
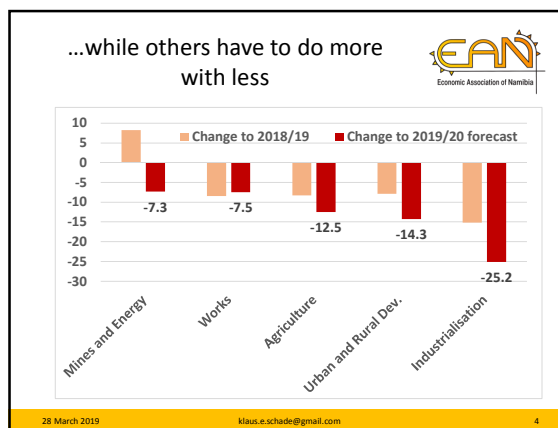
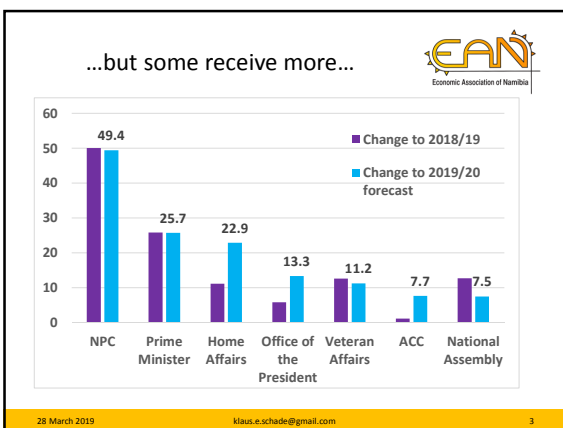
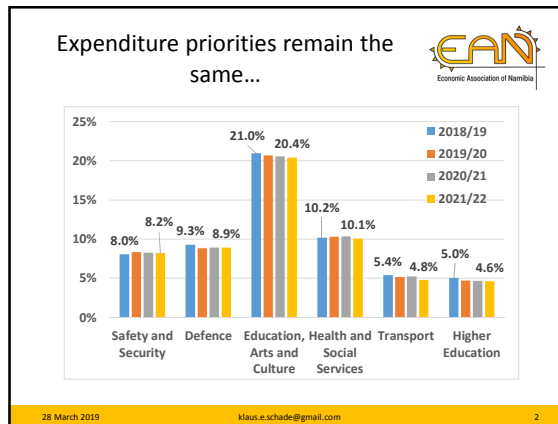



## MTEF 2019/20 to 2021/22 – First impressions

A presentation by Klaus Schade  
at the Parliamentary Standing Committee on  
Economics and Public Administration & Friedrich  
Ebert Foundation meeting  
28 March 2019

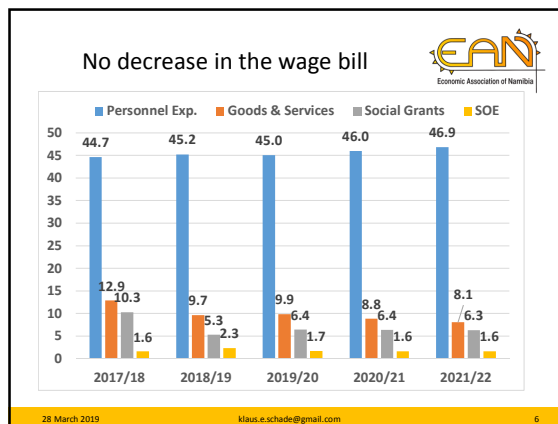



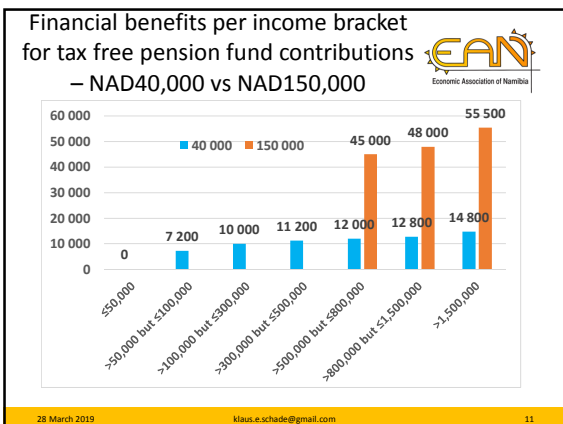
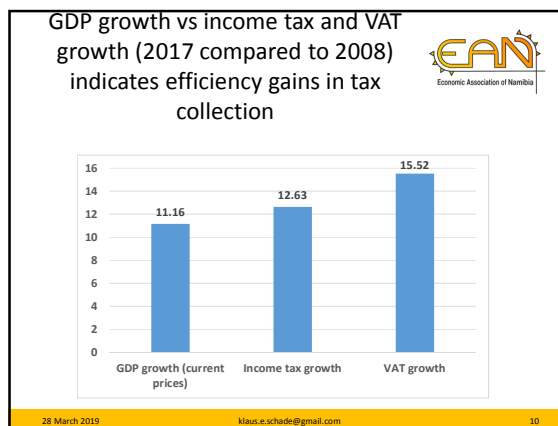
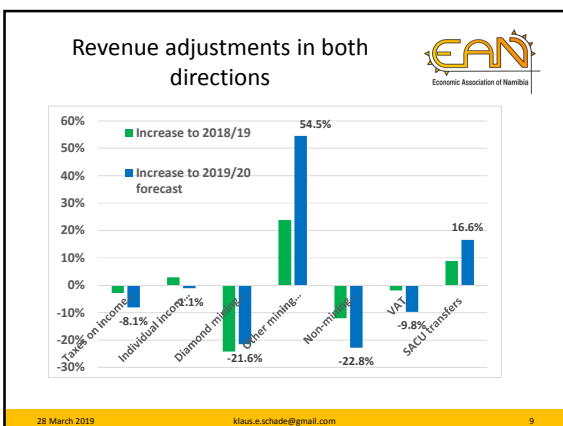
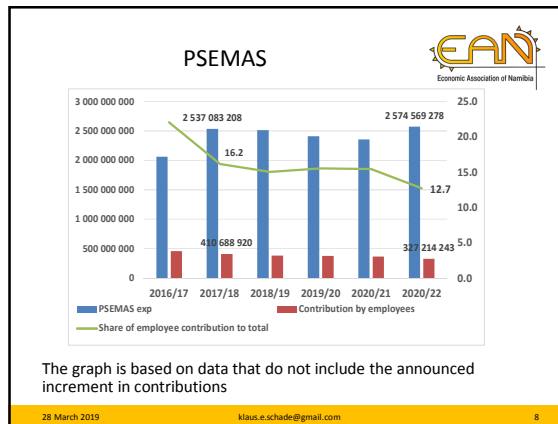
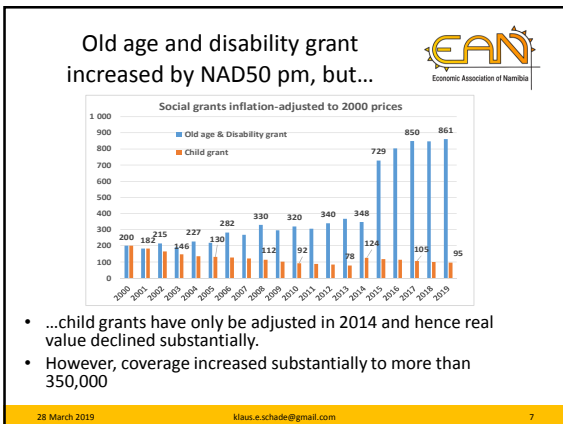
### Allocation by vote - summary



