



Republic of Namibia

Ministry of Finance & Public Enterprises



“Economic Revival and Caring for the Poor”

**BUDGET STATEMENT FOR THE 2023/24 FINANCIAL YEAR
IPUMBU SHIIMI, MP
MINISTER**



Budget Statement for FY2023/24

Economic Revival and Caring for the Poor

presented

by

Iipumbu Shiimi, MP

Minister of Finance and Public Enterprises

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Introduction

*Honourable Speaker,
Honourable Members of Parliament,
Fellow Namibians,*

1. It is my esteemed honour and privilege to stand before you this afternoon to present the FY2023/24 National Budget as well as the Medium Term Expenditure Framework for FY2023/24 – FY2025/26.
2. The theme of the budget that I am presenting before this house today is “**Economic Revival and Caring for the Poor**”. I table this budget in full awareness and recognition of the continued hardships endured by most of our citizens from the various corners of our beloved country. While I express gratitude for your forbearance, particularly over the difficult economic times, I would also like to express that your government has not forgotten you and your government is a caring government.

Honourable Speaker,

3. My wife, Lavinia and I have a habit of exercising in the early morning hours around 5am. About 5 years ago, we started noticing a gentleman who appeared to be very disciplined and committed to his workouts. He would always greet us. One day, we decided to stop him and ask for his name. He told us his name is Nantes Gaoseb and he is a pensioner. It so happened that Tate Nantes, as we started calling him, is the elder brother of Mr. Freddy Gaoseb who is currently Namibia’s commercial counsellor in China and someone I have known for a long time. Small world.
4. Since that day, it has become a routine for the three of us to stop every morning, exchange some pleasantries, Tate Nantes will make some jokes about my job before we each continue with our exercises. A few years after, he introduced us to his son, Toivo, who would occasionally join him in the early morning exercises. Last week, things were different. As we were approaching Tate Nantes, he started shouting from afar saying “this is the man I have been looking for”. He said “Iipumbu, I know you are tabling the budget next week. Please don’t forget us, the pensioners”.

5. I assured Tate Nantes not to worry because President Geingob also does not miss a chance to remind me to look after his people, the pensioners. So, Tate Nantes is in good company. With your permission, *Honourable Speaker*, I would like us to watch a video clip so we can hear directly from a few Namibians on what they would like to see in the budget.
6. Having heard these cries and considering the submissions on our various social media pages, we took extra care as we were compiling this budget to balance the need to secure a pattern of fiscal sustainability and sustainable economic growth while at the same time making the necessary provision for the most vulnerable and marginalised members of our communities.
7. As a result, today's budget is targeted at maintaining the public fiscal stance on a sustainable path while simultaneously making the requisite provisions to create a conducive policy environment to stimulate economic activities and bring about much needed quality jobs. Beyond the budget, we also remain seized with implementation of identified intervention measures to enable the private sector to expand investments and value addition in the economy.
8. While pursuing these material policy objectives, we remain agile to guard against excess reversals on gains in the social sectors. Therefore, the budget I lay before you is thus as much about ensuring macroeconomic stability as it is about sustaining livelihoods and supporting economic recovery. It is both pro-sustainability, pro-growth, and pro-poor.

Budget Policy Pillars

9. In this regard, *Honourable Speaker*, the FY2023/24 Budget maintains three inter-linked fiscal policy actions, namely:
 - firstly, it is **pro-sustainability** in that it reinforces the Government policy and spending priorities as well as the budgetary framework outlined in the FY2022/23 Mid-Year Budget Review. In this regard, the budget proposes a continued reduction in the budget deficit, consistent with our medium-term fiscal projections in line with our commitment to maintain long term fiscal sustainability;

- secondly, it is **pro-poor** as it provides support to the most vulnerable members of our society through a boost of our social safety nets cognisant of depreciating real incomes, particularly for low-income households, exacerbated by high inflation and rising interest rates; and
 - thirdly, the budget is **pro-growth** as it continues our advocacy for sustained timely implementation of enabling policy reforms to optimize economic outcomes through improving the ease of doing business, boosting business confidence, and entrenching policy certainty. This is inclusive of pursuing enabling tax policy and administration reforms which balances between promoting investment and revenue generation to ensure fiscal sustainability.
10. In this context, and in terms of Article 126(1) of the Namibian Constitution, I have the honour to table, for the favourable consideration and approval of this House:-
- a) the FY2023/24 Appropriation Bill,
 - b) the FY2023/24 – 2025/26 Medium-Term Expenditure Framework,
 - c) the Estimates of Revenue, Income and Expenditure for the MTEF, and
 - d) the Fiscal Strategy for the FY2023/24 - FY2025/26 MTEF.

Economic, fiscal, and financial context

Honourable Speaker,

11. The global economy continues to face significant headwinds, although the downside risks have somewhat moderated since we tabled the FY2022/23 Mid-Year Budget Review. In the World Economic Outlook (WEO) update released in January 2023, the International Monetary Fund (IMF) highlights the global fight against inflation, the resurgence of COVID-19 in China as well as the lingering effects of the conflict in Ukraine as the key themes underpinning global economic activities this year.
12. At the global level, economic growth is estimated to bottom out at 2.9 percent in 2023 before increasing to 3.1 percent in 2024. The lower growth prospects

in 2023 largely reflects the pervasive impact of higher central bank rates to fight inflation. Meanwhile, growth is expected to pick up in 2024 as the global economy gradually recovers from the effects of the conflict in Ukraine supported by subsiding inflationary pressures.

13. International fuel and nonfuel commodity prices are projected to trend downwards during 2023 largely due to weaker global demand. This development signals potentially sluggish domestic production outputs and export earnings, particularly for our domestic mining sector. On the upside, falling international commodity prices translate into reduced domestic price pressures, going forward.

