around 3.5 percent over the MTEF.

83. Government intends to finance the deficit mainly from borrowing from the domestic market.

Debt Outlook

84. Total debt is projected to increase from N$32.39 billion in 2013/14 to about N$38.48 billion in 2014/15 or 27.2 percent of GDP. Over the MTEF, debt is forecast to average around 26.8 percent.

85. Given risks on revenue and public debt outlook, the fiscal policy stance for the MTEF is to:-

- *rebuild fiscal buffers, while providing needed budgetary support to strategic priorities.*

- *follow the fiscal consolidation path by reducing the budget deficit as a mechanism to mitigate against potential impacts of revenue risks, and*

- *continue with measures to strengthen efficiency in tax administration and revenue collection.*

STRATEGIC POLICY INTERVENTIONS FOR THE MTEF

86. Interventions over the MTEF are aimed at addressing identified development priorities and mitigating fiscal risks. Fiscal operations will be further complemented by other policy interventions in all sectors of the economy.

87. A substantial element of fiscal support to the economy lies with the provision of infrastructure that promotes private investment and trade and the provision of critical social services in education and health. To this objective shall be added increased support for private sector and industrialization through expanded access to development finance and targeted incentives.

88. We have decided to identify internal savings and rationalize non-essential expenditure within Vote ceilings so as to reinforce allocations to expenditure needs of a capital and development nature.

89. In addition, Government will further provide scaled-up allocation to the health sector in particular to address glaring infrastructure and resource gaps. In addition, we must also enhance the quality of health care services.

90. Diversified funding sources will be harnessed to mitigate the impact on public debt. SOEs with strong balance sheets will continue to be encouraged to raise capital in the market through commitment of sovereign guarantees. Alongside its SOE supportive role, Government will finalize the PPP legal framework during 2014/15 to pave way for full implementation going forward.

91. Government will continue with tax reforms to enhance efficiency, broaden and deepen the revenue base and increase the competitiveness of the tax regime. The following tax changes will be introduced:-

- *The first phase of environmental taxes is ready for implementation, and will encompass the carbon dioxide emission tax on motor vehicles, incandescent light bulbs and motor vehicle tyres.*
- *The non-mining corporate income tax rate will be further reduced by 1 per cent as announced in last year's Budget.*
- *Taxes to promote domestic value-addition in the primary commodity and natural resources sectors have also been finalised and are soon to be introduced.*
- *The VAT threshold will be raised from N$200 000 to N$500 000.*
- *Excise duty rates (sin taxes) will be reviewed in line with the provisions of the SACU Agreement.*

92. We will further continue to strengthen public finance management, improve the quality of expenditure and strive to

achieve value for money. In this regard, on-going reforms are aimed at enhancing accounting, enhance the robustness of the IFMS system as well as strengthening the internal audit function.

93. In order to meet the increasing resource of the state, we continue with efforts to identify new sources of revenue.

EXPENDITURE PRIORITIES FOR MTEF

Economic growth, employment creation and poverty reduction

Honourable Speaker,
Honourable Members,

Agriculture and Water

94. A total of N$8.0 billion is allocated to the Vote of Agriculture during the MTEF to fund, among others,the drought relief incentives, construction of earth dams and expansion of rural water supply and Green Scheme project.

Land reform

95. A total of N$1.25 billion is allocated to the Ministry of Lands and Resettlement over the MTEF for the land acquisition and for the rehabilitation of infrastructure in the resettlement farms to enhance productivity. This allocation is augmented by the funding provided through Agribank for Affirmative Action Loans and production loans.

Tourism

96. The environment and ***tourism sector*** is allocated a total of N$2.3 billion over the MTEF for tourism marketing and to improve parks infrastructure and tourist facilities.

Industrialization and entrepreneurship development

97. A total of N$1.95 billion is allocated to Trade and Industry Vote over the MTEF for, among others, capitalization of the SME Bank, development of sites and premises and operationalization the industrialization programme through feasibility assessment and project development.

98. This allocation is complimented by funding to DBN that will also finance of industrialization projects, and by preferences for local products under the public procurement as well as the infant industry protection interventions.

Infrastructure Development

99. An allocation of N$16.4 billion is made over the MTEF for infrastructure maintenance and development. These entail public works, and expansion of airport and seaport infrastructure, rail and road network.

Mines and Energy

100. A total of N$5.3 billion is allocated to the ***Mines and Energy sector*** over the MTEF for the development of the Kudu Gas-to-Power Project, rural electrification and support to Epangelo Mining.

Human resources development and skills formation

101. ***Education*** continues to receive the largest share of the budget, amounting to N$13.1 billion in 2014/15 or some 22.7 percent of the total budget and N$42.10 billion over the MTEF. The allocation will help to fund the development and upgrading of education facilities, provision of teachers accommodation; learning materials, recruitment of qualified teachers, support for institutions of higher learning and vocational training as well as increased financial to students to access tertiary institutions.

