

FY2020/21 Budget Statement

"Together Defeating COVID-19, Together Thriving Again"

Presented

by

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

1. I have the honour to table the Budget for the 2020/21 financial year, the first in the exercise of the privilege bestowed upon me, and a sixth under the renewed administration of His Excellency President Dr Hage Geingob.

2. This budget is presented during one of the most challenging times in the global, regional and domestic economy.

3. It is a budget aimed at enabling Namibia to better fight the spread of the COVID-19 pandemic, support businesses and livelihoods of Namibians during these extraordinary times and to plant seeds for the future economic recovery.

4. This particularly challenging time brings recollections of the invaluable lessons which history taught us; that unity of purpose and perseverance are key to success.

5. A few days ago, *Naritunge*, my daughter who is 15 years old, shared with me the words of a poet whose foretelling words written in 1819 and reprinted in 1919 following the Spanish Flu, reinforce the message of perseverance and hope. It says, just to paraphrase: -

> "And *people stayed at home,*
> *Someone meditated, someone prayed,*
> *People found themselves,*
> *And made new choices,*
> *And dreamed of new visions,*
> *And created new ways of living,*
> *And completely healed the earth,*
> *Just as they were healed*"

Honourable Speaker,
Fellow Namibians

6. Given the sense of duty before me, I am tempted to share the source of inspiration I derived from real life events and past tutelage.

- I grew up in a small village of Ontana. Those days of my generational upbringing, like in many other rural settings in Namibia, children were preoccupied by household chores during the day. The daily routines were, for example, digging water wells, animal husbandry, preparing food and the like.

- At night, after dinner, all members of the family will gather around the fire. Elders would narrate stories and fables to the children. This is done, mainly with the view of teaching them history and passing on traditional norms.

- From the many stories and fables I have heard, there is one that stayed vividly with me until today. The story describes a small nation of warriors called the "*Mbangala* Kingdom" that was besieged by the enemy.

- It is said that the *Mbangala* Kingdom, was ruled by a very brave, but caring King. Although this kingdom was small, it was relatively endowed with some mineral resources and an envy of many other kingdoms, especially the most powerful ones. One day the *Mbangala* Kingdom got news of the fact that military forces from a large and powerful Kingdom were approaching to take over their Kingdom. Hearing that news, the *Mbangala* King didn't waste time. He mobilised everyone in the Kingdom, from youths to adults, to play their part and to save and defend their country.

- Everyone was given a role to play and there was unity of purpose in the whole Kingdom. Even among those who have been criticizing the King before, heeded to the King's call. It was a clarion call. THE AIM WAS TO SAVE THE KINGDOM. When enemy forces attacked, the warriors of the Kingdom repelled them back. This war was fought for two years, until the enemy forces gave up, after suffering heavy losses. Unity of purpose has saved the small Kingdom of *Mbangala*.

Honourable Speaker, Honourable Members

7. We too in Namibia are facing an invisible, but formidable enemy by the name of COVID-19. Like its predecessor outbreaks, this enemy has attacked the whole world population.

8. We are not alone in this war. A coalition of nations of the world is confronting the same enemy. Namibia is part of this global coalition for which international cooperation is materially important to deliver victory.

9. The Government has responded swiftly to the threat posed by COVID-19. Notably, our President did not waste time to declare the State of Emergency on the 17th March 2020. He mobilized every Namibian, right from the beginning of this pandemic to stand together as ONE NAMIBIA, ONE NATION, to fight this invisible enemy and save lives in our country.

10. When unveiling the necessary national response to COVID-19, His Excellency President Geingob stated; "*while the pandemic we are faced with today is unprecedented, we are confident that working collaboratively, we will still respond effectively to minimize the spread of the virus and loss of life, and restore the health of those affected*".

11. Indeed, His Excellency's leadership has rallied us to hold hands and work together to achieve this common purpose.

12. Since then, our collective efforts have yielded satisfactory results. The support from our international partners and friends from near and afar is well received and most appreciated.

13. The health emergency and the consequent suppression measures have helped to save lives, globally and at home:-

    - we have so far minimized the infection rate and the spread of the virus at the community level since COVID-19 touched down on our shores on 14 March 2020.

    - to date, no single life has been lost in Namibia as a result of COVID-19.

    - as at the last count, 14 of the 21 cases have successfully recovered. The latest uptick in the new confirmed cases suggests that COVID-19 has not relented. We owe it to the army of health professionals and administrators who are leading the relentless war to defeat COVID-19. We thank Minister Kalumbi Shangula and his team for a distinctively sterling effort.

