



Republic of Namibia



Reimagining, a Better Future for the Youth

BUDGET STATEMENT FOR THE 2022/23 FINANCIAL YEAR,
PRESENTED BY IPUMBU SHIMI, MP,
MINISTER OF FINANCE





FY2022/23 Budget Statement

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by

Iipumbu Shiimi, MP

Minister of Finance

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*Honourable Speaker,
Honourable Members of the National Assembly,
Distinguished Guests,
Fellow Namibians,*

1. It is my distinct honour and privilege to rise before this august House today to present the 2022/23 Appropriation Bill, as well as the medium-term framework for the next three years.
2. *Honourable Speaker*, today I came to Parliament in the company of special guests. You may have seen young people outside Parliament this afternoon wearing sport attires. I will in due course contextualise their presence here today and how that resonate with the central message I intend to deliver with the Budget speech today.

Honourable Speaker,

3. In the process of formulating the 2022 budget, we followed the customary process of gathering inputs from various stakeholders, both from within and outside of government. The consultation process started during the preparation of the Mid-Year Budget Review last year and included engagements with, among others, the youth, the business community, organized labour representatives, professional bodies, Chief Whips of the various political parties, civil society, Regional Authorities and the various ministries and government agencies. These series of dialogues form part of our efforts to promote openness and inclusivity in the preparation of the national budget. We intend to continue and further broaden these engagements, going forward.
4. One of the consistent themes that emerged from these consultations was the urgent need for us to reignite economic growth, create jobs, and to invest in creating opportunities and activities for the youth. This is an issue that is near and dear to my heart, *Honourable Speaker*. I believe our country's youthful population remains the most significant resource which could propel our economy onto a competitive and sustainable growth path. I believe our youth are indeed the lifeline of our economy. In light of this, I have decided to dedicate my budget speech today to the youth of Namibia.

5. Accordingly, this year's budget theme is "***Reimagining, a Better Future for the Youth***", in resonance with the theme of the year 2022 as announced by His Excellency President Hage Geingob.

*Honourable Speaker,
Honourable Members,*

6. In my free time, I spend a great deal of time around young people. My engagement with the youth includes, among others, school activities, especially at Mashare Primary School in Kavango East and Iipanda yaamiti Combined School in Omusati Region. I happen to be a Patron for both schools – although of late the ongoing COVID-19 pandemic has disrupted my interactions with both schools.

Honourable Speaker,

7. On most weekends, you would often find me at the John Otto Nankudhu, Augustineum, Shifidi or UNAM soccer fields with young people, mainly from universities, VTCs and high school looking after them while they are playing soccer. In fact, I am the sponsor of a soccer team, the Iipumbu Shiimi Football Club, which started as a village team but has increasingly gained a national character in composition. I make it a point to attend most of their matches when time permits. I have brought along some of the players with me today for moral support since this budget speech is dedicated to them - the youth.
8. Every December, *Honourable Speaker*, you will find me at the Iipumbu Shiimi Christmas Cup, which is one of the highlights of the community's calendar. The clip you just saw is that of the winning team last December celebrating for winning the floating trophy for a second time in a row. This year, in December 2022, the Christmas Cup will be celebrating its 10th anniversary. *Honourable Members*, I am hereby extending a standing invitation for Parliament to send a strong soccer team to participate in the event. I am looking forward to your participation.
9. This annual event is not only about soccer, but it also aims to keep the youth active and discourage them from undesirable activities such as alcohol and drug abuse. It also creates opportunities for entrepreneurs and small businesses to market their products, especially for those in the food sector.

10. In my regular interactions with the youth, we do not only talk about school and sports, but we also discuss the socio-economic situation in Namibia. Their resounding message to me and the Honourable Members of Parliament has been consistent. I have promised to share their message with this August House. Key among others, they raise the following issues:-

- we should continue to promote unity to build a strong Namibian house,
- we should be good role models in Parliament and elsewhere in society. The youth is watching us, learning, and emulating the examples we are setting,
- they say our primary responsibility is to pass laws that will benefit them and Namibia at large,
- we should redouble our efforts to create more jobs,
- we should fix our sports fields and develop new ones, especially in the informal settlements and rural areas, and finally
- we can no longer afford to have a country without a soccer league, our fellow Namibians at the Soccer House in Katutura should find each other for the sake of our youth.