Honourable Speaker,

Honourable Members,

14. Given the interconnectedness in the global economy through trade links and other channels, the sub-Saharan Africa region will not escape the spill over effects of these adverse global economic developments. In this regard, economic growth in the region is expected to remain moderate at 3.8 percent in 2023 before picking up to 4.2 percent in 2024. The muted growth outlook for the region reflects weaker external demand prospects while domestic demand exhibits signs of resilience.
15. Although the downside risks to the outlook have moderated somewhat, as alluded to earlier, policy trade-offs are still necessary to address the acutely challenging and elevated cost-of-living pressures. Accordingly, targeted approaches to support the vulnerable as well as policy measures to address structural factors impeding growth are required over the medium term. Nevertheless, potential domestic demand boost in some countries coupled with faster disinflation could result in a “softer” landing with less monetary tightening during the year.

Domestic economic developments and outlook

Honourable Speaker,

Honourable Members,

16. Continuing with the trends echoed in the FY2022/23 Mid-Year Budget Review, the Namibian economy continues to register resurgent growth, better revenue outturn and strengthening economic fundamentals.
17. In this regard, growth in the Namibian economy has been revised upwards to 4.0 percent in 2022, measured against revised estimates of 2.8 percent published in the FY2022/23 Mid-Year Budget Review. The stronger growth reflects higher-than-expected outturn for most key indicators in the preliminary data. Furthermore, the slowdown in international fuel prices over the last half of 2022, despite the on-going geopolitical tensions, has also served as a boost to economic activities in most sectors.
18. For 2023, growth is projected to moderate to 3.2 percent, reflecting revised mining production estimates, before slowing further to 2.2 percent in 2024. In this regard, growth is expected to be anchored by activities in the mining sector and tertiary industries as well as recovery in most sectors of the secondary industries.
19. Nevertheless, in the near term, there are still downside risks to the domestic economy. As such, it is imperative to continue with ongoing policy efforts to maintain fiscal sustainability through anchoring market expectations and containing sovereign borrowing costs. At the same time, it is critical to drive the necessary reforms to enable broad based economic expansion in key sectors, especially those with significant potential for employment creation such as agriculture, tourism, and services.

Honourable Speaker,

20. With regard to inflation, domestic prices still remain on the high side, although there are indications of probable moderation in the near term. In this context, the annual inflation rate increased to an average of 6.1 percent during 2022 in contrast to 3.6 percent in 2021. The recent data prints for January 2023 point to an annual inflation rate of 7.0 percent, implying persistent price pressures on already constrained businesses and households.
21. While noting the positive growth in most sectors of the economy, from a policy perspective, it is still imperative to maintain focus on alleviating the

binding constraints to growth in existing sectors of the economy. In this regard, 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*. Concurrently, further work continues to identify mechanisms to harness the identified diversification opportunities for the coast, the north and in the Windhoek localities.

22. Moreover, it is important to continue pursuing economic diversification into nascent high value industries such as green hydrogen as well as the emerging oil exploration activities. Simultaneously, deliberate efforts are required over the next MTEF to entrench the necessary reforms such as in immigration policies to attract missing complimentary skills in order to best position the country to maximize gains from these future industries as well as adjacent industries. In the meantime, we are working with local tertiary institutions to develop local skills over the medium to long term. At the same time, efforts to safeguard and improve various social safety nets are required to protect the most vulnerable members of society and preserve social cohesion.

Fiscal Policy Developments

Honourable Speaker,

23. During the FY2022/23 Mid-Year Budget Review, we gave an account of the actual fiscal outturns in respect of the previous financial year as well as revised estimates for FY2022/23. At the same time, the 2022 Appropriation Amendment Bill provided for an additional budget of N\$4.0 billion, equivalent to 6.1 percent of appropriated expenditure.
24. By the end of January 2023, the preliminary outturns in many respects point to improving fiscal fundamentals aligned to, among others, positive domestic economic growth prospects and buoyancy arising from tax administration reforms. In this regard, the preliminary revenue outturn stood at N\$56.2 billion, reflecting a collection rate of 87.8 percent over 10 months.
25. Strong growth has been noted on some domestic revenue streams, in particular Value Added Tax (VAT) which recorded a 103 percent collection

rate over the period, as well as income tax on individuals. Against this backdrop and with two months remaining in the financial year, total revenue for FY2022/23 is revised upwards marginally by N\$97 million.

26. Over the first six months of the Modified Electronic Filing Tax Relief Programme, a total of N\$747.0 million was collected from the recovery of outstanding tax arrears. This is an addition to the N\$1.3 billion collected from the initial Electronic Filing Tax Relief Programme that ended on 31 January 2022.

*Honourable Speaker,
Honourable Members,*

27. On the expenditure side, the preliminary outturn at the end of January 2023 stood at N\$60.8 billion, representing 81.5 percent of the revised expenditure projections as outlined during the FY2022/23 Mid-Year Budget Review.
28. The execution rate on operational expenditure was recorded at 82.2 percent over the period, while the development budget implementation rate including expenditure commitments stood at 72.9 percent. These developments are fairly in line with past trends, thus no significant overruns are expected on overall spending by the end of the financial year.
29. The 10-month execution on statutory expenditure stood at 88.7 percent of revised projections while the total debt stock stood at N\$139.4 billion, equivalent to 68.2 percent of GDP. In terms of financing, about 95 percent of the total funding requirement for FY2022/23 has been secured by the end of January 2023.
30. On balance, we are projecting a slightly improved budget deficit of 5.2 percent for FY2022/23, in contrast to 5.3 percent in the FY2022/23 Mid-Year Budget Review and 5.6 percent envisaged in the initial budget estimates.

