



FY2019/20 Mid-Year Budget Review Policy Statement

Presented

By

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Minister of Finance

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Honourable Speaker;

Honourable Members of the National Assembly;

Fellow Namibians;

1. I have the honour to table the 2019/20 Mid-Year Budget Review, a fifth since its introduction in 2015. Its purpose is to improve effectiveness of resource allocations during the financial year, to enhance the growth responsiveness of the fiscal policy and to reaffirm the medium-term policy stance grounded on fiscal sustainability, a consolidation perspective that is evenly managed to give greater impetus to economic recovery, growth and jobs. It echoes the ethos of doing more with less and it further supports a package of mutually-reinforcing economic recovery stimulus intervention to enhance direct investment and private sector participation.

Honourable Speaker,

Honourable Members of the National Assembly

2. Over the past three years, we have experienced sustained general economic contraction with a prolonged recession affecting specific economic sectors such as construction, Agriculture, wholesale and retail trade.
3. At this time, the economy is still adjusting to short-term recovery and long-term growth outlook. The adjustment has been slower and longer than anticipated due to policy neutrality and diminishing real sector investment flows. However, achievements have been made to anchor the future growth outlook in a credible macroeconomic framework. The policy measures and the reforms implemented

to date have delivered important progress on the basis of which short-run and long-run actions must be anchored:-

- we have narrowed the budget deficit from 8.1 percent of GDP to about 4.1 percent,
- expenditure is aligned to revenue, which means that expenditure must not grow faster than revenue,
- steep growth in public debt is settled at 11.2 percent annually, far below averages of 30.1 percent during excess volatility in income three years ago,
- expenditure on the social sectors has been ring-fenced, and social safety nets strengthened, to guard against significant reversals and enable continuous provision of essential services,
- recessionary pressures in the sectors of wholesale and retail trade, construction and public education and health have eased,
- international reserves, in terms of import cover, have improved to above 4 months, relative to the international benchmark of 3 months of import coverage.
- Additionally, the 2019 Global competitiveness Report of the World Economic Forum further confirms early gains for Namibia, indicating that:-
 - macroeconomic stability has improved, thanks to difficult but firm actions taken,
 - rankings on business and financial systems efficiency as well as ICT innovation have also improved.

4. This progress testifies that, when credible policy actions are implemented timely and consistently, positive results emerge. However, despite this, more needs to be done, and an integrated economic recovery plan with mutually reinforcing action points and fast-tracked in its implementation, is by far the most macro-critical objective going forward. Therefore, policy toolkits need to be re-calibrated, and partnerships should be enabled, to deliver a more nimble growth and jobs compact.
3. 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 August House, the FY2019/20 Appropriation Amendment Bill and the Adjusted Estimates of Revenue, Income and Expenditure for FY2019/20.
4. Concurrently, I present the Medium-Term Budget Policy Statement, showing the macroeconomic and fiscal context underpinning the Budget Review, the medium-term fiscal stance, policy priorities and aggregate expenditure ceiling for the next budget and the MTEF.
5. This Budget Review retains its core fundamental policy objective of a half-year assessment of the budget implementation 2019/20. This is done to fulfil the policy objective of enhancing allocative efficiency by re-allocating under-utilized resources to alternative priorities within the appropriated global ceiling. The Appropriation Amendment Bill that I present before the House re-allocates resources to priority programmes where shortfalls are experienced without taking the route of additional budget on the global ceilings.

What Does this Budget Review Offer?

Honourable Speaker,

Honourable Members of the National Assembly

6. This Budget Review and the Medium-Term Budget Policy Statement places a high premium on achieving economic recovery, sustainable growth and strengthening fiscal sustainability as the necessary conditions for economic progress and social transformation. The review framework has three distinct policy actions:-
 - (i) *First*, it frees up a resource envelope for re-allocation to alternative priority programmes within the appropriated expenditure ceiling. This is to enable optimal provision of services in areas where shortfalls are anticipated and to achieve enhanced development outcomes,
 - (ii) *Second*, it ring-fences expenditure allocations to capital and development programmes as a way of enhancing growth consistent with sustainable fiscal policy, and
 - (iii) *Third*, it unveils an integrated economic recovery and growth stimulus intervention measures to support short-run economic recovery and sustainable economic growth in the medium and the long-term.
7. In this respect, Honourable Speaker, the economic recovery and growth stimulus package has four interdependent components over the short and medium-term horizon, including:-
 - a public expenditure and growth stimulus package consisting of increased development expenditure of about N\$8 billion, including the roll-out of the N\$4 billion AfDB funded project financing for

