



Republic of Namibia

Budget Statement For the 2003/04 Budget

Presented by the
Honourable Nangolo Mbumba,
Minister of Finance

6 March 2003

Opening remarks

“Nations, like plants and human beings, grow. And if development is thwarted they are dwarfed and overshadowed.”

Claude McKay (1889 - 1984), Jamaican poet

1. **Mr. Speaker, Honourable Members** of this August House, our constitution places a duty upon Cabinet to formulate, explain and assess for the National Assembly the Budget of the State. We have spent some months making our assessments and formulating our Budget. I shall now attempt, in a rather shorter time, to explain.
2. Namibia is a beautiful country with huge potential. I ask you to imagine our country as if it was a garden. Think of the government as responsible for taking care of the garden, making sure that it grows and flourishes.
3. Think of our economic environment in terms of the weather. Sometimes the sun shines and the rains are plentiful. However, when the weather is unfavourable, the gardener must work even harder to ensure that the plants continue to thrive.
4. The secret of gardening involves knowing when to cultivate the plants, and when to step back and let nature take its course. Too much interference may stifle the natural

diversity and vitality of the garden, but with too little attention the plants are likely to wither.

5. It is my belief that the Budget I am presenting today strikes a balance between two opposing forms of fiscal policy: interventionism, on the one hand, and laissez-faire on the other. We are providing government support for important development projects and initiatives. At the same time we are encouraging the active engagement of civil society and the private sector to work in partnership with government to achieve our country's development goals.
6. Mr. Speaker, my Budget Statement for the financial year 2003/04 sets out some of the policies, programmes and projects we are implementing to help us achieve growth and prosperity for all our people. These include:
 - tax relief measures;
 - new initiatives on poverty alleviation and employment creation;
 - policies to stimulate economic growth and development;
 - initiatives to promote political decentralisation; and
 - measures to combat the spread of HIV/ AIDS.
7. As background to these policies, I will describe the performance of our economy, our prospects for growth, and recent fiscal developments. But, first let me give a brief assessment of the global and regional economic climate.

Global and Regional Economy

8. The past three years has been a period of serious instability in the global economy. The world's major stock markets have fallen to six-year lows, corporate accounting malpractices have shaken investor confidence, and oil prices have climbed steadily. In this climate of uncertainty, growth in the world's largest economies has remained sluggish.
9. Global economic performance is expected to improve during 2003, but there are a number of factors that could threaten the fragile recovery. The United Nations, in a recent report entitled *World Economic Situation and Prospects 2003*, warns that a prolonged depression in major equity markets could trap the global economy in a period of low growth and even send it into a full-blown recession. The current geopolitical situation focused on the Middle East and North Korea also presents major risks.
10. At the regional level, economic conditions have likewise been unfavourable. Instability in the global currency markets contributed to the sharp depreciation of the South African Rand/ Namibia Dollar at the end of 2001. This depreciation, combined with rising oil prices and widespread drought in the SADC region, resulted in high levels of inflation and interest rates during 2002.

11. Although a small player in the global economy, Namibia cannot disregard what is happening on the world stage. With many financial and trade links to markets in Europe, the United States of America and Asia, and a reliance on the export of primary commodities, our economic performance is directly affected by world events. Regional developments also impact forcefully on Namibia, particularly because of our close monetary and trade ties with South Africa.
12. However, we should not use the unfavourable economic climate as an excuse for domestic underperformance. Rather, it should act as a spur for us to press ahead with economic reform and urgent social initiatives. We have set ourselves ambitious goals for growth and development in the second National Development Plan and Vision 2030. If we are to meet these goals we must reinvigorate and strengthen our economy.

Economic performance and prospects

13. Mr. Speaker, the Namibian economy has proved resilient to the worst effects of the global economic downturn. The economy has continued to show stable and positive growth in recent years. GDP increased on average by 2.9 percent between 2000 and 2001. Our latest projection for 2002 is 2.8 percent growth. But, we can do better and, indeed, we must improve our growth performance if we are to achieve Namibia's Vision 2030.
14. I am pleased to report that the macroeconomic prospects for Namibia are encouraging. We are forecasting higher GDP growth over the next three years, largely driven by growth in the mining sector and expansion of manufacturing activities, including base-metal smelting and textiles manufacturing. This indicates that the economy is becoming more diversified when compared to the previous decade, and also less reliant on government services. We are projecting average real GDP growth of 4.4 percent between 2003 and 2005.

15. The exchange rate has recovered strongly in recent months, which should lead to lower rates of inflation later in 2003. As regional shortages of maize and other cereals ease, we also expect food price inflation to fall. Two factors support this view: firstly, the national food supply position is currently satisfactory according to the latest bulletin from the Namibia Early Warning and Food Information System; secondly, the futures price of maize has recently fallen.
16. High levels of inflation, such as those experienced last year when rates peaked at 11.3 percent, affect all of our people, especially the poorest, so projections of falling inflation are most welcome.
17. We expect that the stronger exchange rate and improved inflation climate will allow for interest rate cuts in the next twelve months. Lower rates will benefit consumers and businesses, by reducing the costs of borrowing and making investment opportunities more attractive. The stimulus provided by higher levels of consumer spending and investment should help to offset some of the negative effects of the continuing global economic downturn.
18. The Bank of Namibia is currently analysing the potential impact of recent changes to the South African exchange control regime. On the basis of this assessment, the Bank will determine the desirability of introducing similar

changes in Namibia. An announcement is expected from the Bank in due course.