    - equally, appreciation also goes to all Namibians for obeying the health and social distancing measures. This is a necessary condition for

reopening the economy and returning to the new normal. We should, therefore, not relax our guard.

14. Every Namibian has an important role to play in this fight, be it by practicing social distancing, adhering to all other health protocols announced by the Government and giving material and moral support to the fight against Covid-19.

Honourable Speaker, *Honourable Members*

15. It is in this context, and in terms of Article 126(1) of the Namibian Constitution, read with the Declaration of the State of Emergency, that I table, for the favourable consideration and approval of this House:-

    a) the 2020/21 Appropriation Bill,
    b) the Estimates of Revenue and Expenditure for the FY2020/21, and
    c) the 2020/21 Expenditure Framework

16. In addition, *Honourable Speaker*, I present the Fiscal Strategy for the 2020/21 -2022/23 MTEF, the Development Budget for FY2020/21 and the Government Accountability Report for FY2018/19 as key budget policy and public accountability documents.

What does this Budget offer?

Honourable Speaker,

17. This budget is part of the ammunition in Namibia's arsenal to fight Covid_19.

18. The budget is presented under the theme "*Together defeating COVID-19, Together thriving again*". This theme summons the collective contribution of all Namibians, young and old, to defeating COVID-19 as a necessary condition for future economic recovery and prosperity.

19. As such, the budget aims to achieve four main goals; to save lives, save livelihoods, save jobs and incomes and to place Namibia in a stronger position to thrive in the foreseeable future.

20. It does so by: -

- frontloading the emergency response budget to the health sector to enable the sector to procure and deploy the needed infrastructure, personal protective equipment, pharmaceuticals and personnel,
- deploying a once-off Emergency Income Grant to save livelihoods and jobs,
- improving learner accommodation and sanitation facilities at various public schools across the country to better cope with COVID-19 protocols,
- maintaining operational budgetary allocation for continued provision of essential services and the refined development budget allocations for on-going capital projects with contractual obligations,
- providing for off-budget project financing for critical infrastructure in the logistics and water sectors, and
- maintaining allocations for social safety nets as the first line of defence against vulnerability

21. Beyond these targeted emergency measures, a modicum of policy reforms is set out to constitute pillars of the medium to long term economic recovery and transformation plan. The details of such policy measures will be finalized in advance of the Mid-Year Budget Review to be tabled in the Third Quarter this year.

22. Such a plan will take into consideration our developmental ambitions set out in Vision 2030 and the strategic initiatives for the Sixth National Development Plan (NDP VI), incorporating the national commitment to the global agenda for Sustainable Development. The preparations for NDP VI formulation will start in the near future.

COVID-19 RESPONSIVENESS AND PROGRESS POINTS

Honourable Speaker,

23. We have made discernible progress on the implementation of adopted emergency measures to fight COVID-19 and prepare ourselves for the new normal over the next two years.

24. Last month, on the directive of His Excellency, The President, we launched the Economic Stimulus and Relief Package, encompassing ten action points which are already in the implementation phase. Let me now share progress made so far in this regard:-

- *An emergency budget of N$727 million was frontloaded to the health sector. The Ministry of Health and Social Services is making progress in executing this budget.*

- *an Emergency Income Grant,* providing a once-off payment of N$750.00 grant to a targeted low-income group affected by COVID_19 was rolled out. A total of 747,281 Namibians have so far benefited from the grant at a cost of N$561.96 million. A further 120, 000 people are expected to benefit after completion of the verification process. I am pleased to report that this money was distributed in a very short period of time at zero cost of distribution by the Government. Despite the challenges that have been encountered, Namibia has set a good example to the World, thanks to our private sector partners who offered their services free of charge. We would like to thank these patriotic Namibians today and more appropriately at a later date.

- the National Employment and Salary Protection Scheme for COVID-19 was launched on 10 April 2020 in collaboration with the Social Security Commission. Costed at N$645 million, the program provides for, amongst others, the *wage subsidy for employers and employees in the severely affected sectors*. The Government contribution to this program stands at N$400 million, while N$245 million will be provided by the Social Security Commission. To date, over 1,372 applications from employers to access the benefits have been made at the Social Security Commission as an implementing agency.

- *acceleration of payment of overdue unpaid invoices* for suppliers of goods and services to the Government valued at N$1.2 billion and *VAT refunds* estimated at N$3.0 billion as at 31st March 2020. It is commendable to note that the whole amount of outstanding invoices of that period is paid and N$1.8 billion of VAT refunds are settled. We are retooling our processes to keep this momentum and eliminate spending arrears going forward.

