



# The Namibian Budget

2016/17 - 2018/19

*“Towards Pro-growth Fiscal Consolidation”*

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# OUTLINE

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- Why we pay tax
- Macro backdrop
- Revenue
- Expenditure
  - Personnel
  - By vote
  - Development projects
  - Transfers to SOEs
- Debt and deficit
- Assessment
- Budget process
- Conclusions

## CURRENT RESPONSIBILITIES OF GOVERNMENT

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### 1. Growth & Employment

- Creating a sustainable and conducive environment in which jobs and wealth can be created for Namibians

### 2. International investment rating

- Responsible use of public funds
- Deficit containment
- Debt and debt servicing cost containment
- External position protection

### 3. Provision of key service infrastructure

- Electricity, water, road, rail, etc.

### 4. Social support, poverty reduction and (sustainable) redistribution

- Pensions, social grants, social safety net, reduced inequality

### 5. Housing

- Access to housing

### 6. Education and Health

- Provision of high quality education and health care

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QUESTION: DOES THIS BUDGET ADDRESS THESE ISSUES?

## MACROECONOMIC BACKDROP

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- Been through a period of exceptionally strong growth.
  - Rebased from N\$83bn economy to N\$160bn economy in 6 years.
  - Driven by fiscal and monetary stimulus, and large FDI.
  - Resulted in construction and consumption boom.
- Looking forward, outlook notably weaker
  - infrastructure constraints
  - The unwinding of historically low interest rates
  - lower levels of Government spending
  - less foreign direct investment into the country
  - fewer Angolan retail tourists
  - reduction in diamond output
  - weak commodity prices
  - drought
  - a high base.
- Inflation
- External position

Previous pro-cyclical policy and now high debt levels and weak external position leave limited policy space for Government and BON

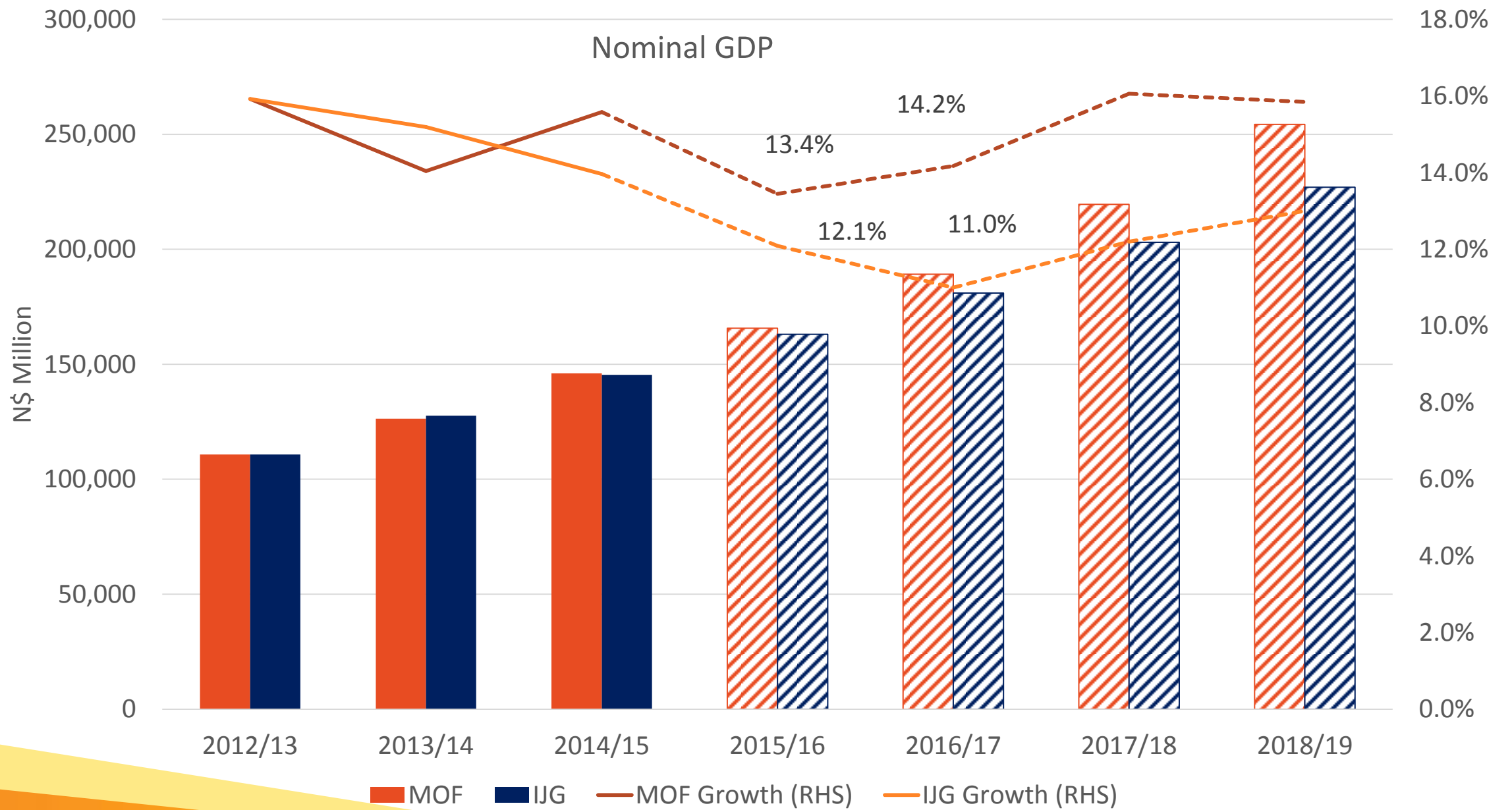
**Where to from here?**

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## REVENUE

Where does the money come from?

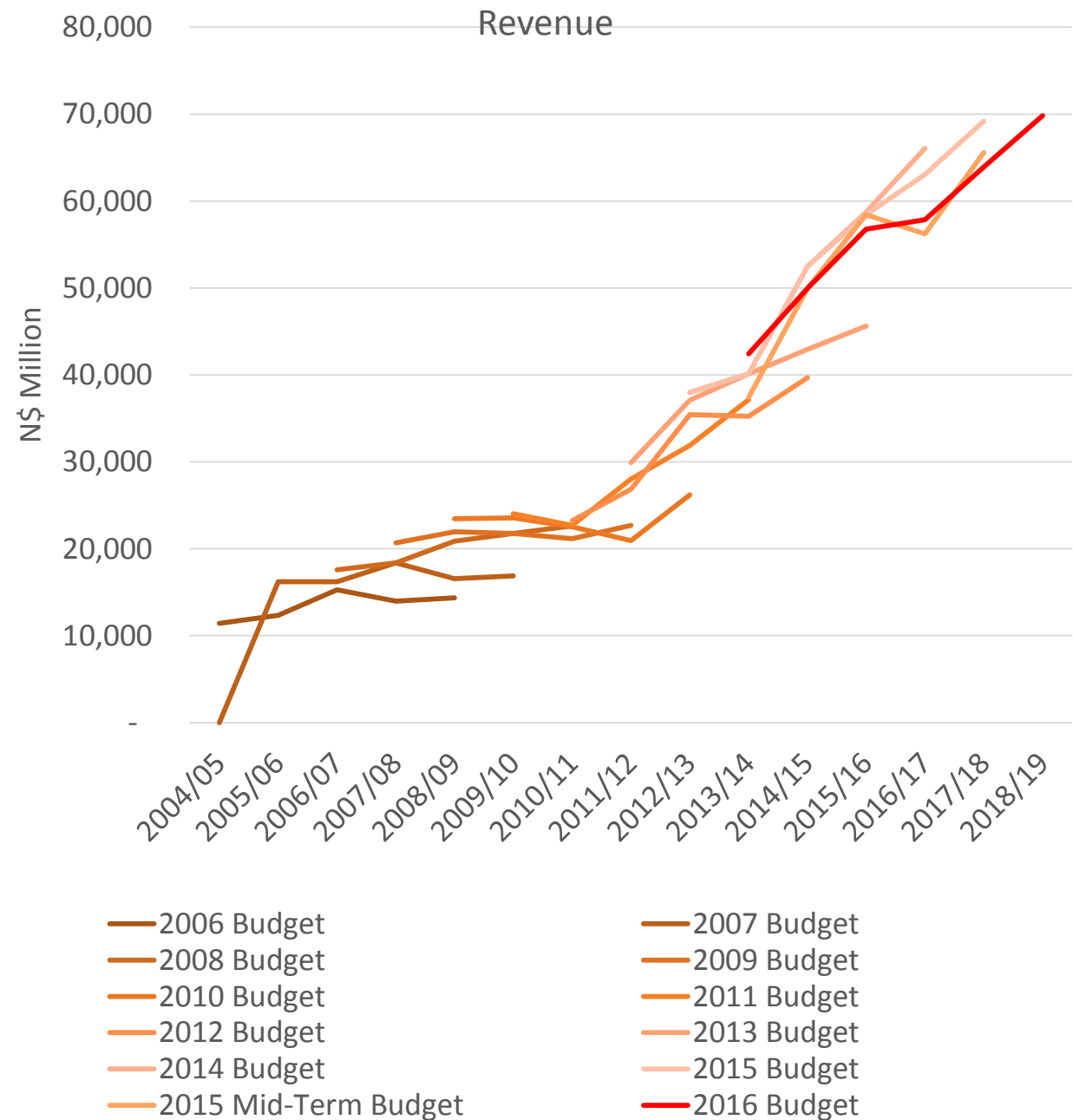
# GDP FORECASTS



# REVENUE



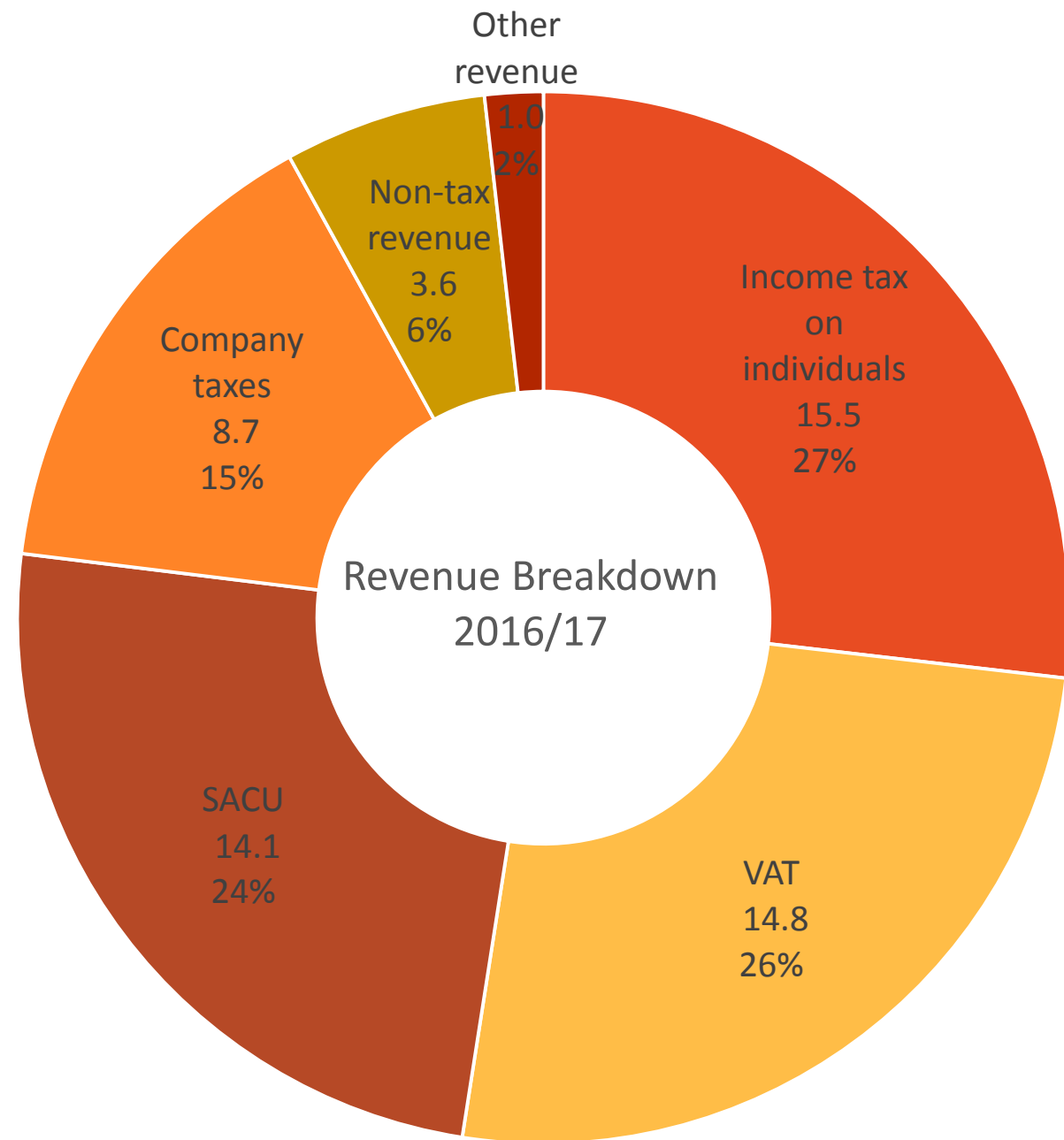
- Total revenue revised down to N\$57.8bn, from N\$63.1bn
- Main source of slowdown lower SACU receipts.
- Growth expected to slow almost across the board.
- Downward revisions for all MTEF years, due to base.
- Expected fast recovery in growth rate in 2017/18 and 2018/19
- Forecasts thought to be ambitious given growth outlook.



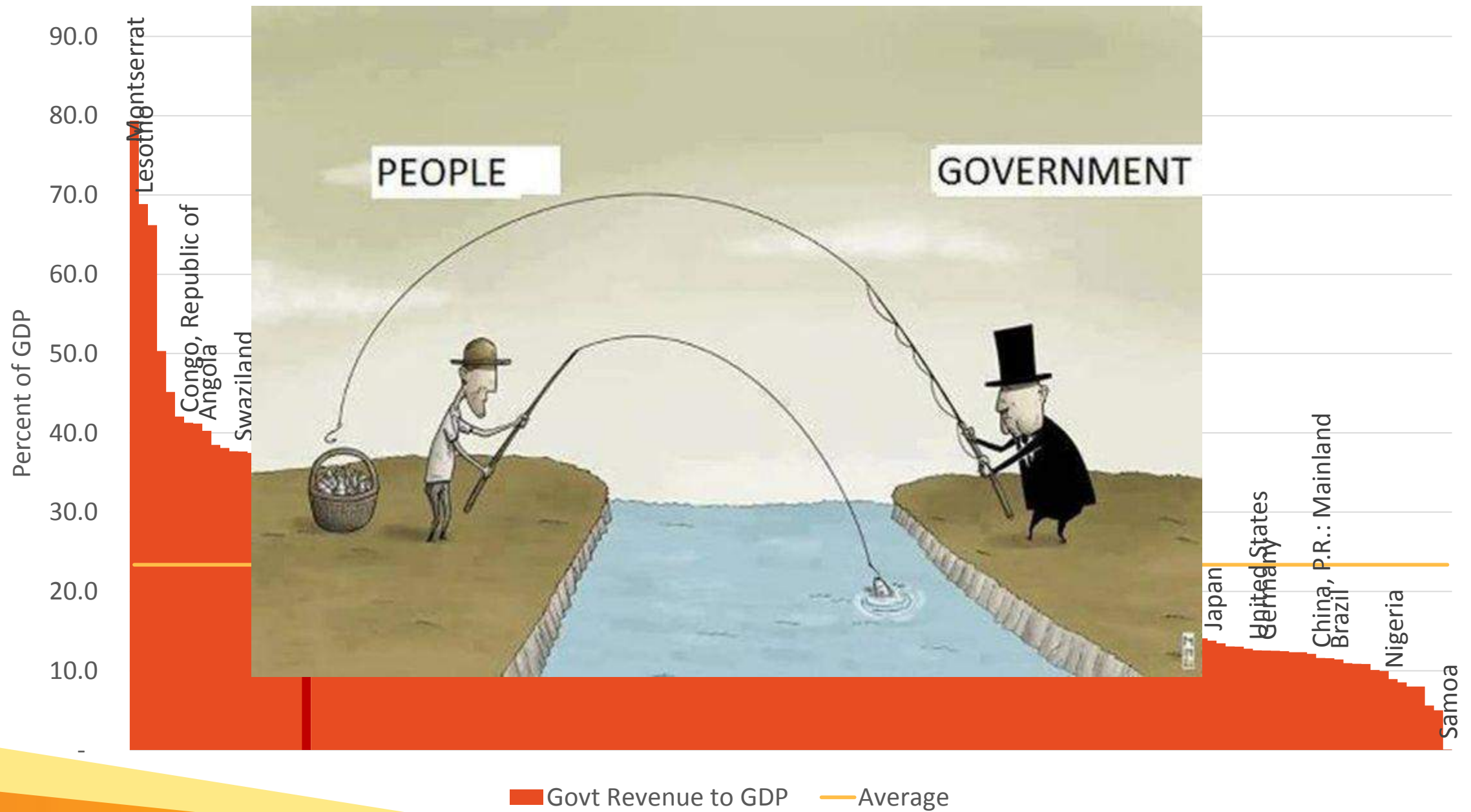


# REVENUE BREAKDOWN

- Income tax remains largest single revenue source, followed by VAT
  - Critical for social contract between tax payers and public officials.
- SACU contribution lower than normal due to N\$3bn repayment
- Other sources <25% of total revenue.



