



Republic of Namibia



"Boosting Resilience and Recovery"

**BUDGET STATEMENT FOR THE 2021/22 FINANCIAL YEAR
PRESENTED BY IPUMBU SHIMI, MP,
MINISTER OF FINANCE**





FY2021/22 Budget Statement

“Boosting Resilience and Recovery”

Presented

by

Ipumbu Shiimi, MP

Minister of Finance

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17 March 2021

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

1. In fulfilment of my obligations under Article 126(1) of the Namibian Constitution, I have the honour to table the 2021/22 Appropriation Bill, a second since my maiden introduction, and a seventh under the administration of His Excellency President Dr Hage Geingob.
2. In the same vein, *Honourable Speaker*, I lay upon the table;-

the Estimates of Revenue and Expenditure for the 2021/22 financial year; and
the 2021/22 – 2023/24 Medium Expenditure Framework
for the favourable consideration and approval of this House.
3. Equally, I present the Fiscal Strategy and the Development Budget for the Medium Term Expenditure Framework (MTEF) as well as the Government Accountability Report for the 2019/20 financial year as key budget policy and public accountability documents.
4. *Honourable Speaker*, the budget as an instrument of fiscal policy has taken into consideration the input provided by the various stakeholders; comprising, among others; the youth, the business community, organized labour, professional bodies, Chief Whips of the various political parties, civil society and Regional Authorities.
5. This budget is presented amidst the prospects of a moderate economic recovery this year and over the medium term, buttressing our hope for a better future for all Namibians. This is after having endured latitude of pain and hardship over recent years of recessionary pressures and the pandemic-induced severe disruption of the economy.
6. In spite of these challenges, *Honourable Speaker*, it is possible to reignite resilience and for Namibia to prosper again.

7. *Honourable Speaker*, the year 2021 is special for Namibia and the African Continent at large. In January this year, Africa launched the implementation of the Continental Free Trade Area. Such progress point on the regional integration calendar marks the creation of the single largest trading block in the world, measured by the number of the 55 participating countries, with a combined GDP of US\$3.4 trillion and a population of about 1.3 billion people.
8. Indeed, this development presents enormous benefits for Namibia as a small open economy, by providing an expanded market for our exports and making it more possible for Namibia to become a hub for both foreign direct and domestic investments, and by leveraging regional and global value chains.
9. This is an unprecedented historic milestone. If and when it is executed well, its full beneficial impact will continue to be felt by generations to come. Indeed, this is a prime example that, in spite of some occasional setbacks, the continent has come of age.
10. *Honourable Speaker*, the excitement I felt on the dawn of the first day of the implementation of the Continental Free Trade Area reminded me of *Wakanda*.
11. Most, if not all of us, know that about four years ago, the *Marvel Film Studio* produced a movie titled the *Black Panther*, describing a Sub Saharan African country, called *Wakanda*. This country is so advanced in the use of technology, rivaling the most superpowers of the World.
12. The *Wakanda movie* excited many Africans, especially the younger generation. It was discussed at work places, schools, shebeens and soccer fields. Even the 2018 Annual meetings of the African Development Bank that took place in the City of Busan in South Korea had to do a sign of *Wakanda Forever*.
13. *Honourable Speaker*, I was also caught up in the frenzy. Despite the fact that watching movies is not my strongest point, my family dragged me to *Sterkinekor*. Thanks to my wife Lavinia, and my niece Nelao; the whole clan, including Laimi, Paleni, Pecks, Frieda etc was mobilized to assemble at *Sterkinekor* that evening. Surprisingly, my wife watched it three times

thereafter; while for my daughter, Naritunge and some of her cousins, I have lost the count.

14. When I questioned the rationale for watching the same movie more than once, I earned myself a title as a person without imaginations. In the corridors and meeting rooms, my then colleagues at the Bank Namibia will cross their arms and shout: '*Wakanda Forever!*'
15. I believe most of you in this august House also experienced the overwhelming spirit of *Wakanda* during that time. In the middle of this frenzy, I kept wondering the reasons behind this excitement, why is the whole continent swept away by a comic story? It only dawned on me after several months. I shall return to *Wakanda* later.