agricultural mechanization, rail and road infrastructure and educational facilities rehabilitation programme. This will further be reinforced by water infrastructure rehabilitation and expansion programme, to the value of N\$2.5 billion in the initial roll-out phase. This stimulus package will be strengthened with the roll-out of the SME financing facilities at the Development Bank of Namibia, starting with the launch of the Credit Guarantee Scheme, Mentorship and Training Programme, and the Skills-based lending facility for the youth,

- enabling the realization of private sector direct investment from the 2019 Economic Summit for which a minimum of an additional N\$20 billion from the domestic private sector investment is committed to the economy over the next three years. Additionally, private sector development activity will be greatly enhanced with the targeted capitalization of the Development Bank of Namibia, AgriBank and the Equipment Aid Scheme at the Ministry of Industrialization, Trade and SME Development,
- leveraging and partial listing of state assets and bringing PPP project proposals to the market to create investment space. This will start with the partial listing and divestiture of public shares in the telecommunication sector.
- implementation of priority structural policy reforms raised at the 2019 Economic Summit and related reforms to promote the ease of doing business and business confidence across various parameters.

8. The implementation of some of these measures has already started, and these will speed up over the MTEF. Effective and mutually beneficial partnerships

between the Government, the private sector and non-state actors will be necessary for timely delivery of these commitments.

9. *Honourable Speaker*, before I provide the fiscal policy stance for the next MTEF and the details of the FY2019/20 Appropriation Amendment Bill, let me explain the economic context underpinning this Budget Review and the Medium-term Policy Statement.

Economic, fiscal and financial context

10. The Review is set against the backdrop of a global economic slowdown, prolonged recession in the domestic economy and the future prospects of economic recovery over the medium-term.

- Global economic growth has slowed to 3.0 percent, the lowest rate since the global financial crisis and a significant deceleration from averages of 3.7 percent of the past two years,
- While heterogeneity exists across economic groups, the slowdown reflects lower activity in Advanced Economies, as well as Emerging Markets and Developing Economies,
- This is primarily a result of the trade tensions between the United States and China, which continue to negatively impact on demand for merchandise exports, production economies and market sentiments,
- As such, the world trade volume for 2019 is estimated to have slowed down significantly to 1.1 percent, from 3.6 percent a year ago.
- Growth for the United States economy is estimated to slow to 2.4 percent, from 2.9 percent in 2018 and further to 2.1 percent in 2020.

- Meanwhile, growth for China, the world's second largest economy and a key source of demand for mineral commodities, is projected to slow to 6.1 percent in 2019 and fall further below 6 percent in 2020,
- Non-oil commodity prices have also dampened to 0.9 percent year-on-year, from 1.6 percent in 2018.

Honourable Speaker,

11. These developments in the global economy and the attendant downside risks have material effects on the African Region and specifically for Namibia as a small, open economy:-

- Growth for the Sub-Saharan African Region is estimated to remain flat at 3.2 percent in 2019 relative to 3.0 percent in 2018 as a result of adverse developments in the global economic milieu, with the outlook projected to improve to 3.6 percent in 2020,
- This aggregate outlook disguises differences across countries and economic groups within the Sub-region. Growth for non-resource intensive countries is estimated to have an above average growth rate of about 6 percent,
- For resource-intensive countries, growth rate is projected at 2.7 percent, as the decline on commodity prices impact on output and earnings.
- Growth for South Africa and Angola, the Sub-region's second and third largest economies and Namibia's main trading partners is projected to remain subdued in the medium-term. For South Africa, GDP growth rates are estimated at 0.7 percent and 1.2 percent in 2019 and 2020 respectively.

For Angola, growth has been in contraction since 2016, with the negative growth estimated at 0.3 percent.

