FY2020/21 Mid-Year Budget Review and Medium Term Budget Policy Statement

Presented By

Ipumbu Shiimi, MP

Minister of Finance

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Honourable Speaker;
Honourable Members of the National Assembly;
Fellow Namibians;

1. I rise to table the 2020/21 Mid-Year Budget Review, a sixth under the Presidential administration of His Excellency, President Hage Geingob.

2. Amidst the prevalence of the Covid-19 pandemic at home, in the region and across the lands and oceans, this Mid-Year Budget Review is tabled at the time when coordinated actions to contain the pandemic have yielded results, *albeit* at a heavy toll on the economy;

   - the COVID-19 suppression and containment measures implemented at home, in the region and globally have paid off,
   - the national state of the emergency has been lifted and the economy has gradually re-opened, offering respite for increased economic activity,
   - following the deep contraction in economic activity during the first half of this year, our economy is expected to rebound to positive growth by next year and over the medium-term, securing jobs and the generation of income.

3. This is not to discount the prevalence of the COVID-19 pandemic. The resurgence of the new wave of infections in parts of Europe reminds us that COVID-19 has only abated but not faded. As Dr Shangula and his team always remind us, we should not relax our guard. Safety, hygiene and social distancing protocols are not an old order, they are mandatory routines of a new normal.

Honourable Speaker,

4. This Budget Review is taking place at a critical juncture for our economy;
   - over the past four years recessionary pressures lingered,
   - the pandemic-induced deepest historic recession this year exacerbated this situation, with a fallout on businesses, jobs, per capita income and public revenue,

- the contraction in activity is now estimated at 7.9 percent, a historic high whose contours cut across all economic sectors and all elements of final demand.
- climbing out of this deep ditch requires timely and firm supportive pillars of policy action,
- the shock on public revenue is estimated at N$4.9 billion or 8.2 percent relative to the baseline, exerting pressure on expenditure and the resultant budget deficit, which is now estimated at 10.1 percent of GDP,
- consequently, public debt is estimated at 68.8 percent of GDP for the current financial year,

5. While the worst impact of the pandemic appears to have abated, its impact on the economy calls for timely deployment of a package of policy interventions to foster economic recovery, buttress macroeconomic stability and anchor fiscal sustainability. To achieve these objectives, enabling macro-critical structural reforms are needed and their implementation could no longer be delayed.

6. It is in this context, *Honourable Speaker*, that I, in terms of Article 126 of the Namibian Constitution, read with Section 1(1) of the State Finance Act, have the honour to table, for the favourable consideration and approval by this House, the Appropriation Amendment Bill and the Amended Estimates of Revenue, Income and Expenditure for FY2020/21.

7. At the same time, *Honourable Speaker*, I present the Medium-Term Budget Policy Statement, providing the macroeconomic and fiscal context for the Budget Review as well as setting out the fiscal policy stance and policy priorities for the next budget and MTEF. Such advance announcement of the medium-term policy outlook is for the purpose of maintaining fiscal transparency, affording the legislature the opportunity to scrutinize the medium-term policy proposals in advance of the Budget and providing indicative aggregate expenditure ceilings to guide the preparation for the next Medium Term Expenditure Framework.

What Does this Budget Review Offer?

Honourable Speaker,

8. This Budget Review and the Medium-Term Budget Policy Statement place a high premium on rekindling sustainable economic growth and stabilizing the macro-fiscal framework as necessary conditions for long-term fiscal sustainability, the creation of jobs and the reduction of poverty and inequalities;

    (i) ***first***, the review does not constitute an additional budget. Rather, it reallocates resources to alternative priority programmes within the appropriated expenditure ceiling. This is for the purpose of realizing allocative efficiency, value for money and more developmental outcomes from such programmes,
    (ii) ***second***, it strengthens the provision of resources to programmes for fighting and mitigating the socio-economic impacts of COVID-19 so as to avert the sudden withdrawal of fiscal support and guard against reversals on outcomes, and
    (iii) ***third***, it sets forth the fiscal consolidation policy stance for the next MTEF and the accompanying policy priorities with indicative measures, consistent with the objectives of macroeconomic stability, fiscal sustainability, inclusive growth and more jobs.