Honourable speaker,
Honourable Members,

16. In spite of the opportunities presented by the Continental Free Trade Area, we are fully conscious that the prevalence of COVID-19 continues to exact a heavy toll on lives and livelihoods at home and elsewhere:-
 - globally, over 121 million people were infected and more than 2.6 million have succumbed to the pandemic,
 - Infection rates and fatalities in the African region have surpassed 4 million and 107,000 respectively,
 - the disruption in the global economy, trade and supply chains is breathtakingly massive to countenance,
 - at home, the two index cases of COVID-19 we counted at this time a year ago have now given rise to over 41,000 infection cases,
 - more than 458 Namibians have succumbed to the pandemic and pandemic related causes. This is about 1 percent mortality rate,
 - the economy has contracted by approximately 7.3 percent last year, the deepest recession since independence,
 - a lot of businesses have closed and thousands of jobs have been lost. Their resuscitation would take longer and requires a conducive policy environment across a broad range of domains,
 - All these factors operate to erode per capita incomes and stymie the tide on the reduction of unemployment, poverty and inequalities.

17. *Honourable Speaker*, notwithstanding these challenging turn of events, we stood together in unity of purpose and action.
18. In May last year, and amidst the onset of COVID-19, I tabled the FY2020/21 Budget under the theme, "*Together fighting COVID-19, Together thriving again*".
19. Almost a year later, we bear testimony that the fight has not been easy, but it is being gloriously prosecuted on all fronts.
20. On this journey, the health and livelihoods of Namibians remain a primary consideration in our multi-pronged response measures:-
- the capacity of the health sector was boosted to prevent and contain widespread infections and fatalities,
 - to date, out of over 41,400 infections, over 38,500 Namibians have recovered from COVID-19,
 - an N\$8.1 billion fiscal stimulus package was further scaled up to N\$9.1 billion, comprising of N\$6.7 billion total budgetary allocation and N\$2.4 billion Government guarantee-backed loans to cushion the impact of the pandemic on the lives and livelihoods of Namibians, while boosting the long-term economic recovery potential:-
 - the capacity of the health system was boosted through procurement of medical equipment and supplies, ICU beds, PPEs, isolation facilities and related supplies at a cost of N\$727.7 million,
 - 769,000 Namibians have benefited from the Emergency Income Grant at a cost of N\$576 million,
 - a total of 230 employers and 21,359 employees have benefited from the wage subsidy and employee salary protection programs under the auspices of the Social Security Commission at a cost of N\$27.9 million and N\$78.8 million respectively,
 - a total of N\$468 million was spent on the renovation of 97 ablution facilities and the construction of 121 new units, renovation of 36 school hostels and construction of 35 additional hostel units or expansion thereof as well as the connection of 113 schools to piped or borehole water under the stewardship of the Ministry of Education, Arts and Culture,

- the Ministry of Agriculture, Water and Land Reform, working in close collaboration with Local Authorities and Namwater, has ensured availability of water supply in urban and rural areas at an estimated cost of N\$72 million during the lockdown restrictions,
- a total of N\$22 million was utilized by the security sector to procure COVID-19 related medical supplies, refurbishment of related infrastructure and enforcement of regulations,
- The Development Bank of Namibia will continue to roll-out N\$450 million guaranteed loans to micro, small and medium-sized enterprises as well as to large businesses, in addition to other targeted facilities such as the youth skills-based lending facility and the Credit Guarantee Scheme,
- Agribank has extended up to N\$174 million new loans and restructured arrear payments for about 194 farmers to cope with the impact of COVID-19 and the legacy issues arising from the previous years of severe drought.

21. We extend our utmost appreciation to the team of health professionals who have risked their lives on every opportunity for all of us, truly living up to the creed that a health professional is given to recite: *"I solemnly declare that my ultimate responsibility is to promote and safeguard the total wellbeing of my clients, their families and the community at large. I will endeavor to address it with compassion and empathy"*.
22. Our sincere appreciation also extends to the legal team at the Ministry of Justice and Office of the Attorney General as well as the law enforcement officers for working around the clock to ensure that the pandemic-related health protocols are timely, sound and complied with.
23. It is to the credit of every Namibian that we prevented the worst outcome through continued adherence to health and social distancing protocols.
24. *Honourable Speaker*, the advent of the COVID-19 vaccine presents an opportunity to transit to the next phase of the new normal and reinvigorate the return to increased economic activity.

25. Our united front to defeat COVID-19 and continue on our journey towards shared prosperity must now propel us to acquire and roll-out the vaccine countrywide and achieve herd immunity. This is a necessary imperative for greater opening up of the economy.
26. I wish to commend the multitude of private sector players, development partners and other non-state actors for their readiness to partner with the Government and to mobilize resources for the acquisition and roll-out of the vaccine nationally.
27. *Honourable Speaker*, in due course, His Excellency the President will launch the *Harambee Prosperity Plan II*, encompassing the Economic Recovery Plan over the medium term.
28. The Economic Recovery Plan is a necessary and timely intervention which will usher the country into a new decade of inclusive growth and structural economic transformation through targeted interventions in key economic sectors, not least to mention the agricultural sector and the green and blue economies.
29. In this regard, prioritizing the appropriate stewardship of our natural resources and public assets, increasing the productivity of key economic sectors and developing new engines of growth are the salient features for the new growth proposition that embodies job creation as a core tenet.
30. As such, and given fiscal policy neutrality, the economic policy interventions will focus on crowding-in private sector capital and know-how to facilitate investment flows and to bring about economic diversification. This will further be supported by rolling out a revamped investment legislation, a new set of incentives as well as leveraging public, private partnerships for a more private sector-led growth.
31. *Honourable Speaker*, in this new *milieu*, decisiveness, accountability and timely implementation of the priority strategic initiatives are indispensable for the achievement of these goals.