11. The Namibia Statistics Agency estimates that more than a third of Namibia's current population is between the age of 15 - 34 years of age, 44.2 percent of which live in rural areas. The estimates further tell us that over the next 5 years or so, the youth population will increase by 7.7 percent to more than 1 million people by 2027. You would agree with me that such demographics present us a unique opportunity for our economy to absorb these new entrants into the national workforce. The question before us is: how do we capitalise on this youth bulge and transform it into a growth opportunity for the country?

Honourable Speaker,
Honourable Members,

12. The national budget, let alone a single year budget, cannot be a panacea to all these issues. Nonetheless, we strived in this budget to respond to some of the primary issues affecting the youth of Namibia. We demonstrated our commitment as Government to re-position public spending in line with urgent national needs, especially for the youth demographic. I shall make reference

to these issues throughout my speech today. Afterall, as Kofi Annan once remarked, "a society that cuts off from its youth severs its lifeline".

Honourable Speaker,
Honourable Members,

13. This is the context, in which I, in terms of Article 126 of the Namibian Constitution, read with Section 1(1) of the State Finance Act, table for the favourable consideration and approval by this August House:-
- the Appropriation Bill for FY2022/23
 - the Estimates of Revenue, Income and Expenditure for FY2022/23, and
 - the Medium-term Expenditure Framework (MTEF) for FY2022/23 – FY2024/25.

What Does this Budget Offer?

Honourable Speaker,
Honourable Members,

14. To keep with the theme of "*Reimagining, a better future for the youth*", this budget highlights the following explicit programmes and provisions for the youth:-
- requisite funding to the tune of N\$50 million has been made available in the Development Budget for the upgrading and renovations for the Independence Stadium in order to meet the requirements for hosting international fixtures. For this we have made exemption to the rule of only considering ongoing projects with contractual obligations due to limited resources. We recognize that we can no longer afford a situation where our national team cannot play international matches on home ground. We need to restore the pride of our nation,
 - at the Development Bank of Namibia (DBN), loan approvals to the tune of N\$72.2 million or 9.9 percent of private sector loans benefited youth-owned businesses. Similarly, in an effort to further catalyze youth entrepreneurship, support has been given to DBN to finance the Mentorship and Coaching Programme (MCP), which is of particular benefit to the youth. The Bank also introduced a specific skills-based

loan aimed at assisting qualified and skilled young professionals, of which a total of N\$11.2 million has been disbursed to youth entrepreneurs,

- the Code of Good Practices, that is currently undergoing public consultations and will be gazetted soon in terms of the Public Procurement Act of 2015, provides for preferential treatment and reservation scheme for youth owned enterprises for contracts for the supply of goods valued at N\$50 million or less,
- altogether 34,920 trainees are currently enrolled for TVET programmes countrywide, through the support of the Namibia Training Authority and the central government through the Namibia Student Financial Assistance Fund (NSFAF). At the same time, government is expediting infrastructure expansion at the Valombola VTC, Nakayale VTC, Okakarara VTC and Kai//Ganaxab Youth Skills Training Centre, while similar expansion projects will be completed at Gobabis VTC and Zambezi VTC. In addition, bulk services were recently completed for new VTCs at Nkurenkuru and Keetmanshoop,
- the Agricultural Bank of Namibia (AgriBank) developed a Women and Youth loan scheme for the acquisition of farmland by predominately previously disadvantaged beneficiaries. To this end, a total of N\$73.2 million for 35,347 ha and another N\$43 million for livestock purchase have been approved by January 2022,
- the Ministry of Higher Education, Training and Innovation is investigating the viability of the development of a Student Village in Windhoek to address shortages of student accommodation,
- the Germany Ministry of Education and Research has made available €5 million, equivalent to N\$86 million, for the Namibian Youth for Green Hydrogen (Y4H2) Scholarship Programme to upskill unemployed graduates and ensure that the Namibian youth is trained and ready to contribute to the green hydrogen economy workforce,

- the Environmental Investment Fund of Namibia (EIF) launched the Sustainable Development Goal Investment Facility which supported 70 youth enterprises to the tune of N\$10 million in the area of sustainable agriculture, manufacturing, renewable energy and tourism,
- in addition, a green concessional loan facility targeting youth entrepreneurs will be launched by the EIF to provide financing of up to N\$2 million per economic viable investments that integrates low carbon and climate adaptation instruments. This will be a revolving facility that will be recapitalised annually and is expected to grow by N\$300 million over the MTEF.

15. These are but few of the youth-focused programmes and initiatives that Government is spearheading. On their end, we urge the youth to do their part in exploiting these targeted opportunities created to enhance skills development and create capacity among them.