- *non-agricultural SME loan scheme* at DBN, for which a N$500 million Government guarantee is provided,

- *agricultural business loan scheme and bridging finance for AgriBank* for which N$350 million Government guarantee is provided. The stimulus and relief program by AgriBank will start on 1 June 2020 *,*

- *granting of the policy relief to borrowers and policy holders and members in the non-banking financial sector.* In this regard, regulatory exemptions are due for gazetting in collaboration with NAMFISA*,*
- *a one-year tax-back loan scheme capped at N$470 million for non-mining corporates* and*,*
- *a similar scheme for individuals* capped at N$1.1 billion. Implementation modalities for the tax-back loan schemes are arranged with the commercial banks and Government guarantees will be extended on a case by case basis,
- *provision of a water subsidy of N$80 million* under the Ministry of Agriculture, Water and Land Reform to avail water to all communities and enhance hygiene during these challenging times.
- *waiving of levies and duties on kerosene fuel* as a basic consumer good during the lockdown period for which the amendment schedule, in terms of the Customs and Excise Act is finalized, and
- In addition to the above actions*, an emergency budget of N$600million is availed to the Ministry of Basic Education, Arts and Culture* for the provision of water, ablution facilities and hostels at about 193 schools, countrywide. The Ministry is finalizing an Implementation Strategy to fast-track the procurement of these goods and services.

25. *Honourable Speaker*, these emergency allocations and the corresponding implementation of the programmes have enabled the country to respond timely to the most urgent priorities during this challenging environment. Programme execution is provided for under the continuation authorization and the Presidential Proclamation No. 14 of 2020, suspending Section 9 of State Finance Act, Act No. 31 of 1991.

26. Furthermore, policy directives providing regulatory relief were issued by the Bank of Namibia to allow commercial banks the necessary space to help individuals and businesses during this extraordinary time, following the outbreak of COVID-19. These included an allowable loan repayment moratorium in the form of a repayment holiday, relaxation of the regulations in terms of write-off and provisioning by commercial banks, liquidity relief, capital conservation buffer relief and the postponement of the amended single borrower limit.

27. Taking into account the above policy context, let me know turn to the economic environment under which this budget was prepared and would come into operation.

Macro-fiscal Developments and Medium Term Outlook

28. The rapid spread of COVID-19 since its eruption in December 2019 has exacted a heavy toll on the global economy, the world trade and financial markets.

29. Its magnitude and severity is the worst witnessed since the Great Depression of the 1930s.
    - the global real GDP for 2020 is now forecast by the International Monetary Fund (IMF) to contract by 3.0 percent this year, from what could have been 3.4 percent positive growth forecast in October 2019,
    - the world trade is projected to contract by 11.0 percent this year,
    - oil prices are estimated to decline by 42 percent, presenting some respite for oil importing economies such as Namibia but a worsening scenario for oil exporters. Other commodity prices would contract by about 1.1 percent

30. Thus, economic growth metrics for 2020 have turned negative for major economies and economic groups. This is all due to lockdowns, travel bans, supply side disruptions and extremely weak consumer demand:-
    - Advanced Economies are projected to contract by 6.1 percent,
    - Emerging Markets and Developing Economies would contract by 1 percent, relative to 3.7 percent positive growth a year ago,
    - Economic activity rate for the United States of America, the world's largest economy, is forecast to contract by 5.9 percent,
    - the contraction in the Euro zone is estimated at 7.5 percent,
    - growth for China, the world's second largest economy, is projected to plummet to 1.2 percent this year, from 6.1 percent last year, and
    - Latin America and the Caribbean region faces a contraction of 5.2 percent.

31. The Sub-Saharan African region has also not escaped from the macroeconomic fallout of CIVID-19. The sub-regional economy is projected to contract by 1.6 percent, from an expansion of 3.1 percent in 2019.

32. Closer to home;

    - real GDP contraction for South Africa is now estimated at 5.8 percent, and

    - the Angolan economy is projected to contract by 1.4 percent.

33. Notably, these are the two largest neighbouring economies and key trading partners for Namibia.

34. These regional and global forecasts are underpinned by considerable downside risks. A predicted rapid recovery (V-shape recovery) of 5.8 percent for the global economy in 2021 and 4.1 percent for Sub-Saharan Africa might, therefore, be challenging to realize in the presence of these downside risks.

35. This outlook, fellow Namibians, does not augur well for the domestic economy.

Domestic macro-fiscal context and outlook

Honourable Speaker, *Honourable Members,*

36. Namibia is a small, open economy with the external trade to GDP openness index of about 100 percent. This makes the economy highly vulnerable to shocks such as the COVID-19 pandemic, mainly through the trade channel and pass-through effects on public revenue.