32. Beyond the Economic Recovery Plan, the Government is formulating a comprehensive Post-Pandemic Economic Growth Strategy, with specific interventions to foster a more competitive and diversified economy. This will set the foundation for transitioning to the Sixth National Development Plan (*NDP VI*), thus setting the next progress steps towards the achievement of Vision 2030.

What does this Budget offer?

Honourable Speaker,

33. This budget allocates resources to the three main domains which are essential for the pathway to the next level of the new normal, that is;
- providing for the vaccine acquisition and distribution needs in the health sector, without relaxing our guard on prevention,
 - supporting economic recovery objectives, and
 - ensuring the continued provision of essential public services and shielding our communities against drought spells in some Regions, especially in the Kunene Region, *albeit* in a tight fiscal environment.
34. The budget is presented under the theme "*Boosting Resilience and Recovery*". This theme is in resonance with the clarion call and the declaration by His Excellency the President for the year 2021 as the '*Year of Resilience*', further summoning our resolve to insulate the capacity of the economy and the socio-economic structure, while supporting economic recovery from the fractures impacted by the pandemic.
35. This is done to the extent the limited resources permit.
36. With public debt estimated at 76.2 percent of GDP over the coming financial year, ensuring the sustainability of our public finance is one of the highest policy priorities.
37. This budget strikes a balance between boosting our resilience in the core dimensions of sustainable growth and anchoring the fiscal operations in a sustainable macro-fiscal framework.
38. We owe it to the future generation to create a better Namibia for all.

Global and Regional Economic Context

Honourable Speaker,

39. Let me now turn to the economic context under which this budget is prepared.
40. The global economy has taken a severe knock in 2020, contracting by 3.5 percent. The decline in the global activity rate during the past year cut across all economic regions; severely impacting on industry, jobs and social conditions.
41. The ensuing roll-out of the COVID-19 vaccine alongside the supportive policies deployed globally is expected to lift global economic activity this year and over the medium-term. As such;
- the International Monetary Fund (IMF) now projects global growth to rebound to 5.5 percent in 2021, stabilizing at around 4.2 percent over the next two years,
 - global trade is forecast to grow by 8.1 percent this year, from the slump of 9.6 percent a year ago and hover around 6.3 percent over the medium term,
 - the Sub Saharan African region is projected to grow by 3.2 percent in 2021, after a contraction of 2.6 percent last year,
 - growth for South Africa is projected at 3.3 percent this year, following a contraction of 7.2 percent in 2020, and
 - the Angolan economy is projected to post a growth rate of 3.2 percent, after a decline of about 4 percent last year.
42. The global and regional economic outlook is, however, underpinned by significant uncertainty and downside risks.
43. The pace and quality of economic recovery are dependent on access to, and roll-out of the vaccine, the magnitude and effectiveness of supportive intervention measures and the pre-pandemic, country-specific characteristics.

Domestic Economic Developments and Outlook

*Honourable Speaker,
Honourable Members,*

44. The experience of last year has been challenging to every Namibian, young and old.

45. The domestic economy had to contend with the estimated deep contraction of 7.3 percent last year. This reflects the adverse impact of the pandemic-induced lockdown measures and trade disruptions.
46. The contraction in economic activity cut across virtually all economic sectors and all elements of final demand, *albeit* to a differentiated extent and with limited exceptions.
47. Industry sub-sectors which are at the epicenter of the pandemic-induced disruptions bore the brunt of the hit on activity. As such, the hotels and restaurants industry sub-sector is estimated to have contracted by 70.2 percent, and diamond and basic metals processing contracted by 39.4 percent and 42.8 percent respectively, owing to the fall-out on external demand.
48. Output in the beverage and transport sub-sectors declined by 24.9 percent and 17.1 percent respectively.
49. *Honourable Speaker*, the gradual opening up of the economy since September last year and the envisaged arrival, roll-out and uptake of the vaccine are expected to support the return to growth this year and over the MTEF.
50. As such, the domestic economy is projected to post a moderate growth of 2.1 percent this year, further strengthening to 2.8 percent in 2022 and average around 3.4 percent over the MTEF.
51. All major industry sectors are forecast to post a moderate positive growth in 2021 relative to the sharp contraction in the past year.
52. Economic recovery is expected to be anchored by growth in the primary industries, particularly the rebound in mining activities; thanks to the recuperation in external demand and commodity prices.
53. From the demand side, growth in exports and moderate expansion in investments are expected to support the outlook.
54. This is against the backdrop of the lingering drought, the persistent outbreak of the Foot and Mouth Disease and swarms of locusts in some parts of the country.