Performance by Sector

19. The stability of our economy should be credited to the hard work of people employed in our large organisations and small firms, in our private companies and public enterprises, in our cities and rural areas. Whether they are agricultural labourers or financial whiz kids, the contribution they make to our country's economic development is recognised and applauded by this government.
20. The recent performance of the primary industries has been variable because of unfavourable climatic conditions and fluctuating commodity prices. However, the primary industries are expected to show strong growth over the medium term, mainly driven by the expansion of mining activities.
21. Agriculture continues to play a key role in the Namibian economy, not least in terms of employment. The sector has experienced a difficult couple of years with drought conditions and falling international meat prices. However, a number of government initiatives are currently being implemented to diversify agricultural activities and build on Namibia's comparative advantage in sectors such as grapes, dates, ostrich meat and cotton. Examples of such projects include:

- the National Horticultural Initiative, designed to support farmers in well-watered areas and encourage food self-sufficiency; and
 - the Date Production Support Programme, which aims to establish high quality commercial date plantations and develop national capacity. We are forecasting a significant increase in date exports in 2003, especially to the UK and France.
22. In addition, the government is supporting irrigation projects on the Okavango river, to improve agricultural productivity, and in the southern part of the country, to increase grape production. And, we are promoting rural development by stepping up veterinary services in communal farming areas.
23. Government is also providing assistance to ostrich farmers to stimulate the development of a profitable and sustainable export industry. Namibia is expected to slaughter 30,000 birds in 2003, making it the second largest ostrich-meat producing country in the world after South Africa.
24. The performance of the fishing sector has fluctuated widely in recent years. Output contracted by 2.6 percent in 2001. However, the sector's future looks promising. Total landings for 2002 are expected to show a 7 percent increase compared to the previous year. Fish export

proceeds are also expected to improve. Government intends to support new enterprises that utilise high-value species such as kob, hake, rainbow trout, scallop, mussel and rock lobster. These ventures will increase the variety and quality of produce for export markets

25. The mining and quarrying sector is expected to be the driving force of economic expansion over the medium term, despite a possible decline in diamond production due to mine closures. High growth projections are based on major projects such as the Skorpion zinc at Rosh Pinah in the Karas region. Increased output from the Ongopolo copper mine in the Oshikoto region, slightly firmer prices for uranium, and the high gold price are also expected to provide a boost for the sector.
26. The secondary industries showed strong growth in 2001, largely driven by the construction sector. We are forecasting above-trend growth over the next three years with the expansion of food and beverage manufacturing, textiles and base-metal smelting activities.
27. The manufacturing sector, one of the largest sectors in the economy, is projected to show healthy growth driven by garment manufacturing, copper and zinc smelting activities, and improved access to the Angolan market for beer and soft drinks producers.

28. Meat processing is also expected to expand at a higher rate than in recent years due to efforts by government to improve standards and output of abattoirs and to encourage farmers to sell their animals directly to local abattoirs for onward sale to foreign markets, instead of exporting live animals.
29. After an exceptional year for the construction sector in 2001, latest projections show a slowdown during 2002. However, the sector will receive a boost in the near future from work on major projects such as the extension of the Northern Railway line from Tsumeb to Oshikango, the construction of the new State House, the resurfacing of the Kongola-Katima road, and the westward extension of the Trans-Caprivi highway.
30. The water and electricity sector has recently shown reduced levels of growth. This is attributed to poor rainfall that led to low domestic production of hydro-electricity and resulted in the need to import electricity from South Africa and Zambia. The performance of this sector is expected to improve if NamPower begins supplying electricity to Angola and Botswana. Higher demand for water and electricity services from textiles factories and Skorpion Zinc mine should also increase growth in the sector.
31. The tertiary industries showed positive growth across all sectors in 2000 to 2001, averaging 3.4 percent. This stable

performance is expected to continue over the medium term.

32. Tourism is important to Namibia's economy and it provides a means of improving livelihoods in remote areas where there are few economic opportunities. Tourism is contributing more value to the economy, as evidenced by the strong recent performance of the hotels and restaurants sector. Tourist numbers have also risen. During 2001, there were over 861,000 foreign visitors to Namibia, an increase of 13.5 percent on the previous year. With peace in Angola, we can expect a further growth of tourism, especially in the northeastern regions.
33. The moderate increase in government services is due to the envisaged employment of ex-combatant in the police force as well as tourism related activities. Government Services, the largest single contributor to GDP, is expected to continue to record steady annual growth of about 3 percent in 2003.

Fiscal Policy Developments

34. Allow me now, Mr. Speaker, to describe government's recent fiscal performance and to indicate some of the challenges that we have faced.
35. Total government revenues, grants and loans have increased in line with GDP growth during the past few years. As a proportion of GDP, government revenues have remained stable, averaging about 33 percent.
36. Taxes on international trade, which consists primarily of revenues from the Southern African Customs Union (SACU), declined as a percentage of GDP in the last financial year. However, higher revenues from profit taxes offset this decrease. The increase in taxes on income and profit was mainly the result of a significant increase in tax collection from the diamond-mining sector, which benefited from the exchange rate depreciation at the end of 2001.
37. A major reason for the relatively high levels of government expenditure in Namibia since independence, when compared to other countries, is government's commitment to widen access to education and health facilities. In addition, government has recently been faced with growing fiscal pressure stemming from higher wage bills for public servants and increased transfers to public enterprises. Estimated expenditure stood at 35.7 percent of GDP in 2002/03.