FY2023/24 Budget, Medium-Term Outlook and Fiscal Policy Stance

Honourable Speaker,

31. I table before this House the FY2023/24 Budget against the backdrop of the current conjuncture of a moderately improved growth outlook but amidst a still elevated public debt profile and increased financing needs to boost social safety nets and meet the prevailing social and economic climate in the country. On that note, maintaining a careful balancing act in pursuit of a people-centred but sustainable budgetary framework was the organising principle around the preparation of this budget.
32. On the revenue front, *Honourable Speaker*, total collections of N\$74.7 billion are estimated for FY2023/24, about 16.5 percent higher than the revised estimates for FY2022/23. The significant boost to revenues stem from an upward revision in receipts from the SACU customs pool to N\$24.3 billion, around N\$6.4 billion higher than our previous estimates. Furthermore, on the domestic front, recovery in economic activities supported by gains from improved tax compliance in line with tax administration reforms resulted in upward revisions of expected collections on VAT and personal income tax.
33. The estimates for FY2023/24 also account for expected dividends of N\$600 million from the Namibia Post and Telecom Holdings Company (NPTH), N\$300 million from the Namibia Desert Diamonds (NamDia), N\$400 million from the Bank of Namibia and over N\$1.2 billion from the NamDeb Group. The expected dividends from the diamond sector have been revised down significantly relative to our expectations during the FY2022/23 Mid-Year Budget Review in line with recent global demand and price developments.
34. Over the MTEF period, revenue growth is projected to average 7.7 percent reaching N\$79.8 billion by FY2025/26. In the outer years, the projections are anchored on gradual increases based on anticipated positive growth in nominal GDP augmented by steady SACU inflows as regional trade normalises. Furthermore, in FY2024/25, the forecasts also accounted for expected receipts from the 9 percent undisposed MTC shares. We hope this timeline gives NPTH a sufficient window to finalise the disposal transaction.
35. As a proportion of GDP, revenue is expected to average 34.0 percent over the MTEF, fairly above the long-term average. Although we have maintained an element of conservatism in our forecasts, there are still downside risks

given uncertainties in the global and domestic economy. Nonetheless, we remain committed to maintaining fiscal sustainability and will thus approach any unanticipated shortfalls in a manner that preserves the gains on our fiscal metrics thus far.

*Honourable Speaker,
Honourable Members,
Fellow Namibians,*

36. The better revenue forecasts I outlined prior, provide us more room to make the necessary allocations to address the most pressing needs facing our country. In consideration of this, I table before you the FY2023/24 budget amounting to N\$84.6 billion – inclusive of N\$2.0 billion in development projects funded outside the State Revenue Fund and N\$10.0 billion in debt servicing costs. The budget represents an increase of 9.7 percent from the comparable levels for last year.
37. This total expenditure envelope is composed of N\$66.1 billion in operational expenditure, 10.0 percent above the FY2022/23 estimates. The spike in operational expenditure considers significant once-off outlays such as on the National Population and Housing Census as well as the mandatory General Registration of Voters (GRV), as I will expand on momentarily.
38. Similarly, the development budget has been increased by 18.7 percent to N\$6.5 billion. Development expenditure is further enhanced by off-budget activities in the form of grant-funded and loan-funded projects to improve infrastructure through various ministries. As indicated in the FY2022/23 Mid-Year Budget Review, unlike in the past, these activities will be incorporated in the budget deficit calculations above the line commencing this year.
39. In the FY2023/24 budget, interest payments amount to N\$10.2 billion equivalent to 13.4 percent of revenues and 4.7 percent of GDP. There are moderate signs of stabilisation in the debt servicing metrics, although still above the desired benchmark of 10.0 percent of revenues. Therefore, further efforts are still required over the MTEF to get on a debt reduction path and entrench fiscal sustainability.

40. The FY2023/24 budget include the following significant policy priorities:-

- to guard against the erosion of purchasing power for the social safety nets, provision has been made in this budget to increase the monthly Old Age Grant and the Disability Grant as well as the Orphan and Vulnerable Children Grant by N\$100 per month. Accordingly, effective on 01 April 2023, the Old Age Grant and the Disability Grant will be increased from N\$1,300 to N\$1,400 per month while the Orphan and Vulnerable Children Grant will be increased from N\$250 per month to N\$350;
- the Disability Grant for beneficiaries under the age of 18 has been increased from N\$250 to N\$1,400 per month. This change is also effective on 01 April 2023;
- an amount of N\$69.8 million has been availed to expand the coverage of the Orphan and Vulnerable Children Grant by accommodating about 30,000 eligible children currently on the waiting list. Going forward, resources permitting, it is our consideration to gradually increase the quantum of social assistance outlays towards children in an effort to improve the utilisation of safety nets as a tool to promote human capital development and ensure the intergenerational equity of social protection;
- as you may recall, we increased the monthly Conditional Income Grant (CIG) for former food bank recipients from N\$500 to N\$600 in October 2022 to cushion them against rising food prices;
- a total of N\$706 million has been allocated for the Namibia Statistics Agency (NSA) to conduct the long overdue National Population and Housing Census. Accordingly, NSA will make the necessary announcements in respect of the timing of the census in due course;
- provisions to the tune of more than N\$295 million have been made to enable the Electoral Commission of Namibia (ECN) to conduct the

mandatory General Registration of Voters (GRV) as well as voters education during the course of FY2023/24;