55. Notably, and absent additional supportive and growth-friendly policy interventions, the projected growth outlook is weak and insufficient to make a material dent on poverty reduction and the creation of decent jobs.
56. Therefore, timely implementation of targeted actions under the Presidential Economic Recovery Plan and the enabling structural policy reforms is critical to enhance a more private sector-led growth and realize new and complementary growth engines for Namibia, given fiscal policy neutrality.
57. I will return to expound on the details of these reforms at the later stage.

Monetary Policy and External Sector Developments

Honorable Speaker,

58. To date, monetary and financial sector policies are recalibrated to support the fledgling economic recovery and for businesses and households to cope with the sheer negative impacts of the pandemic on livelihoods.
59. At 3.75 percent, the monetary policy rate is at all-time low, promoting investment and supporting private sector credit extension, amidst a low inflation environment.
60. Beyond the monetary policy rate, other regulatory and policy relief measures such as the loan repayment holidays and liquidity relief measures have been extended to individuals, SMEs and corporations.
61. Inflation for 2020 averaged 2.2 percent, the lowest over the past two decades, reflecting the multi-faceted impact of the demand shock on prices for basic inputs and services.
62. The stock of international reserves stood at N\$31.8 billion at the end of 2020, equivalent to 5.2 months of import cover and adequate to meet international obligations and maintain the currency peg.
63. The current account of the balance of payments stood at a surplus of N\$1.3 billion by the end of 2020, equivalent to 0.7 percent of GDP. This was buoyed by increased inflow of SACU receipts and the shrinking trade deficit.

Fiscal Policy and Budgetary Framework

*Honourable Speaker,
Honourable Members,*

64. Let me now turn to fiscal policy.
65. The 2020/21 Budget provided for the once-off targeted expenditure and fiscal stimulus to mitigate the impact of COVID-19 on lives and livelihoods, while enabling continuous provision of essential goods and services.
66. This was against the backdrop of an anticipated significant negatives shocks on the economy and public revenue.
67. The details of fiscal outturns for the 2019/20 financial year were provided during the 2020/21 Mid-Year Budget Review. These are set out in the Government Accountability Report.
68. In respect of the 2020/21 financial year:-
 - total revenue is estimated at N\$55.5 billion, 7.9 percent better than the budget and half a percentage point better than the Mid-Year Review estimate. This reflects better than forecast outturn on various domestic tax revenue streams, standing at 98 percent as at the end of February 2021,
 - the preliminary expenditure outturn, including expenditure commitments by the end of February 2021 stood at N\$65.2 billion and it is anticipated to approximate the N\$72.1 billion appropriation, taking into account the unintended consequences of the lockdown measures on capital project-related expenditure.
 - this comprises of 91.3 percent operational expenditure execution rate and 82.2 percent development budget spending rate,
 - the budget deficit is estimated at about 9.7 percent of GDP, lower than the budgeted deficit of 12.5 percent due to better year-to-date outturn on GDP and revenue,
 - total debt is estimated at 68.8 percent, moderately lower than the budget,

- debt servicing is estimated at N\$7.7 billion or 14.0 percent of revenue, reflecting the hitherto elevated cost of borrowing, and
- contingency liabilities are estimated at 7.3 percent of GDP in relation to the 10 percent threshold.