9. To this effect, *Honourable Speaker*, five key policy priorities are material over the medium-term horizon, namely;-
    - *implementation of a comprehensive Economic Growth and Recovery Plan as an integral part of the Harambee Prosperity Plan II upon their finalization later this year, and encompassing the recommendations of the High-level Panel on the Namibian Economy. The strategic interventions from this cohesive policy framework will, first and foremost, be directed at re-igniting inclusive economic growth, job creation and social progression by dedicating policy actions to bring about economic diversification and developing complementary new engines of growth going forward,*

- *anchoring macroeconomic stability and fiscal sustainability through a concerted implementation of a growth-friendly fiscal consolidation program, driven by a combination of reforms on expenditure, non-tax domestic resources mobilization and structural policy reforms,*
- *continued provision of essential services and existing social safety nets to guard against reversals, while improving the quality of expenditure and administrative efficiencies across the broad range of service delivery,*
- *domestic resources mobilization, centred on tax administration reforms and alternative forms of financing, consistent with the public debt stabilization objectives, and*
- *accelerating the implementation of the macro-critical structural policy reforms to* enable a more private-sector driven economic growth and greatly enabling automatic stabilizers to work, while reinforcing the impulse of policy interventions on the economy and service delivery,

Honourable Speaker,
Honourable Members,

10. During this year of unprecedented developments arising from the COVID-19 pandemic, I tabled the Budget under the theme "*Together defeating COVID-19, Together thriving again*". As an integral part of the Budget, the Government under the guidance of His Excellency the President, launched a 10-point Economic Stimulus and Relief Package, primarily aimed at protecting lives and livelihoods.

11. The package amounted to N$8.1 billion, some 4.7 percent of GDP, with a further N$600 million added to the pack for the provision of sanitation and hygiene facilities at public schools countrywide. In total, the Stimulus Package consisted of ;-
    - *N$3.8 billion or 43.1 percent as acceleration of outstanding VAT and services invoice payments owed to service providers by the Government. This commitment was met by July this year,*

- *N$1.2 billion or 13.6 percent as direct cash injection of which N$772 million was for Emergence Income Grant to qualifying beneficiaries and N$400 million as the Wage Subsidy for employers and employees in sectors hard-hit by COVID-19. To date, 769,130 individuals have benefitted from the grant at the cost of N$576.8 million, exceeding the estimated target of about 739,000 individuals. As we conclude this program, the results are now being subjected to data reconciliation against the applications made. The Wage Subsidy Program is being implemented in collaboration with the Social Security Commission. As at the beginning of October 2020; 15,656 affected employees and 4,006 employers have benefitted from the Subsidy Program at a combined cost of N$65.8 million. The SSC has committed to accelerating the assessment and disbursement processes,*

- *N$1.4 billion or 15.9 percent as cash-based budget provision, comprising N$727 million to the health sector to help shore up our fight and defense against COVID-19, N$600 million to the education sector for COVID-19 specific expenditure and N$80 million to the water sector for the same purpose. To date, N$651.4 million or 89.6 percent of the COVID-19 related health budget was spent on procuring personal protective equipment, testing and contact tracing, pharmaceuticals, isolation facilities and health personnel; Of the N$600 million allocation to the education sector, 38.2 percent was spent by Mid-year with acceleration anticipated during the remainder of the year, while the allocation to the water sector was fully spent and ensured that water taps remained accessible to the public during these trying times, and*

- *N$2.4 billion or 27.3 percent of the package as other liquidity support in the form of Government guarantees for loans uptake, including SME targeted loans, through the Development Finance Institutions and commercial banks, some of which have now kicked off.*

12. *Honourable Speaker*, before I delve into the prescriptions of the fiscal policy stance for the next MTEF and the details of the FY2020/21 Appropriation

Amendment Bill, let me provide the economic context under which this Budget Review was prepared.