12. While we have a glimmer of optimism for improvement in the global economy in 2020, this outlook is underpinned by significant downside risks which continue to threaten the pace of economic activity. The risk factors are the continued trade tensions and their consequences on export demand and market sentiment, geopolitical tensions especially in the Middle-East and the effects of climate change.

13. Furthermore, while accommodative monetary policy has greatly supported economic activity, specifically in the Advanced Economies, the capacity for fiscal policy to support economic activity has increasingly diminished with the erosion of fiscal space. Global public debt levels are estimated at 82.9 percent of GDP in 2019 and expected to average around 83.0 percent in the medium-term.

The global policy toolkit emphasizes a set of policy actions, including:-

- improving the growth friendliness of fiscal policy and building buffers,
- embracing multilateralism, regional integration and value chain platforms,
- Investing in climate resilient infrastructure and mitigation measures,
- Relentlessly fighting corruption and effective debt management, noting the recent upsurge in public debt globally and in Africa in particular,
- Closing the gap between the rich and the poor through equitable income distribution and growth in national incomes.

Domestic economic developments and outlook

Honourable Speaker,

14. Let me now turn to domestic economic developments and outlook:-

- The domestic economy has been adjusting to shocks and re-calibrating to a more sustainable growth pattern,
- For 2019, the economy is estimated to contract by about 1.5 percent relative to the growth rate of 0.2 percent estimated in the Budget. This marks a third consecutive year of recession.
- From the demand side, the recessionary pressures are reflected in weak consumption demand, both private and public consumption, slackness in investment and a slowdown in exports,

15. From the industrial perspective, the deeper than expected contraction in 2019 is due to the contractions in primary industries; decrease in the agricultural sector as the severe drought takes toll on the sector; and the contraction in the diamond mining sub-sector, induced by the lay-off and maintenance of some of the mining's capital assets.

16. The recessionary pressures is easing in the construction sub-sector, thanks to increased public and private capital expenditure, and the positive growth in the manufacturing sector. These are estimated to have lifted the secondary industries out of recession in 2019.

17. However, the tertiary sector, which accounts for about 57 percent of the GDP, is estimated to remain in recession during 2019, owing to the prevailing subdued

conditions in the sectors such as Wholesale and Retail Trade, and Real Estates due to weak domestic demand.

Honourable Speaker,

18. On the monetary and external sector;

- Annual inflation eased to 4.3 percent in 2018 and remained at about the same level during the first half of 2019, compared to 6.2 in 2017, indicating generally subdued economic activity and the knock on effects of lower oil prices,
- Monetary policy remained relatively neutral over 2018 and the first half of 2019, with the Repo rate cut by 25 basis points to 6.50 in August 2019 in line with the base rate reduction, and with the objective of stimulating productive investments and economic activity,
- the current account deficit has narrowed significantly over the recent years, standing at about 1.6 percent of GDP by September 2019, compared to the deficit of 15.6 percent in 2014,
- this is, nevertheless, reflective of reduced imports relative to exports and the narrowing trade deficit over recent period, mainly as a result of low domestic consumption and investment demand,
- As a result, the stock of international reserves increased to about N\$33.4 billion at the half-year mark in 2019, equivalent to about 4.6 months of import cover, about the same level as in 2018.

19.*Honourable Speaker*, the domestic economy is projected to gradually emerge from the recession in 2020 with a moderate growth rate of about 0.8 percent and about 1.3 percent by 2021, averaging 2.0 percent over the next MTEF,

20.On the demand side, we expect a moderate recovery in domestic consumption demand and other elements of final demand as some of the planned public and private sector investment come on line and the rebound of exports from mining activity.

21.On the supply side, the recovery will be similarly anchored by moderate positive growth in all main economic sectors;

- the projected recovery in the primary industry sector is expected to perform better in the mining and agricultural sectors as temporary factors in the diamond subsector and rain prospects improve,
- growth in the secondary industries is projected to strengthen as the contraction in the construction sector eases,
- tertiary industries are projected to post-moderate recovery as domestic demand gathers pace with positive effects on the Wholesale and Retail trade and Real Estates subsectors.

22.*Honourable Speaker*, while the economy is projected to recover in 2020 and over the next MTEF, the projected pace of recovery is low and insufficient to translate into real growth in per capita incomes.