FY2021/22 Budget and Fiscal Policy Stance for the MTEF

*Honourable Speaker,
Honourable Members,*

69. We are transitioning from unique circumstances and once-off emergency needs in the health and other social sectors during 2020.
70. Having addressed such unique needs, I now table before you a N\$67.9 billion budget for the 2021/22 financial year.
71. Budget revenue is projected to decline by 6.1 percent to N\$52.1 billion, from the estimated N\$55.5 billion in 2020/21. This is largely due to the expected contraction in SACU receipts. Over the remainder of the MTEF, revenue is forecast to gather pace at an average rate of 4.8 percent as domestic economic activity and regional trade pick up.
72. *Honourable Speaker*, the proposed expenditure equates to 36.8 percent of GDP and 5.8 percent lower than the N\$72.1 billion budget for 2020/21, netting off the special considerations of the past year and underscoring the urgency for a growth-friendly fiscal consolidation over the medium term.
73. This proposed expenditure outlay allows us to respond optimally to the aftermath of COVID-19, providing for targeted funding to support economic recovery and for the provision of essential services.
- non-interest operational expenditure is budgeted at N\$53.9 billion, corresponding to 29.2 percent of GDP,
 - the development budget stands at N\$5.6 billion or 3.0 percent of GDP,
 - the budget deficit is estimated at 8.6 percent of GDP and it is projected to decline to about 5.5 percent by the end of the MTEF,
 - the deficit will be financed through a combination domestic and external borrowing,

- as a result of increasing financing requirements, public debt would rise to about N\$140.8 billion or 76.2 percent of GDP in 2021/22 and would remain elevated over the MTEF. Debt is projected to stabilize at about 84.6 percent in 2025/26.

Honourable Speaker,

74. There is no substitute for fiscal sustainability. Over the MTEF we have to implement a set of complementary actions to contain the increase in non-productive spending, not least to emphasize the necessary and, at times, difficult reforms.
75. Thus, the fiscal policy stance over the MTEF is to implement a growth friendly fiscal consolidation, with the objective of stabilizing growth in public debt and by achieving a positive primary balance over the medium-term.
76. For this reason, the roll-out of the package of policy measures on growth, revenue, expenditure and structural reforms should be more targeted and timely to support the achievement of this policy stance.

Revenue-based measures: Tax Policy and Tax Administration Reforms

77. Tax policy and administration reforms are integral to the domestic resources mobilization agenda and to support the implementation of a fiscal consolidation program which avoids a severe disruption on activity and the provision of essential services to the public.
78. In line with our consultation with the business fraternity under the auspices of the Namibia Chamber of Commerce and Industry (NCCI), Government has taken a conscious principle decision not to increase the general tax rates, especially at this point in time when economic recovery is a primary objective.
79. In this context, the tax policy and tax administration reforms will aim to strengthen the fairness and equity principles of the tax system and achieving greater compliance through effective tax administration.
80. In this regard, *Honourable Speaker, Honourable Members*, I wish to announce the following tax policy and tax administration reforms:-
 - as a key tax administration reform measure, the long-overdue official launch of the Namibia Revenue Agency (NamRA) is diarized for the 7 April 2021,

- the non-mining company tax will be considered for reduction during the MTEF period. I will announce the specific timelines and magnitudes during the Mid-Year Budget Review in October this year,
- following on our extensive consultation with the civil society and thanks to the facilitation by the Institute of Public Policy Research, I wish to announce that the supply of sanitary pads will be VAT zero-rated to enhance affordability by the girl child. I urge suppliers and retailers to pass on this relief to consumers once enacted,
- following our consultation with the Namibia Savings and Investment Association(NaSIA), the tax deductibility on pension fund and educational policies contributions will be increased from the current N\$40,000 to a maximum of N\$150 000.00. This is to encourage savings for retirement purposes as previously announced. I look forward to the future collaboration with NaSIA on further measures to mobilize domestic savings for investment in the real and services sectors of the economy,
- introduction of a 10 percent withholding tax on dividends paid to Namibians, similar to the withholding tax provision for foreign shareholders for equity consideration and in a manner which ensures that dividends are not taxed more than once,
- introduction of 15 percent VAT on management fees for the listed asset managers, similar to the unlisted asset managers ,
- enforcing the administration of withholding tax on services, by requiring taxpayers to provide proof of actual tax withheld,
- reviewing and strengthening the administration of freight tax provision for equitable compliance across taxpayers and traders, and
- reviewing the withholding tax on interest from unit trusts as it relates to Namibian companies.

81. The above tax policy measures will take effect in 2022/23 financial year. However, freight tax is already provided for in the tax code and it will be fully enforced forthwith.

82. In addition, *Honourable Speaker*, I wish to announce that the following “sin” taxes have come into force since mid-night of 24 February 2021, consistent with the SACU Agreement:

- i. a 340ml can of beer or cider now costs an extra 14c
- ii. a 750ml bottle of wine costs an extra 26c
- iii. a 750ml bottle of sparkling wine attracts an extra 86c
- iv. a bottle of 750 ml spirits, including whisky, gin or vodka, has increased by N\$5.50c

- v. a packet of 20 cigarettes costs an extra N\$1.39c
- vi. 25 grams of piped tobacco now costs 47c more, and
- vii. a 23 gram cigar is now N\$7.71c more expensive

83. *Honourable Speaker* these excise taxes are consumption based. Consumers have an option not to incur these taxes. The only decision which consumers will have to make is not to commit the 'sin' of buying these health hazards!