- in December 2022, we completed the integration of the public enterprises function into the Ministry of Finance & Public Enterprises as per the previous pronouncements by His Excellency the President. Accordingly, the two functions have been merged into one Vote starting in FY2023/24. We believe the consolidation of the management of government assets and liabilities in one ministry will assist to bring about efficiency gains. In this regard and in keeping with the sustainability theme, transfers to commercial public enterprises have been reduced significantly over the MTEF, constituting only N\$425.4 million in FY2023/24. These allocations have been reduced significantly from over N\$2.0 billion per annum in past years; and
- allocations have been made to various youth programmes to support with skills development and capacity building. In this regard, the budget contains funding for the charcoal production projects through the National Youth Service (NYS), the youth credit scheme and 121 rural youth enterprises through the Ministry of Youth, Sports and National Service. Furthermore, Agribank disbursed N\$25.6 million to women and youth to promote inclusivity through their portfolio of inclusive products. Meanwhile, the Development Bank of Namibia (DBN) approved a total of N\$15.5 million to qualified and skilled young entrepreneurs through the skills-based lending facility. Furthermore, the Environmental Investment Fund (EIF) is rolling out a green concessional loan facility targeting youth entrepreneurs wishing to undertake economic viable investments that integrates low carbon and climate adaptation instruments. In this regard, the facility aims to deploy N\$72 million of such investments over the next 12 months and is expected to grow to N\$300 million by 2024/25 financial year.

41. Overall, as envisaged during the FY2022/23 Mid-Year Budget Review, we estimate to realise a positive primary budget balance of 0.4 percent of GDP during FY2023/24. Furthermore, the budget deficit is projected to decline to 4.2 percent of GDP in FY2023/24 well in line with the fiscal policy stance

established at mid-term. The deficit of N\$9.1 billion in FY2023/24 will be financed through a combination domestic debt instruments and funding from multilateral organisations. As customary, the detailed Borrowing Plan will be disseminated to market participants before the commencement of the new financial year.

42. Going forward, we aim to maintain a primary surplus over the MTEF and consequently maintain the budget deficit below 4.0 percent of GDP by the end of the MTEF.
43. Reflecting the above developments, the public debt stock is estimated to increase to N\$150.9 billion or 70.1 percent of GDP before peaking in the coming financial year. In nominal terms, the debt stock is still growing marginally above the growth in nominal GDP, and we aim to gradually close this gap towards the end of the MTEF.
44. As reiterated earlier, maintaining fiscal sustainability while attending to the most pressing societal needs has been the organising principle of this budget. Overall, the fiscal policy stance for the next MTEF is to retain the fiscal sustainability stance to safeguard macroeconomic stability, while providing fiscal policy support for inclusive economic growth interventions and the achievement of socio-economic development objectives set out in the second Harambee Prosperity Plan (HPP II) and Vision 2030.

Fiscal Policy Reforms

Honourable Speaker,

Honourable Members,

45. As I have outlined prior, our public finances are gradually returning onto a sustainable path, in large part due to a notable turnaround in revenues. Such a trend can only be sustained if we entrench the requisite supply-side policies to address the key structural factors impeding growth. In our case, these include, among others, rigid laws and regulations, suboptimal education outcomes, and limited knowhow. Alleviating these challenges could go a long way to help build the resilience of our economy, reduce operational

bottlenecks, attract investments and improve competitiveness. Furthermore, concerted efforts are required to bolster domestic energy and water security.

46. Accordingly, in the area of economic policy reforms and infrastructure developments, I would like to highlight for noting by this August House, the latest advances as follows-:

- as promised during the FY2022/23 Mid-Year Budget Review, the following bills were passed into law during the previous session of Parliament. These are the Road Fund Amendment Act, the Stamp Duties Amendment Act, the Income Tax Amendment Act and the Value Added Tax Amendment Act;
- on the sovereign wealth fund for Namibia, the Welwitschia Fund, the technical team is finalising inputs into the draft bill from stakeholders, after which the approval processes will commence. We aim to table the bill before Parliament in FY2024/25. In terms of capitalisation, the Fund remains with the initial seed capital of N\$300 million. Given the need to maintain fiscal sustainability, it is not possible at this point to further capitalise the Fund from the current revenue streams without increasing debt. Accordingly, the draft bill will include the necessary provisions and stop-gap measures to ensure that the Fund is capitalised in a fiscally sustainable manner;
- as promised during the mid-term, DBN launched the Business Rescue Program on 09 November 2022 to assist Small and Medium Enterprises (SMEs) with, among others, patient capital instruments as well as provide requisite loan restructuring interventions. Furthermore, we have launched a redesigned SME loan scheme at the Bank of Namibia also to help SMEs navigate these challenging economic times. Accordingly, we appeal to all SMEs to approach DBN and/or commercial banks to benefit from these redesigned credit facilities in order to meet their financing needs;
- the Ministry of Industrialization and Trade is currently workshopping the revised version of the Namibia Investment Promotion and Facilitation

Bill for inputs from stakeholders. Accordingly, we urge all concerned parties to provide their comments and inputs to further improve the draft bill and ensure that their concerns are taken into consideration;

- in the area of skills development, we have made investments into expanding access to technical training. In this regard, three new Vocational Training Centres (VTCs) are under construction in Keetmanshoop, Khorixas and Nkurenkuru with completion targeted in FY2023/24. In addition, NUST has established a faculty for Technical Vocational Education and Training (TVET). We believe these efforts will help us with producing the technical skills required for our workforce to adequately participate, particularly in the value chains of upcoming industries such as in the oil sector and green hydrogen;
- given the energy supply shortages in the region, the Government is engaged with NamPower to ensure that available resources are deployed to expedite the implementation of the approved generation and transmission projects to increase local generation capacity and improve system stability in the medium term;
- on water security, the Government through NamWater with the support of the Africa Development Bank (AfDB) as well as the German Development Bank, KfW, is working to implement multiple projects to improve water supply security in the country over the medium term. These include upgrading and extension of the Rundu, Katima Mulilo and Oshakati Purification Plants as well as improvement of the rural water supply infrastructure network. Furthermore, initial work has commenced working towards the construction of the second Direct Portable Water Reclamation Plant (DPR II) and upgrading to the Gammams and Otjomuise sewage systems to improve water security in the city of Windhoek;
- we are cognisant of the increased water shortages in the Erongo Region, affecting particularly the uranium mining sector. In this regard, Cabinet approved the implementation of the SS1 Desalination Plant in July 2021. Subsequently, NamWater is working on acquiring the land and finalizing

the implementation model. Given the severe implication on economic activities, we urge NamWater to move with expediency to finalise this matter;