23.To affect the latter, timely implementation of targeted measures, private sector investment commitments and structural policy reforms are pre-requisites to improve both the pace and quality of future growth. These growth drivers are captured in the integrated economic recovery and stimulus intervention strategy, as I have already announced.

24.The cost of inaction and the slow pace of implementation of announced measures will continue to weigh heavily on economic activity and requires a new and robust approach for better results to be achieved, including effective management and mitigation of State liabilities and fiscal risks.

Honourable Speaker,

Let me now turn to fiscal policy.

Fiscal Policy Developments

25.The fiscal policy stance announced in the FY2019/20 budget contemplated a further reduction in the budget deficit to 4.1 percent of GDP, with public debt estimated at 49.3 percent of GDP, as the impact of fiscal consolidation emerges.

26.The outturn on fiscal indicators are generally consistent with the budgeted and projected fiscal position. In respect to the FY2018/19:-

- Nominal GDP was 4.0 percent better than budget as per the Preliminary National Accounts,

- Revenue outturn amounted to N\$55.9 billion, 1.4 percent less than the budgeted N\$56.7 billion. This reflects shortfalls in non-mining company tax and Value Added Tax due to weak domestic economic activity,
- Total expenditure, including interest payments amounted to N\$65.1 billion, relative to the N\$65.0 billion budget, reflecting 99.5 percent execution rate and increased statutory spending, which is deemed appropriated. The operational budget implementation rate was 99.5 percent, while the development budget execution was 94.8 percent,
- The budget deficit was 4.8 percent of GDP, compared to the budgeted 4.5 percent due to lower revenue outturn,
- Interest rate payments consumed approximately 11.3 percent of revenue, reflecting the increasing burden of high public debt stock,
- Total debt stood at N\$87.5 billion, equivalent to 45.2 percent of GDP.

27. In respect to the FY2019/20,

- The preliminary revenue outturn of N\$29.4 billion, which is 50 percent of the budgeted revenue and about 2 percent better than the average half-year collection rate,
- The half-year expenditure execution was N\$30.6 billion, 46 percent of the budget. The half-year non-interest operational budget expenditure execution, including expenditure commitments was 52 percent, while the development budget implementation rate at the end of September 2019 was 37 percent.
- Total debt is expected to remain at the budgeted level of 48.9 percent of GDP, on account of expected revenue outturn and budgeted expenditure.

Fiscal Outlook and Medium-term policy stance

Honourable Speaker,

Honourable Members,

28.The objective of the medium-term fiscal policy stance is to enhance the growth responsiveness of the fiscal policy within a fiscal consolidation framework that is supported by the implementation of mutually reinforcing growth stimulus measures.

29.Revenue for the FY2019/20 is estimated to remain unchanged at the budgeted N\$58.4 billion on account of the half-year outturn and downside risks on economic growth and domestic and SACU revenue streams. Over the next MTEF, total revenue is projected to increase on average by 3.1 percent, from N\$58.4 billion in FY2019/20 to N\$60.0 billion in FY2020/21 and N\$63.3 billion by FY2022/23.

30. As a proportion of GDP, total revenue is projected to average around 28.8 percent, reflecting the lagged effect of recessionary pressures, volatility on SACU revenues and the expected weak domestic economic growth going forward.

31.In this context, aggregate expenditure over the next MTEF is projected to increase at an average growth rate of 1.5 percent, consistent with fiscal sustainability policy.

32.As such, indicative aggregate expenditure that is consistent with the fiscal sustainability framework over the MTEF is expected to increase from N\$66.6 billion in FY2019/20 to N\$67.1 billion in FY2020/21, N\$67.8 billion in

FY2021/22 and reach about N\$69.5 billion by FY2022/23. These indicative aggregate expenditure ceilings will guide the preparation for the next MTEF, subject to revenue estimates, including the SACU receipts.

33. At this level of expenditure, the budget deficit will reduce from an estimated 4.1 percent of GDP in FY2019/20 to about 3.5 percent in FY2020/21 and reach about 2.5 percent of GDP by FY2022/23.

34. To enhance the growth responsiveness of fiscal policy under this expenditure constraint, targeted project financing under the AfDB loan facility will be increased by about N\$2.5 billion to finance water generation and distribution infrastructure projects.