38. On the subject of state-owned enterprises, Mr. Speaker, we recognise that it is essential to expedite the reform process we have started to ensure their effectiveness, efficiency and self-reliance. We are also going to put considerable emphasis on improving adherence to corporate governance principles.
39. The estimated budget deficit for 2002/03 shows a marked improvement on the previous year. The budget deficit reached 4.3 percent of GDP in 2001/02. The budget deficit for 2002/03 was forecast at 3.8 percent in last year's Revised Budget. I am pleased to inform the House that based on actual tax collection data for the financial year to date, this figure has been revised downwards even further. The budget deficit for 2002/03 is now expected to be closer to 3.1 percent of GDP.
40. The recent increase in government debt has been driven by two factors: the financing of budget deficits and higher levels of foreign borrowing. Foreign debt has increased sharply during this financial year, causing a deterioration of the estimated debt to GDP ratio. At the end of 2002/03, total government debt is expected to reach 27.9 percent of GDP, up from 24.1 percent in the previous financial year.
41. In order to limit the exposure of government and state-owned enterprises to future exchange rate risk on loans denominated in foreign currency, the Ministry of Finance is

engaged in a major exercise to refinance foreign loan commitments into local currency, where it is possible and appropriate to do so.

42. Government issues loan guarantees to State Owned Enterprises, parastatals and the private sector where it is deemed to be in the public interest, in order to encourage economic development and support social projects. To address the issue of loan guarantees and government's borrowing strategy more generally, the Ministry of Finance is currently working with the Bank of Namibia on a comprehensive debt management strategy.

Policies underpinning the budget

43. Mr Speaker, the government is committed to ensuring that expenditure decisions continue to represent the most effective and efficient use of scarce public resources. This means that:

- firstly, wherever possible we should examine solutions that do not involve increases in expenditure;
- secondly, resources should be focused on our development priorities; and
- thirdly, where our people require emergency assistance, the government is duty-bound to help.

44. We have adopted a modern and sophisticated approach to financial management in Namibia in order to achieve these objectives. The underlying principle involves linking allocation decisions to expected outcomes. As part of the Medium Term Expenditure Framework, the Performance and Effectiveness Management Programme provides the data to help us to achieve this.

45. Of course, examining policy alternatives, their sustainability, and their impact on society is no trivial matter. It involves the use of complex analytical tools and frameworks to support them.

46. I said last year that we would develop new Medium Term Plans for each Ministry. The objective of those plans was

to enable us to focus resource allocations more clearly on our development objectives. They will help determine priorities by examining the effectiveness of programmes and organisations. We successfully piloted the Medium Term Planning approach in a number of Ministries during 2002/03 and we are intending to extend the approach across all Ministries.

47. Today, I am announcing a further series of initiatives designed to improve efficiency and financial management in the public service.

- Firstly, government intends to launch a series of studies, aimed at areas of substantial public expenditure. Those studies will examine the extent to which changes in existing practices could free up resources for more developmentally beneficial purposes.
- Secondly, I expect the Corporate Governance Agency to come into operation this year. The new Governance arrangements should prevent the need for future bail-outs of ailing parastatals.
- Thirdly, the Ministry of Finance is putting in place a new, state-of-the-art Integrated Financial Management Information system together with a Payroll Deduction Management System. These systems are both designed to improve the management of public finances.

48. The full benefits of the financial management approach we have adopted will only be felt if the resources are actually used for the purposes intended. That means Ministries must not:

- spend monies in excess of those Voted by Parliament, since this will jeopardise the sustainability of our development efforts;
- under-spend without surrendering surplus resources well before the end of the financial year, since under-spending ties up monies that could otherwise have been beneficially spent elsewhere; or
- divert monies intended for one purpose to some other use, simply to cover for poor budgeting and financial management.

49. The Ministry of Finance has reminded all Accounting Officers of the importance of maintaining financial discipline. However, I would like to take this opportunity to seek the cooperation of all Honourable Ministers in reinforcing this message within their respective Ministries and Agencies.

Progress to date

50. I will now give a brief overview of progress to date on some of the announcements that I made in my Budget Statement last year.
51. I mentioned that a major task was to ensure that Performance and Effectiveness Management Programme data was produced and used effectively. This year, for the first time, we have received performance data from line Ministries and used it as the basis for our expenditure decisions.
52. In last year's Budget, we allocated initial capital for the Namibia Development Bank. I am pleased to be able to announce that the Board of Directors for the Bank has been appointed, and that the Chief Executive Officer will be appointed in the near future. The plan is for this institution to start its operations in the shortest possible time.
53. I also announced a comprehensive review of the taxation system in last year's budget. This thorough and wide-ranging review is now completed and has recently been approved by Cabinet.

Tax and customs policy

54. We have conducted a thorough assessment of the prevailing economic climate, the macro economy, and the findings of the recent tax review. On the basis of this assessment we are planning to implement the following changes to the taxation system for the budget year 2003/2004:

- the revision of tax rates for individuals which entails: an increase in the threshold from which tax will be levied from N\$ 20,000 to N\$ 24,000; a maximum rate of 35 percent applicable to taxable incomes exceeding N\$ 200,000; and, a marginal reduction of the rates for each of the brackets in between;
- the introduction of anti-avoidance rules, inter alia to address Transfer Pricing and Thin Capitalisation;
- the reduction and simplification of Transfer Duty rates; and
- the introduction of a Tax Tribunal to handle “lower value” tax cases so as to expedite the finalisation of such cases and to relieve the burden on the Ministry of Justice.

55. Regarding customs policy: SACU member countries signed a new agreement in October last year, which includes a new revenue-sharing formula which is likely to come into effect in 2004/05. The new agreement has been

tabled in Parliament for ratification. As I announced in my Revised Budget Speech, member countries also agreed that SACU's first ever headquarters will be situated here in Windhoek.

Policy Priorities

56. Mr. Speaker, I will now highlight our policy priorities and objectives for this financial year.

Poverty Reduction

57. Mr. Speaker, we are all aware of the continuing problems of poverty and inequality in this country. That is particularly the case amongst the elderly, children and other vulnerable members of our society. Whenever additional resources become available, they must be our priority.