*Honourable Speaker,
Honourable Members,*

16. Permit me, at this point, to briefly outline the economic context under which the FY2022/23 Budget was prepared.

Economic, fiscal and financial context

17. In the World Economic Outlook (WEO) Update released this past month, January 2022, the International Monetary Fund (IMF) estimated that the global economy entered the year 2022 in a weaker position than previously anticipated. In this regard:-

- the estimated growth in global economic activity for 2021 was maintained at 5.9 percent, while the forecasts for 2022 have been revised down from 4.9 percent to 4.4 percent. This reflects the anticipated effects of mobility restrictions, border closures, and health impact from the spread of the Omicron variant which are expected to weigh on growth in the first quarter of 2022,

- overall, risks to the global economy remain tilted to the downside, depending critically on the likely path of the pandemic, the persistent supply chain disruptions, energy price volatility as well as localized wage pressures with associated uncertainty around inflation and subsequent macro policy paths.

*Honourable Speaker,
Honourable Members,*

18. Allow me now to focus on economic developments in the domestic economy during 2021 and our medium-term expectations.

Domestic economic developments and outlook

19. The domestic economy is projected to grow by 1.2 percent in 2021, lower than the 1.9 percent growth estimated in the Mid-Year Budget Review. The revision considers the low base effects, the impact of the third wave of the COVID-19 pandemic as well as the outbreak of the Omicron variant in December 2021.
20. On a granular level, the moderate growth in 2021 was anchored by output from primary industries and tertiary industries on the back of a mild recovery in mining activities, supported by positive developments in wholesale and retail, recovery in hotels and restaurants, and financial services. Secondary industries are projected to contract, in line with expected declines in electricity production, manufacturing activities as well as the construction sector.
21. Risks to the domestic economy remain tilted on the downside stemming from uncertainties surrounding the evolution of the COVID-19 pandemic coupled with the slow pace of vaccination roll-out in Namibia. On the other hand, the projected increase in international commodity prices augurs favourably for the domestic mining sector.
22. At this juncture, *Honourable Speaker*, allow me to highlight the fiscal policy developments.

Fiscal Policy Developments

23. In the Mid-Year Budget Review that I tabled before the House in November 2021; I gave full account of the actual fiscal outturns in respect of the FY2020/21 as well as revised estimates for FY2021/22. In this regard, the Appropriation Amendment Bill provided for an additional budget of N\$1.8 billion which was allocated across Budget Votes to address underbudgeting on personnel expenditure, utilities and other spending items. This exercise shifted the global expenditure ceiling upwards to N\$69.7 billion. By the end of January 2022, total spending stood at N\$57.4 billion, equivalent to 82.2 percent of the revised ceiling.
24. The Mid-Year Budget Review further revised revenue for FY2021/22 to N\$53.6 billion. By the end of January 2022, the preliminary revenue outturn for FY2021/22 stood at N\$44.1 billion, reflecting a collection rate of 84.8 percent. Various small domestic revenue streams such as transfer duties, stamp duties and non-resident shareholders tax have exhibited strong collections, outperforming the annual targets by January 2022. In consideration of the year-to-date collection level coupled with historical performance trends, we expect revenue for FY2021/22 to be firm at N\$53.4 billion.
25. Overall, the budget deficit for FY2021/22 is expected to stay unchanged at 8.6 percent of GDP. By the end of January 2022, the total debt stock stood at N\$124.8 billion or 66.7 percent of GDP. At this point, 94 percent of the financing requirement for the financial year has been successfully met.

Fiscal Outlook and Medium-Term Policy Stance

*Honourable Speaker,
Honourable Members,*

26. Having outlined the prevailing economic developments, allow me to shift focus towards painting the macro-fiscal policy outlook for the medium-term.
27. The fiscal space remains clouded by the slow uptake of the COVID-19 vaccine, increasing uncertainty about the containment of COVID-19 and the outbreak of other variants. At just 20.9 percent, Namibia is one of the countries with

disturbingly low vaccination rates across the globe – despite our gallant efforts to increase access in terms of the volume and variety of vaccines available in the country. On that note, I once again plead with all of us to get vaccinated and do our part in reducing the risk of the emergence of further dangerous COVID-19 variants.

