



NAMIBIA

TECHNICAL ASSISTANCE REPORT—THE NATIONAL ACCOUNTS MISSION

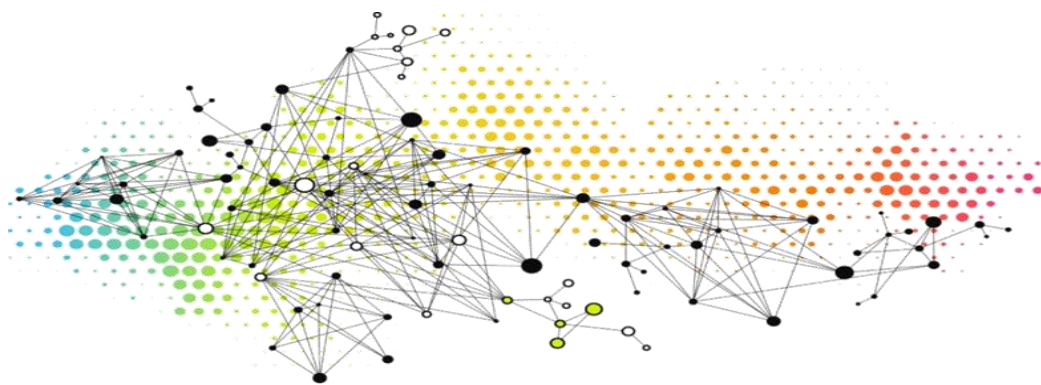
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REPORT ON NATIONAL ACCOUNTS MISSION (FEBRUARY 5–9, 2018)

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Glossary

| | |
|-----------------|--|
| <i>2008 SNA</i> | <i>System of National Accounts, 2008</i> |
| AFS | IMF's Regional Technical Assistance Center for Southern Africa - AFRITAC South |
| CPI | Consumer Prices Index |
| FISIM | Financial intermediation services, indirectly measured |
| GDP | Gross domestic product |
| HHFCE | Household final consumption expenditure |
| IMF | International Monetary Fund |
| IR | Inland Revenue |
| ISIC Rev.4 | International Standard Industrial Classification, Revision 4 |
| MOF | Ministry of Finance |
| MoU | Memorandum of understanding |
| NA | National Accounts |
| NSA | Namibia Statistics Agency |
| PPI | Producer Price Index |
| SBR | Statistical Business Register |
| SNA | System of National Accounts |
| TA | Technical assistance |
| VAT | Value Added Tax |

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

A technical assistance (TA) mission was conducted by the real sector statistics short-term expert during February 5–9, 2018, to support the Namibia Statistics Agency (NSA) in improving national accounts statistics for decision making. The mission assisted in discussions with other institutions to obtain appropriate administrative data for producing improved estimates of gross domestic product (GDP). Presentations were also given to the national accounts (NA) section to assist in understanding of national accounts concepts and the potential uses of administrative data.

Reliable national accounts are essential for informed economic policy-making by the authorities. They also provide the private sector, foreign investors, rating agencies, and the public in general with important inputs in their decision-making, while informing economic analysis and IMF surveillance.

The specific purpose of this TA mission was to ensure that the fullest possible use is made of Value Added Tax (VAT) and other administrative data in the compilation of the national accounts. The NSA has signed a memorandum of understanding with the Inland Revenue (IR) of the Ministry of Finance (MOF), enabling sharing of unit-level VAT data between the two agencies. However, at present, there is no agreement on the supply of non-anonymized data and there are significant issues with the industry coding of the data supplied to NSA. NSA is aiming to rebase the national accounts in 2019 and, at the same time, to implement fully the *2008 System of National Accounts (2008 SNA)*. This, in particular, will require significantly more data on financial services from the Bank of Namibia (BoN), to enable the correct allocation of financial intermediation services, indirectly measured (FISIM) to consuming sectors and industries.