# GOVERNMENT REVENUE AS % OF GDP



# NEW REVENUE SOURCES

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*“Our focus is not only to broaden and deepen the tax base, but also to make the tax system more progressive, so that it contributes positively to the social objectives of reducing income inequalities”* Calle Schlettwein, Budget Speech, March 2016

Government will:

- finalize the approval and implementation process of an Environmental tax, and an Export tax to promote domestic value addition
- increase the fuel levy
- assess the feasibility of a presumptive tax on informal sector
- develop the Double - Taxation Agreement Policy;
- Look to reduce illicit trade flows and transfer pricing;
- continue to finalize the consultation on the proposed Solidarity Tax;
- Improve recovery of tax debts
- deploy the new Integrated Tax System; and
- implement transitional modalities for a Semi-Autonomous Revenue Agency.

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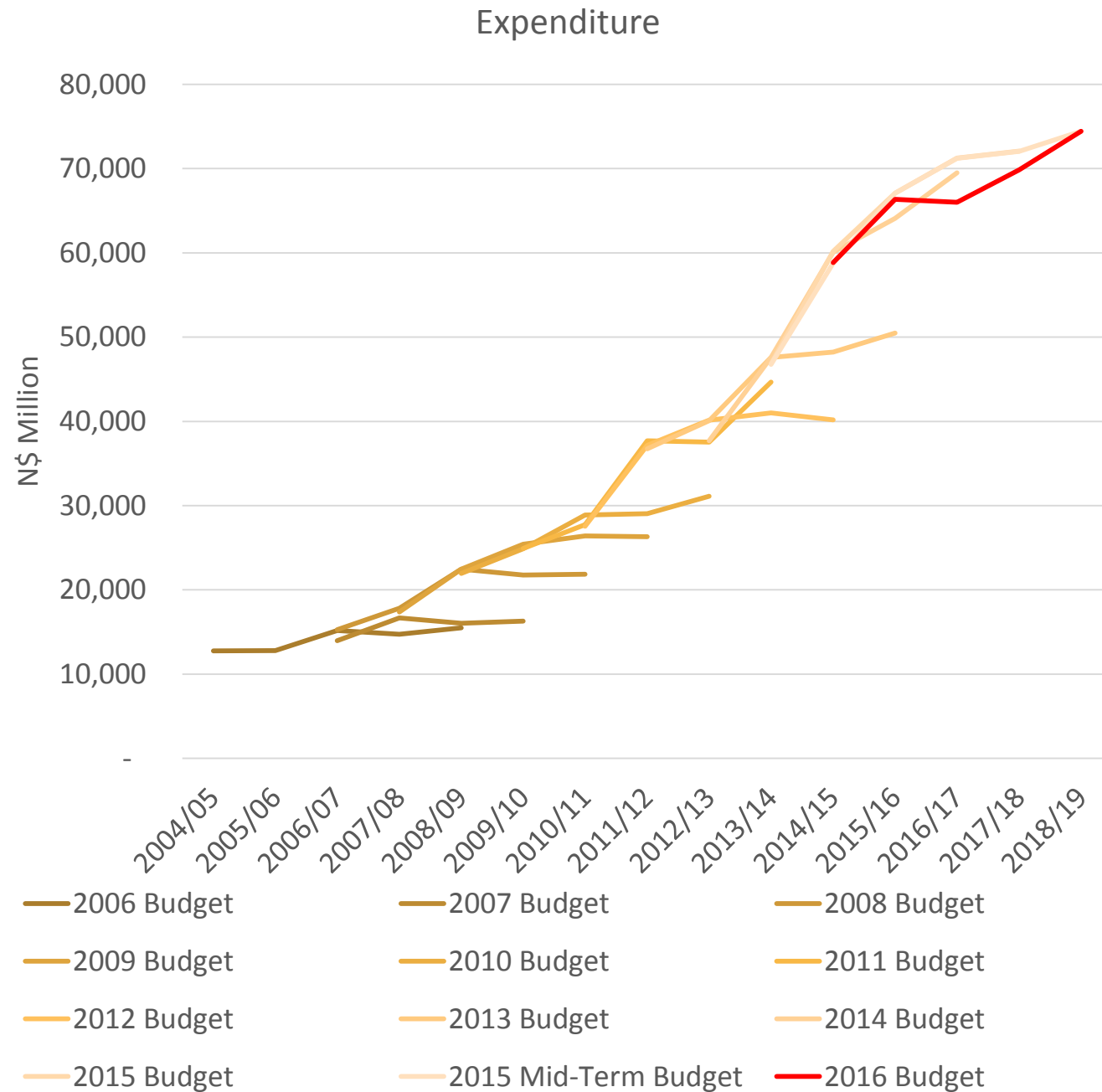
## EXPENDITURE

Where will the money go?

# EXPENDITURE



- Notable expenditure reduction.
  - Down 1.1% between 2015/16 and 2016/17
  - Down 7.4% when compared to previous budgeted number for 2016/17
- Major expenditure pick-up again in 2017/18 and 2018/19
  - However, last MTEF years rarely play out as initially forecast.
- Huge escalation in spending in past 6 years.
  - Funded by revenue windfall and debt



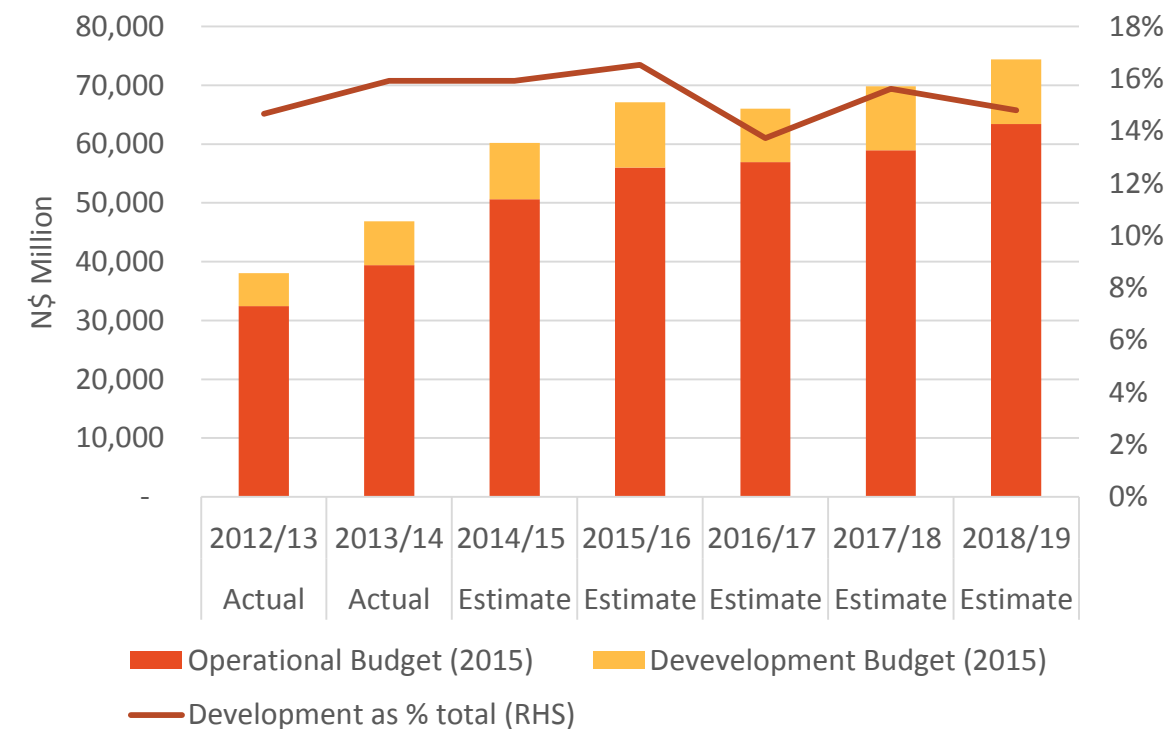
## SOURCE OF CUTS

- Major cuts from the development budget.
  - Slashed 18.3% when compared to 2015/16 and;
  - 27.9% when compared to previous levels for 2016/17.
- Development budget now makes up just 13.7% of total expenditure, well below 20% target.
- Operational expenditure up 1.6% over 2015/16 budget, but down 3.0% when compared to previous budget figure for 2016/17



Economic Association of Namibia

Budget Breakdown

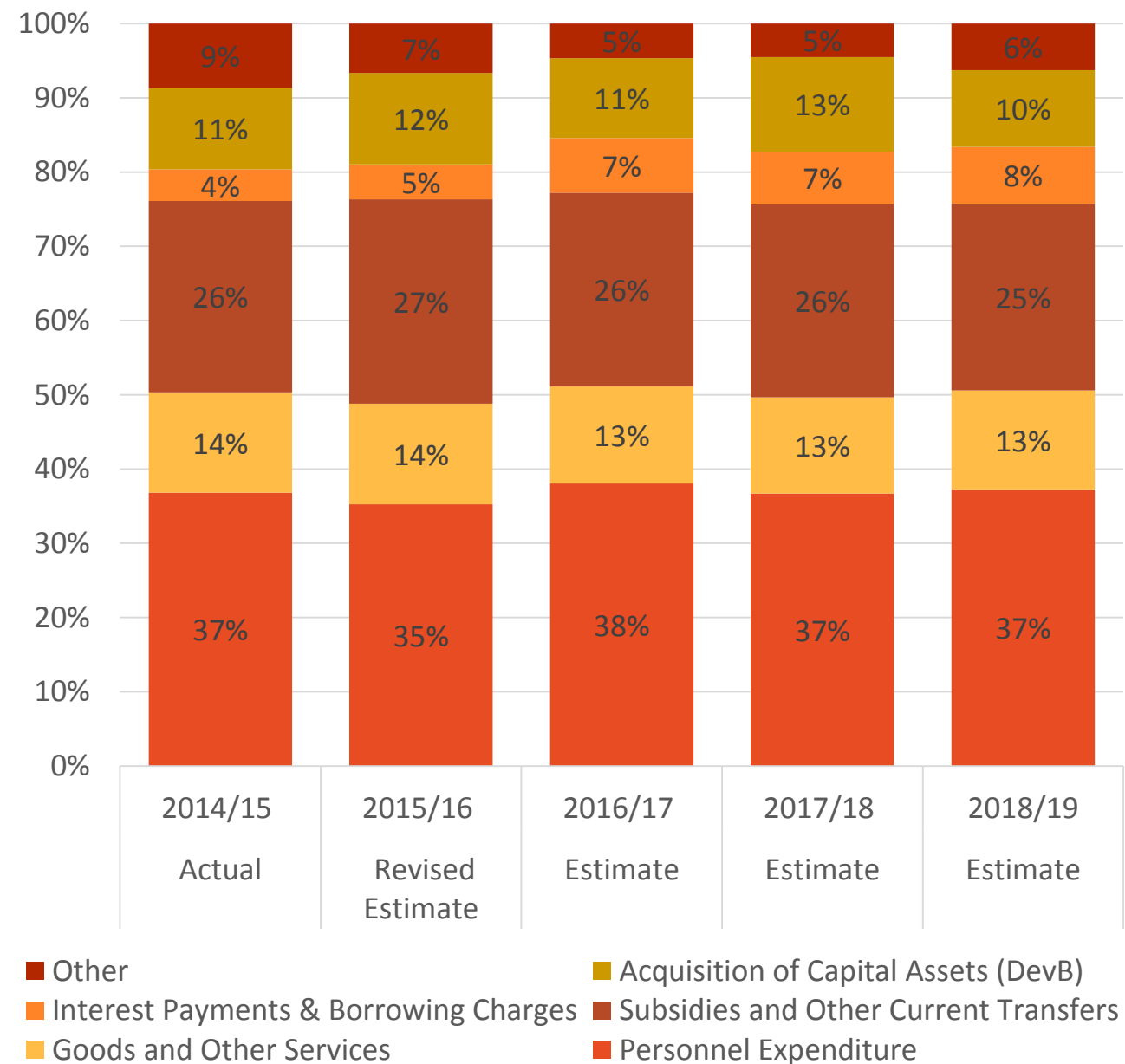


N\$ Million	Estimate	Estimate
	2015/16	2016/17
<b>Operational Budget (2015)</b>	55,996	58,687
<b>Development Budget (2015)</b>	11,095	12,557
<b>Total (2015)</b>	67,092	71,244
<b>Operational Budget (2016)</b>	55,280	56,939
<b>Development Budget (2016)</b>	11,065	9,057
<b>Total (2016)</b>	66,345	65,996
<b>Operational Change 2015-2016 Budgets (N\$)</b>	(717)	(1,748)
<b>Development Change 2015-2016 Budgets (N\$)</b>	(30)	(3,500)
<b>Total Change 2015-2016 Budgets (N\$)</b>	(747)	(5,248)
<b>Operational Change 2015-2016 Budgets (%)</b>	-1.3%	-3.0%
<b>Development Change 2015-2016 Budgets (%)</b>	-0.3%	-27.9%
<b>Total Change 2015-2016 Budgets (%)</b>	-1.1%	-7.4%
<b>Year on Year Change</b>	12.7%	-0.5%
<b>Development as % of Total</b>	16.7%	13.7%

## EXPENDITURE BREAKDOWN

- Personnel costs larger than normal, at 38% of total expenditure.
- Subsidies and other current transfers second largest item at 26%
  - Made up of transfers to SOEs, social grants, pensions etc.
- Goods and other services at 13%, and declining due to notable cuts in:
  - Travel and Subsistence Allowance
  - Transport
  - Training Courses, Symposiums and Workshops
  - Furniture and Office Equipment
- Interest and other borrowing costs becoming significant, as debt stock increases, at 7%.
- Leaves very little for development projects.