Honourable Speaker,

28. On the economic growth front, there are bright prospects for the short to medium-term. In this regard, growth is projected to increase to 2.9 percent in 2022 before accelerating further to 3.7 percent in 2023. The projected growth is anchored by expectations of strong output mainly in the primary and secondary industries, while growth in tertiary industries is estimated to remain muted over the MTEF.
29. Turning to the fiscal aggregates, the revenue outlook remains weak in the short-term, although recovery is projected over the medium term. The increase in revenue over the MTEF will stem from expected recovery in economic activity and domestic demand as the impact of the pandemic wanes, coupled with the anticipated comeback in global commodity prices.
30. In this regard, total revenue and grants for FY2022/23 is projected at N\$59.7 billion, some 11.7 percent higher than the estimated revenue for FY2021/22. These forecasts have been boosted by deliberate efforts to conserve and mobilise non-tax revenue for FY2022/23, while tax revenue is projected to remain rather flat. These measures include:-
 - deferment of the N\$400 million special dividend from the Namibia Post and Telecom Holdings (NPTH) which was initially earmarked for utilisation in FY2021/22,
 - preservation of the N\$2.5 billion proceeds from the public listing of Mobile Telecommunication Company (MTC). Furthermore, a total of N\$500 million from the undisposed MTC shares has also been accounted for and NPTH will undertake all necessary efforts to dispose of the shares during the coming financial year,

- a special dividend to the tune of N\$400 million from the Namibia Desert Diamonds (NamDia), and
 - more than N\$1.2 billion in expected dividends from Namdeb Holdings, DebMarine Namibia and the Namibia Diamond Trading Corporation (NDTC) in line with the projected strong performance of the diamond sub-sector.
31. Over the MTEF, revenue is expected to grow at an average pace of 6.7 percent to reach N\$61.8 billion in FY2023/24 and N\$64.7 billion by FY2024/25, underpinned by the increase in receipts from the SACU Customs Revenue Pool and strengthening domestic revenues as the economy recovers over the period.
32. Analysed as a ratio of GDP, however, total revenue is projected to average around 29.8 percent of GDP over the MTEF, marginally lower than the long-term average of 30.5 percent. At such revenue mobilization levels, read together with the high ratios of public debt, it remains imperative for aggregate expenditure over the MTEF to remain fairly contained so as to safeguard fiscal sustainability and stabilize the growth in public debt.

Honourable Speaker,

33. Cognisant of potential spending pressures and to circumvent prolonged real term declines, aggregate expenditure over the MTEF is projected to increase gradually but remain consistent with the fiscal sustainability imperative. Specifically, the total expenditure ceiling is projected to increase to N\$70.8 billion in FY2022/23 and average at N\$74.9 billion over the remainder of the MTEF.
34. These anticipated aggregate expenditure levels remain indicative, subject to fiscal sustainability and affordability evaluation in the two outer years of the MTEF. Government remains committed to maintaining long term fiscal sustainability and will make requisite adjustments to protect public finances as necessary.

35. During the preparation of this budget, *Honourable Speaker*, we maintained the stance of not undertaking any new projects during the FY2022/23, given the significant revenue constraints. In the medium term, several sizable capital projects are due to be completed over the MTEF period. It is our expectation that their completion would free up much needed resources for reallocation towards negating real term declines in expenditure and prioritizing urgent and impactful developmental projects. Furthermore, going forward, the Government is committed to partnering with international Development Finance Institutions (DFIs) in executing large capital project so as to safeguard the fiscal space.
36. Interest payments are projected to increase to N\$9.2 billion in FY2022/23, equivalent to 15.4 percent of projected revenues for the year, well above our internal benchmark of 10 percent. *Honourable Members*, this means a significant share of our revenues will be absorbed by debt servicing, adversely impacting allocations to key programmes in furtherance of our national development objectives. In lieu of this, we need to continue with concerted efforts to live within our means and stem the pace of debt accumulation.
37. Overall, the budget deficit is projected to reduce to about 5.6 percent of GDP in FY2022/23. Over the MTEF, the deficit is projected to average about 5.5 percent of GDP. Accordingly, a balanced fiscal consolidation policy stance remains necessary over the medium term.
38. Given the outstanding debt stock, the projected budget deficit is still relatively high. Consequently, the public debt stock is expected to increase to N\$140.2 billion, equivalent to 71.0 percent of GDP. The elevated public debt remains a primary concern in the medium term.
39. In this regard, government is committed to redirect much of the revenue increases in the coming years, as the economy recovers, towards debt redemption and reducing the borrowing requirement. At the same time, we recognize that the scope for further expenditure consolidation has thinned significantly, and we thus shift the policy focus towards entrenching sustainable economic growth.

