



Republic of Namibia

Ministry of Finance & Public Enterprises



“Economic Revival and Caring for the Poor”

**MID-YEAR BUDGET REVIEW POLICY SPEECH FOR 2023/24 FINANCIAL YEAR
PRESENTED BY IPUMBU SHIIMI, MP
MINISTER OF FINANCE & PUBLIC ENTERPRISES**



FY2023/24 Mid-year Budget Review Statement

Presented

by

Iipumbu Shiimi, MP

Minister of Finance

Available online: www.mfpe.gov.na

31 October 2023

Honourable Speaker;
Honourable Members of Parliament;
Fellow Namibians;

1. I have the honour to table for the favourable consideration and approval of this House the 2023/24 Mid Year Budget Review. This review follows the 2023/24 National Budget which I tabled on 22 February 2023 under the theme “***Economic Revival and Caring for the Poor***”.
2. While we have noted significant developments in both the global and domestic economic landscape since February, in our assessment, the theme of the budget remains fitting and resonant with our macro-fiscal policy framework. As such, the central focus of this Mid Year Budget Review is to:
 - *provide a review of the current year budget performance, assess the available fiscal space and propose the necessary resource reallocation through the Appropriation Amendment Bill; and*
 - *to provide the macroeconomic and fiscal context and government spending priorities for the next budget and MTEF.*
3. Despite high global inflation and the resultant tight financial conditions, the Namibian economy is, in several ways, outperforming some of its peers. Nevertheless, as a small and open economy, the Namibian economy remains highly vulnerable to external risks.
4. Against this background, it is our conviction that the appropriate macro-fiscal policy framework in the short to medium term should prioritise lifting the economy’s growth potential and social welfare through a pro-poor and growth-friendly fiscal consolidation programme. Accordingly, pursuing social cohesion and enhancing macroeconomic stability by supporting growth and maintaining public finances on a sustainable trajectory are of paramount importance in this Review and in the upcoming MTEF.

Economic, fiscal, and financial context

Honourable Speaker,

5. The global economic weather map, as plotted by the International Monetary Fund (IMF) in the recently released World Economic Outlook (WEO) of October 2023, projects global economic growth at 3.0 percent in 2023, much lower than 3.5 percent recorded in the preceding year. There are widening divergences in economic growth across different regions, reflecting the long-term consequences of the pandemic, increasing geoeconomic fragmentation, the effects of monetary policy tightening and extreme weather events, among others.

*Honourable Speaker,
Honourable Members,*

6. In sub-Saharan Africa, growth is projected to slow down to 3.3 percent in 2023 before picking up to 4.0 percent in 2024. The projected slowed growth reflects, in several cases, worsening weather shocks, lower growth in key trading partners, and domestic supply bottlenecks, including, notably, in the electricity sector.
7. Overall, while some of the extreme risks to the economic outlook have moderated, the balance remains tilted to the downside. The risk of commodity prices volatility has increased under renewed geoeconomic fragmentation and with risks to the climate transition. Further, while headline inflation has moderated, recent adverse energy price developments could entrench inflation further, thereby necessitating more monetary policy tightening.

Domestic economic developments and outlook

*Honourable Speaker,
Honourable Members,*

8. The domestic economy remains resilient despite vulnerabilities in the global economy. Growth in the Namibian economy is estimated at 3.5 percent in 2023, before slowing to 2.9 percent in 2024. This is an upward revision from the forecasts in the main budget of 3.2 percent and 2.2 percent for 2023 and 2024, respectively.
9. The growth update considered expected higher output in the secondary and tertiary industries supported by strong demand for services. Meanwhile, value

addition in the primary industry is projected to trend lower due to reduced output than initially anticipated in the mining sector as well as the agriculture sector which is expected to be negatively affected by the ongoing drought.