37. Amidst these developments, the domestic economy is projected to contract by 6.6 percent in real terms this year. The contraction may as well linger on in 2021 at a moderate rate of 1.1 percent, with the new normal average growth rates of between 2.0 and 3.6 percent in 2022 and beyond;-

    - nominal GDP as a measure of final output for 2019/20 fiscal year has been reduced by 10.9 percent or N$21.5 billion relative to previous budget estimates. This reflects the combined effects of statistical adjustments in diamond exports and the COVID_19 induced effects during 2020,
    - for 2020/21, the implied reduction in nominal GDP relative to the MTEF indicative estimate stands at about N$34.7 billion or some 16.9 percent. These shocks on final output have significant implications for fiscal targets, especially over the short term.

- as such, the macroeconomic outlook of the Fiscal Strategy indicates that all elements of final demand, that is, net consumption and investment are expected to decline during 2020,
- exports are projected to decline by about 11.9 percent year-on-year in 2020, compared to the estimated decline of 1.1 percent a year ago,
- imports are expected to decline by 14.9 percent in 2020, much faster than the fall in exports, reflecting the slowdown in investment and final consumption of goods and services.

38. On the supply side, all major sectors of industry are projected to post negative growth rates in 2020. This is as a result of production disruptions and external and internal demand side fallouts: -

- the primary industry is projected to contract by 12.1 percent, reflecting demand side induced shocks, especially for mining outputs,
- output in the secondary industry would contract by an estimated 2.6 percent, mainly as a result of deeper contractions in the construction subsector and manufacturing activity in the beverage and mineral beneficiation subsectors, and
- the decline in the tertiary industry is estimated at 5.7 percent for 2020, principally as a result of the direct effects of travel and social distancing restrictions on tourism, hotels and restaurants, transport and wholesale and retail trade subsectors.

Monetary Policy and External Sector

Honourable Speaker, Honourable Members,

39. Globally, monetary policy is generally accommodative and it is equally so in the Common Monetary Area and at home. This is for the purpose of affording the business and household sectors a cushion to adapt to the adverse impacts of COVID_19 on the economy and financial markets.

- the Repo rate was cut twice by a cumulative of 200 basis points to 4.25 percent since the outbreak of COVID-19. The reduction in the Repo rate provides short term relief to borrowers and helps to lift the weak economic activity,

- this is amidst the low inflation environment, standing at 1.6 percent by April 2020 and estimated to average below 3 percent for 2020,

- equally, Private Sector Credit Extension remains subdued and it has only expanded by 6.7 percent during the first two months of the year,

- the trade balance would shrink moderately to a deficit of 10.2 percent of GDP this year,

- consequently, the current account deficit of the balance of payments is expected to narrow to about 0.6 percent of GDP in 2020, from the deficit of 2.3 percent of GDP in 2019, owing to the expected sharp slowdown in imports and better SACU receipts, and

- as a result, the stock of international reserves stood at about 4.6 months of import cover by the end of April 2020. At this level, the reserves are adequate to meet international obligations and support the currency peg.

Fiscal Policy and Budgetary Framework

Honourable Speaker, *Honourable Members,*

40. Let me now turn to fiscal policy.

41. Namibia's fiscal policy remains grounded on the promotion of socio-economic development, social welfare and intergenerational equity in the context of fiscal sustainability.

42. Over the past MTEF, the Government implemented fiscal consolidation to anchor fiscal sustainability and macroeconomic stability, while supporting the economy and the provision of essential public services.

    - As such, the proportion of total expenditure as a share of GDP has slowed to about 37.7 percent by FY2019/20, from a high of 42.8 percent in FY2015/16,

- For 2018/19, the revenue outturn stood at N$55.89 billion or 31.4 percent of GDP, representing a 98.6 percent collection rate as reported in the 2019 Mid-Year Budget Review,

- the total preliminary revenue collection for FY2019/20 is estimated at N$58.6 billion. This is 33.2 percent of GDP and it is line with the revised budget estimate,

- the outturn on revenue for FY2019/20 reflects better collections on Individual Income Tax and VAT, which counterbalanced the shortfalls recorded on corporate income tax owing to the subdued economic conditions and severe drought during 2019.