Economic Policy Priorities over the MTEF

*Honourable Speaker,
Honourable Members,*

40. There are several policy reforms currently underway, stemming from policy pronouncements in previous budgets. As a government that values continuity and transparency, I would like to begin with an update on the advances made in implementing these policy measures as I simultaneously highlight the policy propositions of this budget. Accordingly, I am pleased to share progress as follows:-

- the Office of the Prime Minister has received the first report from the consultant on the optimal restructuring of the Public Service Medical Aid Scheme (PSEMAS), which is currently under review and discussion. Accordingly, further details on the costing of various options will be provided during the Mid-Year Budget Review,
- Cabinet has decided to freeze the filling of non-critical positions in the public service for the next financial year,
- Government is siezed with the implementation of the resolutions from the 2nd Land Conference,
- Government has committed an initial N\$50 million to seed the sovereign wealth fund for Namibia, the Welwitschia Fund. The fund will be managed by the Bank of Namibia. In the interim, the governance framework containing the funding rules, withdrawal rules and investment guidelines for managing the proceeds in the Welwitschia Fund will be gazzetted in due course while we simultaneously work on developing the requisite law for the Fund,
- regarding the lending facilities to assist SMEs adversely impacted by the COVID-19 pandemic, as I indicated in the Mid-Year Budget Review, we had noted poor appetite and limited uptake at these debt windows. As a result, we are exploring mechanisms to set up a pilot Business Rescue Fund together with the Development Bank of Namibia in the interim.

The Fund is aimed at providing patient equity capital to distressed businesses to save them from collapsing during the downswing of the business cycles - and preserve employment and economic activities. Once confirmed as viable, we will announce the operating mechanics of the Business Rescue Fund,

- at the same time, the work of the Business Rescue Task Force, as appointed by the President last year, in the realm of reviewing business and insolvency legislations with the aim of rescuing businesses in financial distress, will further help strengthen the operational and legislative environment in assisting distressed business,
- the Public Procurement Amendment Bill is in the final stages and is anticipated to be tabled in Parliament during the current session,
- we have received comments from the relevant stakeholders on the proposed Special Economic Zone (SEZ) policy framework, which are currently being incorporated,
- on green hydrogen, Hyphen Hydrogen Energy has been announced as the preferred partner to develop and operate the green hydrogen facilities at the two identified sites. Government is currently negotiating implementation arrangements with the entity before feasibility work can commence. At the same time, €40 million (about N\$680 million) has been secured from the German Government, to launch pilot projects which will, among others, aid green hydrogen related research and development activities,
- furthermore, earlier this week, Cleanergy Namibia, a joint venture between the Ohlthaver & List Group and Belgium-based CMB.TECH launched Namibia's first hydrogen demonstration plant, an investment worth about US\$18 million (N\$270 million) and set to be operational by 2023,
- the expression of interest in the National Single Window; the New Container Terminal at the Walvis Bay Harbour and the Special Economic

Zone in Walvis Bay closed on 13 October 2021. The National Committee has produced and submitted their report to the sub-committee of Cabinet for further processing,

- work on revamping the productivity of Government Green Scheme Projects and public enterprises in the agriculture sector has commenced. Following the principle decision to lease out the green schemes to the private sector, activities are underway to unveil the competitive bidding process to attract private capital and public, private partnerships,
- implementing the State Asset Ownership Policy and the subsequent Public Enterprises reforms will begin in due course. The policy is currently before Cabinet for consideration and implementation will commence once it has been approved,
- on housing, the ministry is finalizing the National Housing Policy, under which targeted interventions will be undertaken over the MTEF to create housing opportunities across the country, in particular to address the housing plight of the urban poor,
- on the Central Securities Depository (CSD), the conditions are due to be gazetted in the next few weeks. Thereafter, the CSD is expected to become operational within a year,
- as part of the HPPII Governance Pillar, the Ministry of Industrialisation and Trade is finalizing the Informal Economy, Startups and Entrepreneurship National Policy to ensure an enabling and supportive framework for mainstreaming incentives and business infrastructure for SMEs. The policy will be subjected to public consultations during March 2022,
- the Ministry of Health and Social Services has developed a roadmap for the introduction of Universal Health Coverage (UHC) in Namibia in line with the United Nations Sustainable Development Goals (SDGs). The aim is to ensure that all Namibians have access to quality health services according to their needs, regardless of income level or social status. The

roadmap is currently before Cabinet for consideration and approval, after which public inputs will be solicited,

- government has undertaken to reform NSFAF and the process is ongoing. It is also pleasing to note that more and more of the NSFAF debtors have commenced honouring their obligations. We urge all previous beneficiaries of NSFAF to cooperate with the Fund and repay their outstanding debts to ensure financial sustainability going forward,
- the Environmental Investment Fund of Namibia target to access about N\$1.3 billion of grant funding from the Green Climate Fund and the Adaptation Fund to support the green and blue economy targets of HPPII, specifically in the area of water security, resettlement farms, and aquaculture.