- Education receives highest share, but declining by one percentage point over MTEF.
- Defence continues to absorb more resources than safety and security, although internal safety is more of concern.
- Increased allocation to OPM likely to be linked to Emergency Disaster Fund.
- Decline in allocation to MAWF, MITSMED could be linked to cuts in transfers to PEs. Ministries are crucial for achieving development objectives (green scheme, Growth@Home, etc.)
- Allocation to Electoral Commission remains at high level over whole MTEF period, although elections held FY2019/20.

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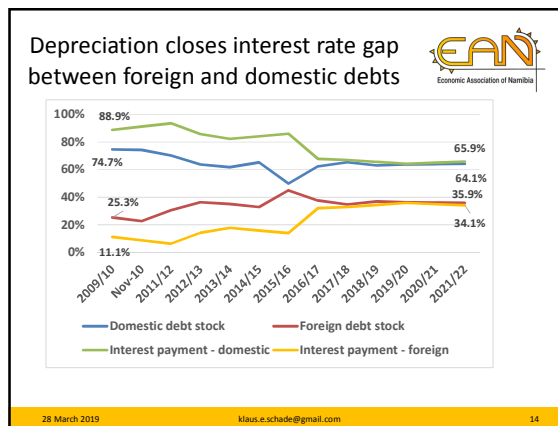
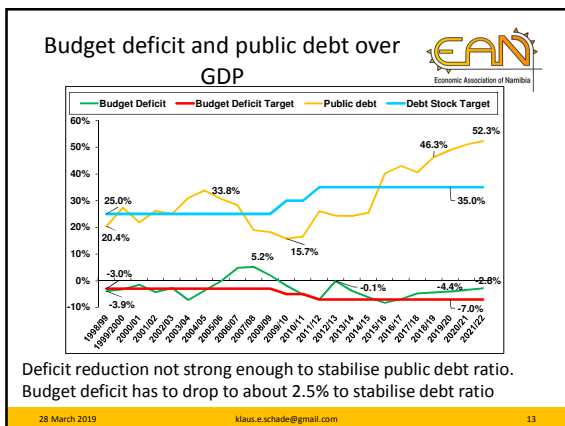
### Progressive tax system, but

...regressive components, since high-income earners benefit more from tax-free allowances due to higher marginal tax rate:

- Replace tax-free pension contributions with equal tax credits for all income tax payers
- Replace current tax-free pension fund pay-out scheme with maximum tax-free amounts
- Terminate other tax-free allowances (housing, car) that have the same effects

=> These measures would strengthen purchasing power of low income earners, strengthen their social safety net and increase demand in the economy.

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- ### Conclusions
- Increased allocation to capital expenditure will stimulate domestic economy if projects are implemented speedily. Efficient functioning of CPB needs to be ensured.
  - More realistic deficit and debt forecast than in previous MTEFs, but FY2021/22 might still be optimistic. To stabilise debt ratio, deficit has to be reduced to about 2.5% of GDP.
  - Public wage bill remains 'sticky'. Thorough Public Sector required to right-size OMAS, PEs, and other public entities.
  - Likewise, transfers to PEs expected to remain on same level.
  - Prioritisation not only between ministries, but also within.
  - Reform PSEMAS: Percentage contribution instead of flat rate, would reduce burden on low-income earners
  - Phase out zero-rated VAT for other food items (not only sugar) that do not mainly benefit intended beneficiaries (the poor).
  - Improve business climate in order to attract investment (E-Government, red tape)
  - Address policy uncertainties (no mention of NEEEF in the budget)
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### Thank you for your attention

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