102. Funding to the ***heath sector*** is increased to N$18.9 billion over the MTEF, with N$6.01 billion allocated for 2014/15 to address, amongst others, the development and upgrading of health facilities across the country, acquisition of health equipment and supplies and the recruitment and training of medical personnel.

Social Safety Nets

103. This budget provides resources for:-

- *the increase of grants for the orphans and vulnerable children to N$250 per month, and to roll-out the OVC grants to all qualifying children;*
- *allocations are also made to provide support to veterans of the liberation struggle,*
- *the Old Age grants were increased both in 2012/13 and 2013/14. In this budget we are providing resources to roll-out the Old Age grants to all qualifying beneficiaries and only increase the monthly grants in 2015/16.*

Emergency Management

104. A total of N$80 million is allocated for the Emergency management over the MTEF to further capitalize the National Disaster Fund and development of disaster management around the country. These funds are augmented by the contingency provision, which amounts to N$300 million for each of the MTEF financial years.

Defence, Safety and Public Order

105. We are providing increasing resources to the security, law and order institutions to enable them to safeguard the national security and law and order which are an important prerequisite for economic development.

106. A total of N$1.4 billion is allocated for civic affairs and immigration, and will cater for, among others, immigration facilities along the borders and the construction of the Head Quarters and sub-regional offices in order to bring services closer to the people.

Youth Development

107. A total of N$2.06 billion is allocated to the Ministry of Youth, National Services, Sports and Culture over the MTEF to cater for youth empowerment and development programmes through the National Youth Service and National Youth Council.

Gender and Child Welfare

108. A total of N$2.50 billion is allocated to the **Ministry of Gender Affairs and Child Welfare** over the MTEF to support gender mainstreaming, women empowerment and child development.

Housing

109. A total allocation of N$8.3 billion is made to Vote 17 for the provision of residential housing in various towns and cities;

ACKNOWLEDGEMENTS

110. Honourable Speaker, I have been given immense support and guidance by His Excellency the President and the Right Honourable Prime Minister throughout the intricate Budget process, and, as usual, I received the cooperation of my Cabinet colleagues where give and take is the order of the day and coordination of Government's overall policies is absolutly essential. I greatly appreciate this.

111. I also wish to thank the Director-General of the National Planning Commission and his staff for their supportive role in handling the Development Budget for this MTEF.

112. Our collective thanks are also due to Governor Ipumbu Shiimi and his staff for the way in which the Bank of Namibia has managed monetary policy during difficult and uncertain times.

113. The Budget Team, under the professional leadership of the Permanent Secretary, consists of a group of talented and committed staff who continue to deliver excellence in the public service and remain an invaluable asset both to Government and to Namibia. Credit must also go to the staffs of the Receiver of Revenue and Customs and Excise who are entrusted with the important function of revenue collections.

114. I also thank our colleagues who under the different SOEs continue to render valuable support to me in administering the intricate financial sector to ensure safe custody of our national savings and effective financial intermediation that promote inclusive growth.

115. Hon Speaker, on behalf of the Government and the Namibian people, I wish to recognise and acknowledge the technical assistance and financial support we continue to receive from our development partners. Without their continued support, it would be difficult to accomplish our development goals given these demanding times.

116. My heartfelt thanks also go to the many citizens of our beautiful country who confront me in public to convey their good wishes and encouragement, and also offer critique and propose alternative approaches.

CONCLUSION

117. ***Honourable Speaker***, ***Honourable Members*** of the National Assembly, through this budget, Government is consolidating the economic and financial stability of our country.

118. It is also creating an energetic economic environment that inspires confidence and courage in investors looking for a promising future in our country.

119. Through this budget, we are incentivising economic growth, job creation and eradication of poverty.

120. We are emboldening industrious workers to work and earn more for their own good and the prosperity of their families.

121. We are assisting the youth to continue to invest in their skills and their future.

122. Through this budget we are supporting the people in need, protecting the vulnerable and honouring our elderly.

123. We look forward with courage and a firm belief that we will achieve our goals. We will ensure to further increase prosperity and work in the country.

124. We will ensure that the fruit of our labour – wealth – is fairly distributed so that no one lags behind.

125. We are convinced that through this budget we will fulfil our vision of *Inclusive Growth* and *Fiscal Sustainability*.

Honourable members,

126. To realize the outcomes envisaged in this budget, we need to act decisively and in the shortest time possible. I thus seek for your support and insights going forward.
127. Finally, as per the tradition, I have distributed information on the use of the Contingency Provision for 2013/14.

128. It is now my honour to submit to the House the 2014/15 Appropriation Bill, and the 2014/15 – 2016/17 MTEF.

I thank you.