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

*Honourable Speaker,
Honourable Members,*

84. We have made progress on a number of policy reform measures, announced during the Mid-Year Budget Review in October last year:

- the N\$500 million SME facility funded by the Bank of Namibia was launched in November as promised,
- as part of the decongestion of the procurement process, the pilot capacity assessment of four public entities has been finalized. We now have to decide whether or not some of the public entities should be given flexibility to handle procurement internally,
- the amendments to the Public Procurement Act have been circulated for public comments,
- the Directive on local sourcing was refined and reissued in December last year,
- the long awaited electronic filing tax relief measures to recover outstanding tax arrears and provide incentives to taxpayers to file electronically started in February this year as expected, and
- the re-engineering of VAT claim procedures is progressing well and taxpayers will receive their claims within 90 days if there are no audit queries.

85. *Honourable Speaker*, more progress is in the pipeline.

86. Let me now underscore the structural policy interventions which underpin this budget and MTEF:-

- **First**, the implementation of the Presidential Economic Recovery Plan will provide the cornerstone for the strategic interventions to place the economy on a firm recovery path. The strategic interventions will be targeted at:-
 - attraction of private sector investment, both domestic and foreign, in the priority sectors such as agriculture, agro processing, energy, tourism and the green and blue economies and economic diversification objectives,
 - our consultation with the youth has underscored the imperative that “there is nothing for the youth, without the youth”. In line with the call by the youth, our interventions will provide for scaled-up funding for SMEs and youth entrepreneurs for employment and wealth creation. The various financing instruments at DBN and the Ministry of Sports, Youth and National Service as well as the local preferences under the Public Procurement Act will, among others, support this national objective,
 - accelerating implementation of reforms to improve the domestic investment climate by tabling the reviewed Namibia Investment Promotion Bill and the National Equitable Economic Empowerment Bill this year,
 - rolling-out a new suite of investment incentives through the finalization of the Special Economic Zone (SEZ) policy framework as an accelerated collaboration effort among the Ministry of Trade and Industrialization, the Namibia Investment Promotion Development Board and the Ministry of Finance. This emanates from the coming into force of the Income Tax Amendment Act in December 2020 and the national commitments pursuant to the delisting of Namibia from the infamous tax haven list of Non-cooperating jurisdictions by the European Union in February this year,
 - investing in energy generation and transmission, particularly renewable energy, and
 - leveraging public, private partnerships to crowd-in private capital in infrastructure development and services.

- *Honourable Speaker*, the **second** area of policy intervention regards the Public Enterprises reform through the Public Asset Ownership Policy which has now been submitted to me, as Chair of the Cabinet Committee on Treasury, for further deliberations. This will enable effective

implementation of the public enterprises reform and leveraging private capital through divestitures to enhance operational efficiency, efficient provision of reliable and affordable services as well as providing for long-term financial sustainability:-

- The Government is in the process of divesting 49 percent of its stake in MTC, a transaction which is due for competitive listing later this year, the proceeds of which will generate own financial wherewithal and future savings, and
 - due to persistent sustainability concerns, Air Namibia is now in the process of voluntary liquidation, a decision which places both the employees and the net economic gains for the country at heart.
- **Third**, the Secretary to Cabinet is leading the Technical Committee of Senior Officials on the continued implementation of the wage bill reform, centred on net vacancy freeze and potential voluntary early retirement,
 - **Fourth**, a technical committee of public and private sector officials is assessing and proposing the reforms of the Public Service Medical Aid Scheme (PSEMAS) as regards the optimal restructuring of the scheme, achieving internal cost savings and alternative modes of service provision,
 - **Fifth**, implementing reforms in the public finance management arena, focusing on improving the quality of expenditure, decongesting the public procurement process, finalization of the Public Procurement Amendment Bill and the Public Finance Management Layman's Bill by the end of the 2021/22 financial year, and
 - **Sixth**, undertaking financial sector reforms by reviewing certain provisions of the Financial Institutions and Markets Act, putting into operation the Central Securities Depository and tabling the Banking Institutions Bill.