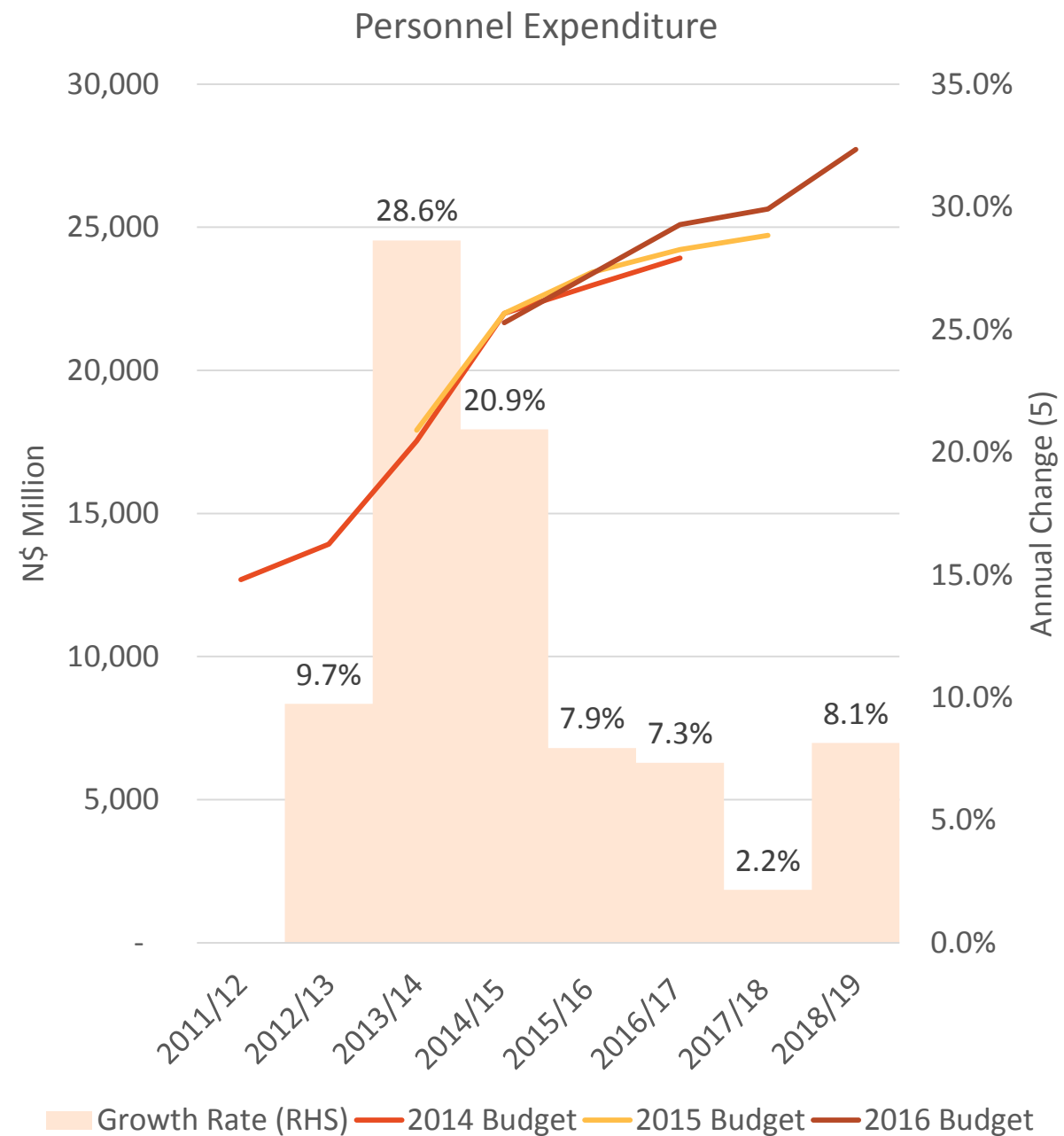
Expenditure Breakdown



# PERSONNEL EXPENDITURE



- Personnel expenditure seen sizable increases since 2012/13
- Huge increases in 2013/14 and 2014/15.
  - Part of effort to align civil service wages to private sector to attract in talent.
- Upward revision in 2016/17, from N\$24.2bn to 25.1bn.
- Very ambitious growth target for 2017/18.

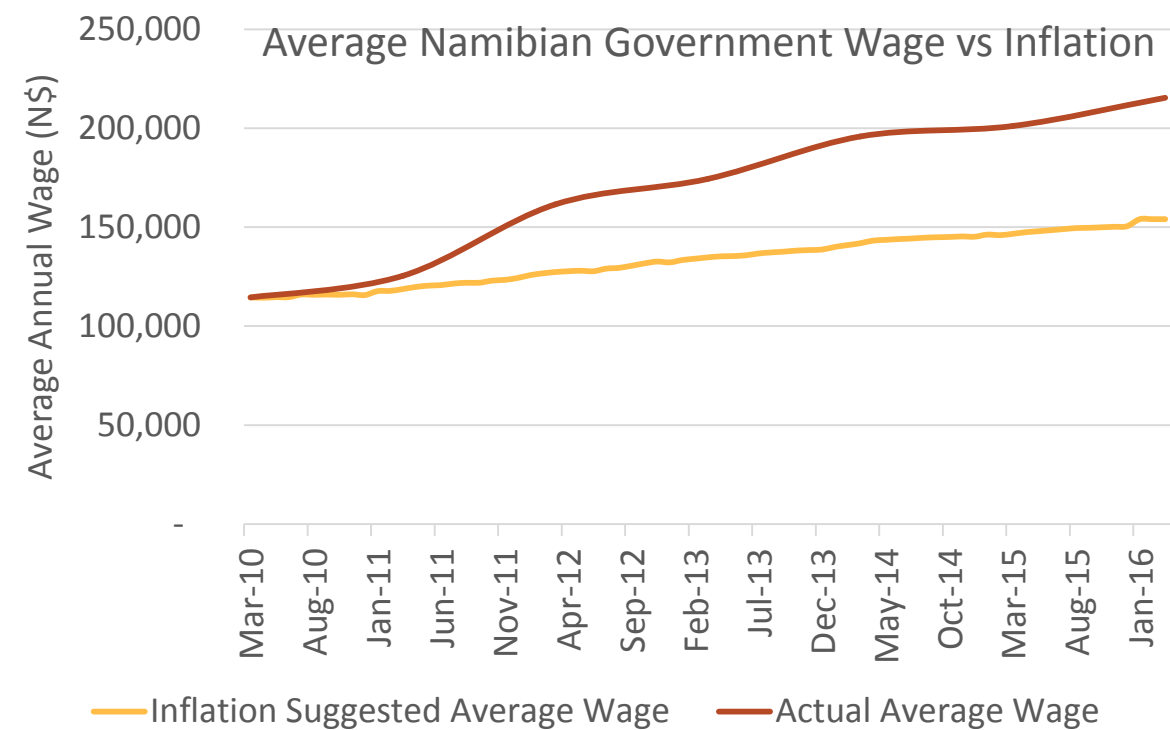
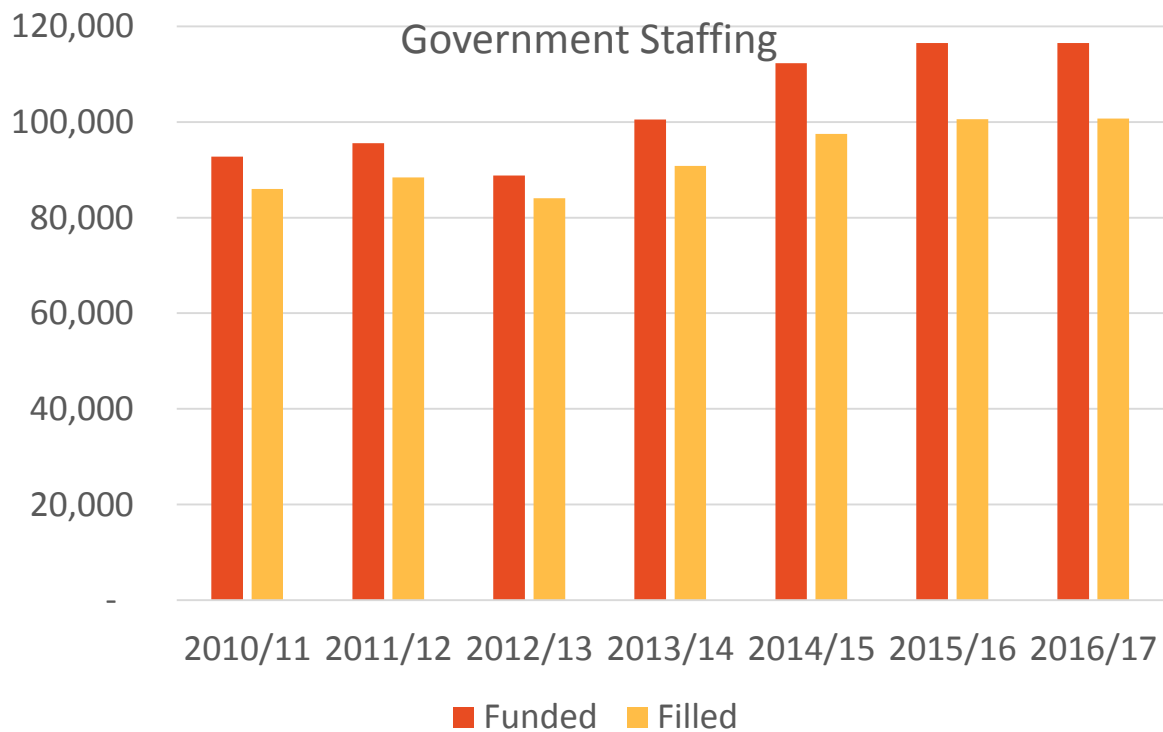
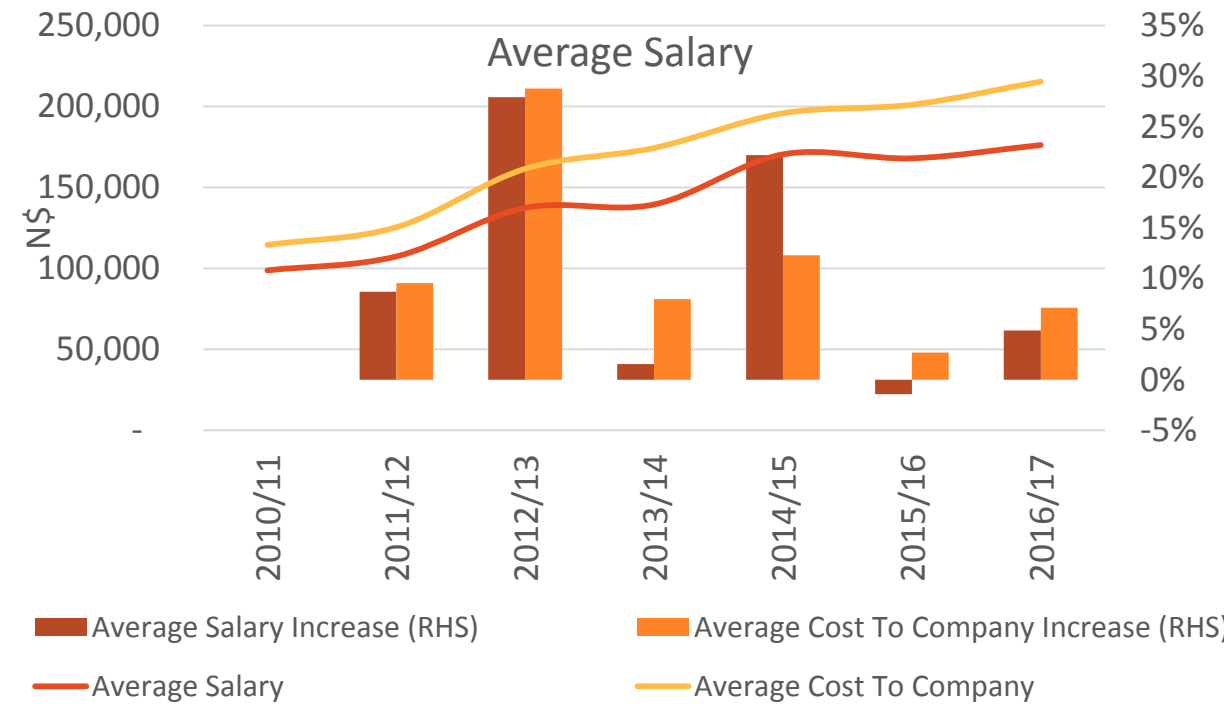




