Republic of Namibia

Reimaging, a Better Future for the Youth

MID-YEAR BUDGET REVIEW SPEECH FOR 2022/23 FINANCIAL YEAR
PRESENTED BY IPUMBU SHIIMI, MP
MINISTER OF FINANCE

FY2022/23 Mid-year Budget Review Statement

Presented

by

Iipumbu Shiimi, MP

Minister of Finance

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Honourable Speaker;
Honourable Members of Parliament;
Fellow Namibians;

1. I stood before this August House on 24 February 2022 and tabled the 2022/23 National Budget under the theme "***Reimaging a Better Future for the Youth"***.

2. A lot has changed in the global and domestic economic landscape since February 2022. Just as the economy was beginning to recover from the impact of the COVID-19 pandemic, several substantial external shocks have emerged including the negative spill overs from the conflict in Ukraine as well as high global inflation which triggered tight financial conditions.

3. Against this backdrop of a complex set of external shocks operating in tandem with continued domestic constraints, it is important to adopt a responsive macro-fiscal policy framework both to safeguard the most vulnerable members of our society and to chart the pathway from this precarious economic and fiscal environment.

4. Therefore, as we are now at the mid-term of the financial year, it is an opportune time for us to relook at the allocations of our resources as we review and reaffirm the budget priorities. It is against this background that I have the honour to bring before you the 2022/23 Mid-year Budget Review.

5. Accordingly, this 2022/23 Mid-year Budget Review aims to achieve the following objectives-:

   - *provide a mid-year review of the budget execution and the available resource envelope to enhance fiscal sustainability and allocative efficiency;*

   - *propose the Appropriation Amendment Bill to give effect to expenditure realignments; and*

   - *provide the macroeconomic and fiscal context as well as making advance announcements on the budgetary framework and government spending priorities for the next budget and MTEF,* *thereby enhancing transparency and openness of the budget process to the legislature and the broader public.*

Economic, fiscal, and financial context

Honourable Speaker,

6. This Mid-year Budget Review is being presented against the backdrop of significant negative developments in the global and regional economy and subsequently a challenging domestic macroeconomic environment.

7. In the recently released World Economic Outlook (WEO) of October 2022, the International Monetary Fund (IMF) highlighted severe challenges in the global economy. At the global level, economic growth in 2022 has been maintained at 2.2 percent. Meanwhile, the growth for 2023 has been revised downwards to 2.7 percent shaped by the lingering effects of the conflict in Ukraine, a cost-of-living crisis caused by persistent and broadening inflationary pressures and the slowdown in the Chinese economy.

Honourable Speaker,
Honourable Members,

8. The sub-Saharan Africa region has not escaped the headwinds emanating from the negative spill overs from global economic developments. Economic growth in the region is marked down to 3.6 percent in 2022 and 3.7 percent in 2023. This weaker outlook reflects lower trading partner's growth, tighter financial and monetary conditions, and a negative shift in the commodity terms of trade.

9. Overall, the downside risks to the outlook remain elevated, while policy trade-offs to address the cost-of-living challenges have become acutely challenging. Increasing price pressures remain the most immediate threat to current and future prosperity, adversely impacting on real incomes and ultimately shaping the subsequent macro policy paths.

Domestic economic developments and outlook

Honourable Speaker,
Honourable Members,

10. In the domestic economy, the short-term growth prospects have not reduced significantly, despite a convergence of adverse global factors, ranging from high inflation and interest rates, supply chain disruptions, wage pressures as well as a weaker exchange rate.

11. In this regard, the Namibian economy is expected to grow by 2.8 percent in 2022, before expanding further by 3.4 percent in 2023. This is a marginal revision from the forecasts in the main budget of 2.9 percent for 2022 and 3.7 percent in 2023. The revision considers updated information from industrial surveys, especially output from the mining sector and year-to-date performance.

12. On a granular level, the projected growth in 2022 will be anchored by output from primary industries and tertiary industries on the back of a strong recovery in mining activities, supported by buoyant performance in the diamond sub-sector and a return to growth for most of the tertiary industries. Nonetheless, the recovery in tertiary industries is slower than initially anticipated – dampened by elevated inflation, higher interest rates and declining real incomes. Secondary industries are still projected to contract, in line with expected declines in electricity production and the construction sector, despite positive growth in manufacturing activities.