- following the enactment of the Access to Information Act last year, we have provided the requisite financial resources in this budget for the Ministry of Information and Communication Technology to establish the Information Commission Office as required in the law. We hope this goes a long way to promote and enhance transparency, accountability and good governance;
- on 31 January 2023, we launched the Code of Good Practices to grant preferential treatment, to local suppliers especially specified categories such as youth, women, Micro, Small and Medium Enterprises (MSMEs) and manufacturers, in terms of Part 11 of the Public Procurement Act, 2015;
- in recognition of the importance of railway infrastructure to facilitate economic activities, and especially support our logistics hub aspirations, the Government together with TransNamib are finalising the N\$2.6 billion financing facility with the Development Bank of Southern Africa (DBSA) and DBN. The loan will be utilised to fund the refurbishment of the TransNamib rolling stock capacity. In the meantime, government completed the upgrading of the Walvis Bay – Kranzberg railway line and is currently seized in engagements with the Africa Development Bank (AfDB) to secure funding for upgrading the Kranzberg-Tsumeb-Grootfontein section of the railway line. Government has also completed a feasibility study for the extension of the railway network from Grootfontein to Katima Mulilo. Engagements in this regard have commenced to map out the implementation modalities;
- we recognise the ongoing difficulties at MeatCo and realise the importance of the entity in anchoring the performance of the livestock subsector and the economy broadly. In this regard, we have undertaken an in-depth review and analysis of MeatCo's Business Strategy, Business Plan as well as its funding structure. We are interrogating the results

and recommendations of the diagnostic report and will undertake the necessary steps in the interest of securing the long-term sustainability of the sector;

- the Ministry of Agriculture, Water and Land Reform is evaluating the applications received from the private sector for the Ndonga Linena, Uvhungu Vhungu and Orange River Green Scheme Irrigation Projects while the Uvhungu Vhungu Dairy Project was recently awarded. The Ministry further aims to readvertise the brownfields, for which no expression of interest was previously received. In the meantime, winter crops (wheat) were planted at the Shadikongoro and Sikondo Green Schemes, while summer crops (maize) are planted at Etunda, Sikondo and Shadikongoro Green Schemes to maintain production activities while the leasing process unfolds. In addition, the Ministry has acquired two (2) farms near the Neckartal Dam, with a combined size of more than 11,000 hectares to contribute to the area envisaged to develop the Neckartal Dam Irrigation Project. Accordingly, a budget allocation of N\$10 million has been availed to start with the development in FY2023/24;
- following the gazetting of the Central Securities Depository (CSD) conditions in July 2022, the CSD company is busy finalising the documents required for the submission of the license application to both NAMFISA and Bank of Namibia as a payment system participant. In this regard, the CSD is expected to go live in the second quarter of 2023; and
- the Ministry of Mines and Energy just commenced with the countrywide face-to-face stakeholders engagements on revisions to the Minerals Act. Accordingly, this presents an opportune time for all concerned parties to provide their inputs onto the draft law before it is finalised.

Tax Policy and Administration Reforms

Honourable Speaker,

47. As underscored during the FY2022/23 Mid-Year Budget Review, we still maintain the stance that the economy as well as individual and corporate balance sheets have not yet sufficiently recovered to warrant consideration of new tax policy proposals. Increasing the tax burden at this juncture stands the risk to stifle economic recovery and compromise the emerging growth prospects. Accordingly, in the near term, we will focus our efforts on tax administration reforms to ensure revenue enhancement through adequate tax compliance.
48. In this context, in the area of tax policy and tax administration reforms during the MTEF, focus will be placed on the implementation of measures to provide some relief to taxpayers in the near to medium term. In this regard, I am happy to confirm the following resolutions-:
- the non-mining company tax rate will be reduced by two percentage points over the two outer years of the MTEF. Accordingly, the tax rate will be reduced to 31 percent effective on 01 April 2024, with a further reduction to 30 percent on 01 April 2025;
 - as communicated during the FY2022/23 Mid-Year Budget Review, the Ministry has undertaken an assessment of the consideration to provide tax relief to low-income earners. In this regard, we have resolved to introduce tax relief for individuals in the N\$50,000 to N\$100,000 tax bracket, effectively reducing their tax rate to zero effective in FY2024/25. The implementation modalities of the envisaged tax relief will be outlined in due course; and
 - NamRA will continue with 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. 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.
49. Once again, the previously announced tax proposals and considerations will be revisited once the economy has sufficiently recovered, and corporate as

well as individual incomes and balance sheets have adequately stabilised. Nonetheless, in the meantime, we encourage those taxpayers with outstanding arrears to utilise the recoveries in their incomes to settle their tax liabilities while the window of relief remains open.