10. Risks to the domestic economic outlook remain, although somewhat reduced. In this regard, volatile global commodity prices pose a threat to both domestic output and taxes. The depreciating real income for households, exacerbated by high inflation and interest rates are a risk to consumption as real incomes remain muted in the short to medium term. Furthermore, drought and water supply constraints pose a threat to domestic crop and electricity production.
11. Nevertheless, the relatively strong outlook offers the opportunity for Namibia to adjust to medium-term risks and implement targeted policy packages to boost resilience and lift tomorrow's growth prospects. In this regard, the immediate focus of fiscal policy in the near term is to shield the economy and the wellbeing of our people, particularly the most vulnerable segments of society, from the impact of the ongoing drought. Similarly, the medium-term fiscal framework will aim to implement further measures to contain cost of living pressures while maintaining fiscal sustainability through managing the pace of debt accumulation.

Honourable Speaker,

12. On the monetary and external sectors:-
 - aligned to global developments, the inflationary pressures subsided during much of 2023, although uptick has been noted recently to 5.4 percent in September 2023 due to adverse energy price developments. Over the medium term, inflation is expected to remain within the 3 percent – 6 percent band;
 - in line with the price developments, the Repo rate was increased by a cumulative 100 basis points in the first two quarters of the year to 7.75 percent, to safeguard the currency peg and anchor inflation expectations. As alluded to earlier, the resultant high interest rate environment erodes the real incomes of households and subsequently impacts overall consumption in the economy;

- meanwhile, in terms of the balance of payments, the current account deficit has improved in 2023 on account of a lower trade deficit and improved income from the SACU customs pool over the period. From a financial flows perspective, we are happy to note elevated Foreign Direct Investments (FDI) inflows, especially for ongoing exploration activities in the extractive sector. We believe such inflows will assist our economy in the long term with much needed skills transfer as well as boosting our growth potential and facilitating human capital development; and
- the stock of international reserves remains sufficient to cover international obligations standing at N\$53.8 billion at the end of September 2023, equivalent to 5.6 months of import cover.

*Honourable Speaker,
Honourable members,*

13. Allow me, at this point, to highlight the recent developments on the fiscal policy front.

Fiscal Policy Developments

14. As we closed the previous financial year on the 31st of March 2023, we have noted the actual outturns in the fiscal indicators as follows:-
 - actual revenue for FY2022/23 came in at N\$64.3 billion, fairly aligned to our revised estimates of N\$64.1 billion;
 - operational expenditure was recorded at N\$60.0 billion reflecting a strong execution rate of 99.6 percent, with no significant overspending noted on any of the expenditure votes;
 - development expenditure was recorded at N\$4.9 billion, representing an execution rate of 93.0 percent against the N\$5.3 billion budget availed;
 - meanwhile, actual spending on interest payments amounted to N\$9.5 billion some N\$144 million over the revised budget estimates of N\$9.3 billion resulting from the high interest rate environment;

- overall, total expenditure amounted to N\$74.4 billion, slightly lower than the revised budget estimates of N\$74.9 billion;
 - subsequently, the actual budget deficit was recorded at N\$10.1 billion or some 4.8 percent of GDP notably better than our revised projections of 5.3 percent as well as 7.9 percent registered in FY2021/22. These actual outturns are well aligned with the fiscal sustainability policy imperative adopted for implementation over the MTEF; and
 - the total debt stock stood at N\$142.7 billion, equivalent to 67.9 percent of GDP. In nominal terms, debt grew by 13.5 percent, outpacing the growth in nominal GDP which is recorded at 11.1 percent over the same period. To achieve long term debt sustainability, it is necessary for the fiscal policy stance to be such that the nominal growth in debt is lower than the growth in nominal GDP. Henceforth, containing the pace of growth in public debt should still remain a key priority for fiscal policy in the upcoming MTEF.
15. For the current financial year, 2023/24, the preliminary indicators points in many respects to continued improvements in fiscal fundamentals driven in part by, among others, positive economic growth prospects and strong revenue mobilization.
16. In this regard, *Honourable Speaker*:-
- the preliminary revenue outturn at the end of September 2023 stood at N\$40.1 billion, equivalent to 53.7 percent of the initial revenue projections in the budget. In this regard, revenue collections are some 6.6 percentage points higher than the historical mid-year collection rate and is thus expected to exceed the initial budget projections;
 - the execution rate on operational expenditure was 50.6 percent, while the development budget implementation rate including expenditure commitments stood at 37.7 percent by the end of September 2023, fairly in line with past trends;

- meanwhile, owing to the prevailing high interest rate environment, the half-year execution on statutory expenditure stood at 53.8 percent signalling potential overruns. This is despite notable compression in spreads on government securities, particularly relative to their corresponding South African benchmarks; and
- at the half-year mark, the total debt stock stood at N\$149.3 billion, equivalent to 64.1 percent of GDP.