The FY2021/22 Appropriation Bill

*Honourable Speaker,
Honourable Members,*

87. This brings me to the details of the 2021/22 Appropriation Bill

88. The total proposed expenditure outlay amounts to N\$67.9 billion.
89. Out of this aggregate expenditure, N\$8.5 billion is earmarked for interest payments and it is deemed appropriated. This is 16.3 percent of revenue.
90. Thus, the 2021/22 Appropriation Bill amounts to N\$59.4 billion, for which N\$53.9 billion is operational and N\$5.6 billion is development.
91. The sectoral and some of the specific Vote allocations are as follows:-

Social Sectors

92. A total of 53.1 percent of the non-interest expenditure, amounting to N\$31.6 billion is allocated to the social sectors. This reflects the priority assigned to the needs in the health and education sectors, especially in the context of COVID-19 pandemic,
- the Ministry of Health and Social Services is allocated N\$8.1 billion, this is 13.6 percent of the total non-interest expenditure to, among others, support the national response on COVID-19, the associated roll-out of the vaccination plan, acquisition of pharmaceuticals and continued provision of services countrywide,
 - the Ministry of Education, Arts and Culture receives N\$13.8 billion, equivalent to 23.2 percent of the total allocation,
 - Vote Higher Education, Technology and Innovation is allocated N\$3.1 billion or 5.3 percent of the total allocation of which N\$851 million is for UNAM, N\$488 million for NUST and N\$1.2 billion for NSFAF, and
 - the Ministry of Gender Equality, Poverty Eradication and Social Welfare is allocated N\$5.4 billion, equivalent to 9.2 percent of the total allocation, mainly to fund the social safety net programs and also to support the fight against gender-based violence.

Public Safety and Order

Honourable Speaker,

93. The Public Safety Sector takes up the second highest allocation, amounting to N\$12.1 billion or 20.3 percent of the total allocation, supporting the maintenance of law and order and continued investment in peace and stability.

94. Among others: -

- the Ministry of Home Affairs, Safety and Security is allocated N\$5.7 billion, which is 9.6 percent of the total allocation,
- Defense and Veteran Affairs is allocated N\$5.4 billion, about 9.1 percent of the total allocation and a reduction of N\$800 million or 12.8 percent from the current fiscal year to compensate for health defense during these unusual times,
- the Ministry of Justice is allocated N\$491.4 million, while the Judiciary receives N\$371.2 million, and
- the Anti-Corruption Commission is allocated N\$62.8 million to enable the Commission to perform its functions optimally. This allocation takes into account the N\$11 million recently made available to the Commission from the Contingency Fund to further support its operations.

Economic and infrastructure sectors

Honourable Speaker,

Honourable Members,

95. The third highest allocation is accorded to the Economic and Infrastructure sectors, at N\$11.7 billion or 19.8 percent of the total appropriation.

96. We note that the public sector investment program goes beyond the national budget to include capital investment by various public enterprises in various sectors, which enhances infrastructure development.

- Vote Transport receives N\$2.5 billion, some 4.2 percent of the total appropriation, mainly for capital projects in the rail, road and water sectors. This allocation is supported by up to N\$1.6 billion from the Road Fund in FY2021/22 and N\$2.3 billion 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.
- In addition, Nampower is rolling out investment in energy generation and transmission with investment commitments estimated at about N\$10 billion over the next three years,
- the Ministry of Agriculture, Water and Land Reform receives N\$1.7 billion or 2.9 percent of the appropriation for the multi-pronged investment in the sector, of which N\$465.3 million is for the water sub-sector. Further, in order to address the challenge of aging water infrastructure, the procurement process for the upgrading of Rundu and Oshakati Water treatment plants has commenced with the support of AfDB financing. The Government is also embarking upon implementing various projects in the water sector in the central and coastal areas in collaboration with the German Government.
- The Ministry of Finance is allocated N\$4.7 billion, about 7.9 percent of the total non-interest expenditure. Out of this allocation:-
 - an amount of N\$2.6 billion or 55.4 percent is allocated for PSEMAS specific needs,
 - further, a total of N\$484 million is ring-fenced under PSEMAS for the procurement and distribution of the COVID-19 vaccine,
 - Political Party funding is allocated N\$103.9 million.
 - a total of N\$45.0 million is allocated to DBN to support the Bank SME lending and youth entrepreneurship financing facilities,
 - an amount of N\$90 million is earmarked for a targeted budgetary transfer to AgriBank to further support interventions in the agricultural sector,
 - a total of N\$15 million is allocated for the establishment of the Project Preparation Fund in 2021/22 and totaling N\$96 million over the MTEF to support capital and PPP projects off-take,

- An amount of N\$79 million is earmarked for the establishment of NAMRA, on top of the budgetary allocations to the existing departments,
 - the Financial Intelligence Centre is allocated N\$39.0 million, the Central Procurement Board is allocated N\$32.0 million, while the Financial Literacy Initiative is allocated N\$2 million, and
 - The Contingency Fund is allocated N\$200.0 million.
- The Ministry of Public Enterprises is allocated N\$733.4 million or 1.2 percent to support the strategic operations of some of the public enterprises,
 - Vote Industrialization and Trade is allocated N\$159.8 million to facilitate trade and industrialization objectives.