Honourable Speaker,
Honourable Members,

50. As is annual practice and in line with targets set for the tax burdens on respective excisable commodities, there will be adjustments to the excise duties applicable in member states, as required under the SACU agreement. The following "sin taxes" on the consumption of alcoholic beverages, tobacco, cigarettes and cigars will take effect today, 22 February 2023:

- a pack of 20 cigarettes goes up by 98c
- a kg of cigars will cost an additional N\$237.79
- unfortified wine will increase by 24c per litre
- fortified wine goes up by 41c per litre
- sparkling wine will increase by 12c per litre
- spirits will cost an extra N\$12.08 per litre,
- clear malt beer will increase by N\$5.99 per litre
- ciders and alcoholic fruit beverages goes up by N\$5.99 per litre

51. These amended rates of excise duty will be set out in more details in the Government Notice which I will table in the National Assembly, in terms of section 54(1) of the Customs and Excise Act, 1998 at a later stage. The Government Notice referred above will be deemed to have come into operation as from midnight 22nd February 2023.

FY2023/24 Appropriation Bill

Honourable Speaker,
Honourable Members,

52. Having outlined the available resource envelope as well as the fiscal policy priorities and reforms, allow me at this point to share more details on the FY2023/24 Appropriation Bill and the corresponding resource allocation across the different sectors and programmes in the budget.

Social Sector

53. Earlier on in my statement, I have highlighted the importance of utilising the budget to respond to the prevailing economic and social climate. Accordingly, our country is faced with a myriad of social challenges that require urgent attention in order to secure vulnerable livelihoods, improve access to and quality of social services as well as to broadly safeguard gains on social and human development indicators.
54. In line with this conviction, we have allocated a total of N\$38.4 billion to the social sectors during FY2023/24, a significant increase from N\$34.4 billion in the preceding financial year. Accordingly, the social sector will absorb 52.9 percent of the proposed budget for FY2023/24.
55. The allocations are aimed to primarily address the following issues, in addition to sustaining ongoing operations:-
- the Ministry of Gender, Poverty Eradication and Social Welfare has been allocated N\$6.5 billion in FY2023/24, an increase from N\$5.5 billion the previous year. The increase reflects adjustments to the various social grants to maintain the grant values in real terms given the rising cost of living, as I have alluded to earlier. Furthermore, consideration has been made for the full coverage of the Orphan and Vulnerable Children Grant. Over the MTEF, the Vote will absorb N\$19.9 billion.
 - in the education sector, we have increased the allocation to Basic Education to N\$16.8 billion in FY2023/24 and N\$51.2 billion over the MTEF. Of these allocations, more than N\$200 million is earmarked for the recruitment of additional teachers to ensure adequate teacher-learner ratios in classrooms. Moreover, more than N\$570 million has been availed in the development budget to cater for the construction and renovation of classrooms as well as other education infrastructures such as hostels and offices.
 - the Higher Education Vote has been allocated N\$3.8 billion in FY2023/24, 9.8 percent higher than the preceding year. The additional allocation is to cater for student funding by the Namibia Student

Financial Assistance Fund (NSFAF) as well as the completion and operationalisation of the VTCs, as alluded to earlier. Furthermore, an allocation has been made to equip the UNAM medical school with the requisite equipment to facilitate training in the school of dentistry. Over the MTEF, the Vote will receive an estimated N\$11.8 billion.

- *Honourable Speaker*, I would like to highlight that the education sector continues to absorb a growing share of the national purse. Of the total expenditure this year 28.4 percent is earmarked for the education sector. This equates to 9.6 percent of GDP, making Namibia one of the highest spenders on education the world over. And yet the actual education outcomes and return on these investments over time are not at all commensurate with our expectations. We need to get more value for every dollar spent on education. While there are gaps in terms of education infrastructures that need urgent attention, I also believe there is also great scope for increased efficiencies in the utilisation of the current budget. The problem in education is not simply one of lack of resources.
- the Vote of Health and Social Services will receive N\$9.7 billion in FY2023/24 and N\$29.4 billion over the MTEF. Within that allocation, we have availed more than N\$700 million to the ministry for investments in and renovations of health facilities as well as recruitment of medical personnel, acquisition of pharmaceuticals and ambulances. During the year, the ministry will also develop the Universal Health Coverage Policy Framework to ensure that Namibians receive financial risk protection and improved access to quality health care services.
- *Honourable Speaker*, we have been following with keen interest the public debate regarding the procurement of pharmaceuticals through the Central Procurement Board of Namibia (CPBN). The procurement of lifesaving drugs as well as health supplies is critical for the functioning of our health system. Nonetheless, we do not condone inflation and overpricing of services and supplies. We always advocate for optimal utilisation of public funds. On our end, we will undertake

the necessary reviews to confirm compliance with the Public Procurement Act and take the necessary action as may be necessary within the confines of the law.

- the Vote of Sports, Youth and National Service will receive N\$473.2 million and a total of N\$1.4 billion over the MTEF period. The allocations made provision for a total of N\$162.5 million for the renovation and upgrading of the Independence Stadium in Windhoek over the MTEF. In January 2023, a Confederation of Africa Football (CAF) inspector conducted an inspection of the stadium, and a report is awaited in this regard. Accordingly, the procurement process will commence once the results of the mandatory CAF requirements are received and incorporated into the expression of interest.

Infrastructure Sector

56. A total of N\$4.2 billion in FY2023/24 and N\$13.1 billion over the MTEF has been allocated to the sector responsible for facilitating the development of the requisite infrastructure to realise our development agenda. The allocations are distributed among the various votes, as follows:

- the vote of Transport will receive a total of N\$2.9 billion and over the MTEF, the allocation stands at N\$9.0 billion. This allocation is primarily for the completion of ongoing phases of road construction projects with contractual awards. These include the finalization of the Windhoek-Okahandja dual carriageway, finalization of Phase II of the Swakopmund-Henties Bay-Uis-Kamanjab road, completion of Phase I of the Windhoek-Hosea Kutako Airport road and retention for the upgrades to the Walvis Bay-Kranzberg railway line. In addition, an allocation of N\$100 million has been made for the expansion of the apron at the Hosea Kutako International Airport over two years.
- the Transport allocation is further supported by N\$1.5 billion from the Road Fund Administration (RFA) to cater for, among others, road maintenance, rehabilitation of urban roads leading to the Port of Walvis Bay, upgrade of the Peter Eneas Nanyemba road to dual carriageway,

regravelling of roads in the Etosha National Park and construction of low volume seal roads countrywide.