58. The Government of Namibia has adopted a Poverty Reduction Strategy that aims to lift our poorest citizens above the poverty line. Although notable progress has been achieved, more efforts are still needed in order to reduce significantly the current poverty levels in both urban and rural areas.

59. The degree of inequality in the distribution of incomes in Namibia remains one of the highest in the world. The current skewed nature of the income distribution is unacceptable. Our fiscal policy should always be focused on achieving the twin objectives of increasing national income and redressing these inequalities.
60. A backlog of 17,369 applicants for the social pension has built up at Ministry of Health and Social Services. It cannot be right that some of our elderly, who are entitled to a pension, are not receiving the monies due to them. Cabinet has, therefore, made additional resources of N\$ 117 million available to eliminate that backlog and to ensure that, in future, all pensioners receive the payments to which they are entitled.
61. Cabinet has agreed to set up a dedicated fund for orphans. Details on the size of the fund and how it will be financed in the long-term through the taxation system are still being finalised. However, Cabinet has allocated N\$ 250,000 in this year's budget to get the scheme off the ground.
62. Landlessness remains a major problem and potential cause of discontent in this country. We are therefore, proposing to increase the monies available from N\$ 20 million per year to N\$ 50 million this year in order to accelerate the land acquisition and resettlement

programmes. The Government will require support of all stakeholders in the national land redistribution endeavour.

63. A further problem facing this country is crime and the fear of victimisation by crime. Not only does crime drive away legitimate business and damage the nation's reputation; it impacts hardest on the poorest of our citizens who are unable to afford insurance or private security. Additional resources have therefore been allocated to fight crime through: the provision of additional police stations and training facilities; an automated fingerprint identification system; and, the new influx control system. We look to the forces of law and order to demonstrate real improvements as a result of these additional budgetary allocations.

Employment Creation

64. Employment creation is a key national priority. As a government, we are implementing a range of policies and programmes to support employment growth.
65. The Namibia Development Bank will fund important development projects, such as the extensive programme of road and rail improvements that is currently underway. These projects will enhance the ability of the country to provide the infrastructure that business needs in order to thrive. The Bank will also stimulate growth in the economy through the business and employment opportunities which

those projects create. We are making N\$ 125 million available in this budget for equity participation in the Bank.

66. The government is increasing its support for waterfront developments at Katima Mulilo and Henties Bay. When completed, these projects will transform the economic face of these towns. The benefits will be felt in economic growth and employment creation for years to come.
67. Tax incentives and free-trade agreements continue to attract foreign direct investment into Namibia. Foreign Direct Investment (FDI) inflows increased in 2001 owing to the establishment of new ventures in textiles and leather manufacturing; zinc processing; and diamond cutting. During the course of 2001 these new ventures collectively generated over 10,000 jobs. The Ramatex venture has been particularly successful, leading to the creation of over 3,000 jobs to date.
68. The government is supporting major development programmes including the labour-based work and food-for-work schemes. The successful implementation of these schemes will have a considerable impact on job creation, particularly in the rural areas where unemployment remains a pressing problem.

Economic Growth

69. Mr Speaker, government's objectives are to achieve and sustain economic growth while ensuring that all Namibians have the opportunity to benefit fully from economic development.
70. The new Competition Act will stimulate the domestic economy by promoting vigorous and healthy competition. Under the terms of the Act, price-fixing and other anti-competitive business practices have been made illegal.
71. In order to promote economic growth we are providing significant new funds to support:
- the creation of industrial parks, to help develop new business centres; and
 - the extension of rural electrification and water supply networks, to stimulate economic development throughout the regions.
72. The government's overall spending programme for the year, combined with some tax relief measures is also intended to stimulate economic activity.

Development Initiatives

73. Mr. Speaker, the Second National Development Plan sets out our priorities, programmes and projects as far as development is concerned. For the sake of brevity, I will not dwell on those issues here. However, I would like to

inform the House about the recent Donor Round Table Conference held in Swakopmund.

74. The objective of the conference was to present the Second National Development Plan to our development partners and set out our medium term social and economic goals.

75. It was my honour to chair the conference on behalf of Honourable S. Kuugongelwa-Amadhila, Director General of the National Planning Commission. Although our development partners did not make additional financial commitments in Swakopmund, we did have fruitful discussions and exchanged useful information. We are looking forward to receiving further indications from donors about how we can work together in the future to drive forward Namibia's development objectives.

Decentralisation Policy

76. The policy of decentralisation we have adopted calls for the transfer of functions with accompanying personnel and finances to sub-national authorities. In order to achieve this objective, government has begun to develop comprehensive guidelines for the budgeting process to be followed by Line Ministries and Regional Councils for functions under delegation.

77. To increase political involvement across all regions of our country, the Electoral Commission has been allocated N\$ 45 million to promote the widest possible participation by

all our citizens in Namibia's electoral process this year and next.

HIV/AIDS

78. Mr. Speaker, the seriousness of HIV/AIDS and its impact on human welfare and our economy is unquestionable. My budget has therefore made provision for the allocation of further resources to the Ministry of Health and Social Services for the purchase of pharmaceuticals, to treat those infected with HIV/AIDS as well as other diseases. Meanwhile, we will continue with our campaigns aimed at HIV/ AIDS education and prevention.

79. I believe that, working together, we can begin to reverse the spread of HIV/ AIDS. Today, I issue this challenge to government and the private sector: let us find a way of cooperating to design a fund to which government, employers, and workers will all contribute to combat this disease. HIV/ AIDS affects us all. Let us prove that we are all committed to fighting it.