35. In this framework, total debt as a proportion of GDP is expected to increase to 51.0 percent in FY2020/21 and stabilize at about 53.1 percent by FY 2022/23.

36. In this context, the fiscal policy stance over the MTEF, as confirmed in the Mid-Year Budget Review, is to:-

- *Deliver the overall FY2019/20 budget within the appropriated ceiling, further reducing the budget deficit to 3.5 percent of GDP in FY2020/21 and gradually to about 2.5 percent of GDP by FY2022/23,*
- *adopting the public debt and primary balance as the basis for stabilizing growth and consequent reduction of public debt. In this regard, the Government aims to achieve positive primary balance by FY2021/22 and*

stabilize Central Government debt at 53.1 percent of GDP over the same period,

- *Frontload the implementation of growth enhancing stimulus intervention measures and alternative forms of financing, particularly PPPs and structural policy reforms to aid the fiscal consolidation path, while mitigating fiscal risks, and*
- *Implementing tax administration reforms to enhance efficient and equitable tax collection.*

Policy Interventions and Spending Priorities for the next MTEF

Honourable Speaker,

37. The medium-term policy stance is founded in the twin objectives of supporting economic recovery and sustainable inclusive growth and maintaining fiscal sustainability.

38. To achieve resilient economic recovery and quality growth that is both inclusive and employment generating, we need to ask ourselves what are the sources and drivers to stimulate economic growth and, target investments to meet these objectives.

Honourable Speaker,

39. David Pilling observed that, “*One obvious problem with putting too much faith in growth is that its fruits are never evenly shared.*” Namibia still has significant

discrepancies between the *'haves'* and the *'have nots'*. To extricate ourselves from this current economic situation of inequality will require the *'haves'* to take a share of the collective responsibility we all have for the good of all our people. Those with broad shoulders must bear the weight of those in our society who are left behind.

40. Concurrently we must mobilise the commensurate implementation capacity and fiscal discipline to ensure that scarce resources are accounted for and put to optimal use and impact.

41. To achieve these objectives, the following budget priorities and intervention measures will be enhanced over the next MTEF:-

- Implementation of a better coordinated and integrated economic recovery and growth stimulus measures, grounded on reviving short-term economic recovery and improving long-term growth potential.
- The economic recovery and stimulus package entails:-
 - Fast-tracking the implementation of the N\$4 billion AfDB funded projects for agricultural mechanization, logistics infrastructure and school renovation programme and further topping this up with an additional N\$2.5 billion water infrastructure project financing,
 - Accelerating the turnaround time for public procurement project adjudication and award, particularly for high-value projects across economic sectors, specifically the roll-out of energy investment projects by Nampower,

- Providing the enabling policy framework for the accelerated implementation of the N\$20 billion private sector investment commitments made at the 2019 Economic Growth Summit and supporting private sector development through targeted capitalization of the Development Finance institutions and special entrepreneurship and industrial upgrading programmes,
- Launching the SME Financing Strategy at DBN, starting with the Credit Guarantee Scheme, Mentorship and Training Program and the Skills-based Lending Facility for youth entrepreneurs,
- Protecting allocations to the development budget to enhance the growth friendliness of fiscal policy and long-term growth potential of the economy, and
- Supported by an effective revenue mobilization strategy, encompassing tax administration reforms and increasing digitalization of the tax system, and
- Speedy implementation of structural policy reforms to bolster the competitiveness and business confidence consistent with the commitments and collaboration made at the 2019 Economic and Growth Summit.
- lift the threshold for unlisted investments in phases from 5 %, 7.5 % and ultimately to 10 %, subject to performance criteria.