Against this background, this TA report focuses on three key work areas that promise to allow the Namibian authorities to make major headways in producing reliable national accounts statistics. Those are the following:

- **The importance of tax data for national accounts compilation:** Better source data help to improve national accounts estimates significantly. If the NSA could overcome the barriers that currently prevent the sharing of non-anonymized information between the MOF and NSA, the impact could possibly be high.
- **Rebasing of GDP:** Frequent rebases provide a better perspective of the size and structure of the economy, and a better understanding of Namibia's fiscal position, debt sustainability, and tax potential, as well as furnishing better data for the conduct of monetary policy. Other countries in Africa have rebased their national accounts significantly, leading to major changes for the policy environment. While the magnitude of the changes to be reflected with the rebase of the national accounts for Namibia are

not yet known, it is likely that this work also will have important implications for macroeconomic and financial policies and should be supported as a priority.

- **Quarterly national accounts:** At present, the NSA produces quarterly estimates of GDP in constant prices only, using a variety of indicators of varying quality. The work to obtain VAT turnover and other administrative data will enable the compilation of quarterly GDP in current prices and better estimates of constant price GDP, more in line with international best practice.

To support progress in the above work areas, the mission recommended that the following activities be carried out as a priority.

Table 1. Priority Recommendations

| Target Date | Priority Recommendation | Responsible Institutions |
|--------------------------------|---|--------------------------|
| February – June 2018 | <i>Actively engagement between NSA and MOF to improve the industry coding of the existing data supply</i> | NSA / MOF |
| June 2018 | <i>Source appropriate data from BoN to enable compilation of estimates of financial services activities in line with 2008 SNA</i> | NSA / BoN |
| February - October 2018 | <i>Continue to negotiate with MOF to enable sharing of non-anonymized VAT turnover data</i> | NSA / MOF |

Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

GDP COMPILATION

A. Acquisition of Administrative Data

1. **NSA signed a memorandum of understanding (MoU) with the MOF in 2017.** The purpose of this is to enable the sharing of VAT turnover data for use in the compilation of GDP. These data are now being shared between the two agencies on a regular basis, but there are issues with these data which limit the use which can currently be made of them.

2. **The data shared, whilst at unit level, are anonymized, for the protection of individual tax payer information.** Industry coding is carried out by MOF, using a classification the provenance of which is unclear to both agencies. What is clear is that this classification is inconsistent with the latest appropriate industry classification, the International Standard Industrial Classification, revision 4 (ISIC Rev 4).

3. A further issue is that more than 10 percent of the units are classified to “unknown” or “other.” Whilst a significant proportion of these units is made up of very small, or apparently dormant businesses, there are some extremely large businesses thus classified. At present, NSA assign these businesses to wholesale and retail, which may or may not be accurate.

4. It was agreed between the agencies that, as a matter of urgency, NSA and MOF would work together to correctly classify these unknown businesses and to introduce ISIC Rev.4 to replace the current, bespoke, classification. This should take account of the full-time series of data available, to ensure consistent GDP estimates over time. Where back data are not available, existing estimates will need to be spliced on to the new data, maintaining growths.

5. In the longer term, it is key that the obstacles to sharing non-anonymized data are overcome. MOF are willing to share a full list of business names, and unit level anonymized turnover but, at present, are not prepared to share the non-anonymized turnover. It is recommended that the MoU is strengthened to provide reassurance to MOF to enable this data sharing. This might include the NSA committing to creating, sharing (with MOF) and updating a list of names of those officials who will have access to the data.

6. The mission worked with NSA to identify the necessary data for the compilation of estimates of financial services activities in line with the 2008 SNA. The main components of these are as follows:

- Stocks of loans and deposits by industry and institutional sector,
- Interest paid to and received from each industry and institutional sector,
- Inter-bank interest rate, and
- Compensation of employees, intermediate consumption and consumption of fixed capital for the BoN.

7. A meeting was held with BoN to discuss the sharing of these data. BoN committed to providing as much detail as they hold on these issues on an ongoing basis. The mission asked for the longest possible time series, which the BoN agreed to provide. Where long time series are not available, existing estimates will need to be spliced on to the new estimates, maintaining existing growths.