Human Capital Development

80. On the subject of human development, let me begin with a quote from Ashley Montagu, a British anthropologist:

"By virtue of being born to humanity, every human being has a right to the development and fulfilment of his potentialities as a human being."

81. We must develop Namibia's human resources, not only to ensure the maximum participation in economic activities by all sections of the population, but also to give people pride and self-respect. Improving educational opportunities for previously disadvantaged groups is a precondition for alleviating poverty and reducing inequalities in income.
82. Government continues to allocate more than 25 percent of its operational expenditure budget to basic and higher education. However, there is a need to identify fields of training such as engineering, science and technology where resources should be prioritised in order that supply of knowledge and skills in these areas can meet demand. The Human Capital Development and Knowledge Management Programme has been established to take these and other initiatives forward.

Medium Term Outlook

83. Mr. Speaker, in composing my overall Budget judgement, I am duly conscious of the challenges and responsibilities for spending our revenues wisely and prudently.

84. The government is committed to achieving macroeconomic stability through fiscal discipline. In order to guide fiscal policy making, government has set explicit targets for expenditure, the budget deficit and levels of national debt. These targets are:

- expenditure should be limited to 30 percent of GDP;
- the budget deficit should not exceed an average of 3 percent of GDP for the 2003/04 to 2005/06 period; and
- government debt should be limited to 25 percent of GDP.

85. Mr. Speaker, total expenditure is set to fall within the government's target of 30 percent of GDP by 2005/06. The budget provides for total expenditure of N\$ 12.3 billion for 2003/04, which represents 33.4 percent of GDP.

86. The sectoral allocations in the 2003/04 budget are as follows:

- Social Services N\$ 4,.3 billion (35%)
- Public Safety N\$ 1.8 billion (15%)
- Infrastructure N\$ 378 million (3%)
- Economic Sector N\$ 806 million (7%)

- Administrative Services N\$ 2.5 billion (20%)
- Salary Increases N\$ 303 million (2%)
- Statutory Obligations N\$ 984 million (8%)
- Development Budget N\$ 1.2 billion (10%)

87. Within total expenditure, government's contribution to the development budget stands at N\$ 1.2 billion in 2003/04. This represents a contribution of 63 percent of the total development budget. Our development partners, to whom I extend my heartfelt gratitude on behalf of the Republic of Namibia, have made commitments to provide the remaining 37 percent of the development budget.

88. We are forecasting a gradual increase in revenues over the next three years, despite lower SACU receipts, which are expected to decline because of reduced import duty tariffs and the new revenue sharing-formula. Improved revenue collection and strong domestic economic growth should ensure that total government revenues continue to increase steadily.

89. As a result of expenditure restraint, government expects to achieve significantly lower budget deficits. The projected deficit for 2003/04 is 3.0 percent of GDP. We are forecasting an average deficit of 3.1 percent between 2003/04 and 2005/06, which is marginally above government's target of 3.0 percent over the MTEF period.

90. Total government debt is expected to remain stable at approximately 27 percent of GDP over next three financial years. This represents a manageable level of debt and remains a low share compared to most developing countries.
91. In my closing remarks on the Additional Budget, I indicated that I hoped to be able to say something positive about public sector pay. I can announce that an amount of N\$ 303 million has been set aside for salary increases for Public Servants in 2003/04.

Closing remarks

92. Mr Speaker, in drawing this Budget Statement to a close, let me thank His Excellency, the President, Dr. Sam Nujoma, for his leadership and support in working towards achieving the country's development goals. I would also like to thank all those who helped formulate the Budget.
93. The Budget I am tabling today is the product of high level interaction amongst officials at the Ministry of Finance, the National Planning Commission, the Office of the Prime Minister and the Bank of Namibia, as well as the participation of Cabinet members.
94. Allow me to pre-empt some of criticisms that I may hear during our forthcoming debates:
- To those who will say that we should have been more generous – I sympathise. But, as Minister of Finance, I also have a duty to ensure that the country's public expenditure is sustainable.
 - To those who will complain about the continuing deficit and increase in government borrowing – I say, look at what we are trying to achieve and, if you can devise alternative strategies, please advise us.
 - And to those who think there are easy solutions to our country's problems, let me remind them that running the government's finances in today's world is a complex

undertaking, involving competing priorities and trade-offs.

95. Mr Speaker, I am grateful to my Cabinet colleagues whose expenditure restraint has enabled me to make some additional provision for priority programmes over the next years. I look forward to continued adherence to the ceilings we have set, in order that Namibia can move forward on its path to development, with a manageable and sustainable debt burden.

96. Lastly, Mr Speaker let me reflect on the subject of trust. The Namibian people have entrusted us with the great honour and responsibility of caring for the garden of Namibia. We have honoured that trust, even when it has meant taking painful decisions. I now place my trust in:

- the Public Service to implement our policies, programmes and projects and to improve its efficiency;
- the private sector to grow and expand and to do so in a socially responsible and sustainable way; and
- individual citizens to contribute to employment creation, increased productivity and economic growth in whatever way they can.

97. I am reminded of a story about a Japanese emperor who once asked his gardener to plant a tree. The gardener objected saying that the tree was slow growing and would

not reach maturity for 50 years. The emperor replied, 'In that case, there is no time to lose; plant it this afternoon!'

98. Mr. Speaker, we have no time to lose. I have outlined some of the policies, programmes and projects we are implementing in order to achieve our long-term development goals. Let us now, all of us, get down to work. I am confident that together we can see our country come into full bloom.