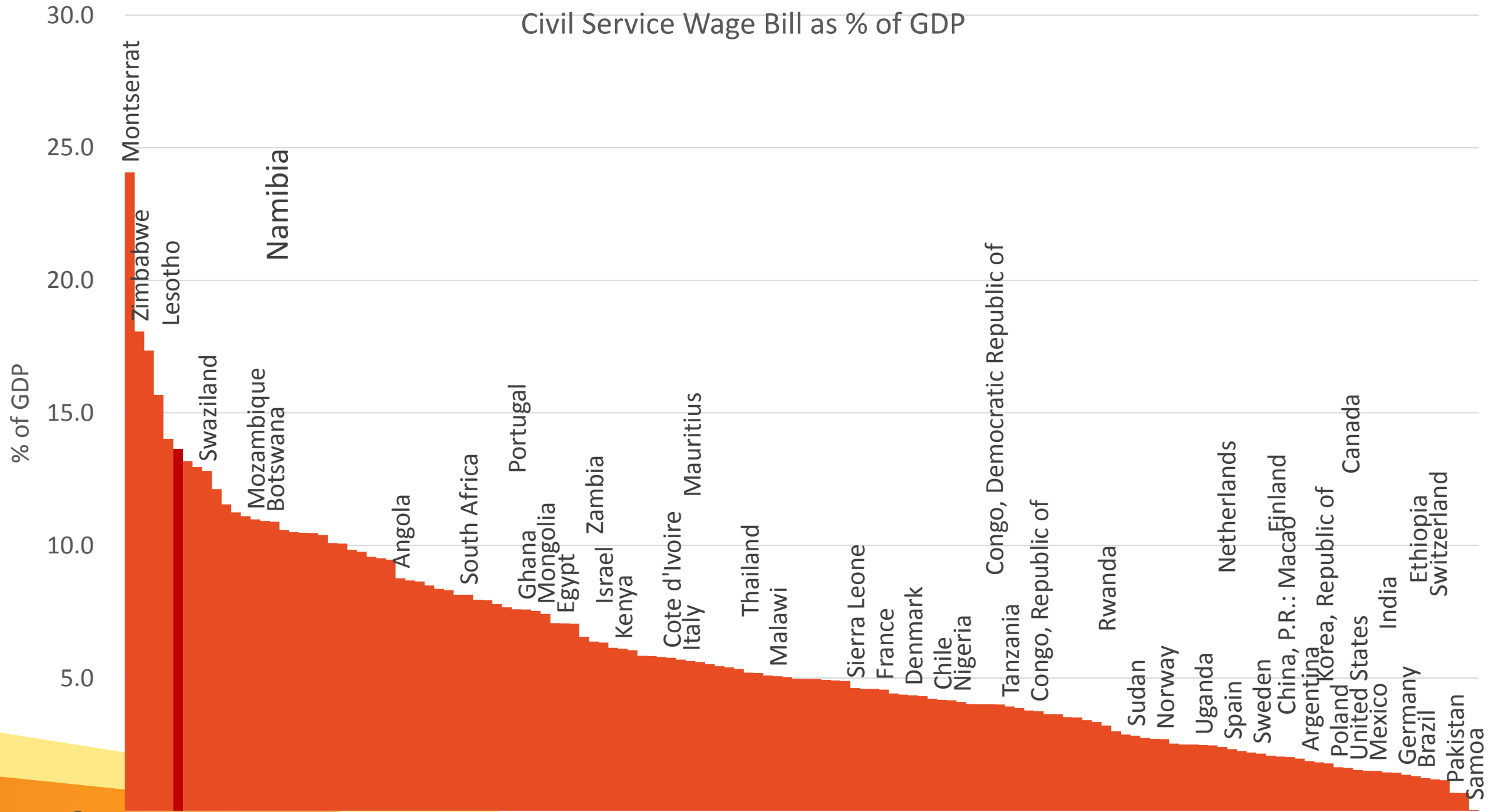
# WAGE BILL



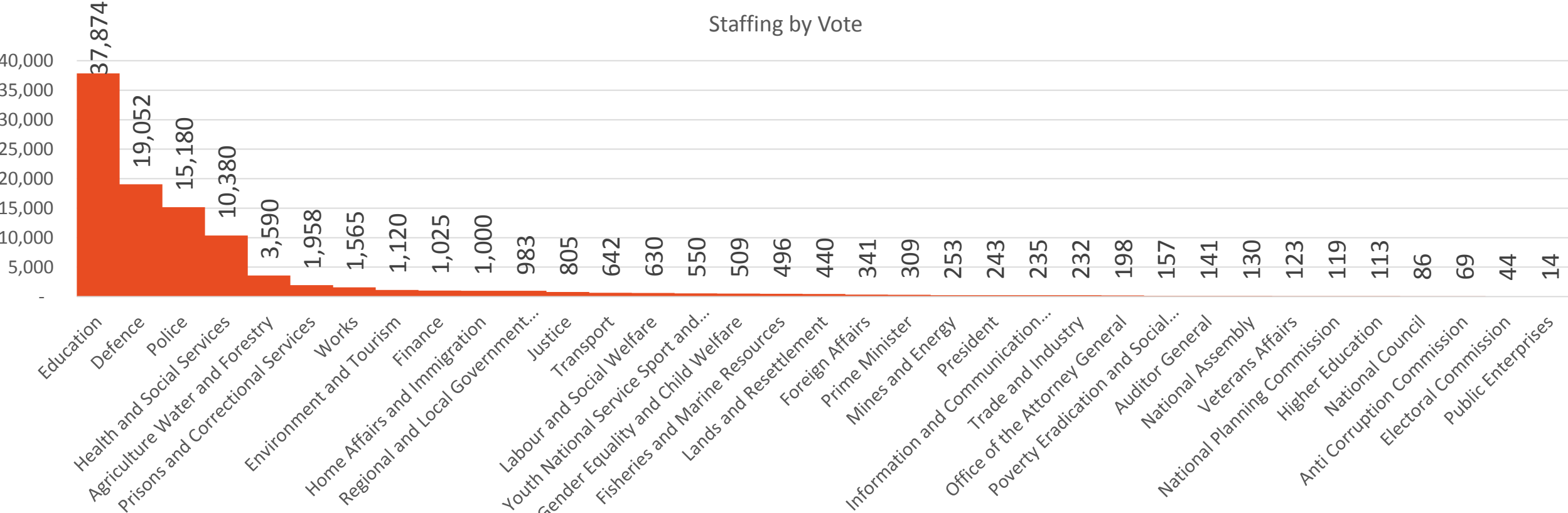
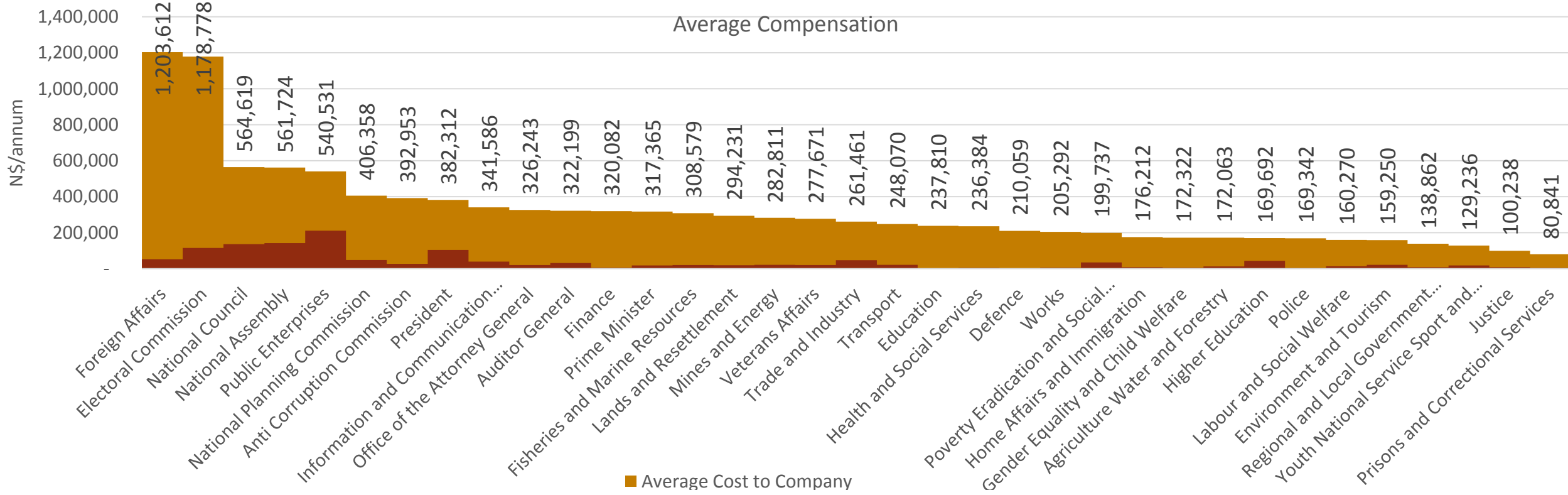
- Wage bill growth driven by both number of employees and average wages
- Average almost doubled from 2010 to 2016.
- Wage increases well ahead of inflation



# GLOBAL COMPARISON



## BY VOTE



Operating Agency: Electoral Commission  
 "Accounting Officer : Chief Electoral Officer  
 Vote 28 Electoral Commission  
 MAINDIVISION02 :Planning, Registration and Voting  
 Programme :Administration of Elections  
 Activity :Electoral Operations



<b>A.Introduction</b>					
<b>Objective and Description:</b>					
To Supervise, direct and control any registration of voters for the purposes of any elections or referenda in a free, fair, transparent and impartial manner.					
<b>Main Operations:</b>					
The main electoral operations are thus: (1) Registration of Voters; (2) Holding of elections; and (3) Updating of National Voters Register.					

<b>B. Staffing</b>					
			Establishment	Filled as at Present	Funded in 2016/2017
Administrative Officer			2	2	2
Assistant Administrative Officer			3	3	3
Chief Administrative Officer			2	1	2
Control Administrative Officer			1	1	1
Senior Administrative Officer			1	1	1
Deputy Director			1	1	1
Director			-	-	-
Private Secretary					
<b>TOTAL</b>					

SUBDIVISIONS		Actual
No	Title	2014/15
1	2	3
001	Remuneration	4,102,466
002	Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F.	325,105
003	Other Conditions of Service	281,395
004	Improvement of Remuneration Structure	
005	Employers Contribution to the Social Security	
010	<b>PERSONNEL EXPENDITURE-SUBTOTAL</b>	<b>4,708,966</b>

Operating Agency: Electoral Commission  
 "Accounting Officer : Chief Electoral Officer  
 Vote 28 Electoral Commission  
 MAINDIVISION03 :Voter Education  
 Programme :Voter Education and Information Dissemination  
 Activity :Voter Education

<b>A.Introduction</b>					
<b>Objective and Description:</b>					
To provide voter education to all Namibian citizens, particularly the electorate, so that they are able to make informed decisions as well as to encourage participation in electoral processes.					
<b>Main Operations:</b>					
Conduct of Voter Education, Production of Voter Education Materials, Publicity Campaigns, Monitoring and Evaluation of all voter education and electoral activities, Conduct democracy and electoral research and survey.					

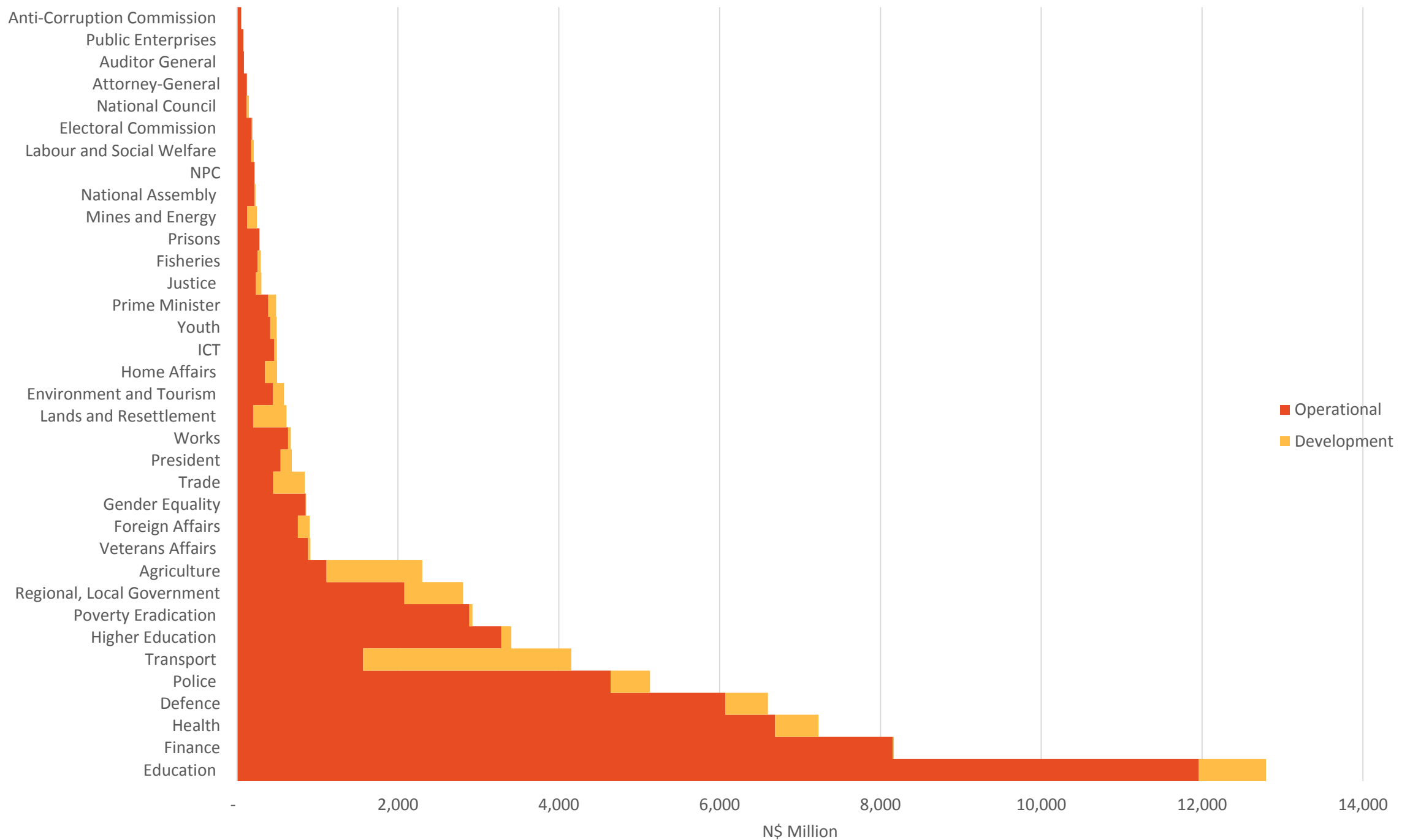
<b>B. Staffing</b>					
			Establishment	Filled as at Present	Funded in 2016/2017
Chief Information Officer			1	1	1
Information Officer			2	2	2
Senior Information Officer			1	1	1
Deputy Director			1	1	1
<b>TOTAL</b>			<b>5</b>	<b>5</b>	<b>5</b>

SUBDIVISIONS		Actual	Revised Estimate	Estimate	Estimate	Estimate
No	Title	2014/15	2015/2016	2016/2017	2017/2018	Estimate
1	2	3	4	5	6	7
001	Remuneration	2,412,642	14,551,917	16,467,000	16,961,000	17,470,000
002	Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F.	219,378	213,000	256,000	264,000	272,000
003	Other Conditions of Service		5,094,330	4,279,000	4,407,000	4,539,000
004	Improvement of Remuneration Structure					
005	Employers Contribution to the Social Security		5,000	5,000	5,000	5,000
010	<b>PERSONNEL EXPENDITURE-SUBTOTAL</b>	<b>2,632,019</b>	<b>19,864,247</b>	<b>21,007,000</b>	<b>21,637,000</b>	<b>22,286,000</b>

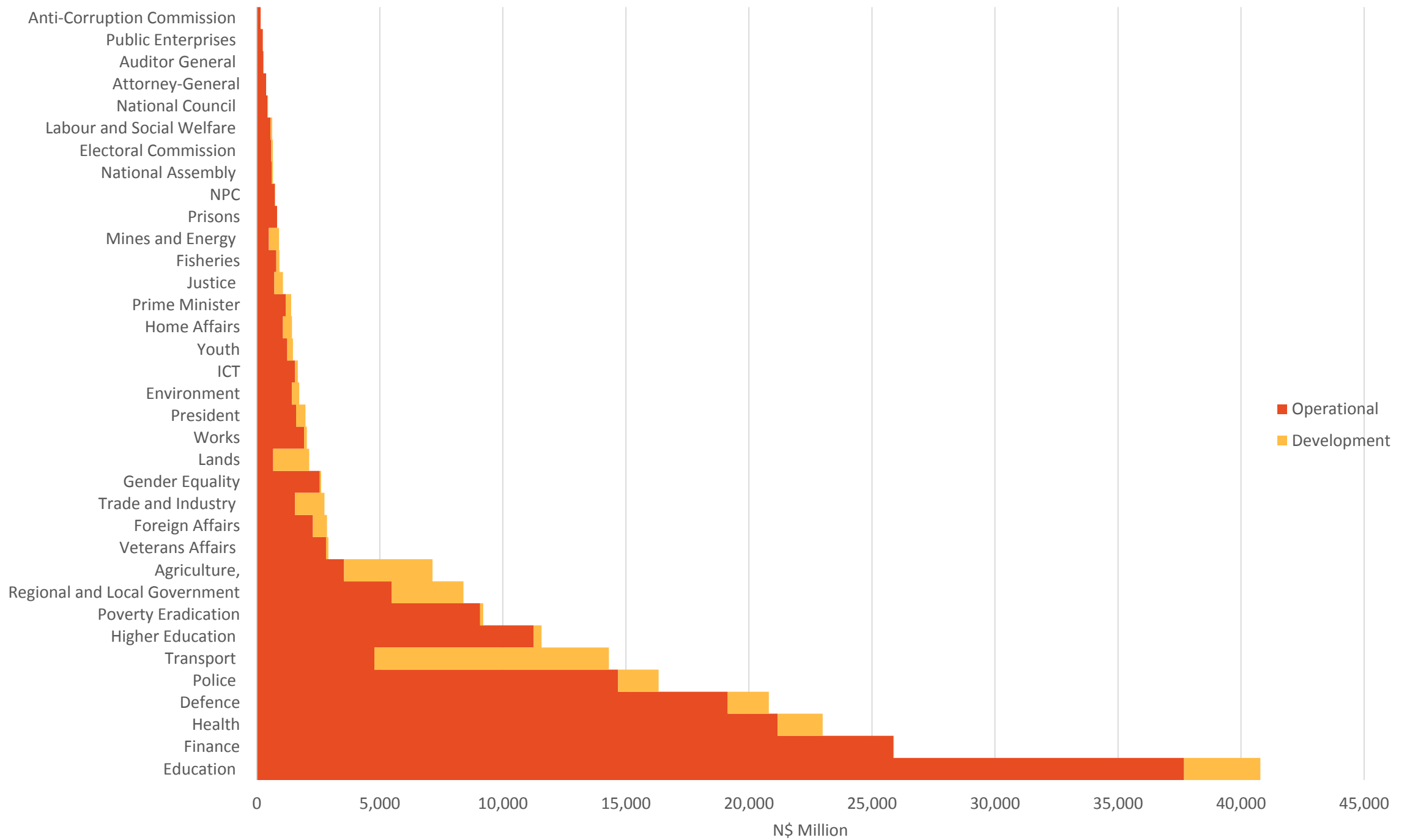
Average of N\$1.07m per

Average of N\$4.2m per employee

# 2016/17 EXPENDITURE BREAKDOWN



# MTEF EXPENDITURE BREAKDOWN



# LARGEST DEVELOPMENT BUDGET PROJECTS, 2016/17



→ Transport	Railway Network Upgrading	N\$390m
Land Reform	Land Purchase Project	N\$327m
→ Defence	Research and Development	N\$306m
→ Agriculture	Construction of Large Dams, Desalination and Provision of Water to larger Settlements	N\$253m
Transport	Upgrading the TR9/1: Windhoek-Hosea Kutako road to a dual carriage (44km)	N\$224m
Transport	Rehabilitation of the TR 1/16: Windhoek -Okahandja Road (67km)	N\$220m
Agriculture	Green Scheme	N\$216m
→ Transport	Upgrading of MR91 Gobabis - Aminius & MR 40 Aminius - Aranos (245Km) to bitumen standard	N\$182m
Transport	Construction of Swakopmund - Henties Bay - Kamanjab Link (412 KM).	N\$154m
→ Education	Basic Education Facilities Upgrading	N\$150m
→ International Relations	Purchasing, Constructing and Renovating of Diplomatic Premises Abroad	N\$143m
→ President	State Security Infrastructure	N\$132m
Land Reform	Development of Communal Areas	N\$125m
Agriculture	Rural Water Supply Coverage (Rural Secondary Pipeline Construction)	N\$125m
Transport	Upgrading of Oshakati - Ongenga (DR 3609) road to bitumen standard	N\$121m
Transport	Construction of gravel road: Isize - Sifuha - Malindi- Schuckmannsburg (50km)	N\$116m
Transport	Maintenance of Roads: Flood Damaged Infrastructure Repair	N\$100m
Transport	Northern Railway Line Extension	N\$98m
→ Prime Minister	Construction of the Second Office of the Prime Minister	N\$97m
Trade	Agro Processing Development	N\$95m

# STATE SECURITY INFRASTRUCTURE



## PROJECT IDENTIFICATION, FUNDING AND COMPOSITION OF EXPENDITURE, DESCRIPTION, IMPACT AND ACTIVITIES

### I. PROJECT IDENTIFICATION

Project Name: 01/02/3 - State Security Infrastructure

NPC CODE: 1496

STARTING DATE: 01-APR-2014

CONCLUDING DATE: 31-MAR-2019

### III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)

The project is focusing on the construction, renovation and furnishing of accommodation facilities in the regions to accommodate the President and his entourage while on official visits to the regions. The facilities will provide accommodation and security to the Head of State and his entourage during official visits. The main components of the project are: the acquisition of accommodation facilities, Construction, Renovation and purchasing of equipment. The project will benefit the State, policies and decision makers.