13. Risks to the domestic economy remain elevated and the near-term fiscal policy path continue to be clouded by pressure from the lingering effects of the pandemic and further compromised by the economic consequences of the conflict in Ukraine, as well as elevated global inflation.

14. As a result, the primary focus of fiscal policy in the near to medium term is to shield the economy from the impact of the spike in international energy and food prices. Accordingly, measures to alleviate cost of living pressures, protect vulnerable members of society and preserve social cohesion will be prioritised. Similarly, the medium-term fiscal framework will further aim to

maintain fiscal sustainability through anchoring market expectations and containing sovereign borrowing costs.

Honourable Speaker,

15. On the monetary and external sectors-:

    - in line with global trends, the annual inflation rate increased significantly during the first 9 months of 2022 on account of increasing international oil and food prices coupled with a depreciating currency. In this regard, inflation averaged 5.8 percent over the period relative to 3.5 percent in 2021. In response to rising fuel prices, earlier in the year, the Ministry of Mines and Energy performed the necessary balancing act to provide some relief to consumers through reduction in pump prices and cutting levies on petroleum products when international oil prices were at their peak. On food prices, government had limited intermittent direct policy tools to respond to food price shocks because most basic food items are already zero-rated for Value Added Tax (VAT). We are fully aware that while these measures provided temporary relief to consumers, they were not sufficient, especially for the most vulnerable members of the society;

    - aligned to the inflation trends, the Repo rate was increased by a cumulative 150 basis points this year to 5.50 percent, to safeguard the currency peg and anchor inflation expectations. The subsequent high interest rate environment adds further financial burden on households and corporates budgets alike;

    - in terms of the balance of payments, the current account deficit is estimated to have widened significantly in 2022 driven by higher import payments and further reinforced by the considerable decline in SACU receipts over the period; and

    - meanwhile, at N$48.9 billion in September 2022, translating into 5.7 months of import cover, the stock of international reserves remained sufficient to cover international obligations.

16. At this point, allow me to highlight the recent fiscal policy developments.

Fiscal Policy Developments

17. For the previous financial year that ended in March 2022, we have noted the actual outturns in the fiscal indicators as follows-:

- actual revenue for 2021/22 came in at N$55.4 billion, faring marginally better than our revised estimates of N$53.4 billion;

- operational expenditure amounted to N$56.9 billion reflecting an overspending of 1.1 percent. Notable overspending was recorded on personnel expenditure on the votes of Education, Arts and Culture as well as Health and Social Services;

- development expenditure was recorded at N$4.7 billion, reflecting an execution rate of 92.7 percent;

- actual spending on interest payments amounted to N$7.7 billion versus the revised budget estimates of N$8.3 billion;

- overall, total expenditure amounted to N$70.2 billion, slightly higher than the revised budget estimates of N$69.7 billion;

- the actual budget deficit was recorded at N$14.9 billion or 7.9 percent of GDP notably better than our revised projections of 8.7 percent; and

- the total debt stock stood at N$126.1 billion, equivalent to 66.9 percent of GDP.

18. The Mid-year assessment for the current financial year, 2022/23, shows in many respects improving fiscal fundamentals aligned to, among others, positive economic growth prospects and strong revenue mobilization.

19. In this regard, *Honourable Speaker-*:

- the preliminary revenue outturn at the end of September 2022 stood at N$30.4 billion, representing 51.0 percent of the initial revenue projections and about 3.0 percent higher than the historical mid-year collection rate. The strong revenue performance reflects the observed recovery in domestic economic activities coupled with some early gains from tax administration reforms;

- the execution rate on operational expenditure was 49.6 percent, while the development budget implementation rate including expenditure commitments stood at 38.0 percent by the end of September 2022, fairly in line with past trends;

- the half-year execution on statutory expenditure stood at 45.0 percent; and

- at the half-year mark, the total debt stock stood at N$136.2 billion, equivalent to 69.0 percent of GDP.