Fiscal Outlook and Medium-Term Policy Stance

*Honourable Speaker,
Honourable Members,*

17. The strong medium-term fiscal outcomes necessitated an upward revision in revenues for FY2023/24 by N\$3.8 billion, from the indicative N\$74.7 billion anticipated previously in the main budget. Relative to the previous year, the revision represents a 22.1 percent growth in revenue year-on-year. Over the MTEF period, revenue is forecast to grow by an average of 8.8 percent to reach about N\$82.0 billion by FY2025/26.
18. The positive adjustments in revenues for 2023/24 reflects robust mid-term collection rates, 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, the Namibia Post and Telecom Holdings (NPTH), the Namibia Desert Diamonds (NamDia) and the Namibia Port Authority (NamPort). Significant upward revisions were also done on the categories of non-resident shareholder's tax and withholding tax on services for which mid-term collections are more than 90 percent and 130 percent, respectively. These outcomes, in particular, partially reflect early tax gains from the ongoing exploration activities in the natural resources sector.
19. In the outer years of the MTEF, the revenue outlook is clouded by potentially feeble economic activities in the region which could impact on trade and subsequently revenue flows into the customs revenue pool. In this regard, we are concerned about possible significant downward revisions in SACU

revenue for the next financial year. The exact share for Namibia from the SACU pool in the next financial year will only be known in a few weeks, fortunately before we table the main budget in February 2024. The volatility in SACU revenues further underscores the need for Namibia to aggressively diversify her economy with the view to reduce dependence on SACU receipts.

20. Nevertheless, on the domestic front, revenue streams are estimated to gradually improve in line with the positive economic outlook. Furthermore, the ongoing tax administration reforms and the associated gains in improved tax compliance are further expected to boost domestic revenue collections in the medium term. As a ratio of GDP, however, revenue is expected to moderate over the MTEF as the projected growth in nominal GDP outpaces the estimated increases in revenue.

Honourable Speaker,

21. Aggregate expenditure over the next MTEF is anticipated to increase at an average growth rate below that of revenue, in keeping with the fiscal sustainability policy position. In this regard, expenditure is projected to increase by an average of 2.7 percent in the two outer years of the MTEF.
22. Cognisant of potential downside developments in revenue, the macro-fiscal framework has been crafted in a manner that prioritises fiscal sustainability through sustaining allocations to ongoing programmes. As such, as long as the revenue outlook for the next financial year remain uncertain, there is a constraint on undertaking new significant expenditure commitments and committing to new policy proposals.
23. Accordingly, the expenditure projections over the MTEF reiterate the following critical policy priorities and adjustments-:
 - 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;
 - allocations in the development budget over the MTEF prioritise ongoing projects and projects contained in the second Harambee Prosperity Plan

(HPP II). New development projects are prioritized based on the gains on socio-economic impact and are incorporated into the expenditure framework at a pace consistent with the fiscal stance and adjustment path; 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.

24. To realise the intended objectives of balancing growth and fiscal sustainability, the fiscal policy framework for the MTEF and the anticipated aggregate expenditure levels for the outer years remain indicative, subject to further sustainability and affordability evaluation once there is more certainty on the revenue outlook. Similarly, if necessary and affordable, more substantive policy commitments will be announced with the tabling of the FY2024/25 Budget.

Honourable Speaker,

Honourable Members,

25. Commensurate with the rising debt portfolio coupled with the prevailing tight financial conditions, the public debt servicing bill has increased beyond the levels anticipated in the main budget. In this regard, interest payments are revised upwards by N\$1.7 billion to N\$11.8 billion in FY2023/24, equivalent to 15.0 percent of projected revenues for the year. The sharp increase in interest costs reflect unanticipated sharp movement in money market rates relative to the increase in the benchmark rates.