Economic, fiscal and financial context

13. The outbreak of COVID-19 and its consequent suppression and containment measures continue to exert devastating economic effects globally, regionally and at home. The International Monetary Fund (IMF) projects sharp negative impacts on the economy in 2020 and a more gradual, but uneven recovery in economic activity over the medium term:-
    - the global economy has to come to bear with an estimated contraction of 4.4 percent in 2020. This is the worst performance for the global economy in recent history. A recovery of about 5.2 percent is projected for 2021, against the backdrop of significant downside risks,
    - the estimated contraction for 2020 is broad-based and affects all major economic groups,
    - Advanced Economies are estimated to contract by 5.8 percent, with a rebound of about 4.8 percent projected for 2021,
    - the world's largest economy, the United States of America, is estimated to contract by 4.3 percent, while the contraction for the Euro Area is estimated at 8.3 percent and 9.8 for the United Kingdom,
    - Emerging Markets and Developing Economies are estimated to contract by 3.3 percent and, among the major economies in this category, only China, the World's second largest economy, is estimated to escape with a positive growth of about 1.9 percent, while India is estimated to contract by no less than 10.3 percent,
    - as well, the world trade volume is estimated to have contracted by 10.4 percent, as supply and demand side disruptions due to lockdowns and continued social distancing protocols weigh on activity across the globe,
    - the oil price crashed by 32.1 percent this year, offering respite for oil importers and a worst case scenario for oil producers. Non-oil commodity prices are estimated to hold firm at around 5.6 percent

improvement year-on-year, following the initial shock at the onset of the pandemic.

Honourable Speaker,

14. The regional economy is not spared from the negative consequences of the COVID-19 pandemic:-

- the Sub-Saharan African Region is estimated to contract by 3.0 percent in 2020 and to rebound to positive growth of 3.1 percent by 2021,
- closer to home, the South African economy, the Sub-region's most industrialized and second largest economy to which Namibia is greatly integrated is estimated to contract by 8.0 percent in 2020 and grow by about 3.0 percent in 2021.
- Angola, the Sub-region's third largest economy and equally important trading partner and source of demand for Namibia is projected to contract by 4.0 percent, following the past four years of persistent recession.

15. The projected speed and magnitude of the recovery for the global economy is largely dependent on the duration of, and how the pandemic is evolving. Until an effective vaccine is found as trials advance, the potential drag and downside risks to the projected economic outlook remain elevated. In this context, policies to support the emerging recovery as well as multilateral cooperation remain essential for the global community to better deal with the consequences of COVID-19. Beyond the pandemic, international cooperation is required to resolve the trade, technology and geopolitical tensions to restore the health of the global economy.

16. *Honourable Speaker*, let me now turn to the domestic economy.

Domestic economic developments and outlook

17. The domestic economy is projected to contract by 7.9 percent this year. This is a downward revision from a contraction of 6.6 percent estimated in the Budget,

reflecting the further materialization of downside risks on various sectors of the economy arising from COVID-19 measures.

18. From the demand side, all elements of final demand are estimated to contract as a result of weak domestic consumption demand, a significant slowdown in investment flows and declining exports, given the depressed external environment.

19. From the sectors of industry point of view, output from all major industries is estimated to have declined due to supply and external demand disruptions. Save for the crop farming in agricultural sub-sector and thanks to better rains, the primary industries are nonetheless estimated to contract by 11.1 percent in 2020, while the decline in the secondary industries is estimated at 11.7 percent and 5.8 percent for the tertiary services industries.

Honourable Speaker,

20. On the monetary and external sectors;

- annual inflation eased to 4.3 percent in 2019 and further significantly decelerated to 2.4 percent by September 2020, reflecting waning consumer demand as a result of the lockdown and social distancing measures as well as the pass-through effects of lower oil prices. Over the medium term, inflation is expected to gradually edge up to 4 percent as economic activity gathers pace,

- monetary policy remained relatively neutral over 2019 and highly accommodative during the first half of 2020. The Repo rate was cut by a cumulative 275 basis points since March 2020, from 6.50 percent to 3.75 percent by mid-August 2020. This is the lowest policy rate in recent memory and it was provided as part of the measures to encourage domestic economic activity during the pandemic, while supporting the currency peg. This has also enabled commercial banks to extend relief to clients hard-hit by the pandemic,

- As a result of decreased import flows relative to exports, the current account recorded a surplus of about N$5.1 billion by the Second Quarter of 2020, equivalent to 2.9 percent of GDP, compared to the deficit of N$117 million during the corresponding period of 2019,

- as such, the stock of international reserves stood at N$ 32.7 billion by September 2020 and is equivalent to 4.9 months of import cover relative to 3.0 months international benchmark.