Fiscal Outlook and Medium-Term Policy Stance

Honourable Speaker,
Honourable Members,

20. In regard to the fiscal aggregates, the medium-term fiscal framework revised revenue for FY2022/23 upwards by N$4.4 billion, from the indicative N$59.7 billion contemplated previously in the main budget to N$64.1 billion. This represents about 7.9 percent year-on-year growth in revenue from the previous year. Over the MTEF period, revenue is forecast to grow by an average of 7.4 percent to reach about N$78.3 billion by FY2025/26.

21. The positive adjustments in revenues for 2022/23 reflects strong collections year-to-date, mainly on the categories of income tax on individuals, corporate tax on both diamond mining companies as well as non-mining companies, value added tax and dividends from entities such as DebMarine Namibia.

22. In the outer years of the MTEF, government revenue is projected to gradually increase in line with the recovery in economic activities and supported by gains from improved tax compliance and collections of tax arrears in line with tax administration reforms. Specifically, upbeat activities in the diamond sub-

sector are expected to boost company taxes, dividends, and royalties. Furthermore, SACU revenue is also estimated to recover over the MTEF due to improved economic activity in the region and normalization of regional trade flows.

23. As a ratio of GDP, revenue is expected to gradually recover and trend above the long-term average over the MTEF. In keeping with the fiscal sustainability imperative, we are committed to channel much of the increases in revenues to addressing fiscal imbalances and improving our fiscal metrics, going forward.

Honourable Speaker,

24. In line with the fiscal sustainability consideration, aggregate expenditure over the next MTEF is projected to increase gradually but at a slower pace than revenue. Accordingly, expenditure is projected to grow by 2.4 percent on average over the MTEF to reach N$80.0 billion in FY2025/26.

25. The expenditure projections over the MTEF have accounted for the following significant policy priorities and adjustments-:

    - the expenditure ceilings have incorporated the agreed 3.0 percent general salary and benefits adjustments for civil servants in FY2022/23;

    - to cushion the most vulnerable members of our society against rising food prices, N$5.2 million has been included in the budget of the Ministry of Gender Equality, Poverty Eradication and Social Welfare to increase the monthly Conditional Income Grant (CIG) for former food bank recipients from N$500 to N$600 effective in October 2022;

    - funding of N$97 million has been incorporated to increase the Disability Grant for beneficiaries under the age of 18 from N$250 to N$1,300. As pronounced by His Excellency the President in the State of Nation Address, this change will be effective from FY2023/24;

    - cognisant of the cost-of-living pressures, further provision has been made to increase the monthly Old Age Grant and the Disability Grant as well as the Orphan and Vulnerable Children Grant by N$100 effective in FY2023/24, should resources permit;

- an allocation has been made for the National Census to be undertaken in FY2023/24. We recognize the importance of timely statistics in facilitating evidence-based planning and policymaking, as such with the forecasted recovery in revenues, we will make resources available for this important national assignment;

- provisions have been made for the upcoming Presidential, National Assembly as well as Regional and Local Authorities Elections to be held in 2024 and beyond, including the requisite Voter's registration and the requisite preparatory activities commencing next year, FY2023/24;

- allocations towards the Public Service Employees Medical Aid Scheme (PSEMAS) have been reduced by N$1.0 billion over a two-year period, FY2023/24 – FY2024/25, to capture expected gains from envisaged reforms to the benefit structure of the scheme;

- allocations in the development budget over the MTEF prioritise ongoing projects and projects contained in the Harambee Prosperity Plan II (HPPII);

- consideration has been made to execute large capital projects, going forward, through long term funding from Development Finance Institutions (DFIs) to minimise the pressure on the budget. These expenditures outside budget will henceforth be incorporated in the budget deficit calculations above the line;

- allocations on transfers to public enterprises have been adjusted in the outer years of the MTEF accounting for anticipated gains from governance reforms, including the phased implementation of the State Ownership Policy and the subsequent transformation strategy; and

- inflationary adjustments have been incorporated in the expenditure ceilings in lieu of keeping up with rising costs of utilities and the general cost of living.