Recommended actions:

- *NSA to work with MOF to improve industry coding of existing data supply and to deal with the “unknown” and “other” units.*
- *NSA to negotiate with MOF to strengthen MoU to facilitate sharing of non-anonymized data.*
- *BoN to provide requested data for banking industry*

B. Rebasing of GDP

8. The NSA is aiming to rebase GDP in 2019. For this to take place, all the above described activities need to take place. In addition, the development and maintenance of a statistical business register (SBR) is essential. This will provide a sampling frame for benchmark surveys, which play an important part in rebasing the accounts on a regular basis.

9. If agreement can be reached with the MOF on sharing identifiable turnover data, these data could be used extensively in setting up and maintaining the SBR.

10. It is recommended that the possibility of using the most recent household survey, covering the period 2015–16, for estimates of household final consumption expenditure (HHFCE) is explored.

Recommended actions:

- *Once identifiable data can be shared, NSA to use these in setting up and maintaining the SBR.*
- *NSA to explore use of household survey to calculate estimates of HHFCE.*

C. Quarterly GDP Estimates

11. At present, NSA produces quarterly estimates of GDP in constant prices using a variety of indicators, some of which are sub-optimal. For example, the hotel industry activity is estimated using bed occupancy rates. Whilst this is an indicator of part of the industry's activities, there are significant aspects of this industry's output which will be missed by this indicator (bars, restaurants, spas, gyms etc.), so better data will be required. In many cases (including the example just described), VAT turnover data, in conjunction with appropriate deflators, would provide more appropriate indicators.

12. The mission worked with the NA team to identify appropriate data for other industries where VAT turnover would not be usable. For the insurance industry, the mission described the conceptual framework and suggested possible data. NSA will work with the insurance regulator to discover what data can be made available. The indicators used for the agriculture industry are described as unreliable, so NSA will work with the Ministry of Agriculture to ascertain whether better indicators are available.

13. In terms of deflation, the main deflators used are components of the Consumer Prices Index (CPI) and the South African Producer Prices Indices (SAPPIs), but the NSA is currently developing Namibian PPIs which will be more appropriate in some cases.

Recommended actions:

- NSA to discuss available insurance data with industry regulator.
- NSA to discuss improved indicators with agriculture ministry.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

| Priority | Action/Milestone | Risk Assumptions/ Verifiable Indicators | Target Completion Date | Actual Completion Date | Implementation Status |
|--|---|---|------------------------|------------------------|---|
| Outcome: Access to VAT records | | | | | |
| H | Complete the MoU with MOF. | MoU agreed and signed, enabling sharing of data. | February 2016 | Mid-2017 | Complete. |
| H | Obtain unit level data from MOF. | Identifiable turnover data supplied on a regular basis. | March 2016 | | Started late 2017. Data are being supplied, but these are not identifiable. The next step is to obtain identifiable data. |
| Outcome: ISIC classification of businesses | | | | | |
| H | NSA work with MOF to correctly classify businesses. | All businesses classified according to ISIC Rev.4. | August 2016 | | Due to start in February 2018. Working level meetings to be held to introduce ISIC Rev.4 and to classify businesses. |
| M | Harmonize tax system with ISIC. | Tax records consistent with ISIC classification. | October 2016 | | Not yet started. |
| Outcome: design statistical business register | | | | | |

| Priority | Action/Milestone | Risk Assumptions/ Verifiable Indicators | Target Completion Date | Actual Completion Date | Implementation Status |
|----------|--------------------------------|---|------------------------|------------------------|-----------------------|
| M | Identify variables for SBR. | Required variables agreed. | September 2016 | | Not yet started. |
| M | Obtain required data from MOF. | Data supply and transmission agreed, data received. | March 2017 | | Not yet started. |
| M | SBR designed. | Design agreed, with TA experts. | October 2017 | | Not yet started. |

A. Officials Met during the Mission

| Name | Institution | E-mail Address |
|-------------------------------|---|--|
| Mr. Justus Mwafongwe | Commissioner of Inland Revenue Department | |
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