43. The projected impact of COVID-19 on the economy and the large downward adjustments in nominal GDP have a significant negative effect on revenue and fiscal indicators for FY2020/21 and over the medium term:-

    - revenue for FY2020/21 is projected at N$51.4 billion, some 30.0 percent of GDP. This is N$8.3 billion or 14.3 percent below the indicative MTEF estimates for 2020/21 and reflects the COVID-19 induced impact on the various revenue streams,

    - at N$22.3 billion, SACU receipts will anchor the projected revenue for FY2020/21. For the following fiscal year, this revenue source is expected to come under pressure in the face of subdued economic and trade conditions globally and in the Customs Area,

    - external and domestic demand shocks and trade disruptions will result in about 32.8 percent decline in VAT collections,

    - supply side and production disruptions would lead to a decline of about 20.3 percent in individual income tax on account of wage reductions and job layoffs across various sectors of the economy,

    - corporate income tax is estimated to fall by about 25.5 percent,

- as a result of the subdued revenue and economic shocks, public expenditure and debt will remain elevated. This fiscal impetus is necessary to help mitigate the negative impact of COVID-19 on the economy and continued with the provision of critical public services.

Expenditure, budget deficit and debt

Honourable Speaker,

44. The 2018/19 Government Accountability Report and the 2019 Mid-Year Budget Review provide details of outcomes achieved and the details of expenditure and fiscal outturns for the FY2018/19 reporting period.

45. For the FY2019/20; -
    - the preliminary expenditure outturn stood at N$66.8 billion,
    - the budget was fully implemented, with the non-interest operational budget execution rate estimated at about 99.5 percent, while the development budget execution rate stood at 83.2 percent,
    - the budget deficit is estimated at 4.7 percent of GDP, compared to 4.1 percent as budgeted, mainly due to revisions in nominal GDP,
    - as such, public debt as a percentage of GDP stood at 54.8 percent,
    - Debt servicing as a percent of revenue stood at 13.5 percent, while contingent liabilities of Government were approximately 6.3 percent of GDP relative to the 10 percent maximum cap.

FY2020/21 Budget, Expenditure Outlook and Fiscal Policy Stance for the MTEF

Honourable Speaker; Honourable Members;

46. Let me now turn to the FY2020/21 budget.

47. COVID-19 presents urgent spending needs for the health sector and responsiveness to support livelihoods and economic sectors which are severely affected by the direct impact of the pandemic.

48. This is amidst the uncertainty about the future prospects for the easing out of the virus. The medium term expenditure outlook and policy stance would depend on how the pandemic plays out globally. A full Medium Term Expenditure outlook and accompanying package of structural policy reforms will, therefore, be presented during the 2020 Mid-Year Budget Review, once we have a better understanding of the impact of Covid-19 and our reform program is firmly underway.

49. Against this backdrop, I table before you the FY2020/21 budget, totaling N$72.8 billion.

50. This is a single-year budget, reflecting the commensurate urgency of addressing the elevated once-off needs arising from the impact of COVID-19.

- non-interest operational expenditure is budgeted at N$57.9 billion, 8.8 percent more than the previous year, reflecting accelerated funding needs to fight COVID-19,
- the development budget amounts to N$6.4 billion, 8.4 percent more than the actual development budget spending in the previous year,
- given the weak revenue outlook, the budget deficit for FY2020/21 is estimated at 12.5 percent of GDP. This is a once-off rise in the budget deficit, as we seek to adequately respond to the challenges posed by COVID_19 on the economy and social strata,
- the budget deficit will be financed through a combination of own savings and domestic and external borrowing,
- taking into account the total financing requirements, the debt stock is estimated to rise to N$117.5 billion, corresponding to 68.7 percent of GDP, from 54.8 percent estimated for FY2019/20.
- going forward, expenditure will have to be recalibrated to lower levels from the temporary COVID_19 induced peak so as to stabilize growth in public debt,
- these considerations would be integral to the fiscal policy stance for the MTEF.

Tax Policy, Revenue Mobilization and Tax Administration Reforms

Honourable Speaker,

51. Let me now turn to tax, customs and excise policy and tax administration reforms.

52. Given the challenging economic landscape, this is not the time to introduce new taxes.

53. However, tax administration measures to achieve equity and fairness in the tax system by ensuring that economic agents generating the same level of income pay the right amount of tax at the right time as well as the measures to plug tax planning and tax avoidance opportunities will continue to be pursued.

54. This means, fellow Namibians, that those who earn above the tax threshold (N$50 000) or more per year, must pay commensurate tax irrespective of the type of economic activity from which they derive their income. This money is needed to pay for medicines, school books, construction and maintenance of roads and other critical public goods and services that the public enjoys.

- the proposal, previously announced, to disallow tax deductibility of royalties for mining entities is hereby withdrawn. This is to encourage investor confidence and economic agents to explore, produce and reinvest in Namibia,
- the Income Tax Act proposals to repeal the provisions of the Export Processing Zone Act which deal with tax exemptions on corporate income tax and the phasing out of tax incentive for manufacturers and exporters of manufactured goods were passed by Parliament last year. The phasing out of these base-eroding tax exemptions will be replaced by the introduction of the Special Economic Zones. These changes are due for implementation starting this year, with grandfathering provisions.