Tax Policy and Administration

41. In the area of tax policy and tax administration reforms, *Honourable Speaker*, we have taken a principle decision to delay the implementation and/or announcement of any tax proposals that could stifle economic recovery. Accordingly, we will only fast track the implementation of the measures that could potentially provide some relief to taxpayers.

42. On that note, I would like to report progress as outlined below:-

- the Government is still exploring options to reduce the non-mining company tax, with consideration to effect it in the outer years of the MTEF,
- the Income Tax Amendment Bill is currently undergoing public consultations. This includes proposals for the deductibility on pension fund contributions and educational policy deductions to a maximum of N\$150,000.00, and enforcing the administration of withholding tax on services by requiring taxpayers to provide proof of actual tax withheld from payments,

- the Value Added Tax Amendment Bill is also going through stakeholder consultations before tabling in the National Assembly. The Bill incorporates zero rating the supply of sanitary pads,
- in the place of the tax relief programme which ended on the 31 January 2022, a modified Electronic Filing Tax Relief Programme will be introduced for another period of twelve months to offer much-needed relief to taxpayers by writing off a percentage of the interest and penalties owed as tax arrears to NamRA and to promote the online filing of tax returns and general usage of the Integrated Tax Administration System (ITAS). An opportunity of this nature will not remain available forever, we therefore urge taxpayers to take advantage of this window and put their house in order,
 - since its launch, NamRA is progressing well, and they are expected to round up the recruitment process during the first half of this financial year. Further, we have directed the tax collection agency to prioritise facilitating the ease of paying tax and improving tax compliance across the board,
 - following the successful establishment of NamRA, the creation of the Tax Policy Unit in the Ministry of Finance has commenced and the recruitment process to capacitate the structure has started.

Honourable Speaker,

43. In the Mid-Year Budget Review, I underscored details of the **Economic Diversification and Growth Strategy**, as part of Pillar 2 of HPPII, with the overall objective of developing complementary new engines of growth through facilitating a more private sector driven economic growth. In this regard, I would like to announce progress as follows:-

- in the area of targeted investment promotion to potential investors, the Namibia Investment Promotion and Development Board (NIPDB) hosted several investor engagements in the USA, Europe as well as at the Namibia Pavilion at the ongoing Dubai Expo. Such activities have ignited momentum in investor interest in Namibia. Despite various

policy shortcomings constraining the investment environment, NIPDB is siezed with facilitating a significant pipeline of potential investments into the economy in excess of N\$15 billion. At the same time, the dedicated Investment Promotion Tool is being utilized at various Namibian embassies abroad to promote investment opportunities in Namibia, as promised during the Mid-Year Budget Review,

- on productivity enhancement, the pilot High Value Fruits Productivity Taskforce commenced in December 2021 bringing together government and its relevant agencies with producers of Dates, Grapes and Blueberries. To this end, the taskforce has identified various constraints to the sector including international market and cultivar access, ease of immigration and exports at the borders, phytosanitary and plant health issues, as well as water and land constraints. Accordingly, the taskforce is siezed with speedily implementing measures to address these constraints. Addressing these identified constraints has the potential to double the current productive capacity and employment in the three sub-sectors. Going forward, more productivity taskforces will be launched to identify and address constraints in other key sectors,
- in the margins, research work continues to concretize diversification opportunities in the service sector and exploring a region-specific approach for creating economic and productive diversification opportunities, particularly around the largest urban centres in the country.

FY2022/23 Appropriation Bill

Honourable Speaker,

44. Let me now provide details on the FY2022/23 Appropriation Bill and the corresponding resource allocation across the various sectors of the budget.

Social Sectors

45. As I have stated prior, the FY2022/23 Budget maintains the provision of key social services with a view to mitigate against potential reversals in gains

across key social indicators. We maintain the view that continuous investment in the social sector remains central to the long-term productive capacity and shielding the social strata against vulnerability.