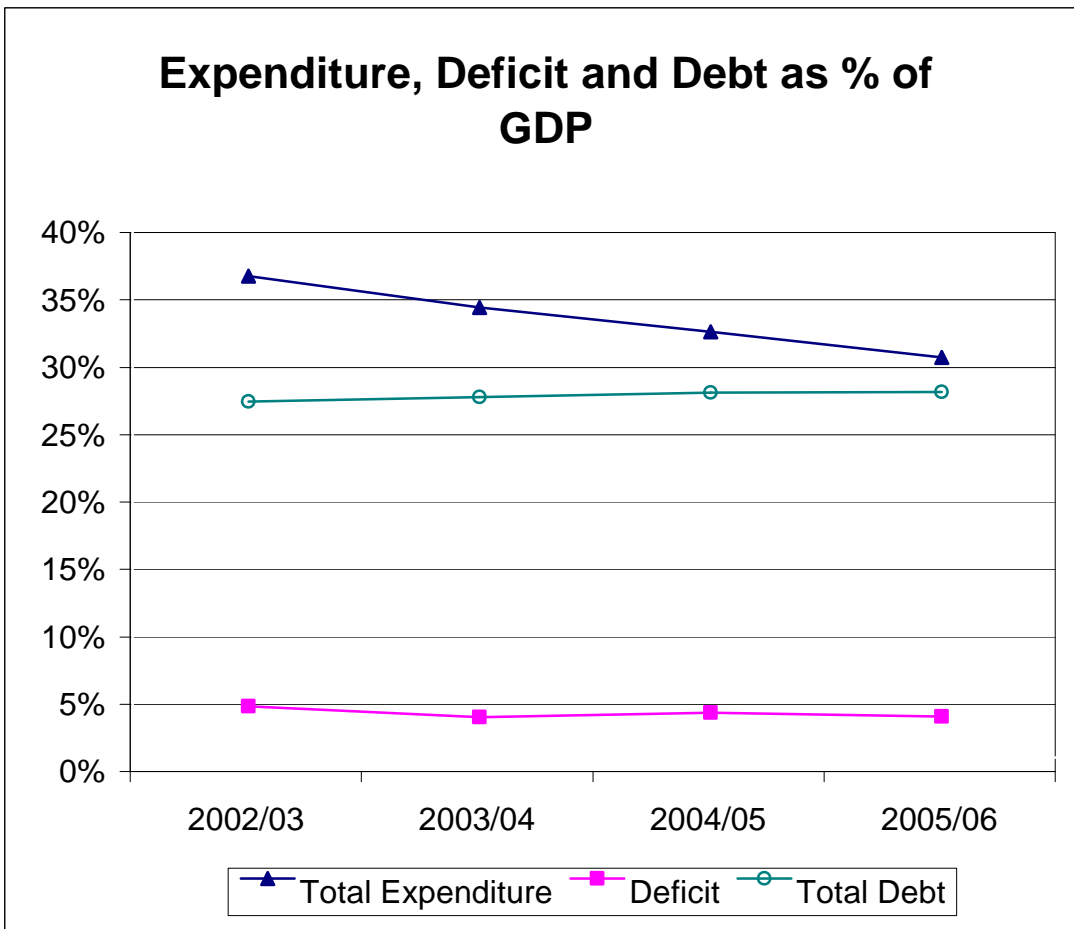
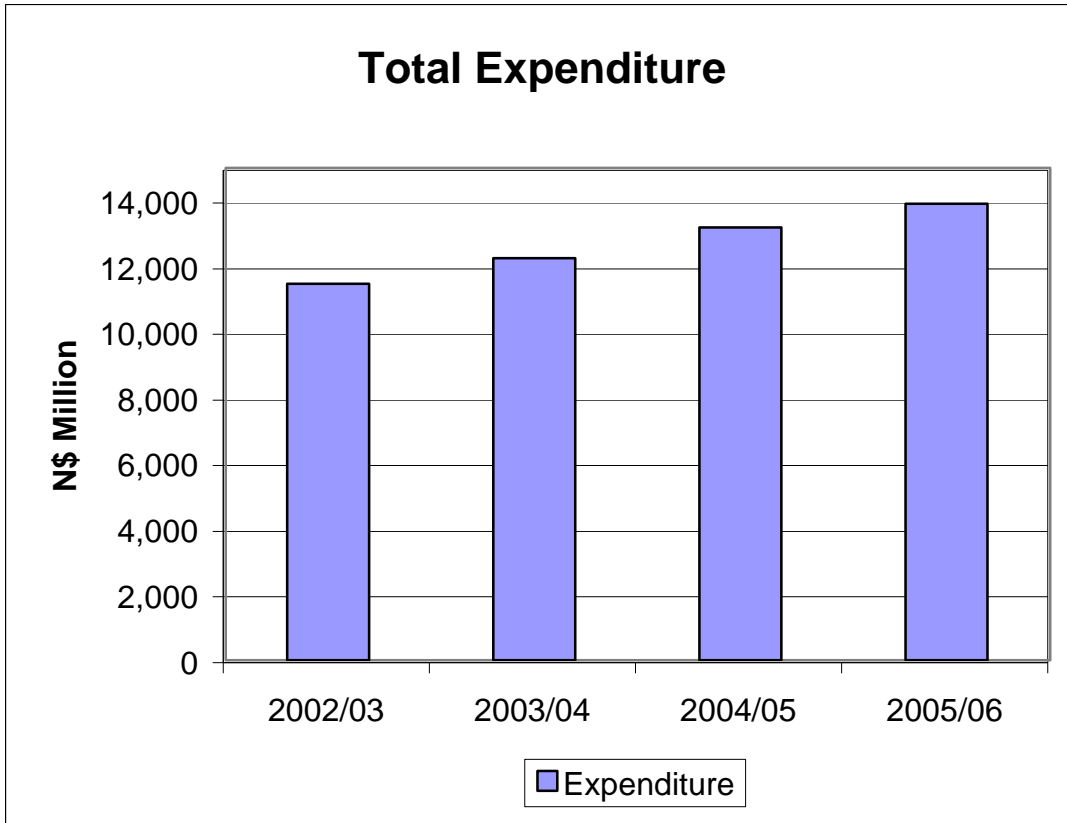
99. It is now my duty to move that the Appropriation Bill be read for a second time.