Further, Honourable Speaker, the key priorities entail:-

- Protecting budgetary allocations to the social sectors of education and health, the provision of affordable and quality housing, land acquisition and improving the targeting and efficiency of administration of safety nets,
- Implementing effective wage bill reforms and reducing the proportion of the wage bill through growth, the creation of jobs elsewhere in the economy and the consolidation of some public services,
- Mobilizing alternative means of financing the fiscal adjustment and socio-economic development agenda through Public Private Partnerships and partial listing and divestiture of public assets, allowing for the Government to focus on the provision of core priority public services and robust policy frameworks, and
- Implementation of structural policy reforms and addressing administrative bottlenecks to improve the ease of doing business and operational efficiency,
- Implementing Public Enterprises reforms in the context of the Public Enterprises Act and effectively addressing and mitigating fiscal risks associated with inefficient Public Enterprises,
- Finalise NEEEF and NIPA bills,

Tax Policy and Tax Administration Reforms

Honourable Speaker,

Honorable Members,

42. Tax policy and effective tax administration reforms are central to efficient domestic resources mobilization that is needed to finance sustainable development activities. In the context of a subdued economic environment, it is not the policy intention for general tax rate increases. Such relief would encourage economic agents to produce and invest.

43. As part of the FY2018/19 Budget and the current budget, specific tax policy proposals were proposed and a consultation process was done in respect of the proposals. As such;

- Amendments to the Income Tax Act, Value Added Tax Act and Export Levy Act are proposed to implement the proposals completed during the consultation process. These entail, among others:-
 - The taxation of trusts and certain commercial entities,
 - Eliminating base eroding tax holidays and preferential tax rates accorded only to some manufacturers and exporters of manufactured goods for a more uniform treatment of taxpayers through the establishment of the Special Economic Zone,
 - Eliminating certain base eroding exemptions and VAT zero-rating of certain goods.
- In addition, proposals are made for Namibia to join international fora for exchange of information for tax purposes and ratify the OECD Convention on Mutual Administrative Assistance as a means of collaboration in international tax matters,

- The amendments to the Export Levy Act are designed to expand the levy base to cover additional products as a means to incentivize value addition locally.
- Necessary research and investigation will be made on the possibility of introducing a lower tax regime for small businesses as a means of encouraging entrepreneurship and business growth.
- Research has to be concluded within one year to determine the impact on introducing several tax law amendments aimed at improving revenues from the extraction sectors.
- The impact of tax policies aimed at improving progressiveness need to be studied and recommendations made within one year.
- The key lever for efficiency of tax collection, trade facilitation and border protection lies in efficient tax and customs and excise administration. In this context, the launch of the Namibia Revenue Agency (NamRA) is rescheduled for March 2020, to allow for the finalization of the transitional processes and staff recruitment. The operational strategy will be to finalize key milestones for the transition, leverage NamRA reforms and modernize the core services of domestic tax and customs and excise,
- Digitalization of the tax system through leveraging the Integrated Tax Administration System (ITAS)

Honourable Speaker,
Honourable Members,

44. Let me now turn to the FY2019/20 Appropriation Amendment Bill.

The FY2019/20 Appropriation Amendment Bill

45. In regard to the FY2019/20 Appropriation Amendment Bill, a total of N\$1.18 billion was freed up through expenditure cuts during the Mid-Year Budget Review process. This amount comprises of N\$176.32 million realized from the Operational budget on personnel emoluments and N\$999.59 million from the Development Budget.

46. For the Operational Budget, internal savings were realized from personnel emoluments, thanks to wage bill management and vacancy freeze measures.

47. For the Development Budget, freed-up resources are realized from capital projects with a slow implementation pace or yet to be implemented.

48. Out of the N\$1.18 billion realized, N\$632.1 million is realized from the Votes' Budgets with identified priorities for funding.

49. As such, this total amount of N\$632.1 million, equivalent to 53.7 percent of the total realized savings, is proposed for internal virement within the Votes' Budget. This internal virement is to be effected within the provisions of the State Finance Act and it does not require consideration by this August House.

50. A total amount of N\$544.2 million is realized from other Budget Votes as excess freed-up money for reallocation to other Budget Votes experiencing urgent funding needs for the delivery of essential goods and services.

51. The proposed reallocation is to meet essential needs for the smooth conduct of elections with further budgetary support to the Electoral Commission of Namibia and the Ministry of Safety and Security, needs in the Basic Education Sector, Health and Social Services in respect of procurement of pharmaceuticals, supporting funding needs of the Namibian Broadcasting Corporation, Drought Relief and Social Grants needs.