26. As customary, these anticipated aggregate expenditure levels for the outer years of the MTEF remain indicative, subject to fiscal sustainability and affordability evaluation. Government remains committed to maintain long term fiscal sustainability and will make requisite adjustments to protect public finances as necessary. Furthermore, government will continue with ongoing reforms and critical cost-saving measures on non-core expenditure, to ensure value for money and long-term sustainability.

27. Interest payments are revised down slightly to N$9.1 billion in FY2022/23, equivalent to 14.3 percent of projected revenues for the year. Debt servicing costs continue to trend above our desired benchmark of 10.0 percent of revenues. This adds further impetus to the call to stabilize the pace of debt accumulation, going forward.

28. Overall, the budget deficit is projected to decline to about 5.3 percent of GDP in FY2022/23 compared to 5.6 percent estimated in the main budget in February 2022. Over the MTEF, the deficit is projected to average about 2.4 percent of GDP. In our estimates, we aim to realise a positive primary budget balance in the coming financial year FY2023/24 and maintain it over the medium term thereby setting the public debt metrics on a downward trajectory.

29. The public debt stock is expected to increase to N$138.4 billion, equivalent to 69.6 percent of GDP in FY2022/23. Over the MTEF, the pace of debt accumulation is projected to peak in the next financial year resulting in a stabilization of the debt ratios over the remainder of the MTEF, as nominal GDP growth outpace debt growth.

30. The high public debt levels continue to be central in the fiscal policy considerations over the medium term. As affirmed in the previous budget, government maintain the commitment to redirect much of the revenue increases in the coming years, as the economy recovers, towards debt

redemption and reducing the borrowing requirement as much as possible. As such, we will focus on maintaining a positive primary budget balance over the medium term. At the same time, we will continue working in close collaboration with the private sector to diversify the economy and create new engines of growth.

Honourable Speaker,

31. Going forward, the FY2023/24 Fiscal Strategy will centre on maintaining prudent expenditure management and promoting economic recovery. Accordingly, government will focus on entrenching fiscal sustainability and stabilizing the pace of debt accumulation. At the same time, government will continue to address the binding constraints to creating a conducive operating environment for the private sector to drive sustainable growth.

Economic Policy Priorities over the MTEF

Honourable Speaker,

32. In the Mid-year Budget Review of last year, I underscored details of the **Economic Diversification and Growth Strategy**, as part of Pillar 2 of HPPII, with the overall objective of developing complementary new engines of growth through facilitating a more private sector driven economic growth. We are still seized with implementing that Strategy. In this regard, I would like to update this August house on the implementation progress thereof as follows-:

- in the area of **targeted investment promotion** to potential investors, the Namibia Investment Promotion and Development Board (NIPDB) continues to market investment opportunities in Namibia, utilising the dedicated Investment Promotion Tool. On this front, we are pleased to note improvements in investor confidence as reflected in a strong recovery in Foreign Direct Investments (FDI) flows into the economy during the first half of 2022. Going forward, we expect this positive trend to be sustained supported by recovery in commodity prices, increased interests in mining and exploration activities as well as lucrative opportunities in the renewable energy sector;

- on **productivity enhancement**, the pilot High Value Fruits Productivity Taskforce continues to address the identified constraints to the sector including international market and cultivar access as well as phytosanitary and plant health matters. At the same time, we have recently launched a second productivity taskforce to address constraints along the Meat Value Chain, cognisant of the vast potential that the meat sector holds for employment creation as well as further value addition. Furthermore, a new sector taskforce on the Film and Television sector will follow to tap into the growing global demand for content, unlock the potential of the arts, and exploit Namibia's unique sceneries for location shootings. It is our firm belief that addressing constraints in these three sub-sectors has the potential to significantly grow our GDP and create much needed jobs; and

- on **sub-national diversification**, we have completed a preliminary diversification strategy for the city of Windhoek identifying 47 industries in the (i) Business Services, (ii) Financial Services, (iii) Information Technology (IT) Services, and (iv) Manufacturing sectors, that leverages the city's productive comparative advantages. We are collaborating with the City of Windhoek on how best to implement the strategy. In the margins, we are finalising research work on diversification options for the Port of Walvis Bay as well as agricultural opportunities in the north of the country.