26. Debt servicing costs continue to absorb an increasing portion of the resource envelope, now exceeding expenditure on key social services such as Health and Social Protection. As a developmental state, it is important to always prioritise economic and social development objectives in the design of fiscal policy. The degree to which debt servicing is increasingly crowding out such key developmental objectives adds further impetus to the call to prioritize stabilizing the pace of debt accumulation, going forward.

27. Furthermore, an additional N\$602.8 million for other statutory obligations through calls on government guaranteed loans in favour of the Meat Corporation of Namibia (MeatCo) and the Seaflower Whitefish Corporation was accounted for during the budget review. The fiscal risks from the operations of public enterprises have increased significantly through both requests for budgetary allocations as well as settlement of government guaranteed loans. Continuing to bail out public enterprises takes away resources that are needed for critical social investments in education, healthcare, housing, agriculture, social protection etc. The situation at some public enterprises thus warrants urgent and bold actions to ensure the sustainability of these entities.
28. On balance, however, the overall budget deficit is projected to remain steady at 4.2 percent of GDP in FY2023/24, with a moderate improvement in the primary surplus relative to the levels estimated in the main budget. In nominal terms, however, the deficit is revised upwards slightly by N\$579 million.
29. Over the MTEF, the deficit is projected to average about 4.4 percent of GDP, subject to the revenue path materializing over the next two years. Nonetheless, as a policy stance, we aim to consistently realise a primary budget surplus over the MTEF as a measure to exercise fiscal restraint and manage rollover risk and borrowing costs, going forward.
30. Regarding the stock of guarantees, we do not envisage further significant disbursement in the short term, except for an additional N\$250 million guarantee in favour of MeatCo during the current financial year. In the medium term, further, provisions have been made for the pending US\$100 million loan undertaking by NamPower relating to the planned transmission infrastructure expansion and battery energy storage projects sometime in 2025. This is an addition to the envisaged N\$2.6 billion loan to strengthen rail operations.

Honourable Speaker,

31. The positive economic performance registered over the past two years and further projected over the medium term augurs well for our fiscal indicators. In FY2023/24, the public debt stock is expected to increase to N\$153.8 billion,

equivalent to 66.0 percent of GDP, a slight improvement from 67.9 percent in the previous financial year. Over the MTEF, the pace of debt accumulation is estimated to have peaked resulting in a stabilization of the debt ratios over the remainder of the MTEF, as nominal GDP growth outpace debt growth. It is opportune to continue capitalising on the growth momentum to move the debt metrics in the desired direction.

32. Despite the stabilising ratios owing to improved GDP outcomes, the high public debt levels should still remain central in fiscal policy considerations over the medium term. In this regard, we will continue to carefully balance between making the necessary provisions to attend to our developmental objectives while maintaining fiscal sustainability. As affirmed previously, Government is committed to prudently manage the borrowing requirement and ensure macroeconomic sustainability.

Economic Policy Priorities over the MTEF

Honourable Speaker,

33. I have in previous Budget Statements apprised this August House on the **Economic Diversification and Growth Strategy**, under implementation. Together with the Namibia Investment Promotion and Development Board (NIPDB), we continue to drive productivity enhancement discussions with the private sector in the identified three sub-sectors of *High Value Fruits, Beef Value Chain* and *Film & Television*. Furthermore, we have completed the research work identifying economic diversification opportunities at both national and sub-national level as well as the diagnostic study on the agriculture sector. Going forward, we envisage for this research work to form the cornerstone of the upcoming sixth National Development Plan (NDP VI) which is under development by the National Planning Commission (NPC).