- previously announced Income Tax and Value Added Tax proposals such as dividend tax for residents, taxation of trusts and subjecting income derived from commercial activities of charitable, religious, educational and other

types of institutions under Section 16 of the Income Tax Act, introduction of VAT on income of listed asset managers, supply of sugar and mandatory requirement to issue tax invoices by VAT vendors are still under review. Extensive stakeholder consultations will take place before a decision is taken to proceed with these changes.

55. Further, consultation will be undertaken on the following excise levies and duties for domestic revenue purposes as previously announced: -

- expanding coverage of export levy to include other specific agricultural, forestry, game products and other mining products currently not covered by the export levy regime, and
- revising the export levy for forestry products from a levy in percentage rates to an amount in Namibia Dollar per kilogram to prevent undervaluation of forestry products such as timber.

Honourable Speaker,

56. Further, in terms of the SACU Agreement and taking into account sales volumes and targets set for the total tax burdens on respective excisable commodities, the following increases, effective from 27 February 2020 are agreed in terms of the SACU Agreement: -

- a 340ml can of beer or cider will cost an extra 8c,
- a 750ml bottle of wine will cost an extra 14c,
- a 750ml bottle of sparkling wine will cost an extra 61c,
- a bottle of 750 ml spirits, including whisky, gin or vodka, will rise by N$2.89,
- a packet of 20 cigarettes will cost an extra 74c,
- a 25 gram of piped tobacco will cost 40c more, and
- a 23 gram cigar will cost an extra N$6.73.

57. The current national ban on the sale of alcohol products due to COVID_19 saves consumers from the "sin" taxes.
58. These amended rates of excise duty are set out in more details in the Government Notice which I will table in the National Assembly, in terms of section 54(1) of the Customs and Excise Act, 1998 at a later stage.

59. Complementary to these tax and customs and excise policy changes; key tax administration reforms will be implemented during the FY2020/21 and over the medium term. These include, principally:-

- implementing the transitional arrangements for the establishment of the Namibia Revenue Agency by commencing with the recruitment drive,
- improving the tax administration to ensure compliance with tax laws and, improving the efficiency of domestic tax collection, assessment and forensic audit,
- improving the functionality of the Integrated Tax System to leverage service innovation embedded in the new system, and
- leveraging regional and international tax cooperation.

The FY2020/21 Appropriation Bill

Honourable Speaker, Honourable Members,

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

61. The 2020/21 Appropriation Bill amounts to N$64.3 billion. A total of N$ 8.4 billion, or 16.4 percent of revenue, is earmarked for the payment of interest payable on moneys borrowed. This amount is deemed to have been appropriated. Therefore, the total expenditure, including interest payments, for the 2020/21 financial year, amounts to N$72.8 billion.

62. Some of the sectoral allocations are as follow;

Social Sectors

63. The budget accords 49.5 percent of the N$64.2 billion non-interest expenditure to social sectors. This is in line with the previous budget sectoral allocation of 47.4 percent.
64. This allocative priority reflects the quantum and speed for availing resources to the health sector to shore up national responsiveness to COVID_19 and the needs in the education sector to cope with the new normal.

- the Ministry of Health and Social Services is allocated N$7.95 billion, this is 12.4 percent of the total non-interest expenditure. The funding would allow the health sector to roll-out measures for combating COVID-19,

- the Ministry of Basic Education, Arts and Culture receives N$14.2 billion, equivalent to 22.1 percent of the total allocation,

- Higher Education, Training and Innovation receives N$3.3 billion or 5.1 percent of the total allocation of which N$900.2 million is for UNAM, N$503.9 million for NUST and N$1.5 billion for NSFAF, including a guarantee-backed loan facility of N$238 million.

- such resource outlay reflects the Government's commitment to invest in the youth and human capital development as the central driver for sustainable development, employability and poverty reduction over time.

- the Ministry of Gender Equality, Poverty Eradication and Social Welfare is allocated N$5.3 billion, 8.2 percent of the total allocation, mainly to cater for the social safety nets, which form the first line of defense against poverty for the vulnerable members of society, especially during this time of COVID-19.