- meanwhile, N\$644.4 million has been allocated to the vote of Works to cater for renovations of government facilities and infrastructures countrywide, including the Katutura Hospital, among others.

Economic Sector

57. I have earlier alluded to the continued need to create a conducive policy environment to foster increased economic activities. Accordingly, we have allocated 14.6 percent of the budget to the sector ministries responsible for carrying out the implementation of economic policies. For FY2023/24, this sector will receive N\$10.6 billion and a total of N\$33.6 billion over the MTEF.

- the Ministry of Agriculture, Water and Land Reform received a total of N\$2.4 billion in FY2023/24, a 22.1 percent increase from the previous year. We have considered allocations to ensure sustained production at the various green scheme projects to enhance food security while the leasing process is being finalised.
- The vote of Industrialisation and Trade receives N\$297.6 million and N\$912.4 million over the MTEF. We have made financial provision to resuscitate the defunct Equipment Aid Scheme with the aim to provide financial assistance towards the procurement of production equipment and inputs by individuals and SMEs, and especially youth-owned businesses, across the country.
- the Ministry of Mines and Energy has been allocated N\$250.7 million for FY2023/24, inclusive of N\$50 million to expedite the electrification of rural schools and health facilities. The Vote will receive a total of N\$862.6 million over the MTEF period.
- an amount of N\$921.1 million has been allocated to the National Planning Commission in FY2023/24, primarily to cater for the census during the year. Further provision to the tune of N\$20 million has been made for the NSA to undertake the preparatory activities for the

National Household Income and Expenditure Survey to be held during FY2024/25. During the year, the National Planning Commission will also commence with the drafting of the sixth National Development Plan (NDP6) to chart the national policy pathways for the next five years after the lapse of HPP II at the end of FY2024/25. Over the MTEF, the Vote has been allocated N\$1.5 billion.

- the Ministry of Finance and Public Enterprises has been allocated N\$5.8 billion, including N\$2.7 billion for PSEMAS and N\$425.4 million for transfers to public enterprises. Over the MTEF, the Vote will receive N\$20.0 billion. A total of N\$99.3 million has been budgeted for Agribank to support ongoing interventions in the agriculture sector while DBN will receive N\$49.7 million to support the implementation of SME Financing Strategy and youth entrepreneurship financing activities. Moreover, during the 2023/24 financial year, the Environmental Investment Fund (EIF) through an Ecosystem-based Adaptation Project funded by the Green Climate Fund, will provide grants amounting to N\$120 million to at least thirty-six (36) different community based organisations for climate change adaptation, resilience and capacity building;
- for the current financial year, FY2022/23, a total of N\$206.8 million was allocated to the Contingency Fund, of which N\$179.1 million has been committed. Accordingly, I have distributed the corresponding information regarding the utilization of the Contingency Fund during the current financial year.
- Going forward, we have set aside N\$288.3 million in the Contingency Fund for FY2023/24 to cater for unforeseen emergencies.

Public Safety Sector

58. The Public Safety Sector takes up the second largest share of the budget allocations, with a total share of 19.4 percent. For FY2023/24, an amount of N\$14.1 billion is allocated and about N\$43.5 billion over the MTEF.

- Home Affairs, Immigration, Safety and Security receives N\$6.7 billion in FY2023/24 and a total of N\$21.0 billion over the MTEF. In this allocation, provision of N\$15 million has been made for the development Kaoko-Otavi agricultural irrigation project in the Kunene Region that will cover 250 hectares and aim to contribute to the food security of the country. Furthermore, we have also made allocations to the Namibia Forensic Science Institute to acquire the necessary forensic reagents and consumables to improve the speed of forensic testing.
- the Judiciary has been allocated N\$421.5 million in FY2023/24 and some N\$1.3 billion over the MTEF period, inclusive of funding to fill vacancies for critical positions to ensure speedy delivery of services.
- the vote of Justice receives N\$599.4 million and a total of N\$1.8 billion over the MTEF period. The allocation in the next financial year caters for additional funding to community courts as well as increased provisions for legal costs and witness protection.
- The Anti-Corruption Commission (ACC) has been allocated N\$81.7 million in FY2023/24, a 10.4 percent increase from the allocation in the previous financial year. Over the MTEF period, the Vote will utilise a total of N\$271.1 million. Allocations for this important sector are kept steady over the MTEF to avoid compromising delivery on its activities.

Administration Sector

59. The Administrative Sector receives 7.3 percent of the budget allocations, with its share steadily rising over the MTEF. For FY2023/24, an amount of N\$5.3 billion and about N\$15.9 billion over the MTEF have been allocated to support effective governance and efficient administration of public services.

- in this sector, the Ministry of Urban and Rural Development has been allocated N\$1.9 billion in FY2023/24 and some N\$5.7 billion over the MTEF. This allocation includes N\$40 million to settle the outstanding COVID-19 water bills of various local authorities, N\$96 million targeted at informal settlements upgrading in major urban centres across the country as well as N\$50 million for the land compensation programme

countrywide. During the year, the ministry will also finalise the Constituency Development Fund Bill which was approved by Cabinet in October 2022, and is expected to address grass root level socio-economic needs of communities.