### IV. PROJECT ACTIVITIES

A. ACTIVITIES COMPLETED DURING 2015/2016 FINANCIAL YEAR: Construction and renovation of accommodation facilities in Khomas, Karas, Omusati, Ohangwena and Otjozondjupa. And acquired operational and administrative equipment

B. ACTIVITIES PLANNED FOR FIRST FINANCIAL YEAR (2016/2017) OF THIS MTEF: Construction and renovation of accommodation facilities in Khomas, Karas, Erongo, Omusati, Ohangwena, Otjozondjupa, Kavango east, Oshana, Abroad and in Omaheke. And acquired operational and administrative equipment

C. ACTIVITIES PLANNED FOR SUBSEQUENT FINANCIAL YEARS OF THIS MTEF: Acquisition of equipment and construction, renovation and purchasing of office accommodation.

Outside SRF: (a) Grants	0	0	0	0	0	0	0
(b) Loans	0	0	0	0	0	0	0
Total External Funding	0	0	0	0	0	0	0
TOTAL PROJECT FUNDING	1,584,360	689,102	153,037	131,700	162,285	78,418	369,818

**Total Project Cost: N\$1.6 billion**

**PERSPECTIVE: Nkandla cost an estimated R246m**

**2016/17 allocation = cost of servicing +2,600 erven**

**Total project cost = cost of servicing +32,000 erven**



# CONSTRUCTION OF A NEW NAMIBIAN PARLIAMENT BUILDING



- Development Budget, 2015 (N\$'000)

VOTE NUMBER AND VOTE NAME: 03 - National Assembly

PROGRAMME : Strengthening and sustaining multiparty democracy								
NPC CODE	PROJECT	Total Cost	Actual To 2013/2014	Estimated 2014/2015	Estimated Expenditure			Balance
					2015/2016	2016/2017	2017/2018	
18864	03/02/6 - Renovation and Upgrading of SADC Forum Building	10,776	0	4,170	3,701	250	0	2,654
18863	03/02/5 - Construction of a New Parliament Building	613,011	0	0	20,000	20,000	20,000	553,011
1219	03/02/3 - Upgrading/Renovation of Parliament Buildings	45,707	37,140	3,000	2,937	0	0	2,630
Programme Sub-Total		669,493	37,140	7,170	26,638	20,250	20,000	558,295
Total for Inside State Revenue Fund		669,493	37,140	7,170	26,638	20,250	20,000	558,295
TOTAL VOTE EXPENDITURE		669,493	37,140	7,170	26,638	20,250	20,000	558,295

- Development Budget, 2016 (N\$'000)

VOTE NUMBER AND VOTE NAME: 03 - National Assembly

PROGRAMME : Strengthening and sustaining multiparty democracy								
NPC CODE	PROJECT	Total Cost	Actual To 2014/2015	Estimated 2015/2016	Estimated Expenditure			Balance
					2016/2017	2017/2018	2018/2019	
18864	03/02/6 - Renovation and Upgrading of SADC Forum Building	10,776	0	3,701	1,000	0	0	6,074
18863	03/02/5 - Construction of a New Parliament Building	2,009,000	0	20,000	12,920	43,625	0	1,932,455
1219	03/02/3 - Upgrading/Renovation of Parliament Buildings	45,707	37,140	2,937	686	0	0	7,574
Programme Sub-Total		2,068,112	37,140	26,638	14,606	43,625	0	1,946,103
Total for Inside State Revenue Fund		2,068,112	37,140	26,638	14,606	43,625	0	1,946,103
TOTAL VOTE EXPENDITURE		2,068,112	37,140	26,638	14,606	43,625	0	1,946,103

**N\$613 million to N\$ 2.01 billion in one year. 228% price increase in one year.**

**Total project cost = cost of servicing +50,000 erven**

# LARGEST DEVELOPMENT BUDGET PROJECTS



Transport	Development of the Cape Fria- Katima Mulilo Railway Line	N\$10.4bn
Education	Establishment of Hostels at Schools Nationwide	N\$10.0bn
Defence	Research and Development	N\$6.66bn
Transport	Railway Network Upgrading	N\$5.46bn
Rural, Urban Development	Implementation of the Master Plan for Oshakati Town	N\$3.29bn
Transport	Rehabilitation of the TR 1/16: Windhoek -Okahandja Road (67km)	N\$3.26bn
Agriculture	Construction of Large Dams, Desalination and Provision of Water to larger Settlements	N\$3.12bn
Land Reform	Land Purchase Project	N\$3.01bn
Agriculture	Bulk Water Supply	N\$3.00bn
Agriculture	De-bushing in Commercial and Communal areas	N\$3.00bn
Transport	Upgrading the TR9/1: Windhoek-Hosea Kutako road to a dual carriage (44km)	N\$2.70bn
Agriculture	Green Scheme	N\$2.54bn
Transport	Northern Railway Line Extension	N\$2.37bn
National Assembly	Construction of a New Parliament Building	N\$2.01bn
Rural, Urban Development	Construction of Services Infrastructure in Outapi Extension 8	N\$1.97bn
Transport	Maintenance of Roads: Paved and None Paved Roads and Flood Damaged Infrastructure Repair	N\$1.81bn
International Relations	Purchasing, Constructing and Renovating of Diplomatic Premises Abroad	N\$1.63bn
Education	Basic Education Facilities Upgrading	N\$1.40bn
President	State Security Infrastructure	N\$1.38bn
Transport	Upgrading of the MR 44: Swakopmund -Walvis Bay Road (44 km)	N\$1.31bn

# LARGEST DEVELOPMENT BUDGET PROJECTS CONT.



Agriculture	National Horticulture Development Initiative ( Horticulture Production, Processing and Marketing)	N\$1.18bn
Transport	Upgrading of MR91 Gobabis - Aminius & MR 40 Aminius - Aranos (245Km) to bitumen standard	N\$1.16bn
Education	Construction of Teachers Houses	N\$1.14bn
Agriculture	Rural Water Supply Coverage (Rural Secondary Pipeline Construction)	N\$1.11bn
Trade	Construction of Sites and Premises Industrial Estates	N\$1.1bn
Home Affairs	Construction of Head Office for MHA	N\$1.07bn
Agriculture	Integrated Forest Resource Management	N\$1.06bn
Correctional Service	Construction and Renovation of Official Accommodation	N\$1.04bn
Education	Renovations of School Nation Wide	N\$1bn
Prime Minister	Construction of the Second Office of the Prime Minister	N\$0.99bn
Rural, Urban Development	Construction of Services Infrastructure in Walvisbay (Phase 3)	N\$0.98bn
Police	Upgrading of Police Stations	N\$0.98bn
Transport	Upgrading and Rehabilitation of Aus-Luderitz Railway Line	N\$0.89bn
Rural, Urban Development	Construction of Services Infrastructure in Katima Mulilo	N\$0.89bn
Police	Construction of Police Accommodation in (Housing Various Centre)	N\$0.85bn
Transport	Construction of Swakopmund - Henties Bay - Kamanjab Link (412 KM).	N\$0.81bn
Defence	Upgrading of Leopards Valley Military Base	N\$0.8bn
Defence	Construction of General Military Referral Hospital	N\$0.8bn
Health	Construction and upgrading of Primary Health Care Clinics Nationwide	N\$0.74bn
Transport	Upgrading of TR 14/2: Gobabis - Otjinene road to bitumen standard	N\$0.72bn

# LARGEST DEVELOPMENT BUDGET PROJECTS CONT.



Mines and Energy	Rural Electrification	N\$0.69bn
Transport	Construction and Tarring of the road from Opuwo to Epupa	N\$0.68bn
Transport	Construction and Tarring of the road from Opuwo to Sesfontein	N\$0.64bn
→ Defence	Rehabilitation of old bases countrywide	N\$0.62bn
Rural, Urban Development	Upgrading and development of Informal Settlements & Low Income Townships in Windhoek	N\$0.61bn
Rural, Urban Development	Construction of Services Infrastructure in Nkurenkuru Phase 2	N\$0.6bn
→ Education	Building and Maintenance	N\$0.6bn
→ Defence	Construction of Oluno Military Base	N\$0.57bn
Justice	Justitia Building Upgrading & Construction	N\$0.56bn
→ Defence	Construction of Gobabis Military Base	N\$0.55bn
Transport	Upgrading the MR 110: Rundu - Elundu Road to Bitumen Standard	N\$0.55bn
→ Defence	Construction of Mpacha Military Base	N\$0.55bn
→ Defence	Upgrading and Renovation of Otjiwarongo Military Base	N\$0.55bn
Transport	Rehabilitation of the TR 2/1: Swakopmund -Walvis Bay Road (30 km)	N\$0.54bn
Justice	Upgrading and Construction of Lower Courts	N\$0.53bn
Transport	Rehabilitation of the Keetmanshoop - Mariental road (386km)	N\$0.53bn
Rural, Urban Development	Construction of Services Infrastructure in Oshakati	N\$0.52bn
Transport	Upgrading of DR 3608: Omafo - Ongenga - Outapi road to Bitumen Standard	N\$0.5bn
→ Defence	Construction of H. Katjipuka Military Base	N\$0.5bn
Agriculture	Establishment of Agro Processing Facilities	N\$0.5bn

# NEW DEVELOPMENT BUDGET PROJECTS



Project Name	Project Cost(N\$'000)
20/11/10 - Bulk Water Supply	3,615,000
24/02/122 - Keetmanshoop via Aroab to Klein Menasse Border Post 6 km)	1,020,600
08/04/18 - Construction of H. Katjipuka Military Base	500,000
08/04/20 - Construction of 21 Guard Military Base	500,000
20/07/3 - Establishment of Agro Processing Facilities	500,000
19/04/27 - Construction of Pharmaceutical Manufacturing Plant in Okahandja	303,200
08/04/19 - Construction of Leopards Valley Sports Complex	200,000
16/02/2 - Construction of Attorney-General's Office	150,000
21/04/1 - Elizabeth Nepemba Correctional Facility Extension Construction	140,008
18/07/8 - Construction of Infrastructure for Solid Waste	140,000
20/05/9 - Production incentives for sunflower oil seed and cowpeas	135,000
33/04/1 - Construction Food Bank Khomas	129,254
18/06/3 - Development and Establishment of Research and Development Center for Biotrade in Namibia	120,000
24/02/98 - Construction of gravel road D3622: Omukukutu - Omboloka (25km)	103,345



VOTE: 20 - Agriculture, Water and Forestry

MAIN DIVISION: 10 - Resource Management

EXECUTING AGENCY: Agriculture, Water and Forestry

NDP 4 GOALS: High and sustainable economic growth

STRATEGIC AREAS: Public Infrastructure

DESIRED OUTCOME: Modern, reliable infrastructure

STRATEGIC INITIATIVES: Ensure water security

PROGRAM NAME: Integrated Water Resource Management

TARGET REGIONS FOR THIS MTEF: Khomas

TARGET CONSTITUENCIES FOR THIS MTEF: All Khomas

**II. PROJECT FUNDING EXPENDITURE (N\$'000)**

Project Name: 20/11/10 - Bulk Water Supply

NPC CODE: 20120

STARTING DATE: 01-APR-2019

CONCLUDING DATE: 31-MAR-2027

<b>A. SOURCE OF FUNDING</b>	
A-1 INTERNAL FUNDING	
Government	
Other Dev't Funds	
<b>Total Internal Funding</b>	
A-2 EXTERNAL FUNDING	
Inside SRF: (a) Grants	
(b) Loans	
Outside SRF: (a) Grants	
(b) Loans	
<b>Total External Funding</b>	
<b>TOTAL PROJECT FUNDING</b>	
<b>B. COMPOSITION OF EXPENDITURE</b>	
027	Other Services and Expenses
107	Construction, Renovation and Improvement
107	Construction, Renovation and Improvement
<b>Total composition of expenditure</b>	

VOTE: 20 - Agriculture, Water and Forestry

MAIN DIVISION: 11 - Rural Water Supply

EXECUTING AGENCY: Agriculture, Water and Forestry

NDP 4 GOALS: High and sustainable economic growth

STRATEGIC AREAS: Public Infrastructure

DESIRED OUTCOME: Modern, reliable infrastructure

STRATEGIC INITIATIVES: Ensure water security

PROGRAM NAME: Strategic water supply infrastructure development

TARGET REGIONS FOR THIS MTEF: Omusati, Kavango West

TARGET CONSTITUENCIES FOR THIS MTEF: Outapi, Mpungu

**II. PROJECT FUNDING EXPENDITURE (N\$'000)**

<b>A. SOURCE OF FUNDING</b>				Total Cost	Actual till 2014/2015	2015/2016 Estimated	Estimate for 2016/2017	Estimate for 2017/2018	Estimate for 2018/2019	Balance to complete
A-1 INTERNAL FUNDING										
Government				3,615,000	0	0	0	0	156,502	3,458,498
Other Dev't Funds				0	0	0	0	0	0	0
<b>Total Internal Funding</b>				<b>3,615,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156,502</b>	<b>3,458,498</b>
A-2 EXTERNAL FUNDING										
Inside SRF: (a) Grants				0	0	0	0	0	0	0
(b) Loans				0	0	0	0	0	0	0
Outside SRF: (a) Grants				0	0	0	0	0	0	0
(b) Loans				0	0	0	0	0	0	0
<b>Total External Funding</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL PROJECT FUNDING</b>				<b>3,615,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156,502</b>	<b>3,458,498</b>
<b>B. COMPOSITION OF EXPENDITURE</b>										
				SOURCE	I/O SRF					
131	Government Organisation	GRN	Inside	3,000,000	0	0	0	0	156,502	2,843,498
105	Feasibility Studies, Design and Supervision	GRN	Inside	615,000	0	0	0	0	0	615,000
<b>Total composition of expenditure</b>				<b>3,615,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156,502</b>	<b>3,458,498</b>

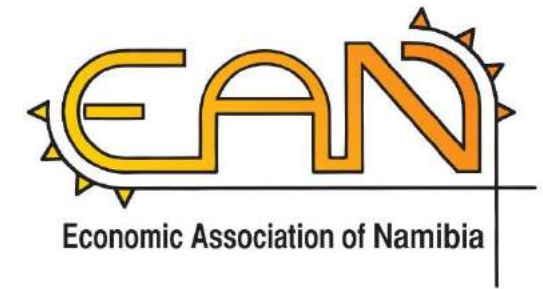
**III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)**

The Central Areas of Namibia (CAN) are currently supplied with reclaimed domestic effluent. Most of the local and regional water need therefore exists, to develop reliable additional water supply conditions when little surface run-off is available in the dry boreholes, to increase the access to a larger volume of surface water supply to the CAN to meet expected increased demand which combination with artificial recharge of the Windhoek Aquifer will ensure good water quality. The components of the project include construction of Windhoek to the consumers and artificial recharge potential

**III. PROJECT DESCRIPTION (Objective, components and target beneficiaries)**

The project aims to supply water in bulk to larger settlement where current water availability is under threat; the main components of the project will be to augment water to Central Area of Namibia (CAN) from the Kavango River. The project will be implemented in phases, Phase 1: Kavango link to Grootfontein and Phase 2: Grootfontein link to CAN. The other main component is to replace the canal with a pipeline from Caulueque to Oshakati. The project aims to increase water security for the country and the beneficiaries will be consumer of portable water in targeted areas as well as the nation at large.