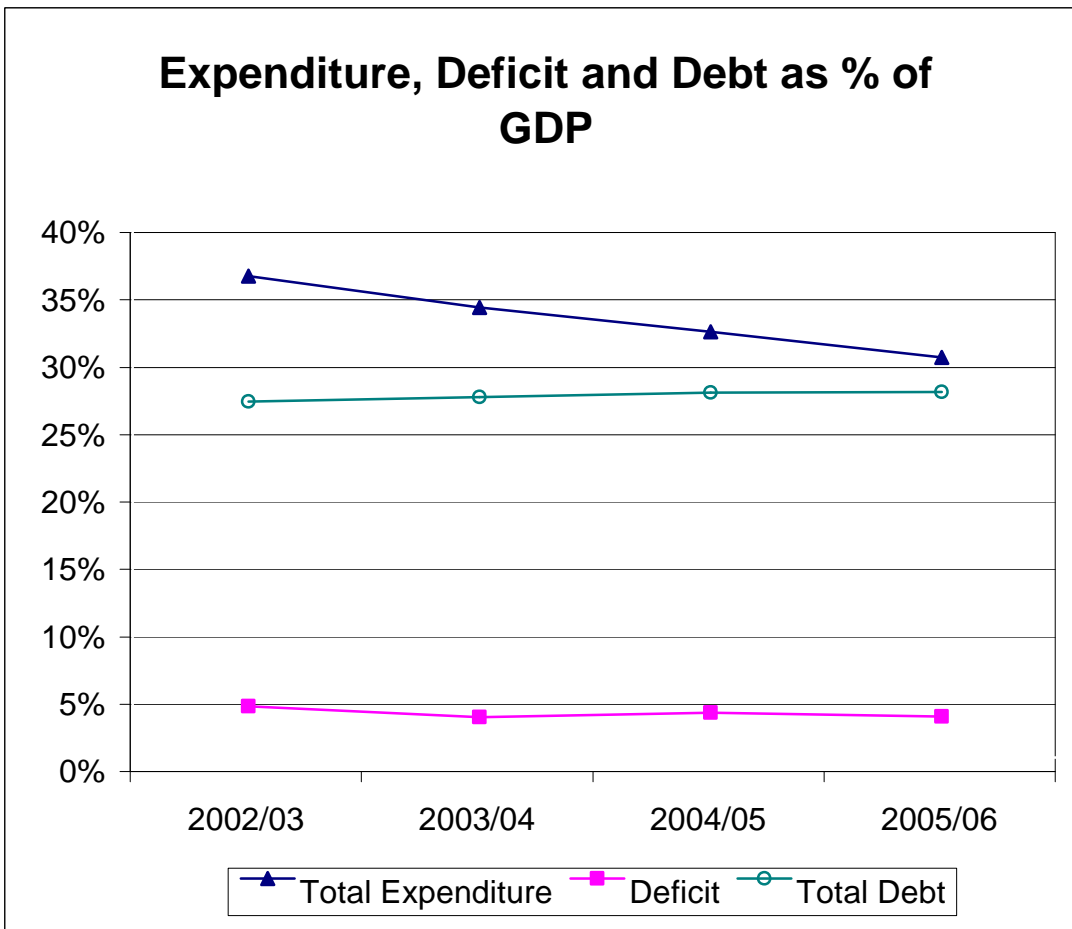
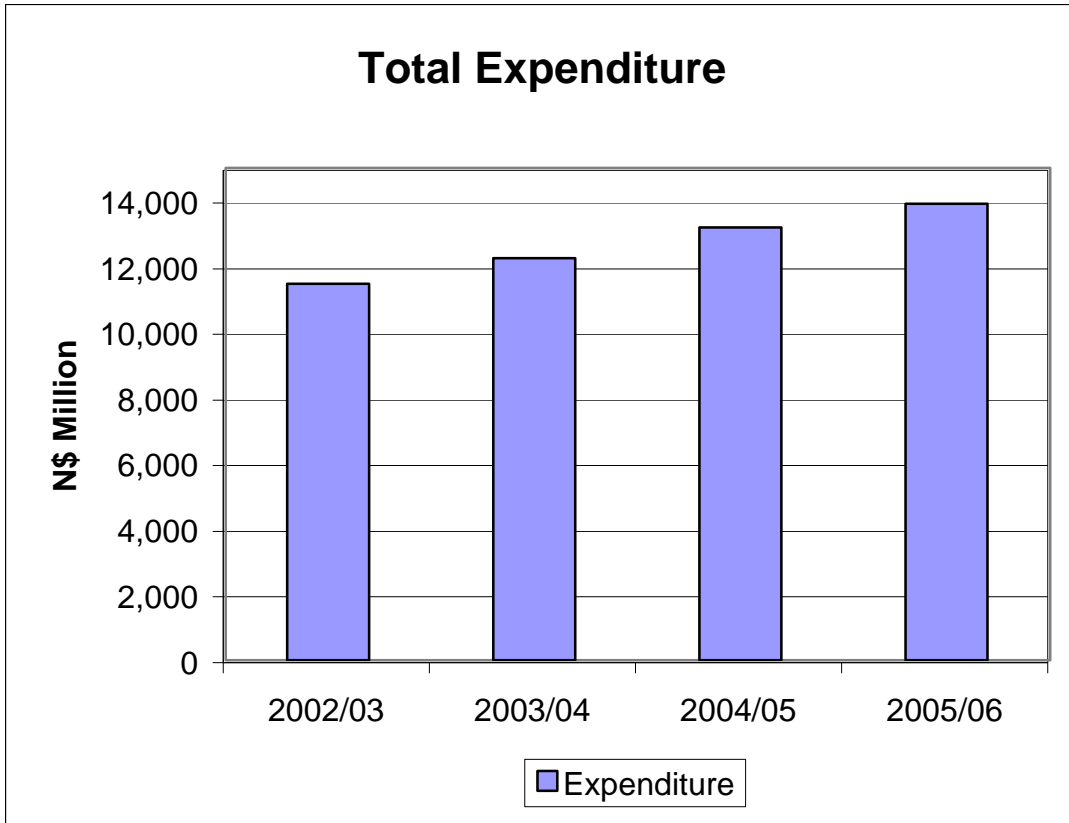
I Thank You