- the Office of the President will receive an allocation of N\$956.6 million in FY2023/24, an increase from N\$725.7 million in the previous year. The increase partially reflects the movement of the division of Government Air Transport Services from Transport, the transfer of the Regional Governors' budget from the Vote of Urban and Rural Development as well as provisions for the finalisation of the Chief Hosea Kutako Shrine. The Vote also contains an allocation of N\$120.1 million in FY2023/24 for the Namibia Investment Promotion and Development Board (NIPDB) to facilitate investments. Over the MTEF, the Vote will receive a total of N\$2.9 billion.
- the Office of the Prime Minister receives N\$478.7 million in FY2023/24 and some N\$1.5 billion over the MTEF period. This allocation includes, among others, provisions for the National Emergency Disaster Fund, drought relief as well as funding for the Data Centre infrastructure to improve the performance, resilience and security of public service Information Technology (IT) systems.

60. The detailed breakdown of the expenditure allocations and revised ceilings for the various Votes are available in the Appropriation Bill before you.

Conclusion

Honourable Speaker,

Honourable Members

61. The FY2023/24 budget and the MTEF before you persist with the gradual fiscal sustainability theme. It proposes to continue placing the budget deficit on a declining path and to stabilize the growth in public debt over time. I also believe it engenders transparency and policy certainty as we have not veered away from the policy positions and fiscal metrics that we committed to in the FY2022/23 Mid-Year Budget Review. This MTEF maintains the macro-fiscal

framework that aims to place our public finances on a sound, prudent and sustainable path.

62. At the same time, *Honourable Speaker*, the framework contains a supportive policy package that guard against the erosion of purchasing power, especially in our social assistance programmes and cushion the most vulnerable members of our society against significant cost of living pressures and associated declines in real incomes. As you have seen in the video clips that I shared earlier, the beneficiaries of these programme wanted nothing more than a small boost in their monthly allowances to enable them to maintain their living standards in the face of rising prices. We have heeded their call, although in future, resource permitting, we hope we can give them more.
63. With regard to the broader economy, *Honourable Speaker*, we have seen signs of recovery, although the growth has largely been anchored in the natural resources sector. Ideally, we would like to foster broad-based growth diversified across all sectors of the economy. We are aware of the urgent need to expedite the implementation of supportive supply-side policies to lessen the bindings constraints to economic activities and encourage the development of nascent industries. Nonetheless, the positive growth has borne increases in revenues which has enabled us to recalibrate the near to medium term fiscal policy path.
64. In summary, the organizing principle of the resource allocation process in this MTEF is both pro-growth, pro-sustainability and pro-poor. I believe, with this framework, we are moving forward steadily on the path towards safeguarding our fiscal sovereignty.
65. As I wrap up my statement this afternoon, I wish to thank His Excellency President Hage Geingob, His Excellency Vice President Nangolo Mbumba, Right Honourable 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 support, common understanding and camaraderie in the management of our national purse. The support from you all colleagues is the true epitome of the saying that “many hands make the load lighter”.

66. I also wish to thank my colleagues, Hon. Obeth Kandjoze, the Director General of the National Planning Commission and Deputy Minister Maureen Hinda-Mbuende. I further extend my appreciation to the Executive Directors, Ms. Wilhencia Uiras and Mr. Titus Ndove and the entire staff at the Ministry of Finance & Public Enterprises and the National Planning Commission for the usual support and diligence in the compilation of the budget.
67. I also express my heartfelt gratitude and appreciation to Governor Johannes !Gawaxab of the Bank of Namibia and his staff as well as the NamRA team under the leadership of Commissioner Sam Shivute for the continued support, hard work and routine collaboration with the Ministry of Finance & Public Enterprises on fiscal matters.
68. *Honourable Speaker*, it will be remiss of me if I did not express our sincere appreciation for the financial and technical support we continue to receive from our development partners in various areas. These have gone a long way to supplement Government efforts to strengthen our institutional capacity and attain improvements in the living standards of ordinary Namibians.
69. I would like to close by echoing some interesting sentiments I have received from several pensioners:
- **Ousie Veronica Peters** and **Ousie Constancia Garus-Oas** from Windhoek wish to say: *"the message to all of us pensioners, we should use the little money we get from the government wisely. And our prayers and wishes are that the government will increase it in the future, even to N\$2,000 because we can't even afford to buy a combo these days. Things are 100 percent expensive"*.
 - **Tate Simon Valinayi** from Havana added that *"the government is giving us money with the purpose to take care of ourselves, therefore we must not spend this money on alcohol"*.
 - While **Ms. Carol Blaauw** from Windhoek says *"I feel the pension is not enough, we cannot save money to go somewhere else, we have*

water and electricity; rates and taxes; our rent and still buy food. Some sick pensioners cannot afford their own medical aid and needs daily medication. But we are grateful of what we are currently receiving'.

- Mrs **Magrietha Swartz** from Gochas says "*ek wil graag my dank uitspreek teenoor die regering wat tenspyte van die ekonomiese uitdagings en COVID-19 nog steeds voortgaan om te verseker dat pensionarisse hulle maandelikse toelaag ontvang*" Translated to: "*I would like to express my sincere thanks and gratitude towards the Government who through the economic challenges and the COVID-19 pandemic ensured that pensioners got their grant on time every month*".

70. I hope the pensioners and all other recipients of the social grants will take to heart these words of wisdom from their colleagues. As government, we have heard them and will accommodate the vulnerable members of our society, as and when the resource envelope permits.

71. On that note, I conclude my presentation and move to table the FY2023/24 Appropriation Bill.

72. I thank you, *Honourable Speaker*.



Republic of Namibia

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