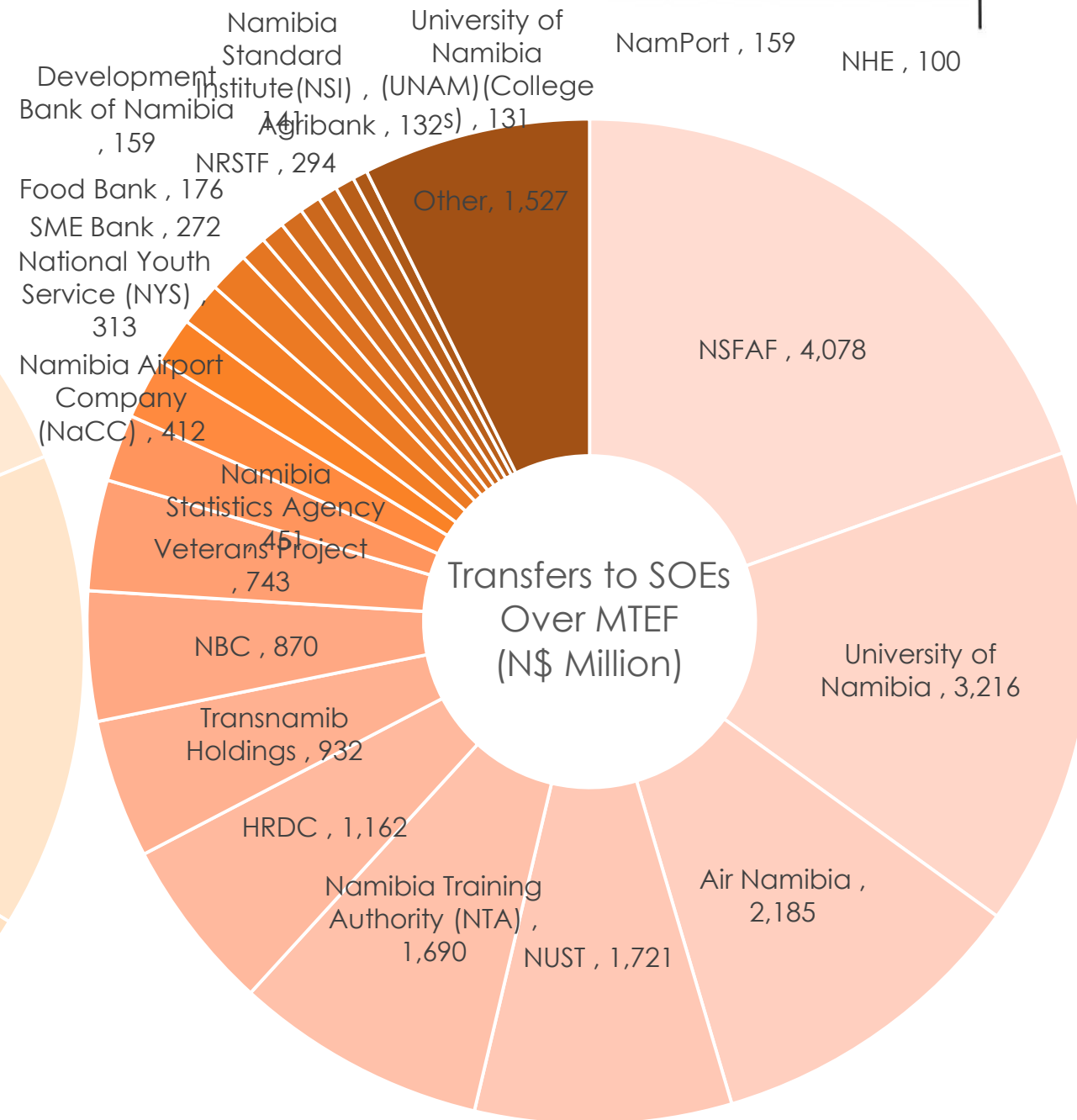
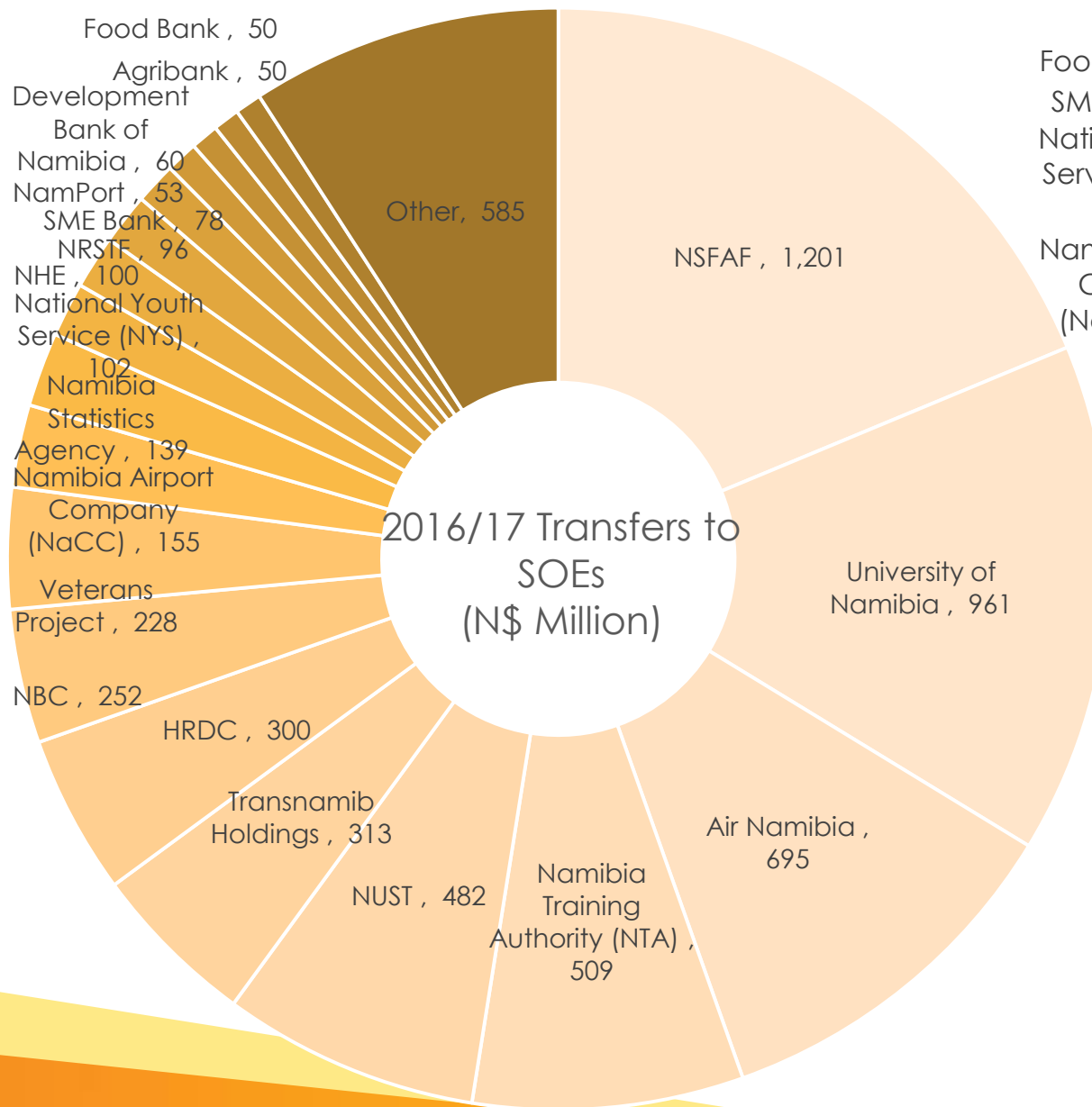
# FREE ERVEN EQUIVALENT



Ministry	Project	Price	Erven equivalent
Defence	Research and Development		153
Agriculture	Construction of Large Dams, Desalination and Provision of larger Settlements		62,333
International Relations	Purchasing, Constructing and Renovation Abroad	N\$1.63bn	32,689
President	State Security	N\$1.38bn	27,586
Home Affairs	Construction	N\$1.07bn	21,308
Prime Minister	Prime Minister	N\$0.99bn	19,713
Defence	Military Base	N\$0.8bn	16,018
	houses countrywide	N\$0.62bn	12,305
	Construction of Gobabis Military Base	N\$0.55bn	11,024
	Construction of Mpacha Military Base	N\$0.55bn	10,909
Defence	Upgrading and Renovation of Otjiwarongo Military Base	N\$0.55bn	10,909
Defence	Construction of H. Katjipuka Military Base	N\$0.5bn	10,000
Defence	Construction of 21 Guard Military Base	N\$0.49bn	9,800
Labour	Construction of the Ministry of Labour Head Office	N\$0.4bn	7,967
			<b>385,713</b>

**PROVIDING A FREE PIECE OF (SERVICED) LAND TO EVERY NAMIBIAN HOUSEHOLD IS VERY POSSIBLE .....NOT A PRIORITY?**

# TRANSFERS TO SOES





# LEVEL OF DETAIL ON TRANSFERS TO SOES - EXAMPLE



17	Urban and Regional Development	NHE	To provide affordable Housing government effort in providing housing	100,000		0	100,000
					0		
		HRDC	Operational expenses	300,000	400,000	462,000	1,162,000
		Trust Fund	Operational expenses	30,000	30,000	30,750	90,750
	<b>Sub-Total</b>			<b>430,000</b>	<b>430,000</b>	<b>492,750</b>	<b>1,352,750</b>

## EXPENDITURE BREAKDOWN BY CATEGORY



	Expenditure			Growth		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
<b>Social</b>	28,528	30,204	32,675	6.8%	5.9%	8.2%
<b>Public safety</b>	13,007	13,411	14,600	-9.0%	3.1%	8.9%
<b>Administration</b>	6,031	5,452	6,066	-7.0%	-9.6%	11.3%
<b>Economic</b>	8,394	9,106	9,324	-15.3%	8.5%	2.4%
<b>Infrastructure</b>	5,162	6,703	6,057	-11.0%	29.9%	-9.6%
<b>Total (excl. statutory payment)</b>	61,121	64,876	68,722	-3.3%	6.1%	5.9%

### Key questions:

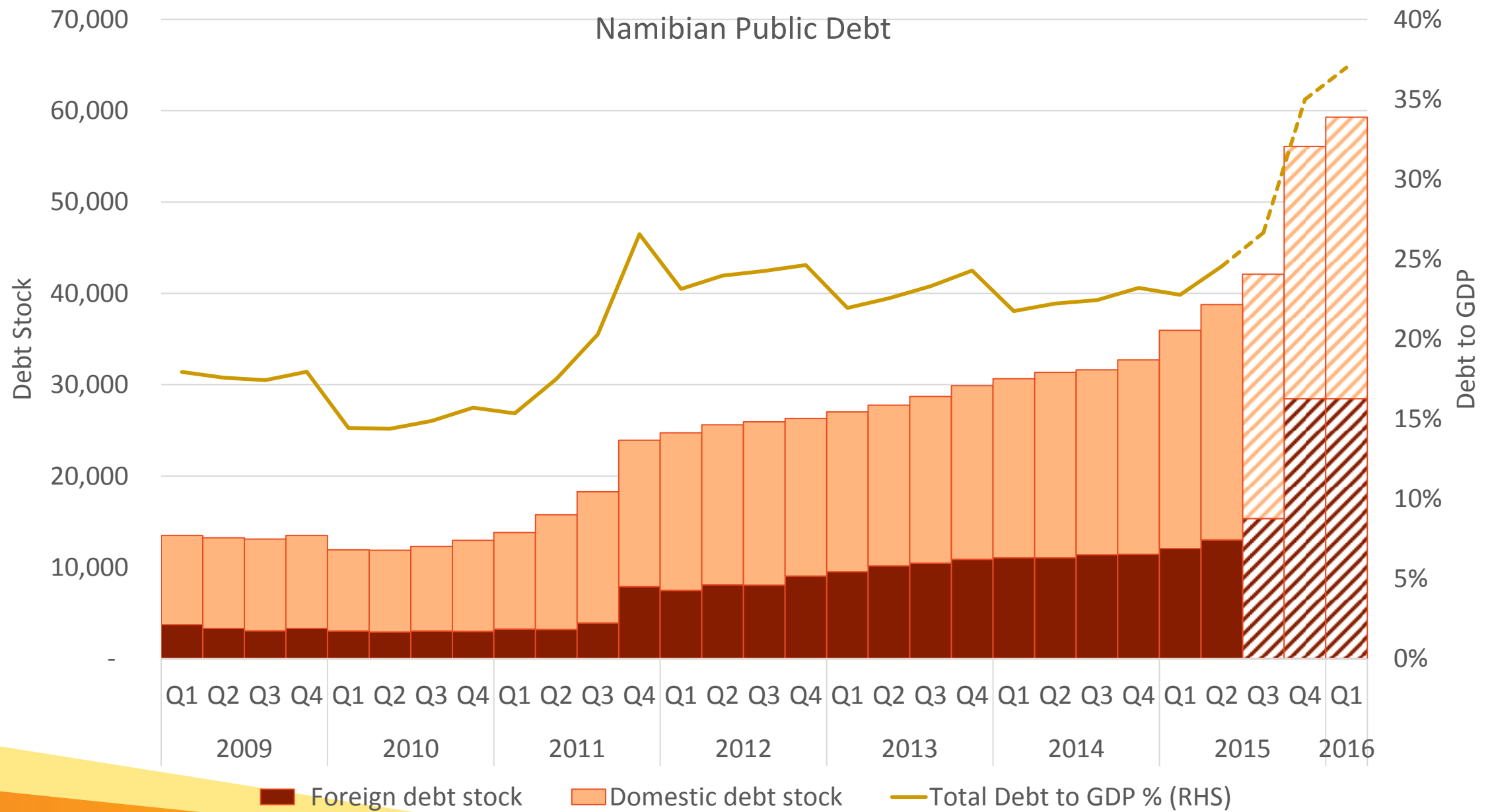
- Where do the funds to support social spending come from?
- Are we doing enough to maintain the ability of these sources to provide these funds?