52. Out of the N\$1.18 billion freed-up funds, the following is proposed for your favourable consideration and approval:-

- An amount of N\$999.6 billion, equivalent to 85.0 percent of the total freed-up funds is to be suspended from the Development Budget,
- The Operational Budget is increased by a similar amount of N\$999,6 million from N\$52.24 billion to N\$53.24 billion.

53. The proposed internal reallocation to funding needs and priorities, including internal reallocations are allocated as follows:-

- An amount of N\$96.65 million is allocated to the Ministry of Agriculture Water and Forestry for personnel expenditure, utilities and dry-land crop production,

- An amount of N\$ 67.33 million is allocated the Drought Relief Programme under the Office of the Prime Minister;
- A total of N\$88 million is allocated to the Orphans and Vulnerable Children programme under the Ministry of Gender Equality and Child Welfare to cater for expanded coverage,
- N\$36 million is allocated to the Ministry of Home Affairs and Immigration for the Visa Stickers project
- N\$184.1 million is allocated to the Ministry of Education, Arts & Culture for the recruitment of Teachers, Text book and School feeding Programme
- Health and Social Services received N\$210.72 million for pharmaceuticals and clinical suppliers as well as recruitment of Health Professionals.
- A total of N\$88.02 is allocated to the Ministry of Poverty Eradication and Social Welfare for Social Grants.
- The details of the reallocation are contained in the Appropriation Amendment Bill and the Adjusted Estimate of Revenue and Expenditure provided for in the Policy Statement.

Conclusion

- To conclude, Honourable Speaker, Honourable Members; the economic and fiscal environment has changed and remains dynamic. Our economy, small as it is, remains resilient in challenging times. Current and medium-term economic growth are still projected to be positive, thereby establishing a coherent firm basis for the re-calibration of fiscal policy.

- This Mid-Year Budget Review proposes a fundamental, but balanced alignment of the Government fiscal operations to the new macroeconomic and fiscal framework.
- The consolidation framework has the objective of placing our public finances on a sound, prudent and sustainable path. It is a balanced consolidation adjustment, with a supportive policy package to enhance efficiencies and quality of spending and cushion the adverse impact of expenditure cuts on growth and service delivery.
- Achieving shared goals and fiscal sustainability is a collective responsibility. At this juncture, we can make it or break it. Retaining fiscal sovereignty is not a matter of choice. We have collectively chosen to build the Namibian house together. We have chosen to make it.
- We are re-asserting our time-tested national commitment that sustainability is at the core of our fiscal policy and, sustainable development outcomes which is obtained from resilient policy frameworks. 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 aim to achieve as we pull together to achieve the goals of the Harambee Prosperity Plan. This is what we aspire to achieve in the envisaged Fifth National Development Plan (NDP5).

May I conclude my statement by expressing my profound gratitude to His Excellency President Hage Geingob for his understanding and support.

- Equally, His Excellency Vice President Nangolo Mbumba, Right Honorable Prime Minister: Dr Saara Kuugongelwa-Amadhila, the Deputy Prime Minister: Honourable Netumbo Nandi-Ndaitwah and my Honourable Cabinet Colleagues have stood by our proposals in the face of the pain that these measures will cause. We are however unanimous in our conviction that we are on the right path. And that the long-term gains far outweigh short-term pain.

- I thank Honourable Obeth Kandjoze, Minister of Economic Planning and Director-General of the National Planning Commission and his entire staff for the joint work and usual support. I thank Bank of Namibia for all-round support.

- My gratitude also extends to my Executive Director, Madam Ericah Shafudah, my officials who put in late hours in preparing the documentation and all senior officials in all O/M/As for the hard work and understanding for the necessity of the fiscal stance.

- I also wish to thank the financial services industry players, the Bankers Association of Namibia, Asset Managers, Insurance industry, Economic Association of Namibia for collaboration and support.

- Allow me to end the statement with a quotation from Arthur Burt, who said:
“Nothing happens until the pain of remaining the same, outweighs the pain of change.”

Honourable Speaker,

Honourable Members,

We have endured pain and we will have to remain determined to see through the very necessary economic transformation to bring about sustainable and inclusive growth. The pain of not moving forward towards shared prosperity is unbearable.

I appeal for your support and thank you for your attention and support in these testing and challenging times.

I thank you