Economic and infrastructure sectors

Honourable Speaker,

65. Economic and infrastructure sectors take up the second largest share of the budgetary allocations, after the social sectors. A total of N$14.2 billion is allocated to the Economic and Infrastructure sectors. This is further supported by investment outlay by the Public Enterprises and off-budget project financing:-

- Transport receives N$2.4 billion, for the completion of on-going phases of capital projects with contractual awards. This allocation is supported by N$1.4 billion from the Road Fund in FY2020/21, the N$644.94 million for road project financing under the African Development Bank (AfDB) loan arrangement during the budget year, with the remainder of N$1.7 billion to be disbursed over the next two years for road and rail infrastructure financing under the AfDB-funded Economic Governance and Competitiveness Program.

- as well, Nampower is rolling out investment in energy generation and transmission, particularly solar and wind power generation over the next five years, with investment of about N$10 billion over the next three years. This would boost the provision of affordable and reliable domestic power generation and improve the balance of payments.

- the Ministry of Agriculture, Water and Land Reform receives N$1.3 billion, of which N$929.2 million is earmarked for commencement of the water infrastructure refurbishment and development program.

- The Ministry of Finance is allocated N$6.2 billion, about 9.7 percent of the total allocation. Out of this amount,N$2.6 billion or 40.4 percent is allocated for PSEMAS. A total amount of up to N$772 million is for the Emergence Income Grant, while the Wage Subsidy Program in collaboration with Social Security Commission is allocated N$400 million. An amount of N$330 million is for Government's contribution to GIPF for Political Office Bearers and N$102.8 million for Political Party funding. N$90 million is allocated to AgriBank to support its loan book. Similarly, a total of N$64.0 million is allocated to DBN for SME and youth entrepreneurship support facilities. A total of N$210.9 million is earmarked for the transitional arrangements for the establishment of NAMRA in the budget year, while N$36.9 million, N$36.6 million and N$2 million are allocated for the Financial Intelligence Centre, Central Procurement Board and Financial Literacy Initiative respectively. The balance is for personnel expenditure and operational costs and the Contingency Fund.

- Vote Industrialization and Trade is allocated N$174.8 million to facilitate trade and industrialization objectives.

Public Safety and Order

Honourable Speaker,

66. The Public Safety Sector takes up the third largest share of the budget allocations, totaling N$13.1 billion or 20.6 percent of the total allocation. This allocation underpins our investment in maintenance of law and order, peace and stability.

67. Among others: -

- The Ministry of Home Affairs, Safety and Security receives N$5.95 billion, 9.3 percent of the total allocation,

- Defense and Veteran Affairs is allocated N$6.2 billion, about 9.7 percent of the total allocation,

- The Judiciary receives N$375.7 million, while the Ministry of Justice is allocated N$480.7 million, and
- The Anti-Corruption Commission receives N$61.6 million to support activities to fight corruption.

Administrative Sectors

Honourable Speaker, Honourable Members,

68. The Administrative Sector receives the least allocation of N$4.5 billion, equivalent to 6.9 percent of the total allocation.

69. This, mainly comprises of: -

- N$1.7 billion for Vote 17: Urban and Rural Development to support, among others, increasing provision for sanitation infrastructure, land servicing and bulk water supply services, sewage and electricity,

- N$ 1.0 billion for Vote 07: International Relations and Cooperation, and

- N$131 million for the National Assembly and N$101.3 million for the National Council.

70. For the FY2019/20, a total of N$324.2 million was allocated to the Contingency Fund. I have distributed the corresponding information regarding the utilization of the Contingency Fund.

71. The Appropriation Bill and the 2020/21 Estimate of Revenue, Income and Expenditure provide details of expenditure allocations per Vote and programs.

Economic, Public Finance and Financial Sector Reforms during the Financial Year

Honourable Speaker,

72. The prevalence of COVID_19 has brought about considerable uncertainty on the global and domestic economic outlook. It has induced a temporary downturn on economic activities and public revenue, with elevated public debt as a consequence.

73. Going forward, it is of absolute necessity that the budget deficit and its associated higher debts be significantly reduced over the MTEF through a combination of higher economic growth and expenditure restraint.

74. As such, the Government in collaboration with the private sector and other non-state actors would spare no time to package the structural and public sector reforms to be announced during the 2020 Mid-Year Budget Review.

75. The essence would be to provide evidence-based, transformational reforms to be implemented over the next MTEF and beyond.