Economic Reforms and Real Sector Policies

Honourable Speaker,
Honourable Members,

33. While working to realise the envisaged fiscal policy path and deliver on the diversification strategy, we will also continue to implement several structural and policy reforms stemming from policy pronouncements in previous budgets. Accordingly, I am pleased to share progress and advances made in implementing these policy measures as follows-:

- regarding the optimal restructuring of the Public Service Medical Aid Scheme (PSEMAS), we have reviewed the costing of various options to review the benefits structure of the Fund. As alluded to earlier, we are committed to implement reforms that will reduce expenditure by N$500 million per annum in FY2023/24 and FY2024/25. Accordingly, such expected savings have been incorporated into the medium-term expenditure forecasts;

- the Wage Bill Committee has produced a comprehensive draft report on findings and recommendations regarding the containment of the public sector wage bill. The report is being scrutinised and analysed by the Office of the Prime Minister before submission for clearance and approval by the Cabinet Committee on Public Service. At the same time, to manage expenditure and realise savings in the short-term, a temporary public service recruitment freeze has been imposed for the remainder of FY2022/23;

- on 12 May 2022, His Excellency the President, launched the sovereign wealth fund for Namibia, the Welwitschia Fund, seeded with N$300 million of initial capital. I am pleased to announce that we have progressed in developing the requisite law for the Fund and are currently soliciting inputs into the draft bill from stakeholders. We aim to table the bill before Parliament in the next financial year;

- regarding the Business Rescue Fund to assist SMEs adversely impacted by the COVID-19 pandemic, the Development Bank of Namibia (DBN) will launch the Fund in November 2022 and start the procurement process for a pool of business rescue consultants. The Ministry of Finance is committed to avail the required financing to the Fund in the next financial year, 2023/24. In the interim, the Fund will focus on DBN clients, with prospects to extend it to other lending institutions subject to successful test of concept;

- in line with the recommendations of the Business Rescue Taskforce established by His Excellency, amendments to the Road Fund Administration (RFA) Act are underway to write off prescribed debt of road users. The draft bill is awaiting certification by the Attorney General and thereafter will be tabled in Parliament in the coming weeks;

- the Public Procurement Amendment Act was passed into law in July 2022 and has subsequently been gazetted and operationalized;

- a revised version of the Namibia Investment Promotion and Facilitation Bill has been produced by the dedicated Technical Committee and will be workshopped for inputs from several stakeholders over the next two months;

- the Special Economic Zone (SEZ) Policy was approved by Cabinet in August 2022. The technical team has commenced with drafting the bill, which will be shared with relevant stakeholders for inputs as customary;

- earlier this month, NamPort announced Terminal Investment Limited as the preferred bidder to operate the New Container Terminal at the Walvis Bay harbour. The parties will undertake the necessary negotiations and agree on a mutually beneficial Concession Agreement. We believe the concessioning of the terminal will greatly assist to drive the volumes of containers throughput through the terminal thereby creating additional job opportunities for Namibians;

- work to revamp the productivity of government Green Scheme Projects through leasing to the private sector is still ongoing. So far, the Ministry of Agriculture, Water and Land Reform has advertised seven (7) green schemes - consisting of three (3) brownfields, three (3) developed green schemes and one (1) dairy project. Such tenders are still open for bidding. I would particularly like to urge Namibian companies to team up with investors with the know-how and capital, express interest in these ventures and partner with the Government to contribute to increasing agricultural productivity. In the meantime, we have allocated an additional N$40.0 million toward the green schemes in FY2022/23 to revive production activities while the leasing process unfolds;

- in July 2022, we gazetted the Central Securities Depository (CSD) conditions under the Stock Exchanges Control Act of 1985, thereby providing the regulatory framework within which NAMFISA can licence and subsequently regulate the operations of the CSD. At this point, we are awaiting on the CSD Company to apply for a licence and operationalise the CSD within a year;

- on green hydrogen, Government is negotiating the terms and conditions of the agreement with the preferred bidder, Hyphen. Accordingly, His Excellency the President, will make critical announcements at the upcoming 27th United Nations Climate Change Conference (COP27) meetings in Egypt next month as Namibia commits to do her part on the journey to decarbonize our world;

- the Ministry of Urban and Rural Development in partnership with the United Nations Human Settlement Programme (UN-HABITAT), have commissioned the formulation of a National Informal Settlement Upgrading Strategy that will guide national efforts towards improving tenure security and living conditions in informal settlements in the country. The formulation of both the Policy and Strategy are expected to be completed during this financial year; and

- the Ministry of Mines and Energy has engaged stakeholders and is now finalising revisions to the Minerals Act, among others, to ensure maximizing the rent appropriation from our natural resources.