Economic Reforms and Real Sector Policies

Honourable Speaker,

Honourable Members,

34. The Government continues to implement several structural and policy reforms parallel to pursuing the fiscal policy path. Accordingly, I am pleased to provide Parliament with an update on implementation progress as follows:-

- we commenced with stakeholder consultations to seek inputs into the draft Public Enterprises Ownership Policy which outlines the rationale for state participation in the economy through ownership of public enterprises. I urge all interested parties to participate in the workshops, provide us with comments and help improve the draft policy;
- we are happy to note that the Central Securities Depository (CSD) company has submitted a license application to the regulator last month. We hope the operationalisation of the CSD will be expedited to enable dematerialisation of domestic securities and attract more participants to increase competition and buoyance in the local capital markets;
- the Small and Medium Enterprises (SMEs) Recovery Loan Scheme at the Bank of Namibia was successfully revised largely addressing the identified shortcomings with regard to the qualifying criteria, the lending rate and marketing. Since the relaunch, loans worth N\$326.1 million were disbursed to a total of 310 SMEs, with 73 applications worth N\$108.9 million still under consideration;
- we are also making progress in establishing the Venture Capital Fund (VCF) under the stewardship of the Development Bank of Namibia (DBN). The process of appointing trustees for the Fund is advanced and once established the VCF will assist growth-oriented SMEs to scale up their activities with the view to help create much-needed jobs in the economy;
- given the budgetary support provided to the Ministry of Industrialisation and Trade, the Ministry invited entrepreneurs to apply for support through the relaunched Equipment Aid Scheme. This Scheme will go a long way in helping our SMEs, supports job creation and reduce youth unemployment;

- further, more commercial banks are in the process of signing up to participate in the Credit Guarantee Scheme (CGS) established by the Government in August 2020 while others are increasing their utilisation of the scheme. This will make more resources available to SMEs with the view to strengthen their activities and consequently support the economic wellbeing of Namibians and the youth in particular; and
- the Ministry of Urban and Rural Development has finalised the National Housing Policy which was presented and discussed in Cabinet this morning. The Policy outlines the overarching enabling framework for a focused, affordable, and pragmatic approach to providing adequate housing opportunities for Namibians, especially low-income groups. Once approved, we will prioritise its implementation over the next MTEF to address the growing housing backlog countrywide.

Tax Policy and Administration Reforms

Honourable Speaker,

35. In the area of tax policy and administration reforms, we are keenly aware of the importance of domestic revenue mobilisation in anchoring our medium term macro-policy framework. This has become even more important in the face of relatively weakening economic prospects in the region and the potential threat on expected revenue from the SACU customs pool. In this regard, we need to redouble our efforts to minimise reliance on these highly volatile revenue sources.
36. In this context, we have established the Tax Policy Unit in the Department of Economic Policy within the Ministry which we are gradually capacitating. From a tax policy design perspective, the Government is continuously working on improving our tax competitiveness regionally and seeking avenues to utilise the tax system to promote economic growth. In this regard, the Unit has been undertaking a comprehensive and holistic review of our tax regime, identifying gaps and benchmarking against other countries as well as best international practices in taxation.

37. As a result of this review, the Unit has developed a catalogue of potential areas of tax reforms to be implemented over the medium term. In this regard, the Unit will undertake comprehensive stakeholder engagements on the proposed tax proposals in the coming months before we make public pronouncements.
38. Furthermore, the Unit has also made advances in preparations to renegotiate Namibia's Double Taxation Agreements (DTAs) with the rest of the world to optimize benefits for the country. In this regard, the team has received the necessary training which culminated in updating our policies and models to align with international best practices and recent developments. Accordingly, a schedule of DTAs to be renegotiated has been developed in accordance with our trade profile. The schedule will be presented to Cabinet for approval in due course.
39. In the meantime, we would like to reiterate the implementation of the measures aimed at providing relief to taxpayers and supporting the economy in the near to medium term. These are:-
- reducing the non-mining company tax rate by two percentage points over the next two years to 31 percent effective in April 2024 and a further reduction to 30 percent in April 2025;
 - increasing 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. Accordingly, we will make some adjustments on the personal income tax tables to effect this proposal;
 - introduce the Internship Tax Incentive Programme aimed at incentivising employers to enrol more interns by providing an additional corporate tax deduction. The total financial implication for the Government is estimated at N\$126 million;
 - we will soon be undertaking the necessary engagements with relevant stakeholders to ensure that principles of fairness and equity in taxation are fully applied especially to the insurance sector. Research shows that

