BUDGET HIGHLIGHTS 2018/2019

Ministry of Finance; Republic of Namibia

" SHARED PROSPERITY"

WHAT IS A NATIONAL BUDGET?

- The national budget is a financial plan that details how the Government intends to raise money and how it intends to spend it.
- The budget covers the financial (rather than calendar) year, which in Namibia runs from April 1 to March 31 of any given financial year, consisting of 12 months, each national budget includes a Medium-Term Expenditure Framework (MTEF), which is based on projections for revenue and expenditure over the coming 3-year period (2018/19– 2020/21).
- As per Chapter 16; Article 126 of the National constitutions the Minister of Finance is to table the appropriation Act at least once a year to the National Assembly for consideration and approval.

WHY IS THE NATIONAL BUDGET IMPORTANT?

The budget provides the necessary financial resources to the Government to spend on the implementation of its national development goals, the 2018/19's budget expenditure ceilings is based on:

- Aggregate maximum expenditure level per FY is consistent with available revenue and current fiscal consolidation stance
- Deliberate spending allocations to support economic growth under the development budget and SOEs transfers in the operational budget
- The quantum of the budget deficit is based on the domestic market financing capacity
- Overall public debt sustainability

GOVERNMENT'S REVENUE SOURCES

The Government mobilizes financial resources in the following different ways in order to attain national development aspirations:

- The majority of the Government's income (over 95%) comes from taxes on items such as the *incomes of individuals*, *profits of companies*, goods and services bought by consumers *(Value Added Tax)*, *property*, and transfers from the Southern African Customs Union (SACU) – *as receipts for international trade* .
- The Government also collects revenue from sources such as *dividends* from State-Owned Enterprises (SOEs), diamond and other mining *royalties*, various *levies*, administrative *fees*, *fines* and *charges* and *grants*.

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BUDGET FRAMEWORK

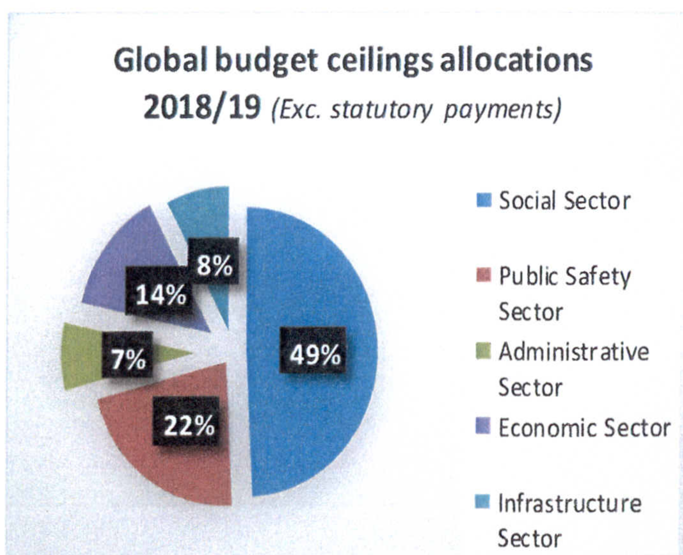
- **Public revenue** for 2018/19 is estimated at N$ 56.7 billion, compared to the N$ 56.8 billion collected in 2017/18 this represents reduction of 0.1 % mainly on the back of reduced SACU receipts.
- Total **public expenditure** is budgeted at N$ 58.4 billion for 2018/19, representing a reduction of 5.3% from the revised 2017/18 FY budget of N$ 61.7 billion. For the later years of the MTEF expenditure is expected to be N$ 58.9 billion and N$ 59.6 billion in 2019/20 and 2020/21 respectively
- A **budget deficit** equivalent to 4.5% Of GDP is projected for the 2018/19 FY, an improvement from the deficit of 5.8% in 2017/18 albeit marginally worse off then the 3.6% of GDP in 2016/17. The **public debt stock** is estimated to be 44.2% of GDP in 2018/19 compared to 42.1% of GDP in 2017/18
- **Interest payments** as a percentage of revenue is estimated to be 8.8 % in 2018/19 compared to the 8.6 % estimated for 2017/18

Budget allocations

For the 2018/19 financial year the following allocation is done:

- The highest allocation is to the Ministry of Basic Education and Culture with an amount of N$ 13.5 billion, whilst the Ministry of Higher Education Training and Innovation is allocated an amount of N$ 3.2 billion
- The Ministry of Health and Social Services received second highest allocation an amount of N$ 6.5 billion complimented by a N$ 2.6 billion allocation to PSEMAS. Ministry of Defence with an amount of N$ 5.9 billion is third highest to successfully protect the national sovereignty.
- A N$ 5.2 billion allocated to the Ministry of Safety and Security . The ministry of Poverty Eradication and Social Welfare is allocated N$ 3.4 billion.
- The least allocation was done to the Public Enterprise ministry with an amount of N$ 42.3 million.
- Subsidy transfers will receive a reduced stable allocation of N$ 1.4 billion over MTEF

N$ Millions	2017/18	2018/19	2019/20	2020/21
Revenue	56 811	56 696	57 742	61 307
as % of GDP	*33.1%*	*30.7%*	*28.8%*	*28.0%*
Expenditure	61 039	58 489	58 983	59 557
as % of GDP	*35.9%*	*31.7%*	*29.4%*	*27.2%*
Budget balance	-9 241	-8 306	-7 939	-5 004
as % of GDP	*-5.4%*	*-4.5%*	*-4.0%*	*-2.3%*
Total debt	74 467	83 721	92 729	99 141
as % of GDP	*43.3%*	*45.3%*	*46.2%*	*45.2%*



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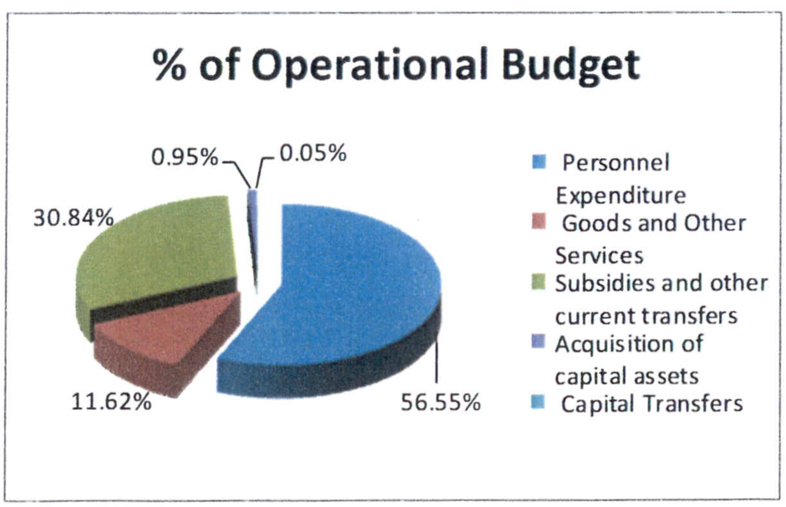
N$ Millions	Estimates 2017/18	Estimates 2018/19	Estimates 2019/20	Estimates 2020/21
Taxes on Income and Profits	21 211	22 192	23 700	25 125
Domestic taxes on goods and services	12 287	13 279	14 182	14 980
Taxes on international trade	19 597	17 375	16 219	17 045
Other taxes	137	147	150	165
Total Tax Revenue	53 717	53 255	54 535	57 630
Total Non-Tax Revenue	3 044	3 441	3 207	3 677
Total Revenue and Grants	**56 811**	**56 696**	**57 742**	**61 307**

TAX PROPOSALS

- Repeal the Export Processing Zone Act and introduce the Special Economic Zones
- Introduce a 10 percent dividend tax for dividends paid to residents to enhance the fairness of the tax system
- Deepen the current hybrid tax system by taxing all income earned from foreign sources
- Introduce VAT on income of listed asset managers
- introduce VAT on proceeds on sale of shares or membership in a company largely owning commercial immovable property



Sub– Division allocation as % of expenditure

- Personnel Expenditure receives the highest allocation with 56.5%, followed by allocation to subsidies and transfer at 30.8% .
- The lowest allocation is apportioned to capital transfers with 0.05%.

STRUCTURAL POLICY REFORMS

- The Ministry of Finance is addressing the institutional framework for implementing the Procurement Act, by strengthening institutional capacity and regulatory environment as well as effective implementation of the preference provisions.
- The roll-out of ITAS in July this year and the establishment of NAMRA on 1 March 2019 are an integral part of this reform.
- The Ministry of Industrialization, Trade and SME Development is overseeing the implementation of the National Single Window facility in collaboration with Namport and the finalization of amendments to the Investment Promotion Act and the repeal of the Export Processing Zones Act this year.
- The public wage bill needs to be managed more effectively, with specific wage bill reduction target ratios set for realization over the MTEF.
- Public Enterprises reforms are indispensable to the realisation of a successful fiscal consolidation measures. Perpetual bail out of the public enterprises, especially those in the economic, financial and commercial sectors is unsustainable and should be reined in.