



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 provides details of how the Government intends to raise money and how it intends to spend it.
- Revenue is mostly sourced through various taxes whereas expenditure entails the allocation of financial resources to the different Offices, Ministries and Agencies to finance their programmes.
- The budget runs over one financial year, which in Namibia, runs from April 1 to March 31.
- As Namibia adopted the rolling budget system, the budget covers the Medium-Term Expenditure Framework (MTEF), which is based on projections of revenue and expenditure over a 3-year period (2018/19– 2020/21).

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 programmes and normally consists of the following key elements:

- **Revenue:** This is the total of all income that accrues to Government from taxes and non-tax sources
- **Expenditure:** Entails the allocations to the various OMA's to fund their programmes
- **Budget balance:** This is the difference between revenue and expenditure. If the revenue is greater expenditure, there is a surplus. The opposite would result in a deficit.
- **Borrowing plan:** In the case of a deficit, the Government needs to have a sustainable borrowing plan to cater for the shortfall.

GOVERNMENTS 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 from 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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FISCAL FRAMEWORK

- Total revenue for 2018/19 is estimated at N\$56.7 billion, compared to the N\$56.8 billion collected in 2017/18, representing a 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 than 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

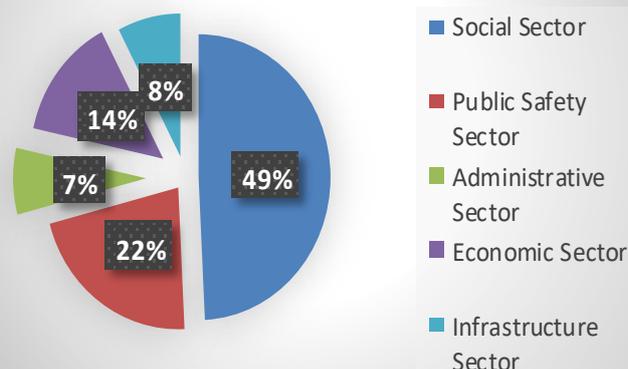
BUDGET ALLOCATIONS

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 Ministry of 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
<i>as % of GDP</i>	33.1%	30.7%	28.8%	28.0%
Expenditure	61 039	58 489	58 983	59 557
<i>as % of GDP</i>	35.9%	31.7%	29.4%	27.2%
Budget balance	-9 241	-8 306	-7 939	-5 004
<i>as % of GDP</i>	-5.4%	-4.5%	-4.0%	-2.3%
Total debt	74 467	83 721	92 729	99 141
<i>as % of GDP</i>	43.3%	45.3%	46.2%	45.2%

Global budget ceilings allocations 2018/19 (Exc. statutory payments)





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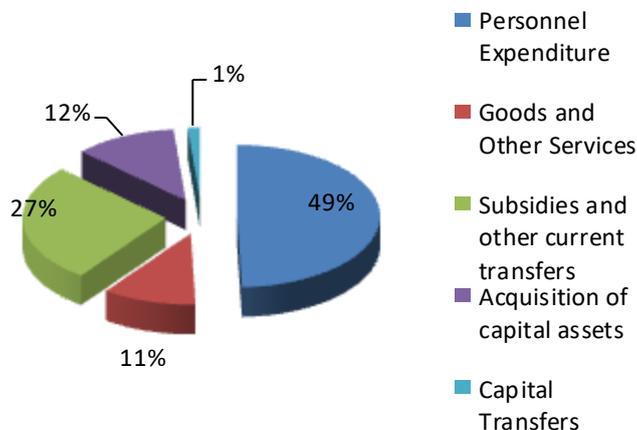
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N\$ Millions	Estimates 2017/18	Estimates 2018/19	Estimates 2019/20	Estimates 2020/21
Taxes on Income and Profits	21 211	22 192	23 700	25 125
Domestic taxes on goods and services	12 287	13 279	14 182	14 980
Taxes on international trade	19 597	17 375	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 of the Export Processing Zone Act and introduction of Special Economic Zones
- Introduce a 10 percent tax for dividends paid to residents
- Deepen the current hybrid tax system by taxing all income earned from foreign sources
- Introduce VAT on the income of listed asset managers
- introduce VAT on proceeds on sale of shares in companies owning large commercial immovable property

Expenditure by sub-division (excl statutory payments)



Sub-Division allocation as % of expenditure

- Personnel expenditure receives the highest allocation with 49%, followed by allocation to subsidies and transfer at 27% with possibility of reducing to 26% and 25% in the later two years of the MTEF
- The lowest allocation is apportioned to capital transfers with 1%.



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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 the Integrated Tax Administration System (ITAS) in July this year and the establishment of Namibia Revenue Authority (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 will be managed more effectively, with specific wage bill reduction target ratios set for realization over the MTEF.
- Public Enterprises reforms are indispensable for 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 will be reined in.