

# YOUR Money, YOUR Budget.

2012/13 Citizens Guide to the  
National Budget



MINISTRY  
OF  
FINANCE  

---

NAMIBIA



## FISCAL SUSTAINABILITY AND JOB-CREATING GROWTH—DOING MORE WITH LESS

The 2012 budget is focused on continued poverty reduction, enhanced economic growth, improved service delivery and more jobs for Namibians amidst macroeconomic challenges and uncertainties.

During the previous and current budget, the Government has increased spending significantly, to help cushion the domestic economy from the impacts of the global economic downturn and address domestic issues with more force. Spending in this budget will be focused on sectors with high growth and job creation potential, whilst improving important social services to all in society and protecting the most vulnerable.

The increased Government spending has come at the cost of increased debt. However, the Government will maintain debt at a manageable level to ensure stability and keep money available in case of unexpected events. Therefore this budget shows the start of the debt reduction process.

Unfortunately, the slow global economy may have an impact on Namibia, but we can meet our goals if we focus our efforts and do more with the resources we have. This is the challenge for us all over the next budget.

### WHAT IS THE BUDGET?

The national budget is about how the government raises money from the people and how this money will be spent for the people.

Government collects money in several ways, such as through income tax, mining tax, value added tax (VAT), fines/charges and taxes on trade (for example, taxes on goods imported into Namibia). The budget document estimates how much money will be collected from each source.

The budget then explains how the Government will spend this money towards meeting the national development objectives: from economic and employment growth, to skills development to social welfare and reduced inequality. Given that funds are limited, Government has to make hard choices on what is not only best for today's generation, but also what is best for future generations.

The budget covers a 3 year period, with fixed spending allocations for the first year of the budget and gives estimates for the second and third year.

### SIZE OF THE BUDGET

The total size of the budget in 2012/13 is N\$40.2 billion, a continuation of the high budget of N\$37.7 billion in 2011/12.

In 2012/13 the operation budget accounts for 77% of expenditure and the development budget accounts for 17% (with the remainder spent on statutory payments).

Government revenue is estimated to be N\$35.4 billion in 2012/13, an increase of 32% from 2011/12. Revenue is lower than spending in 2012/13 which means the Government will have to borrow N\$4.7 billion, a deficit of around 4.6% of GDP.

### THE BOTTOM LINE

The table below summarises the aggregate numbers for the budget.

|                                   | 2012/13 | 2013/14 | 2014/15 |
|-----------------------------------|---------|---------|---------|
| <b>Revenue and Grants (N\$bn)</b> | 35.4    | 35.3    | 39.7    |
| <b>As % of GDP</b>                | 34.6%   | 30.9%   | 31.2%   |
| <b>Expenditure (N\$bn)</b>        | 40.2    | 41.0    | 40.2    |
| <b>As % of GDP</b>                | 39.2%   | 36.0%   | 31.6%   |
| <b>Budget Balance (N\$bn)</b>     | -4.7    | -5.7    | -0.5    |
| <b>As % of GDP</b>                | -4.6%   | -5.0%   | -0.4%   |
| <b>Debt (N\$bn)</b>               | 28.3    | 34.5    | 35.5    |
| <b>As % of GDP</b>                | 27.7%   | 30.3%   | 27.9%   |

### TAX CHANGES

- A packet of cigarettes will cost 58 cents more.
- A 750ml bottle of spirits will cost N\$6 more.
- A 340ml can of beer will cost 9 cents more.
- An increase of non-resident shareholding tax from 10% to 20%.
- Re-introduction of VAT exemption on supply of medical services by a medical practitioner/hospital.

## DISTRIBUTION OF THE BUDGET

The graph below shows how the 2012/13 budget will be allocated (excluding statutory expenditure like interest payments).