Honourable Speaker,

21. Let me now turn to fiscal policy.

Fiscal Policy Developments

22. The FY2020/21 budget was a single-year budget, presented amidst extreme uncertainty regarding the evolution of the pandemic and its effect on the economy and public finances. The budget included a once-off package of resources to enable the country to combat COVID-19 and its impacts on lives and livelihoods.

23. The total budget for FY2020/21 amounted to N$72.8 billion, with the budget deficit estimated at 12.5 percent of GDP and public debt as a proportion of GDP estimated at 69.8 percent. These elevated fiscal metrics were mainly a result of shocks on the economy and public revenue induced by the COVID-19 pandemic, within a generally fiscal consolidation stance. These metrics have now improved marginally as a result of relatively better-than-budgeted nominal GDP and revenue.

24. In respect of the FY2019/20 outturns;-

- nominal GDP is 1.7 percent better than as at the time of the FY2019/20 Budget Review as per the final National Accounts for 2019,
- actual revenue outturn amounted to N$58.5 billion, generally on par with the budget revenue estimate of N$58.3 billion and amounting to 32.7 percent of GDP,

- total expenditure, including interest payments amounted to N$67.3 billion, relative to N$66.6 billion budget as a result of some guarantees which were called. This reflects 101.2 percent execution rate owing to increased statutory spending, which is deemed appropriated. The non-interest operational budget implementation rate stood at 99.3 percent, while the development budget execution rate stood at 88.1 percent,
- the budget deficit stood at 4.9 percent of GDP, compared to the budgeted 4.1 percent due to the revisions in nominal GDP,
- interest rate payments hovered at 11.9 percent of revenue, breaching the 10 percent benchmark and reflecting the increasing cost of high public debt stock, and
- total debt stood at N$100.4 billion, equivalent to 56.1 percent of GDP.

25. As regards the FY2020/21 mid-term assessment,

- the preliminary revenue outturn stood N$26.1 billion, which is 51 percent of the budgeted revenue and about 3 percent better than average historical half-year collection rate,

- the half-year, total expenditure execution, including expenditure commitments stood at N$35.8 billion, some 49.0 percent of the budget. The half-year non-interest operational budget expenditure execution, including expenditure commitments stood at 50.9 percent, while the development budget implementation rate including expenditure commitments by the end of September 2020 stood at 50.8 percent.,

- total debt stock as at the half-year mark stood at N$106.1 billion, equivalent to 60.9 percent of GDP and reflecting the 53 percent of the budgeted financing requirements met by the half-year mark.

Fiscal Outlook and Medium-Term Policy Stance

Honourable Speaker,
Honourable Members,

26. I now present the macro-fiscal policy outlook for the medium-term.

27. Prospects for the medium-term are projected to brighten up moderately. As the economy has gradually opened up, the pace of economic activity is projected to rebound to positive growth of about 2.2 percent by 2021 and further strengthen to an average of 3.6 percent over the next MTEF.

28. On the demand side, the projected growth is expected to be driven by;

- gradual increase in exports as activity and external demand gather pace,
- gradual recovery in investment, particularly private sector as well as public sector investment in the energy, water and other public infrastructure sectors, and
- paced recuperation in consumer demand,

29. From the sectors of industry viewpoint, all major industry sectors are expected to post moderate growth in 2021, relative to 2020;

- overall growth is projected to be anchored by the recovery in the primary industries, which are projected to rebound by 4.7 percent in 2021 and further firm up to an average of 8.2 percent over the MTEF, supported by better growth in the mining sector,
- both secondary and tertiary industries are expected to post a moderate recovery for longer as the various economic subsectors adjust to the gradual soft recovery in consumer demand,

30. The projected growth outlook is underpinned by significant downside risks stemming from the duration of, and how the pandemic is likely to evolve.