Namibian insurers enjoy a very low effective tax rate and pay no non-residents shareholders tax in comparison to other sectors;

- on the tax administration front, NamRA will continue to strengthen its audit and compliance capabilities to ensure that the existing laws are fully complied with, and the Government receives the revenues due; and
 - the final instalment of the tax arrears relief program, whereby interest and penalties will be fully written off if outstanding capital is fully settled by 30 October 2024 is still ongoing. Again, I would like to reiterate that this is the final extension of this program, and we urge all concerned taxpayers to participate before the due date. Afterwards, there will be no more mercy.
40. Going forward, more substantive tax policy commitments will be made in future budget statements once we have more certainty on the medium term revenue outlook.

2023/24 Appropriation Amendment Bill

*Honourable Speaker,
Honourable Members,*

41. On 22 February this year, I tabled before this August house a total budget of N\$86.4 billion, consisting of N\$66.1 billion in operational expenditure, N\$6.5 billion in development expenditure, N\$2.0 billion of projects to be funded outside of the State Revenue Fund and N\$10.0 billion in interest payments.
42. In the process of compiling this Mid Year Budget Review and in keeping to the intended purpose of undertaking a budget review, we have adopted a broad policy of prioritising only unforeseeable and unavoidable emergencies at mid-term. Nevertheless, despite clear guidelines on what constitutes unforeseeable and unavoidable emergency expenditures issued to Ministries and Agencies during consultations, additional expenditure requests to the tune of N\$5.3 billion were received for consideration.

43. As outlined prior, we have noted strong revenue performance which resulted in an upward revision of the collections for FY2023/24 by N\$3.8 billion. As such, consideration was made to keep additional expenditure broadly aligned to the anticipated additional revenue collections. In addition, given the low execution rate on several projects, a total of N\$167.3 million was identified for re-allocation across votes within the development budget.
44. In keeping with the fiscal sustainability narrative, we balanced the expenditure requests against the available resource envelope cognisant of the imperative to manage the borrowing requirement. As such, the FY2023/24 Appropriation Amendment Bill provides for additional expenditure allocations as follows:-
- we have set aside a total of N\$643.0 million to supplement the **drought relief** provisions under the Office of the Prime Minister covering both food distribution as well as support to affected farmers. Going forward, the Office of the Prime Minister has started piloting an alternative drought relief delivery mechanism through utilising vouchers so as to minimise the associated administrative costs, consequently creating an opportunity to make more food available to vulnerable people;
 - furthermore, we are engaging the farming community and other relevant stakeholders such as Agribank and MeatCo to explore further measures to assist farmers to better cope with the prevailing drought situation;
 - a total of N\$438.5 million has been added on the **goods and services** budgets of various votes including, among others, N\$250 million to supplement the pharmaceutical budget at the Ministry of Health and Social Services, N\$40 million to complement the special fund for uncommon diseases, N\$25 million to the Ministry of Justice to cover escalating legal costs and supplement the Legal Aid budget as well as N\$17 million to the Ministry of Environment, Forestry and Tourism to support anti-poaching activities;

- we have allocated an additional N\$14.5 million to the Ministry of Sports, Youth and National Service for, among others, youth empowerment projects and the youth credit schemes.
- I would like to take this opportunity to clarify the widespread misconception that the Government has not prioritised funding sport activities, hence our national team continues to play international matches on foreign soil. In the previous financial year, FY2022/23, we availed N\$50 million for the upgrading and renovation of the Independence Stadium in order to meet the requirements for hosting international fixtures. Again, in the current financial year, we have allocated N\$37.5 million to the Independence Stadium project. Furthermore, N\$60 million and N\$65 million are committed in the MTEF for FY2024/25 and FY2025/26, respectively. I therefore would like to make it clear that the problem with upgrading the stadium has never been a lack of money but rather slow execution. We therefore need to adopt a collective Government approach to fast track the renovation of our sports facilities.
- N\$1.2 billion has been allocated to **subsidies and other transfers** to Government organisations inclusive of N\$376.3 million to cover shortfalls on student funding at NSFAF, N\$230.0 million to support TransNamib operations, N\$200 million to meet an anticipated deficit on the Public Servants Medical Aid Scheme (PSEMAS), N\$105.3 million to supplement the contingency budget and N\$87.5 million for Namibia's contribution to the deployment of the SADC mission in the Democratic Republic of Congo;
- the **development budget** remains unchanged at N\$6.5 billion. As underscored earlier, the execution rate on the development budget at mid-year stood at 32.6 percent. As a result, we have reallocated a total of N\$167.3 million from lagging projects to address urgent development priorities including N\$129.7 million to expedite the construction of classrooms countrywide; and