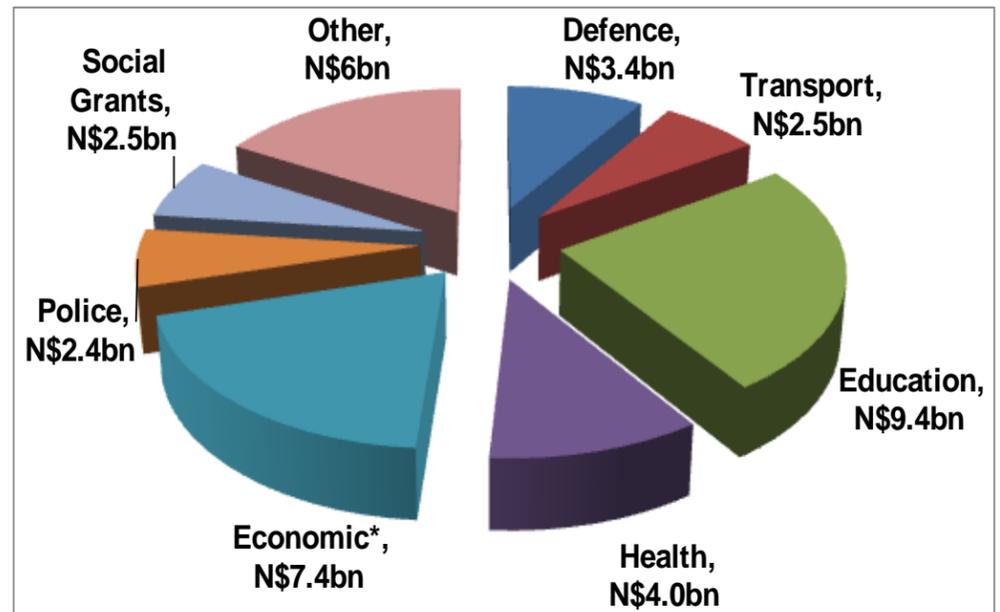
Education continues to receive the highest allocation, being one of the key drivers of economic development. A healthy population is also one of the most important goals of government and continued attention is placed on this area.

\*The Economic Ministries include Finance, Mines and Energy, Agriculture, Trade and Industry, Fisheries and Lands and Resettlement. These economic ministries receive a large share of the budget given the focus on growth and job creation.

Police, defence, transport and social grants also receive large shares of the budget.

## KEY SPENDING HIGHLIGHTS IN 2012/13

- N\$1.2 billion for road and rail.
- N\$270 million towards Vocational Education to address skills mismatch and promote employment.
- The Namibia Students Financial Assistance fund is allocated N\$114 million to enable more youths to access tertiary education.
- Over N\$100 million towards SME development to support and promote innovation, investment and employment.
- N\$337 million towards crop production and horticulture development.
- Over N\$70 million towards energy supply and security to improve rural electrification and increase the generation of renewable energy.
- N\$65 million is allocated towards reducing the impact of disasters on Namibia and its people.
- N\$260 million is allocated to adult and lifelong learning. This will be used, in part, to ensure 100% of community libraries provide computer access by 2015.
- N\$1.7 billion is allocated to regional and district health services, which includes funding to increase the number of health facilities providing ART to 278 by 2015.
- N\$630 million is provided for housing, including social housing programmes, loans, and regional infrastructure.
- N\$444 million is allocated for rural water supply and sanitation



## TACKLING INEQUALITY

Women, children and the elderly are usually the most vulnerable members of our society. In the face of persistent poverty the Government will allocate additional funding to maintain and improve the social safety nets. In 2012/13 around N\$2.5bn will be allocated to social grants, including over N\$1bn for social pensions and N\$360m for maintenance grants and foster parent allowances. More specifically, the old age pension will be increased by N\$50 per month.

The spending on social grants is estimated to benefit approximately 1.1 million Namibians, (around half of the population).

## JOB CREATION

This budget is steadfast in its resource allocation to priority economic sectors, with the objective of stimulating high and inclusive economic growth. We have to depart from the episode of jobless growth because unemployment and poverty levels remain unacceptably high.

By providing high levels of public investment for key economic and services infrastructure the Government will create the conditions for private sector-led growth and job creation in the long-term, whilst stimulating the economy in the short term. A focus will also be placed on the acceleration of development budget execution to ensure projects start on time. For example, the budget makes provision to hire more engineers for infrastructure projects.

## POLICY REFORMS

The following policy reforms will commence in 2012: Tax Policy and Administration; Public Expenditure Reviews (following on from the insightful Education Review); SADC and SACU Engagement Strategy; and Public Service Medical Aid Review.

## KNOW YOUR BUDGET

*The Budget shows how the Government is going to spend the money you contributed in taxes. It is important that you know where this money is being spent and this guide to the budget has highlighted some of the key spending areas.*

*For more detailed information about the budget please visit: <http://www.mof.gov.na/budget.htm> or call the Ministry of Finance on 061 209 2928*