Tax Policy and Administration Reforms

Honourable Speaker,

34. Effective revenue mobilisation is a key pillar of our envisaged medium-term fiscal framework. Accordingly, it is critical to ensure an optimal mix of responsive tax policy, tax administration reforms as well as adequate tax compliance to enhance the contribution of revenue on smoothing the fiscal adjustment path.

35. As I have highlighted earlier, the economic landscape continues to be fragile and the emerging green shoots in the domestic economy are still susceptible to significant vulnerabilities in the global economy. Against this background, we are still of the view that now is not the right time to introduce any tax proposals that could stifle economic recovery.

36. Therefore, in the area of tax policy and tax administration reforms, we are focused on the implementation of measures that could potentially provide some relief to taxpayers in the near to medium term. In this regard, we have made the following resolutions-:

- the non-mining company tax rate will be reduced by two percentage points over the two outer years of the next MTEF. Accordingly, the tax rate will be reduced to 31 percent effective in FY2024/25, with a further reduction to 30 percent in FY2025/26;

- the Ministry will undertake an assessment of the consideration to increase the threshold for Income Tax on Individuals from the current N$50,000 to N$100,000 with a view to provide relief to low-income earners. We will make the necessary confirmations thereof in upcoming Budget Statements;

- the Income Tax Amendment Bill is with the Legal Drafters after which it will be tabled in the National Assembly in this financial year. The Bill contains proposals for, among others, increasing the deductibility on pension fund contributions and educational policy deductions to a maximum of N$150,000 and provisions for thin capitalisation rules;

- The Value Added Tax Amendment Bill is also before the Legal Drafters before tabling in the National Assembly during this financial year. The Bill incorporates zero rating the supply of sanitary pads, among others;

- NamRA has crafted a Tax Compliance and Enforcement Strategy, which will be rolled out over the MTEF to combat tax evasion; and

- New guidelines for the issuance of Good Standing Certificates have been developed by NamRA aligned to our continued efforts to improve tax compliance. Accordingly, the agency will announce the necessary implementation details and timelines thereof in due course.

37. Going forward, the previously announced tax proposals and considerations will be revisited once the economy has sufficiently recovered, and corporate as well as individual incomes have adequately stabilised.

2022/23 Appropriation Amendment Bill

Honourable Speaker,
Honourable Members,

38. At this point, let me provide details on the FY2022/23 Appropriation Amendment Bill and the corresponding resource re-allocation across the various sectors and programmes. In the budget I tabled before this house in February 2022, you approved a total allocation of N$61.6 billion, consisting of N$56.6 billion in operational expenditure and N$5.0 billion for the development budget.

39. In the process of compiling this Mid-year Budget Review, additional expenditure requests to the tune of N$4.0 billion were received. At the same time, consideration of the additional cost of N$1.3 billion for the salary and benefit adjustments of civil servants as agreed to with the unions had to be made.

40. As I have outlined earlier, due to the strong performance in revenue collections year-to-date, we have revised total revenues for FY2022/23 upwards by N$4.4 billion. The budget review exercise further identified potential savings for re-allocation across votes to the tune of N$387.3 million.