EXPENDITURE CEILINGS

in Thousand N\$, current/nominal prices

	2002/03 (Rev. Bud)	% of Total	2003/04	% of Total	2004/05	% of Total	2005/06	% of Total
01 Office of the President	65,637	0.57%	72,321	0.59%	75,448	0.57%	79,245	0.57%
02 Office of the Prime Minister	111,400	0.97%	60,172	0.49%	62,166	0.47%	63,722	0.46%
03 National Assembly	47,673	0.42%	53,971	0.44%	53,652	0.41%	54,946	0.40%
04 Auditor General	13,955	0.12%	14,720	0.12%	15,427	0.12%	15,955	0.11%
05 Civic Affairs (MHA)	56,640	0.49%	79,848	0.65%	63,602	0.48%	64,515	0.46%
06 Police (MHA)	639,254	5.57%	658,980	5.38%	672,602	5.10%	672,454	4.83%
07 Foreign Affairs, Broadcasting Inf.	330,056	2.88%	198,580	1.62%	204,136	1.55%	198,081	1.42%
08 Defence	848,847	7.40%	791,761	6.46%	846,773	6.42%	887,269	6.38%
09 Finance	1,375,856	11.99%	1,393,884	11.37%	1,303,244	9.89%	939,641	6.76%
10 Basic Education,Culture & Sport	2,073,972	18.07%	2,151,178	17.55%	2,229,792	16.91%	2,311,228	16.62%
11 National Council	25,093	0.22%	27,292	0.22%	25,571	0.19%	25,791	0.19%
12 Women Affairs and Child Welfare	96,323	0.84%	97,288	0.79%	98,820	0.75%	102,529	0.74%
13 Health and Social Services	1,399,146	12.19%	1,575,131	12.85%	1,630,475	12.37%	1,680,956	12.08%
14 Labour (corrected)	45,271	0.39%	48,887	0.40%	50,771	0.39%	52,966	0.38%
15 Mines and Energy	41,030	0.36%	42,240	0.34%	43,578	0.33%	44,981	0.32%
16 Justice	94,042	0.82%	101,042	0.82%	102,042	0.77%	102,849	0.74%
17 Regional, Local Government	379,986	3.31%	382,917	3.12%	377,247	2.86%	380,756	2.74%
18 Environment and Tourism	128,684	1.12%	142,636	1.16%	137,625	1.04%	142,525	1.02%
19 Trade and Industry	70,371	0.61%	69,592	0.57%	72,402	0.55%	73,384	0.53%
20 Agriculture, Water and Rural	404,120	3.52%	402,455	3.28%	428,094	3.25%	454,206	3.27%
21 Prisons and Correctional Sr.	122,969	1.07%	128,352	1.05%	133,485	1.01%	140,684	1.01%
22 Fisheries and Marine Resources	91,324	0.80%	91,828	0.75%	94,723	0.72%	98,682	0.71%
23 Department of Works (MWTC)	253,242	2.21%	280,791	2.29%	292,013	2.21%	299,011	2.15%
24 Department of Transport (MWTC)	91,988	0.80%	97,378	0.79%	102,748	0.78%	106,964	0.77%
25 Lands, Resettlement and Reh.	52,356	0.46%	57,304	0.47%	55,917	0.42%	57,352	0.41%
26 National Planning Commission	33,106	0.29%	36,304	0.30%	37,792	0.29%	37,853	0.27%
27 Higher Education	385,732	3.36%	473,256	3.86%	510,964	3.88%	549,070	3.95%
28 Electoral Commission	18,829	0.16%	51,192	0.42%	24,712	0.19%	6,884	0.05%
29 Attorney General	51,699	0.45%	55,089	0.45%	55,631	0.42%	54,758	0.39%
30 Information and Broadcasting		0.00%	155,979	1.27%	138,049	1.05%	110,634	0.80%
Improvement of Remuneration Structure		0.00%	303,213	2.47%	760,845	5.77%	1,412,116	10.15%
Total Operational Expenditure	9,348,601	81.45%	10,095,581	82.37%	10,700,346	81.16%	11,222,007	80.67%
Development Budget	1,173,870	10.23%	1,176,707	9.60%	1,291,083	9.79%	1,307,157	9.40%
Statutory Expenditure	955,025	8.32%	984,401	8.03%	1,192,020	9.04%	1,381,033	9.93%
Total Expenditure	11,477,496		12,256,689		13,183,449		13,910,197	





Government Fiscal Indicators as % of GDP