Administrative Sectors

Honourable Speaker,

97. The Administrative Sector receives the least allocation of N\$4.0 billion, equivalent to 6.8 percent of the total allocation.
98. Amongst others: -
- Vote 02: Prime Minister is allocated an amount of N\$417.0 million. The National Emergency Disaster Fund has recently been capitalized with N\$100 million from the Contingency Fund to boost its responsiveness to the prevailing emergency conditions and vulnerabilities. A further N\$100 million is additionally allocated to the Fund to shore up the Fund capacity over the year, noting the challenges arising from the acts of nature,
 - Vote 17: Urban and Rural Development is allocated N\$1.6 billion or 2.7 percent of the total allocation to support increasing provision for sanitation infrastructure, land servicing and bulk water, sewage and electricity supply services,
 - Vote 07: International Relations and Cooperation is allocated N\$ 827.7 million, and
 - National Assembly is allocated N\$117.2 million, while the National Council is allocated N\$88.4 million.

99. For the FY2020/21, a total of N\$500 million was allocated to the Contingency Fund. I have distributed the corresponding information regarding the utilization of the Fund.
100. The Appropriation Bill and the 2021/22 Estimate of Revenue, Income and Expenditure provide details of expenditure allocations per Vote and programs.

Conclusion

*Honourable Speaker,
Honourable members,*

101. This Budget reorients spending towards the next phase of the new normal and devotes a share of resources towards the COVID-19 vaccine acquisition and roll-out, without relaxing our guard on preventative measures.
102. It redirects scarce resources to support the green shoots of economic recovery.
103. The budget reaffirms fiscal consolidation to anchor long-term sustainability into a credible fiscal framework. Implementing this framework requires timely and decisive structural policy reforms to enhance the impact of the fiscal pulse in the economy and enable automatic stabilizers to work.
104. Together with the accompanying policy measures, it is a budget geared to boost our resilience to the severe shocks and add momentum to the tail winds for recovery and sustainable growth.
105. The budget aims to position Namibia to take advantage of the emerging opportunities and address emerging challenges.
106. To achieve these noble goals, however, requires a united front of all Namibians, be it political parties, the business community and the civil society.
107. Irrespective of our backgrounds, race, region and political orientation and in the spirit of *My Namibia, My pride*, we should altogether announce to the

continent and the world that, in spite our recent setbacks, it is possible for Namibia to prosper again.

108. We should demonstrate to our children that working harder and smarter in partnership with the rest of the world, inclusive growth is attainable.

109. I wish to express my profound gratitude to His Excellency President Hage Geingob for the trust he placed in me for the stewardship of our public finance management and the financial sector.

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

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

112. My gratitude extends to my colleagues at MOF; the Executive Director, Madam Ericah Shafudah, and all my other colleagues at the Ministry for teamwork and for preparing the budget documentation timeously. Equally, I thank the officials from all O/M/As for the hard work and understanding of the necessity of using state resources sparingly and with better quality of outcomes.

113. I thank our Development Partners for their continued technical and financial support during this year of an unprecedented challenges.

114. I extend my appreciation to the Labour Unions for their understanding over the past three difficult years. Equally, I seek for their indulgence during the prevailing trying times for us to keep our belts tightened for a sustainable future for all of us.

115. I also wish to thank the financial services industry players, the Bankers Association of Namibia, Asset Managers, Insurance industry, Namibia Savings

Association and the Economic Association of Namibia for collaboration and support.

116. In conclusion *Honourable Speaker*, let me now turn back to the *Wakanda* story. In trying to understand the frenzy generated by the *Black Panther*, I had countless debates with *Wakanda's* high priests. After many months of debates and soul searching, it dawned on me that, just like the older generation that took up arms to liberate Africa, the younger generation aspires for a better Africa. An Africa that is technologically advanced, a continent that is ready to feed itself and an Africa that is boldly taking her rightful place in the community of the nations of the world.

Honourable Speaker,
Honourable Members,

117. The launch of the Continental Free Trade Area is an opportunity that Namibia should embrace and seize to transform our economy, strengthen our public finances, create jobs for our people, reduce inequalities and eliminate extreme poverty. I believe this is possible.

118. *Wakanda* should serve as an inspiration not only to the youth, but to all of us that it is possible for Namibia and the African Continent to become a *Wakanda*.

Honourable Speaker,

119. I would like to end my statement with the quote of the African Legend: President Nelson Mandela. "*it always seems impossible until it is done*".

Honourable Speaker,
Honourable Members,

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



Republic of Namibia

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