41. Nonetheless, considering the limited scope for further increasing public debt through borrowing, we had to make the necessary re-allocations within the available resource envelope, while ensuring a slight reduction in the borrowing requirement overall. Accordingly, we have made additional expenditure allocations as follows-:

- the ceilings of all votes were revised upwards by a total of N$1.3 billion to accommodate the 3.0 percent **salary and benefits** adjustment for civil servants. I am pleased to inform the house that the backdated payments of the salary increments were made to all civil servants on 14

October 2022 and the adjusted monthly salary payments will commence effective from the end October 2022;

- the **development budget** is increased by an additional N$497.7 million to settle outstanding invoices and cater for potential shortfalls on critical ongoing projects to ensure continuity and avoid further penalties on road projects. Other notable allocations include covering the shortfall on the Land Servicing Programme as well as the extension of the apron at the Hosea Kutako International Airport;

- N$747.4 million of additional **personnel expenditure** were granted, a bulk of it to the Votes of Health and Social Services as well as Education, Arts and Culture to cater for projected shortfalls on recruitment. The Auditor General has flagged persistent overspending by the two votes in previous financial years, primarily due to underbudgeting. We hope to address that anomaly with this allocation;

- a total of N$872.9 million has been added on the **goods and services** budgets of various votes to cover, among others, projected shortfalls on utilities, funding to combat the outbreak of the foot and mouth disease and lung sickness, as well as to broadly stem the erosion of purchasing power in light of heightened inflation, particularly on transport;

- N$531.1 million has been allocated to **subsidies and other transfers** to Government organisations to cover, among others, shortfalls on student funding at NSFAF and the refurbishment of locomotives for TransNamib;

- N$99.3 million has been provided for **acquisition of capital assets** primarily to purchase medical equipment to support the medical internship programme; and

- in line with better outcomes year-to-date, the allocation for **interest payments** has been reduced slightly to N$9.1 billion.

42. These additional allocations reflect pressing and urgent priorities which could not be deferred to the upcoming main budget. Overall, the operational budget has been increased from N$56.6 billion to N$60.1 billion. Similarly, the development budget has been adjusted upwards from N$5.0 billion to N$5.5 billion.

43. On balance, the nominal budget deficit is reduced from N$11.1 billion to N$10.6 billion. As a ratio of GDP, the deficit is reduced marginally from 5.6 percent to 5.3 percent. Accordingly, the borrowing plan for the remaining months of the financial year will be revised down to reflect this adjustment.

44. The detailed breakdown of the expenditure allocations and revised ceilings for the various Votes are available in the Appropriation Amendment Bill.

Conclusion

Honourable Speaker,
Honourable Members

45. As I conclude my speech this afternoon, the global economic landscape is clouded by heightened uncertainties stemming from ongoing geopolitical tensions, the ensuing supply chain disruptions and associated inflationary pressures. Our economy, small as it is, has so far been resilient amidst such challenging and turbulent times. For the time being, the near and medium-term economic growth trajectory are still in a positive territory, setting a firm basis for the recalibration of fiscal policy.

46. This Mid-year Budget Review proposes a macro-fiscal framework with a firm objective of placing our public finances on a sound, prudent and sustainable path. At the same time, the framework contains a supportive policy package to cushion the most vulnerable members of our society and the economy broadly against significant cost of living pressures and associated declines in real incomes.

47. Indeed, the organizing principle of the resource allocation process in the MTEF is both pro-poor and pro-sustainability. I believe we can only go far if we work together to safeguard and retain our fiscal sovereignty. I am of the

conviction that we are gradually walking the right path - towards building a more resilient and prosperous Namibian House.

48. May I conclude my statement, *Honourable Speaker*, by thanking His Excellency President Hage Geingob, His Excellency Vice President Nangolo Mbumba, Right Honorable Prime Minister, Dr. Saara Kuugongelwa-Amadhila, Deputy Prime Minister Hon. Netumbo Nandi-Ndaitwah and indeed all my Cabinet Colleagues and all of you, Honourable Members of Parliament, for your understanding and support as we navigate these difficult times.

49. I also wish to thank Hon. Obeth Kandjoze, the Director General of the National Planning Commission, Deputy Minister Maureen Hinda-Mbuende and the Executive Director, Mr. Titus Ndove and the entire staff at the Ministry of Finance and the National Planning Commission for the usual support during the very demanding budget compilation process.

50. I also express my gratitude to the Governor of the Bank of Namibia, Mr. Johannes !Gawaxab and his staff for continuing to render us fiscal advise. Lastly, we are grateful to Commissioner Sam Shivute and his team at NamRA for the continued collaboration and support.

51. On that note, I appeal for your support and thank you kindly for your attention.

Republic of Namibia

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