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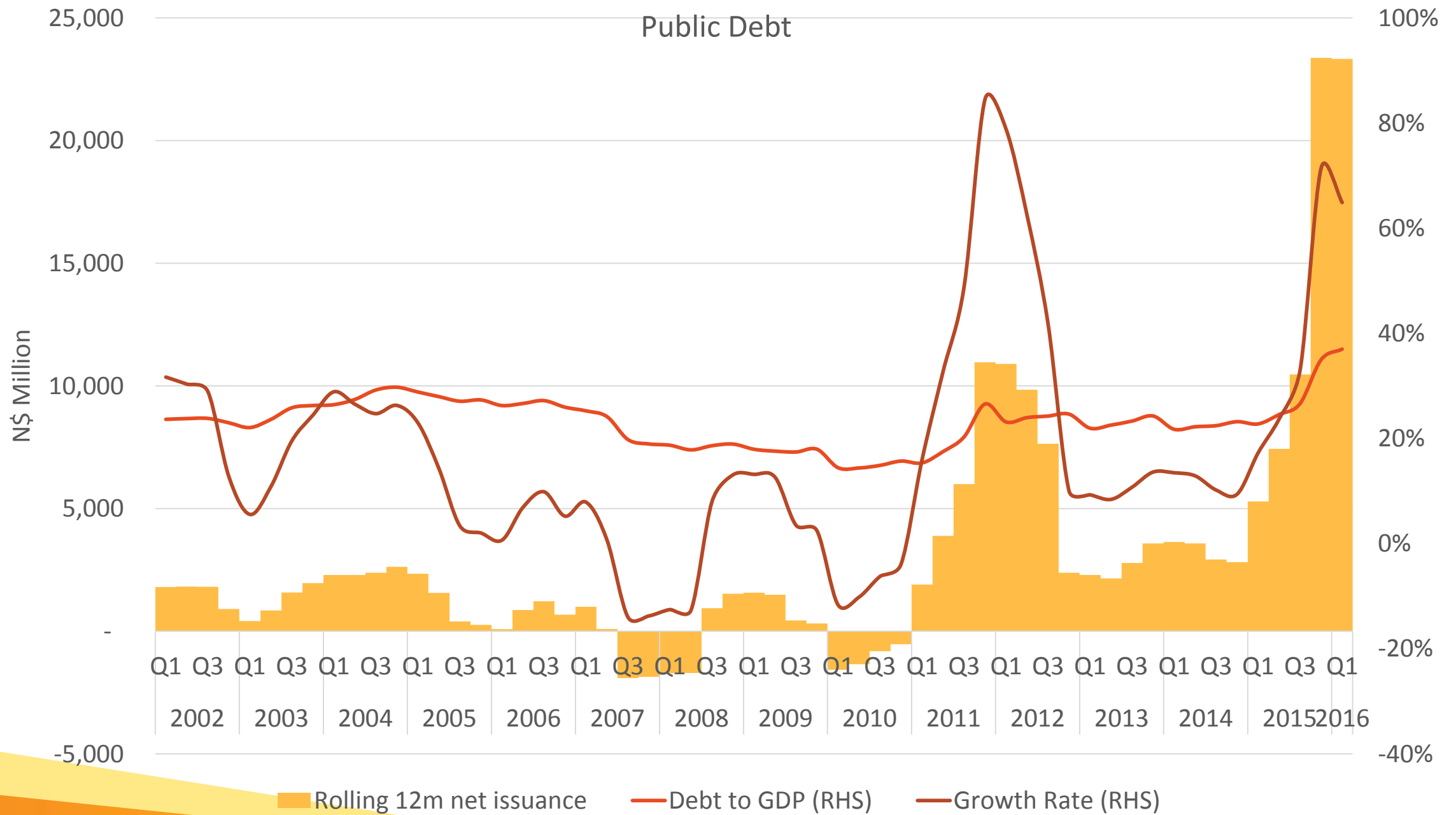
# BUDGET BALANCE AND DEBT STOCK

## The difference...

# DEBT STOCK



# GROWTH IN DEBT STOCK



# DEBT BENCHMARKS



	Benchmark	Current
Total debt / GDP	35%	37%
Domestic debt / GDP	28%	19%
Foreign debt / GDP	7%	18%
Foreign debt (excl. Rand) / GDP	7%	12%
Total debt Service / Revenue	10%	8%
Total debt Service/ GDP	3%	3%
Domestic debt / Total debt	80%	52%
External debt / Total debt	20%	48%
External debt (excl. Rand) / Total debt	20%	33%
Debt falling due within 12 months	30%	22%
Total Guarantees / GDP	10%	8%
Bonds as Percent of Total (Domestic)	60%	59%
TBs as Percent of Total (Domestic)	40%	41%

We have breached a number of debt benchmarks – how seriously is this being taken?

# PREVIOUS FORECASTS – 2014 BORROWING PLAN

## PERFORMANCE vs. BENCHMARKS



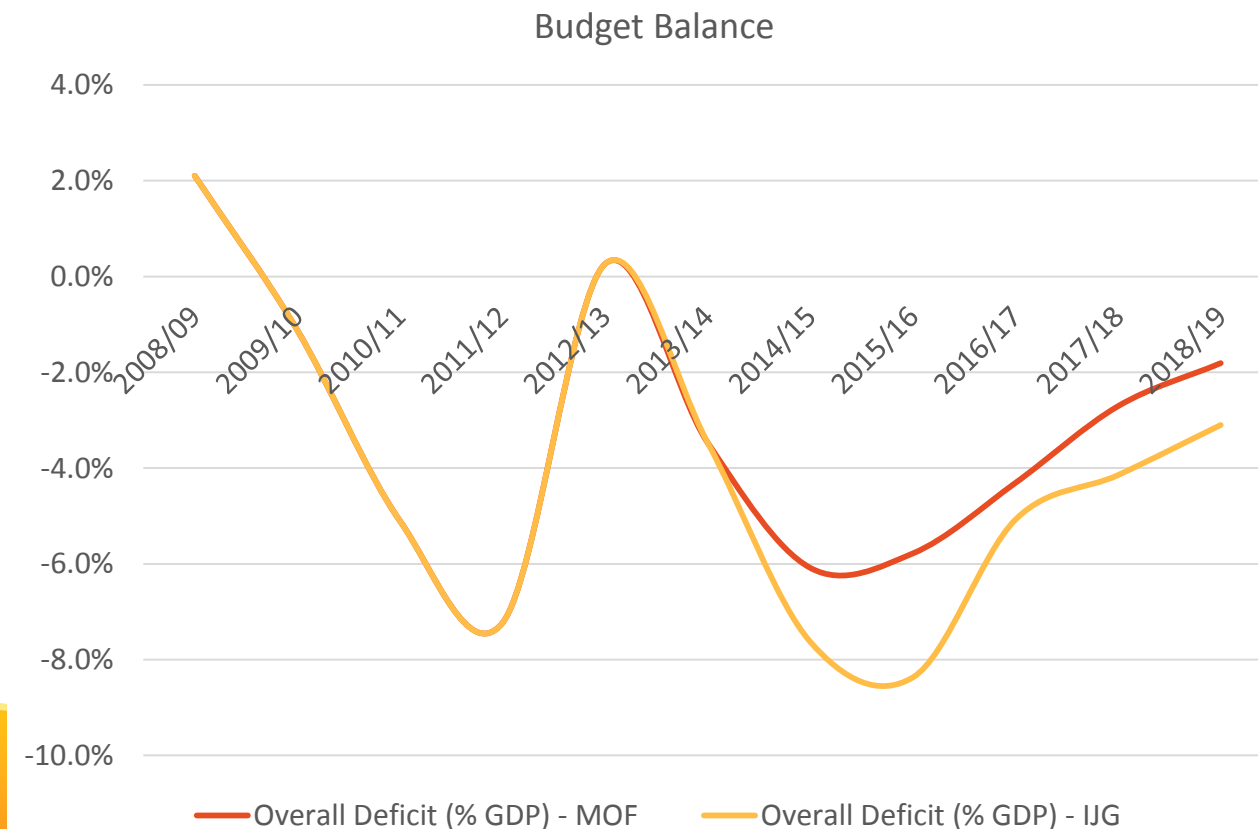
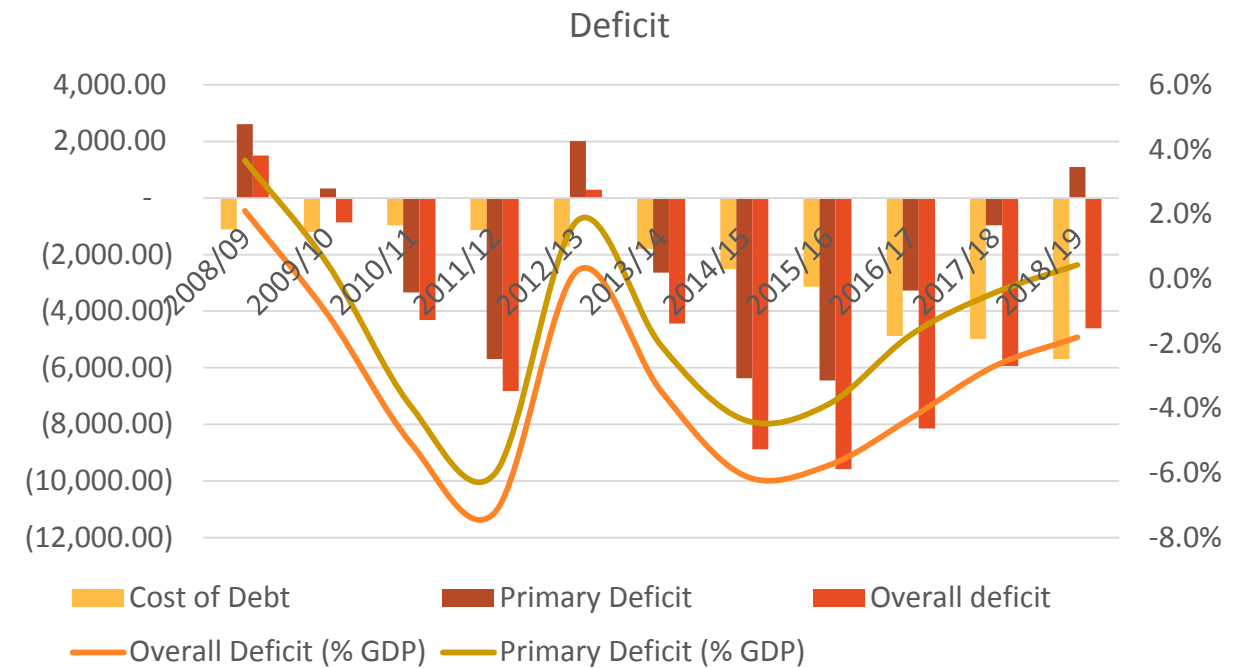
	Benchmark (%)	2013-14	2014-15	2015-16	2015-17
Total debt / GDP	35%	26%	24%	23%	21%
Domestic debt / GDP	28%	17%	15%	15%	14%
Foreign debt / GDP	7%	10%	9%	9%	7%
Foreign debt (excl. Rand) / GDP	7%	9%	8%	6%	6%
Total debt Service / Revenue	10%	6%	5%	5%	5%
Total debt Service/ GDP	3%	2%	2%	2%	2%
Domestic debt / Total debt	80%	64%	63%	63%	65%
External debt / Total debt	20%	36%	37%	37%	35%
External debt (excl. Rand) / Total debt	20%	32%	31%	28%	27%
Debt falling due within 12 months	30%	33%	31%	25%	26%
Total Guarantees / GDP	10%	5%	4%	4%	4%

*Centre of Excellence*

# BUDGET BALANCE



- The deficit for 2016/17 is forecast at N\$8.2 billion, down from N\$9.6 billion in 2015/16.
  - 4.3% of GDP, from 5.8%.
- These deficits are expected to shrink through the MTEF, to 1.8% of GDP by 2018/19
- However, ambitious growth forecasts and downward sticky expenditure make achieving this highly challenging.
- Estimates from IJG Securities, suggest a much larger deficit across all years.
- Cost of debt increasing notably – primary surplus forecast in 2018/19, but debt cost of 2.4% of GDP.