31. On the fiscal front, total revenue and grants for FY2021/22 is projected at N$55.2 billion, about 0.2 percent less than the estimated revenue for FY2020/21. This is mainly due to the expected lower SACU receipts. Over the MTEF, revenue is expected to grow at a moderate average pace of 4.2 percent to reach N$57.5

billion in FY2022/23 and N$62.9 billion by FY2023/24, reflecting the weak pace of domestic and regional economic recovery. As a proportion of GDP, total revenue is projected to hover around 30 percent of GDP over the MTEF.

32. At this pace of projected revenue growth, total aggregate expenditure over the MTEF must remain aligned to the revenue outlook and must not outpace growth in total revenue in order to safeguard fiscal sustainability and contain growth in public debt.

33. As such, aggregate expenditure over the next MTEF is only anticipated to increase at an average growth rate of 2.0 percent year-on-year, in keeping with the fiscal consolidation policy stance.

34. In this regard, indicative aggregate expenditure over the MTEF is expected to fall by about 5.9 percent from the once-off COVID-19 induced increase of N$72.8 billion in FY2020/21 to about N$68.5 billion in FY2021/22, N$69.8 billion in FY2022/23 and reach about N$71.2 billion by FY2023/24. These indicative aggregate expenditure ceilings will guide the preparation for the next MTEF, subject to further pre-budget macro-fiscal assessment.

35. *Honourable Speaker*, even at this projected moderate rate of growth in nominal expenditure which, in fact, represents a reduction of expenditure in real terms, the budget deficit is projected to reduce only to about 7.3 percent of GDP in FY2021/22 and average around 5.9 percent of GDP over the MTEF, reaching about 4.1 percent of GDP in FY2023/24.

36. In this baseline policy scenario, the budget deficit is still relatively high and public debt as a percentage of GDP is projected to increase to 73.2 percent in FY2021/22 and about 76.9 percent by FY2023/24.

37. To stabilize growth in public debt, timely reforms to bring about faster revenue-generating economic growth, expenditure-based reforms, revenue mobilization and non-debt creating alternative forms of financing are an indispensable policy intervention over the short and the medium term.

38. In this context, the fiscal policy stance over the MTEF is to:-

- *reduce the pace of year-on-year growth in public expenditure in relation to revenue, with the objective of achieving a positive primary balance as an anchor for long term stabilization of public debt,*

- *reduce the budget deficit from the once-off 10.1 percent of GDP in FY2020/21 to significantly below an average of 5.9 percent of GDP over the next MTEF., and*

- *implement tax administration and structural policy reforms to support the fiscal consolidation path, while keeping fiscal risks in check.*

Policy Priorities over the MTEF

Honourable Speaker,

39. Taking into context the widespread negative impact of the pandemic on the economy, jobs and public finance, the importance of implementing priority policy reform interventions could not be overemphasized.

40. While the economy is projected to recover in 2021 and over the next MTEF, the projected pace of recovery is weak and insufficient to translate into real growth in per capita incomes.

41. The economy has shed a large number of jobs, not only due to COVID-19, but also over the past four years of recessionary pressures. Declining per capita income, weaker balance sheets for businesses and job losses threaten to roll back some of the gains we have made and the timeous achievement of our developmental ambitions.

42. Timely implementation of targeted measures, private sector investment commitments and structural policy reforms are critical to improve both the pace and quality of growth going forward.

43. The cost of inaction and the slow pace of implementation of the commensurate measures will continue to weigh on economic activity and require a new robust approach for better results to be realized;-

    - ***First***, to reignite a post-COVID-19 economic recovery and job creation, the strategic interventions entail;-