- considering the rising interest rate environment, the allocation for **interest payments** has been increased significantly by N\$1.7 billion to meet anticipated shortfalls as the interest-sensitive component of the debt portfolio reprices at higher rates. An additional N\$602.8 million has been set aside under other statutory payments to honour calls on loan guarantees.

Honourable Speaker,

45. These additional expenditure allocations represent the unforeseeable and unavoidable emergency items which we are unable to postpone until the tabling of the FY2024/25 main budget. In summary, we have increased the operational budget by N\$2.5 billion, while the development budget remains unchanged at N\$6.5 billion and an additional N\$2.3 billion is allocated to debt servicing and honouring of contingent liabilities.
46. These were the items we deemed unforeseeable and unavoidable and warranted additional allocation from the available resources. Nevertheless, we have broadly not reduced the initial ceilings of most expenditure votes despite noting low implementation rate during the first half of the year, particularly on personnel expenditure due to the slow pace of recruitment. As such, we have encouraged the votes to reallocate the savings on personnel expenditure during the first half of the financial year to meet other urgent operational expenditure that could not benefit from additional allocations.
47. On balance, the nominal budget deficit is increased marginally by N\$579 million while remaining steady at 4.2 percent of GDP. Accordingly, we will make revisions to the borrowing plan for the remaining months of the financial year. The detailed breakdown of the expenditure allocations and revised ceilings for the various Votes are available in the Appropriation Amendment Bill before you.

Conclusion

*Honourable Speaker,
Honourable Members,*

48. As I move to end my remarks this afternoon, I wish to highlight the improved domestic economic activities over the past year and in the near term in the face of high inflation and elevated geopolitical tensions in the global economy. Nevertheless, we are concerned about the near to medium term revenue outlook. As a result, we urgently need to further redouble our efforts to mobilise domestic revenues to further enhance fiscal resilience and we are exploring various options in this regard.
49. We are further concerned about increased exposure from public enterprises which erodes the fiscal space and crowd out financing for urgent developmental activities. Accordingly, we are tightening surveillance on the governance of public enterprises and where necessary taking actions to safeguard the sustainability of public enterprises. We request your support in this exercise.
50. Lastly, we take note of the fast-rising debt servicing costs which could further erode the fiscal space available for spending on much needed social and economic infrastructure. As such, we reaffirm our commitment towards stabilising debt growth over the medium term.
51. On that note, *Honourable Speaker*, may I conclude my statement by thanking our collective leadership including the unwavering support of His Excellency President Hage Geingob and His Excellency Vice President Nangolo Mbumba. I would also like to thank the Right Honourable Prime Minister, Saara Kuugongelwa-Amadhila, Deputy Prime Minister Hon. Netumbo Nandi-Ndaitwah, members of Cabinet and indeed all of you, Honourable Members of Parliament, for your continued understanding and support as we recalibrate the fiscal policy framework.
52. I also wish to thank Hon. Obeth Kandjoze, the Director General of the National Planning Commission, Deputy Minister Maureen Hinda-Mbuende and the Executive Directors, Mr. Titus Ndove and Ms. Wilhencia Uiras as well as the entire staff at the Ministry of Finance and Public Enterprises, and the National Planning Commission for the diligence during the very demanding budget compilation process. I also express my gratitude to Commissioner Sam

Shivute and his team at NamRA for the hard work as well as continued collaboration and support.

53. On that note, I thank you kindly for your attention.



Republic of Namibia