46. In this regard, the share of the social sector out of the budget envelope has been maintained at 45.9 percent or N\$32.5 billion in FY2022/23 and will remain steady thereabout over the MTEF. The allocation is distributed across votes as follows:-

- the Ministry of Education, Arts and Culture is allocated N\$14.1 billion, equivalent to 19.9 percent of the budget. Over the MTEF, the vote will receive a sum of N\$41.7 billion. Such resource outlay reflects the Government's commitment to continuously invest in the youth of Namibia and underscore our belief in human capital development as the central driver for sustainable development and poverty reduction over time. As we aim for increased efficiency and improving education outcomes, we need to reallocate the available resources across functions within the sector,
- the Ministry of Higher Education, Training and Innovation receives N\$3.3 billion and about N\$9.6 billion over the MTEF. This allocation includes, among others:- N\$840 million for UNAM, N\$455 million for NUST and N\$1.4 billion for NSFAF for the FY2022/23.

Honourable Speaker,

- in keeping with the theme of the budget, we have put our money where our mouth is in channeling a lion's share of the budget (24.6 percent) to the sector that primarily serves both the youth of today and the youth of tomorrow. Nevertheless, we should never tire to strive for efficiency gains to ensure that such investments are commensurate with better quality of outcomes for the benefit of the youth,
- the Ministry of Health and Social Services will receive N\$8.4 billion in FY2022/23 and N\$25.2 billion over the MTEF. The sizable allocation to the health sector reflects elevated funding requirements in continuing to fight the COVID-19 pandemic. To maximise outcomes given the severely

limited resource envelope, the health sector should address inefficiencies and leakages, especially through overpriced services and pharmaceuticals,

- the Vote of Sports, Youth and National Service has been availed N\$330.9 million in FY2022/23 and about N\$879.1 million over the MTEF. The allocation in the budget year is 20.5 percent higher than the preceding year to specifically cater for the renovations of the Independence Stadium, as alluded to earlier.

Economic sectors

Honourable Speaker,

Honourable members,

47. Maintaining investment outlays in the Economic sector remains a mean through which fiscal policy support to the economy is deployed. This imperative is even stronger in the current economic circumstances given the high impetus to stimulate growth.
48. Accordingly, a sectoral share of 25.9 percent of the budget has been allocated to the economic sector in FY2022/23. Over the MTEF, a total amount of N\$67.9 billion has been earmarked:-
 - the Vote of Public Enterprises has been allocated N\$790.7 million, and some N\$2.4 billion over the MTEF to support the strategic operations of some of the public enterprises. We are happy to note that the allocation to this vote is on a downward trend, thanks in part to the ongoing public enterprises reforms,
 - out of their allocation, an amount of N\$175 million, and N\$523.6 million over the MTEF, has been allocated to TransNamib to give further impetus to the national logistics hub aspirations through recapitalization of the entity, in partnership with the support of the Development Bank of Southern Africa (DBSA) and DBN.

- the Votes of Agriculture, Water and Land Reform is allocated N\$1.9 billion in FY2022/23, with specific allocations for water infrastructure refurbishment and development program. In addition, the AfDB water infrastructure program is geared to disburse over N\$700 million in FY2022/23 and more than N\$3.0 billion over the MTEF to complement Government effort in, among others, upgrading the Rundu and Oshakati Water Treatment Plants, developing the Ohangwena II Aquifer and upgrading the water network countrywide. Provision has also been made towards improving marketing of livestock in the Northern Communal Areas (NCA) to local and international markets through construction and upgrading of requisite veterinary infrastructure,
- the Vote of Finance will receive N\$5.2 billion in FY2022/23 and about N\$26.3 billion over the MTEF. The increase in the allocation to Finance in the two outer years of the MTEF reflect provisions under the contingency fund, which I will elaborate on shortly.
- out of the allocation to Finance, among others, a total of N\$45.0 million and some N\$144.4 million over the MTEF is allocated to DBN to support the Bank SME lending activities and youth entrepreneurship financing facilities,
- an amount of N\$90 million and a total of N\$288.6 million is earmarked for a targeted budgetary transfer to AgriBank to further support interventions in the agricultural sector,
- a total amount of N\$166.6 million is allocated to the Contingency Fund in the budget year to cater for unforeseen emergencies,
- for the two outer years of MTEF, the Ministry of Finance budget include discretionary allocations amounting to N\$5.5 billion and N\$6.7 billion for FY2023/24 and FY2024/25, respectively, under the contingency provision. These funds are the anticipated increase in aggregate expenditure in the coming years, over the proposed ceilings announced during the Mid-Year Budget Review in November 2021. Nonetheless, Treasury is still siezed with the requisite sustainability and affordability

evaluation, after which the funds may be distributed across the different Votes. Accordingly, the eventual apportionment of these funds will be announced during the tabling of the 2022 Mid-Year Budget Review. As indicated prior, these numbers remain indicative and can be adjusted as necessary in the interest of maintaining long term fiscal sustainability and protecting public finances,