- *finalization and implementation of an Harambee Prosperity Plan, of which a large component will be the Economic Growth and Recovery Plan, which will be finalized during the remainder of the year through the stakeholder consultation process, with the focus on tapping on new sources of growth, its quality and inclusiveness, economic diversification, products complexity and value chains,*
- *The modes of financing the priority developmental commitments would benefit from leveraging private capital through public, private partnerships, various forms of leveraging state assets and improving the national investment climate,*
- *supporting targeted productive infrastructure investment through decongestion of the public procurement processes, implementation of the N$4 billion AfDB-funded projects for agricultural mechanization, logistics infrastructure and school renovation programme and the completion of the on-going large capital projects in the road sector. In addition, support will be provided for investment in energy generation and transmission capacity by Nampower and the scaling up of investment in the water sector, and*
- *scaling up support to the SME sector and youth entrepreneurship, which is critical for job and wealth creation through increased access to affordable finance for youth entrepreneurs and start-ups. In this regard, and in addition to the already launched SME products under the SME Financing Strategy at the Development Bank of Namibia, a further N$500 million funding for SMEs will be rolled out, financed by the Central Bank of Namibia through commercial banks and on the back of the Government guarantee. This product will be launched before the end of November 2020.*

- ***Second***, the shocks on the economy and public revenue have raised the urgent need to institute timely and effective reforms to strengthen macroeconomic stability and fiscal sustainability. The key reforms entail;-

  - *implementing a post Covid-19 growth-friendly fiscal consolidation program, aimed at reducing growth in public debt through*

- *expenditure containment and concerted reduction in the budget deficit,*
  - *unwinding the once-off discretionary spending on COVID-19 impacts, while ensuring continued resourcing of the targeted support to the health sector as the pandemic evolves,*
  - *reviewing the public sector wage bill and assessing the options for early voluntary retirement for the 55-60 years age cohort, in combination with the vacancy freeze procedures,*
  - *assessing the restructuring of the Public Service Medical Aid Scheme (PSEMAS) for alternative modes of benefits delivery, and*
  - *finalization and implementation of the State Asset Ownership Policy and Public Enterprises reforms to enable state divestiture options and the listing of portions of State assets, starting with the listing of shares by the Mobile Telecommunication Company (MTC) next year.*

- ***Third***, the Government must safeguard the continued provision of essential services and achieving administrative efficiency in service delivery. This entails;-
  - *increased funding and partnerships to provide for land serving, supporting the implementation of the recommendation of the Land Conference, provision of affordable housing and improved sanitation and other basic utilities, and*
  - *maintaining existing forms of social safety nets, while improving their targeting and administrative efficiency through establishment of a Central Registry System,*

- ***Fourth***, to further mobilize domestic resources to finance the national development agenda; the strategies will be centred on non-tax resource mobilization and administrative efficiency.
  - *the Namibia Revenue Agency (NamRA) is envisaged to be launched next year, upon finalization of the key transitional processes,*

- *enhancing tax compliance and protecting the tax base from base erosion and leveraging international tax cooperation to boost national tax administration capacity,*
- *introducing a one-year, Electronic Filing Tax Relief Programme in terms of Section 80 of the Income Tax Act and Section 30 of the Value Added Tax Act. The relief is to be provided to taxpayers with outstanding tax arrears who file their returns electronically, starting in February 2021. The relief is in the form of 100 percent of penalties and 95 percent interest to be written off if capital tax debt is settled within 3 months from commencement of programme, 100 percent penalties and 75 percent interest to be written off if the capital tax debt is settled within 12 months from commencement of the programme and 100 percent penalties and 95 percent suspension of interest for taxpayers in the hardest hit industries such as tourism, hospitality, aviation, travel and construction sectors.*
- *Re-engineering the VAT refunds audit process to reduce the turnaround payment for undisputed VAT to no more than 90 days after receiving the VAT claim and upon fulfilling set requirements by February 2021, and*
- *mobilization of domestic savings by bringing to market domestic investible opportunities through public divestitures and PPPs.*

- ***Fifth***, to amplify the impact on development outcomes, the priority policy interventions should be accompanied by the timely implementation of key structural policy reforms. These macro-critical reforms, whose implementation can no longer be delayed, include;-
  - *finalization and promulgation of amendments to the Namibia Investment Promotion Act to create a more conducive environment for both domestic and foreign investors in all sectors of the economy,*

  - *finalization of the Special Economic Zone Policy and accompanying policy incentives to retool and modernize the current incentive regime,*