76. Such strategic priorities would entail, among others: -

- economic diversification and structural transformation to diversify sources of inclusive growth, domestic productive capacity, industrialization, innovation and job creation. In this respect, a team of experts is appointed to carry out evidence-based research, building on the work already done by the High Level Panel on the Economy,

- improving national competitiveness along a range of policy and administrative arrangements, provide policy certainty, boost investor confidence and improve administrative efficiency,

- enhancing domestic resources mobilization, improving tax compliance and capacity in the specialized areas of transfer pricing and illicit financial flows, centered on advances in the revenue administration institutional reforms, public asset utilization and divestiture as well as application of

Public-Private Partnerships to infrastructure development and service delivery,

- implementing the integrated financing framework to better coordinate development finance and leveraging opportunities presented by green financing facilities,

- conducting an assessment to find a sustainable and responsible strategy to right size the public service and consequently contain the wage bill on the back of the consolidation of Government functions implemented this year,

- finding a prudent way of funding PSEMAS, which is increasingly becoming unaffordable

- strengthening the quality of public expenditure, resource allocative efficiency to priority sectors and developmental programs and implementing time-bound reforms for Public Enterprises,

- leveraging public procurement and local sourcing as a means of empowerment and local economic development in a competitive environment as well as implementing administrative measures to enhance efficiency in the public procurement function, and

- leveraging the financial sector reforms to support domestic investments in the real and services sectors of the economy, and

77. In addition, *Honourable Speaker*, the reforms in the financial sector, which is the lifeblood for the economy, will continue and be brought to finality to support economic activity. This is especially in regard to amendments to the Banking Institutions Act and the finalization of the legislative modernization in the non-banking financial services industry.

CONCLUSION AND ACKNOWLEDGEMENTS

Honourable Speaker, Honourable Members,

78. Over the past years, we have endured difficult but necessary fiscal consolidation adjustments.

79. The spectre of the Corona Virus pandemic has ravaged the economic landscape and reversed most of the gains from fiscal adjustment reforms.

80. We have responded swiftly and timely to combat COVID_19. We shall continue to do so, while enabling economic activity to regain traction.

81. I wish to express my gratitude to His Excellency President Hage Geingob for his exemplary leadership. I thank His Excellency for the trust bestowed on me as a steward of our public finance management and financial sector. I pledge to execute this responsibility to the best of my ability, with the support and input from my Cabinet colleagues, the legislature, captains of industry and the public at large.

82. I equally wish to thank, His Excellency Vice President Nangolo Mbumba, Right Honourable Prime Minister Saara Kuugongelwa-Amadhila and the Hon. Deputy Prime Minister Netumbo Nandi Ndaitwah for their continued guidance.

83. I thank Honourable Obeth Kandjoze, Director General of the National Planning Commission and his entire staff for team work, now and going forward.

84. I extend my sincere appreciation to Hon. Calle Schlettwein, my predecessor and the current Minister of Agriculture, Water and Land Reform for the formidable work done over the past five difficult years and for his continued support.

85. I thank my Cabinet colleagues for their insight during the formulation of the budget. I would rely on your continued support during the budget implementation process.

86. I express my appreciation to the Bank of Namibia and NAMFISA for technical input and advice.

87. My gratitude also extends to my right hand lady, Executive Director, Madam Ericah Shafudah, and all my colleagues at the Ministry of Finance who welcomed me with open arms and who always persevere in preparing the budget documentation and all other work we do at the Ministry. I thank all senior officials in all Offices, Ministries and Agencies for their hard work.

88. I extend my sincere appreciation to the various political parties and Parliamentary Committees for their contribution to the improvement of the budget allocative efficiency and accountability.

89. I thank our Development Partners, the business community, organized labour, the financial services industry players such as the Bankers Association of Namibia, Asset Managers, Insurance industry, Economic Association of Namibia and Namibia Saving and Investment Association (NaSIA) for collaboration and support.

Honourable Speaker, Honourable Members

90. I would like to pause and return to the story of the *Mbangala* Kingdom: The people of the *Mbangala* Kingdom offer a source of inspiration. During the trying times, the inhabitants of the *Mbangala* Kingdom went hungry for two long years, with little food and scarce water. Some fell sick, but they continued fighting till the glorious end.

91. We Namibians too, have a proud history of tenacity, perseverance, sacrifice and transcending to final victory. These are the values of our glorious history.

92. This legacy should inspire us to follow these great deeds. Through unity of purpose, partnerships and team work, we shall thrive again. Together, in the spirit of *Harambee*, we shall traverse that journey.

93. Let me end my presentation with a quote from Economic Professor and renowned author Milton Friedman who once said; *"Only a crisis — actual or perceived — produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable*."

94. As Namibians, we too should not allow this crisis to go to waste, we are called upon to develop alternative ideas and implement them in earnest, with dexterity, entrepreneurship and innovation to achieve shared prosperity for the current generation and for the better future of our grandchildren.

95. I now appeal for your favourable consideration and approval of the 2020/21 Appropriation Bill and the Estimates of Revenue, Income and Expenditure.

I thank you.