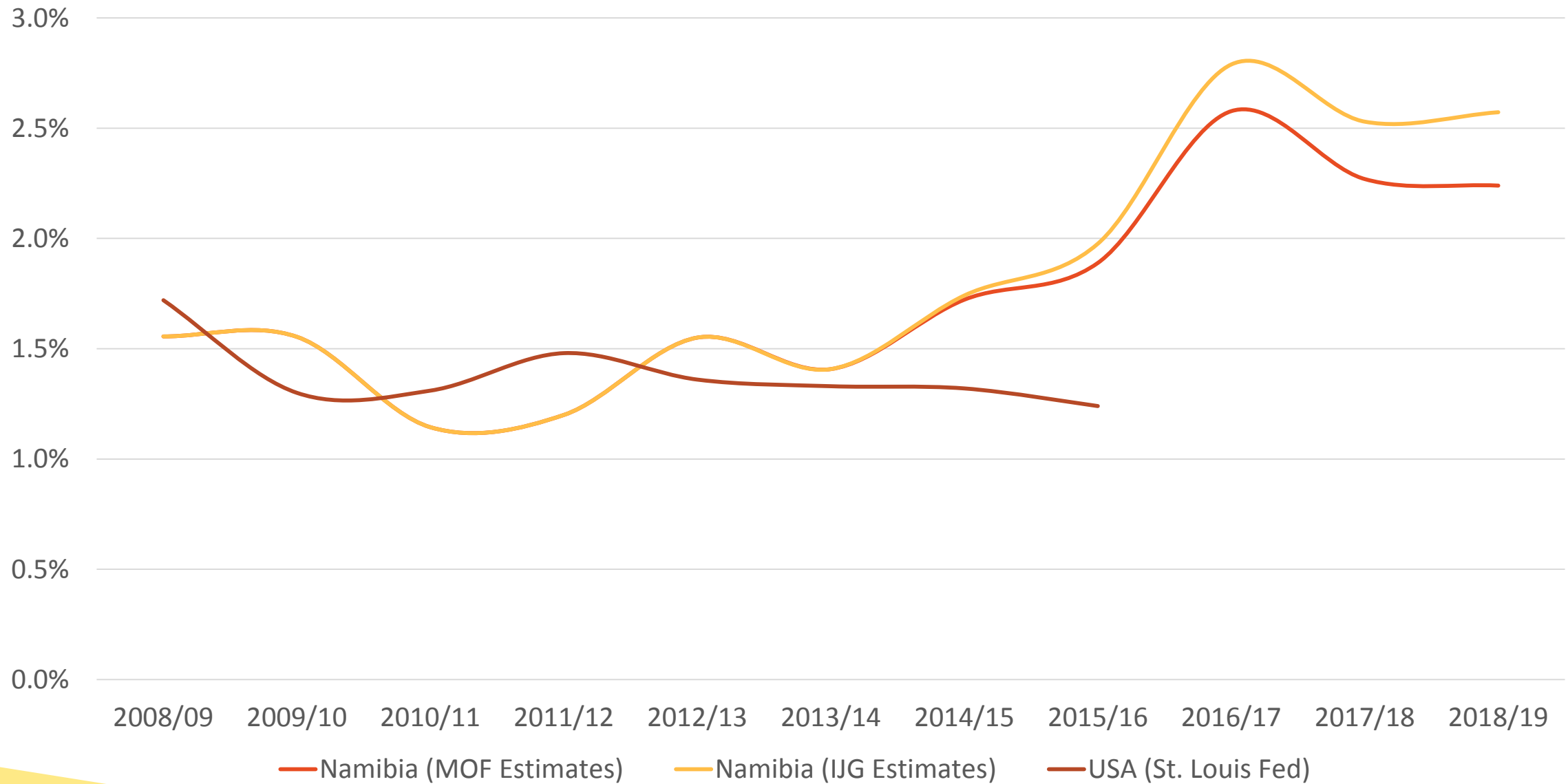




# DEBT SERVICING COSTS

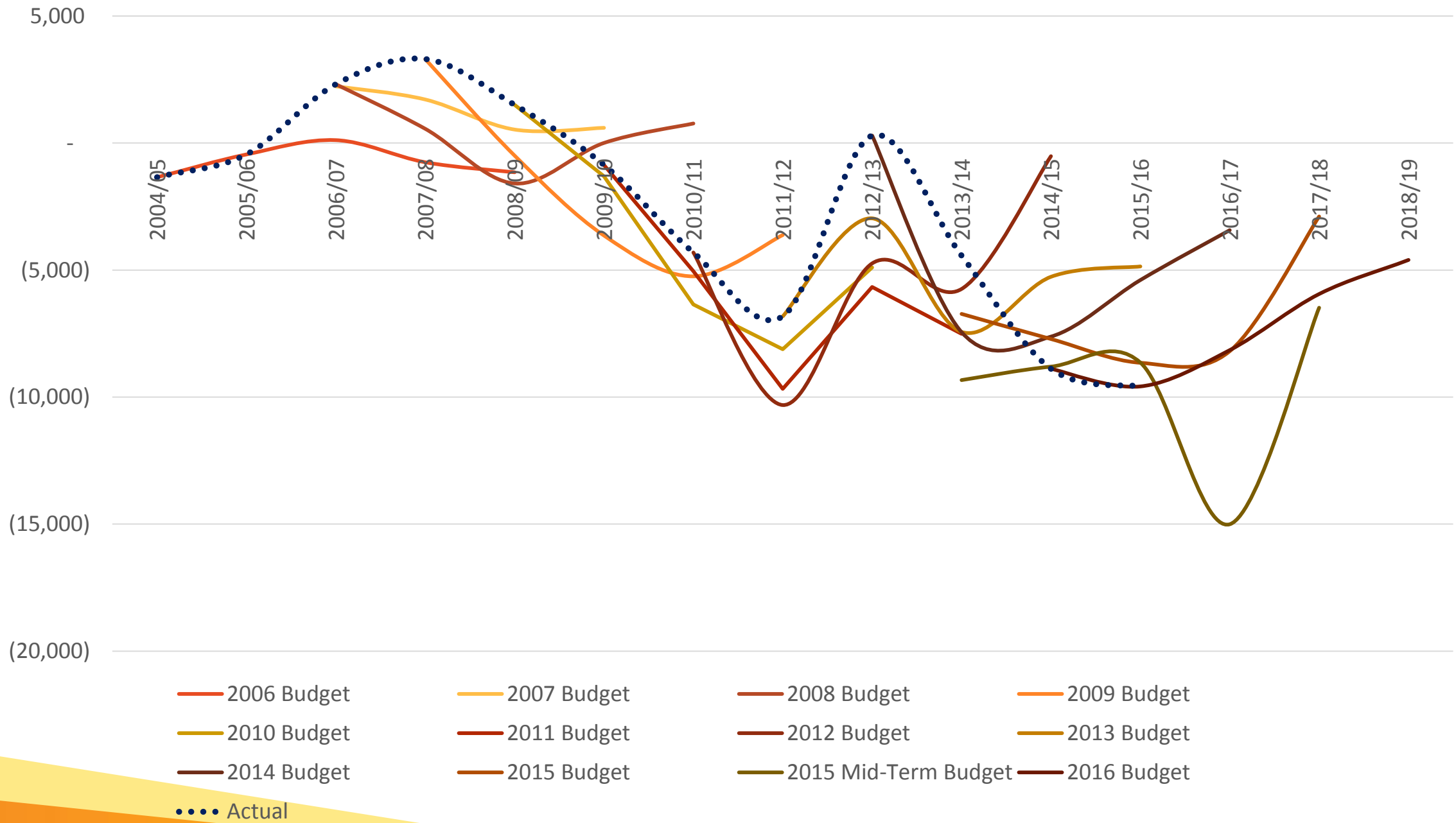


Debt Servicing to GDP



**GROWTH (AND INFLATION) KEY TO OVERCOMING HIGH SERVICING COSTS**  
**GROWTH OUTLOOK UNCERTAIN**

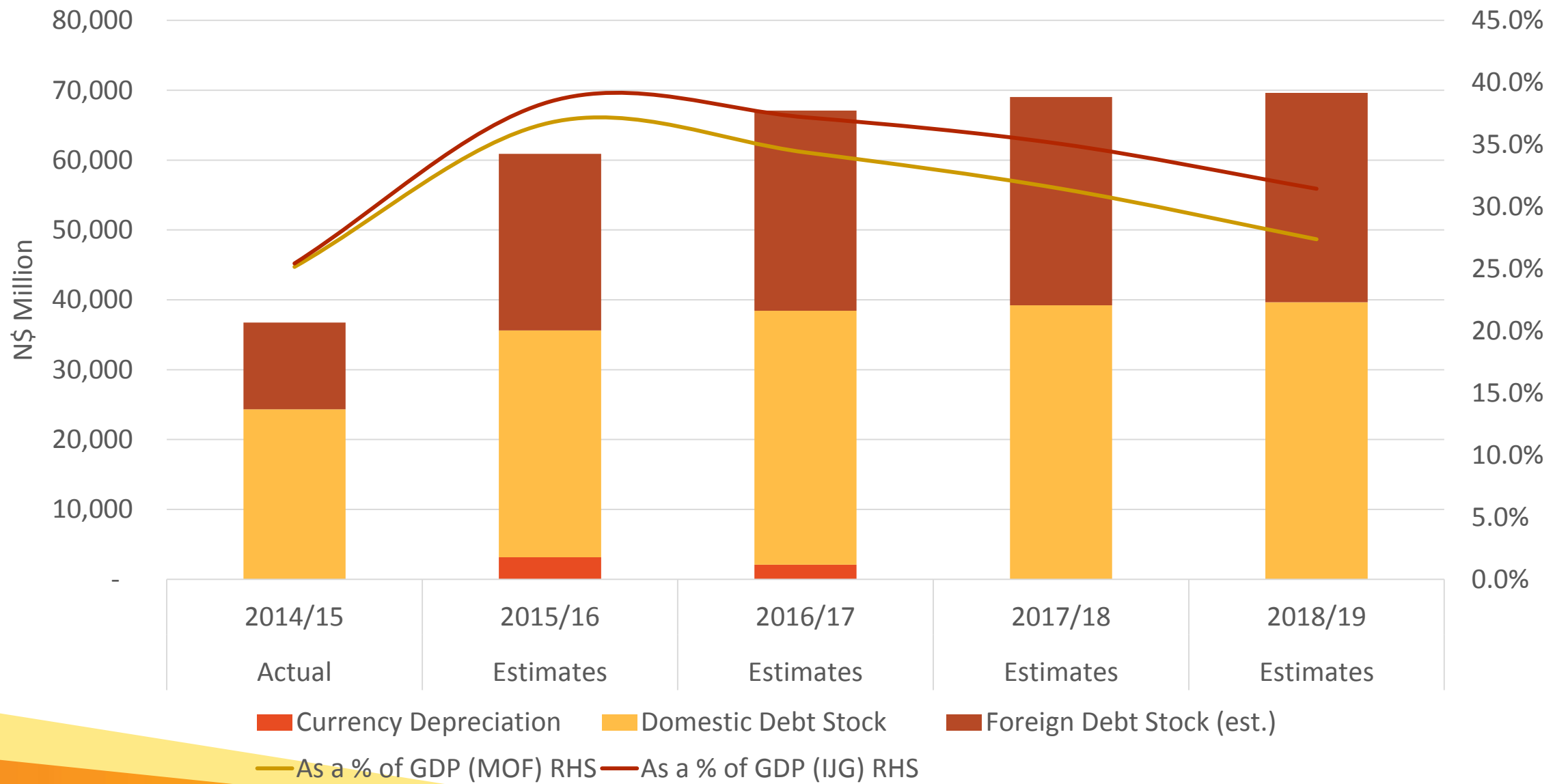
# DEFICIT FORECASTS VS. ACTUAL



# DEBT STOCK FORECAST



Debt Stock



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# ASSESSMENT

## How do we fare?

# GROWTH & EMPLOYMENT

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## What is being done:

- Sizable direct employment by Government
- Historic stimulus key driver of recent growth.
- Government remains key player in the local economy

## What more needs to be done:

- Desperate need to move away from Government creating jobs/growth, to Government facilitating the creation of jobs/growth.
  - Improved business environment
  - Improved access to services
  - Improved education
  - Less red tape
  - Less pernicious legislation/regulation

# INTERNATIONAL INVESTMENT RATING

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## What is being done:

- Notable efforts made to bring expenditure under control.
- Efforts seen to reduce deficit and control debt stock.
- Foreign bond issuance to support external position.

## What more needs to be done:

- BON – needs to take external position mandate more seriously.
- Efforts needed to extend duration (zero net TB issuance).
- Foreign currency debt still desperately in need of hedging.
- Further constrain on spending, caution on forecasts
- Infrastructure provision

# PROVISION OF KEY SERVICE INFRASTRUCTURE



What is being done:

- **CAN Water**

- Artificial recharge of the Windhoek aquifer **N\$343.8 million in 2017/18 and 2018/19**
- Bulk Water Supply – **N\$156.5m in 2018/19**, N\$3.5 billion thereafter.
- **Nothing in 2016/17** – high probability of 30% water supply to CAN from September – **ECONOMIC AND SOCIAL DISASTER.**

- **Energy**

- No allocation to NamPower
  - Full costs of emergency power to be passed through to consumers?

- **Road, Rail**

- Notable allocations to both key road and rail infrastructure.

## What more needs to be done:

- All stops need to be removed to provide immediate funding for CAN water.
- Funding needs to be made available for NamPower should energy prices increase as a result of poor planning by SOE monopoly.
- Improved maintenance of current infrastructure.
- Sell off non-core assets and infrastructure (and use funds for new, core, infrastructure)

# SOCIAL SUPPORT, POVERTY REDUCTION AND (SUSTAINABLE) REDISTRIBUTION



## What is being done:

- Sizable increases in social spending.
- Pensions increased by 10%.
- Transfers to food banks
- New Ministry established
- “War on Poverty”
- “Solidarity” Tax

## What more needs to be done:

- Better utilization of current budget funds
  - Improved access to housing – best redistribution to give each Namibian family serviced land.
  - Improve quality of healthcare
- BIG?



# HOUSING

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## What is being done:

- NHE allocated N\$100 million in 2016/17, nothing thereafter
- Habitat, Research and Development Centre N\$300m in 2016/17, N\$1.2 billion across MTEF.
- Small allocations through development budget (Whk – N\$10 million in 2016/17 etc.)
- Other PPP projects.

## What more needs to be done:

- Can, and should, provide free serviced land to every Namibian family, funded through the budget.

# EDUCATION AND HEALTH

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## What is being done:

- Large budget allocations to both education and health.
- Notable spend in development budget, looking to improve coverage.
- Notable increases in maintenance .
- Large transfers to SOEs.

## What more needs to be done:

- Radical change in system needed.
- Focus on quality improvement at all costs.
- Private sector involvement (education in NEEEF – genuine empowerment?).

## OTHERS

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### What is being done:

- Huge budget allocations to Defence (not just for employment)
- Huge allocation for “ivory tower” parliament buildings
- Huge allocations for Government offices (+-N\$12bn of projects in Development Budget)
- Many wasteful, non-productive projects.
- Huge personnel costs
- Large transfers to SOEs

## WHAT MORE NEEDS TO BE DONE:

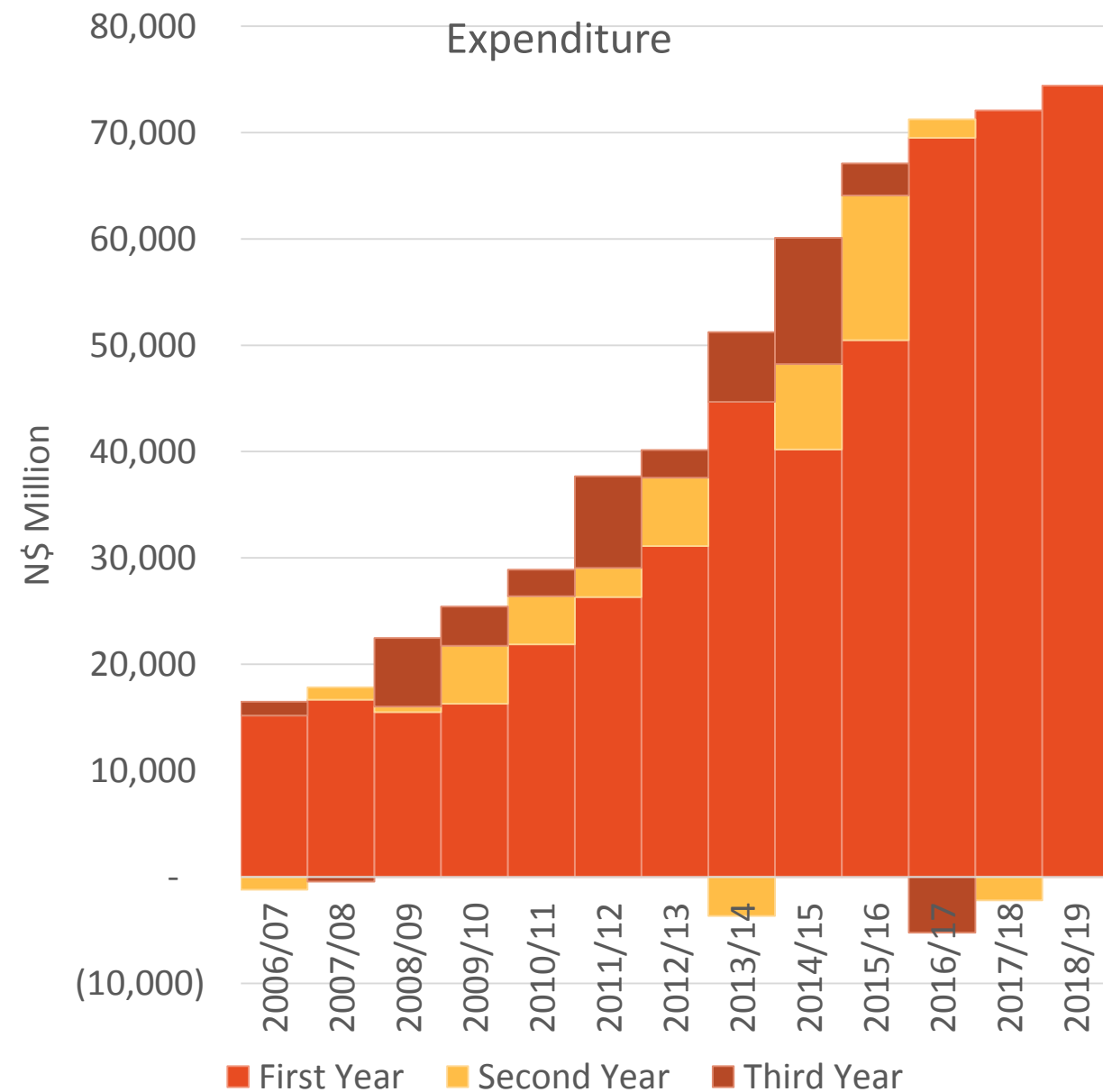
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- Capping of Defence spending at current levels; reduction in development budget expenditure; REMOVAL OF ALL NEW MILITARY BASE PROJECTS; involve Defence Force in current priority projects (i.e. land servicing and poverty reduction) so as not to have to employ more people.
- SCRAP NEW PARLIAMENT. Upgrade, renovate and maintain current parliament (as budgeted for); spend “savings” on housing Namibia.
- Moratorium on all new Government offices; budget to improve use of space, renovation and maintenance; full audit of current Government assets.
- Scrap current non-productive development budget project; conduct proper appraisals of all future projects; reroute funds to key infrastructure projects (WATER, road, rail, energy etc.)
- Cap civil service at current levels; conduct (credible) HR needs assessment, don't refill unnecessary positions; encourage movement within Government, freeze positions once vacated unless critical.
- Demand that all SOE's have annual audits; conduct (credible and transparent) cost benefit analysis for Air Namibia.

# BUDGET PROCESS



- The budget shows hallmarks of being a rushed, excel exercise.
- There remains a notable disconnect between priorities (speech, NDP4, V2030) and expenditure.
- N\$210bn envelope – has enough attention and expertise been seen?
- Budget cycle and planning cycles misaligned.
- Little feedback on spend quality- little M&E



## CONCLUSIONS

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- Definite moves in the right direction, but still much to be done.
- Minister to be commended on efforts to date.
  - Reducing expenditure challenging politically.
  - Slow improvement in alignment of budget to priorities.
    - Allocations to rail and road
    - Some allocations to water
    - Improved allocation to maintenance
    - Still large allocations to education and health – quality still worrying
- Greater spend needed on key infrastructure, poverty reduction and housing.
- Less spend needed on parliament, offices and Defence (amongst others).
- Tough decisions needed on wage bill, civil service reform and SOEs.
- Incredibly difficult to maneuver with current budgeting approach. Rolling 3 year MTEFs remain a disaster.

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Thank you

Questions?

## FINAL POINTS:

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- Regulation 15, 28
- Listing of SOEs
- Infrastructure bonds and funds
- Solidarity tax
- NEEEF