- *improving the ease of doing business and national competitiveness, entailing process re-engineering of the National Single Window Facility and the Integrated Client Facility, and*

- *decongesting the administrative bottlenecks in the public procurement function to improve the turnaround time for public tender adjudication by reviewing the current procurement thresholds for certain public entities with the capacity to handle higher thresholds, starting with the pilot in November this year, issuing the Codes of Good Practice to empower the SMEs, youth and women entrepreneurs and amending the Public Procurement Act (Act No.15 of 2015) to improve the governance of Central Procurement Board of Namibia*

44. In the financial services sector, the Bills under Namfisa which have been passed by Parliament are expected to come into operation after the transitional period. In the banking sector, the amendments to repeal the Banking Institutions Act (Act No. 2 of 1998 as amended) will be tabled in the next session of Parliament.

Honourable Speaker,
Honourable Members,

45. Let me now turn to the FY2020/21 Appropriation Amendment Bill.

The FY2020/21 Appropriation Amendment Bill

46. In respect to the FY2020/21 Appropriation Amendment Bill, a total amount of N$841.6 million was freed up from existing Vote ceilings for proposed reallocation as a result of the Mid-Year Budget Review process.

47. This amount consists of N$701.6 million realized from the Operational budget and N$140 million from the Development Budget. The realization of internal savings was made on the basis of assessed performance by programme and the likely expenditure outturn by the end of the financial year.

48. For the Operational Budget, internal savings were realized from expenditure items such as Daily Subsistence Allowance (DSA) given Covid-19 travel restrictions and social distancing measures, goods and services for delayed activities and subsidies and current transfers.

49. For the Development Budget, internal savings were realized from capital projects with below 10 percent execution rate and projects which have not yet started due to Covid-19 related restrictions during the first six months.

50. Out of the N$701.6 million realized from the Operational Budget, N$100 million is proposed for reallocation to the Development Budget, in addition to the N$140 million realized for reallocation across the Budget Votes within the Development Budget. Thus, the total amount proposed for reallocation to the Development Budget is N$240 million, while N$601.6 million is proposed for reallocation across the Budget Votes within the Operational Budget.

51. Therefore, *Honourable Speaker*, *Honourable Members*, the following is proposed for your favourable consideration and approval:-

- the Development Budget ceiling is increased by N$100 million, from N$6.41 billion to N$6.51 billion,
- an amount of N$140 million, is realized from the respective ceilings of the Development Budget for reallocation to various Budget Votes in addition to the N$100 million, giving the total amount of N$240 million for reallocation to, and within the Development,
- an amount of N$701.6 million is realized from the non-interest Operational Budget for which N$601.6 million is proposed for reallocation across the Budget Votes within the non-interest Operational Budget,
- the total non-interest budget is reduced by N$767.1 million, from N$57.92 billion to N$57.15 billion, of which:-
    - N$667.1 million is reallocated to statutory expenditure to cater for increased statutory spending needs, and

- N$100 million is suspended for reallocation to the Development Budget as stated earlier.

52. The proposed reallocation of resources retains the overall expenditure allocation for the FY2020/21 unchanged at N$72.8 billion. The proposed reallocations are to meet resource shortfalls for the provision of infrastructure and essential services in the sectors such as Basic Education, Health and Social Services, Water, Home Affairs and Safety and Security and Electoral Commission of Namibia.

53. Thus, the reallocation of the N$841.6 million is proposed to various Budget Votes as follows:-

- the Ministry of Basic Education, Arts and Culture is allocated N$326.4 million, comprising N$200 million for educational infrastructure in addition to the allocation initially frontloaded in the budget and N$126.4 million for personnel related expenditure,
- the Ministry of Health and Social Services is allocated an additional N$147.6 million for the procurement of pharmaceuticals, COVID-19 related expenditure and the required optimal personnel.
- the Ministry of Gender Equality, Poverty Eradication and Social Welfare is allocated an amount of N$157.7 million to strengthen the coverage of social grants.
- the Electoral Commission of Namibia is allocated N$50 million for costs related to the conducting of the upcoming Regional and Local Authority elections,
- the Ministry of Public Enterprises is allocated a total of N$75 million to support the operations of Namibia Wildlife Resort and Transnamib, specifically for the maintenance of the railway.
- the Ministry of Agriculture Water and Land Reform is allocated N$40.0 million for expenditure on water infrastructure,
- the Ministry of Defence and Veteran Affairs is allocated N$22.3 million specifically to meet the funding needs for the Veterans Subvention Program,

- the Ministry of Industrialization and Trade is allocated N$10.7 million for the Integrated Client Facility and to support the operations of some of the Public Enterprises under its mandate,
- the Ministry of Home Affairs, Safety and Security is allocated N$11.9 million for the Visa Sticker Program

Honourable Speaker, Honourable Members

54. The details of the reallocation are contained in the Appropriation Amendment Bill and the Adjusted Estimates of Revenue and Expenditure provided for in the Medium Term Budget Policy Statement.

Conclusion

55. To conclude, *Honourable Speaker, Honourable Members*; this Budget Review averts deep expenditure revisions and protect spending which enhances long-term growth and the provision of essential goods and services.

56. It avoids sudden withdrawal of resources from the national programmes dedicated to combating COVID-19.

57. It enhances allocative efficiency by reallocating resources to priority programmes where funding is required for better outcomes.

58. Its Medium Term Policy Statement elevates the achievement of economic recovery and sustainable inclusive growth within a credible macroeconomic framework and fiscal sustainability parameters.

59. To achieve a durable economic recovery and the creation of jobs, the highest priority should be on shifting the economy from a low-growth gear to an inclusive growth pathway which draws more Namibians into mainstream economic activity. At the same time, we exercise due consideration to continue supporting our efforts to combat COVID-19.

60. Achieving sustainable growth requires that enabling conditions are provided and necessary structural reforms are implemented in order to support the pace and quality of the new growth proposition.

61. The Medium Term Budget Policy Statement sets out the economic recovery and growth measures and policy priorities which must now be visibly implemented in the short and over the medium term. The private sector is an important partner in this new *modus operandi*.

62. This is the policy course of action which we have acceded to when we set out our long-term aspirations in Vision 2030. This is what we aspire to achieve in Fifth National Development Plan (NDP V) and as we transition to NDP VI.

63. May I conclude my statement by expressing my profound gratitude to His Excellency President Hage Geingob for the trust he placed in me for the stewardship of our Public Finance Management and the financial sector. We have confidence in the future prospects of the economy and Namibia remains an attractive investment destination in the region and the globe.

64. Equally, I thank His Excellency Vice President Nangolo Mbumba, Right Honorable Prime Minister, Dr Saara Kuugongelwa-Amadhila, the Honourable Deputy Prime Minister Netumbo Nandi Ndaitwah, my Cabinet Colleagues and all of you, Honourable Members of this august House for support and collective leadership.

65. I thank Hon. Obeth Kandjoze, Director General of the National Planning Commission and his entire staff for the joint work and usual support. I thank the Governor of Bank of Namibia, Mr Johannes !Gawaxab and his staff as well as Namfisa for input and advice.

66. My gratitude extends to my colleague, the Executive Director, Madam Ericah Shafudah, and all my other colleagues at the Ministry for teamwork and for preparing the budget review documentation timeously. Equally, I thank the officials from all O/M/As for the hard work and understanding of the necessity of doing more with less.

67. I thank our Development Partners for their technical and financial support during this year of an unprecedented challenge. I also wish to thank the financial services industry players, the Bankers Association of Namibia, Asset Managers, Insurance industry, Namibia Savings Association and the Economic Association of Namibia for collaboration and support.

68. Let me end my statement with a quote from a Russian Poet who once said, "*the darker the night, the brighter the stars*".

69. *Hon Speaker*, this pandemic is painful, but it is also an opportunity for us to reflect on the painful choices we have to make to create a better future for our children and grandchildren. We must, therefore, embrace this opportunity with open arms, courage and a sense of patriotism to leverage technology and doing things differently for a better Namibia

Hon Speaker,
Hon Members,

I appeal for your support and thank you for your attention.