- for the preceding year, FY2021/22, a total of N\$230 million was allocated to the Contingency Fund, of which N\$206.4 million has been committed. Accordingly, I have distributed the corresponding information regarding the utilization of the Contingency Fund during that year,

Public Safety and Order Sector

Honourable Speaker,

49. The Public Safety and Order sector takes up the third largest share of the budget at 17.8 percent. In FY2022/23, this sector has been allocated N\$12.6 billion and some N\$36.6 billion over the MTEF.

- the Judiciary will receive N\$369.5 million and a total of N\$1.1 billion over the MTEF, while the Anti-Corruption Commission (ACC) receives N\$62.8 million and N\$188.5 million over the same period. Specific consideration has been made to ensure that resources are availed for these votes to ensure speedy access to justice and to support the fight against corruption.
- Namibia remains ranked highly as one of the least corrupt countries on the continent and we should all work hard to maintain and improve this status. The costs of corruption are immense, both in terms of slowing economic growth, undermining development, and entrenching income inequalities. As such, I implore all Namibians to elevate promoting the common good above pursuing personal gain, so we retain our standing as a stable and reputable environment for investments.

Infrastructure sectors

Honourable Speaker,

50. As a developing economy, the construction of foundational infrastructure remains critical in the quest to accelerate economic growth and improve the living standards. Again, the work of government in this realm is further complemented by the activities of various Public Enterprises in line with their respective mandates. Accordingly, a total of N\$3.6 billion (5.2 percent of the budget) has been allocated to the infrastructure sector, and some N\$9.4 billion over the MTEF period.

- in addition to the central government budget, the Road Fund Administration (RFA) has earmarked more than N\$700 million for road maintenance during the budget year, for activities such as the rehabilitation of the B1 road between Keetmanshoop and Mariental, regravelling of the gravel roads in the Etosha National Park, rehabilitation of the B2 road between Karibib and Usakos, and funding towards traffic law enforcement as well as regional and local authorities,

Administrative Sectors

Honourable Speaker,

Honourable Members,

51. An allocation of N\$3.7 billion is made to the public administration sector to support effective governance and efficient administration of the public sector. Over the MTEF, this sector will receive N\$10.8 billion.

52. The Appropriation Bill and the Estimates of Revenue and Expenditure provide further detailed breakdown of the expenditure allocations made across the various budget Votes and programmes over the MTEF.

Tax Policy

Honourable Speaker,

Honourable Members,

53. In terms of the SACU Agreement and taking into account sales volumes and targets set for the total tax burdens on respective excisable commodities, the following increases, effective from 23 February 2022 have been announced:-
- a 340ml can of beer or cider will cost an extra 11c,
 - a 750ml bottle of wine will cost an extra 17c,
 - a bottle of sparkling wine will cost an extra 76c,
 - a bottle of spirits will be N\$4.83 more expensive,
 - a packet of 20 cigarettes will cost an extra N\$1.03,
 - a 25 gram of piped tobacco will cost 37c more, and
 - a 23 gram cigar will cost an extra N\$6.77.

Conclusion

*Honourable Speaker,
Honourable Members*

54. As I round up my statement this afternoon, I would like to share my cautious optimism over the near-term future of our country. It is true indeed, the ongoing COVID-19 pandemic found our fiscal affairs in a precarious position due to many factors outside of our control. A combination of the significant financial requirements to fight the pandemic coupled with the revenue diminishing effects of the containment measures further worsened our fiscal position. Nonetheless, by our estimates, we are seeing some light at the end of the tunnel, although we are not yet out of the woods! The domestic economy is projected to register positive growth over the MTEF, and public revenues are geared to gradually recover in tandem with upbeat domestic and global economic prospects.
55. As we move along over the MTEF period, it is imperative to remain keenly aware of the specific macro imbalances that have accumulated in our economy over recent years. The pandemic has left an awful lot of our people without work, further worsening already concerning high levels of unemployment. We have registered reversals in key social indicators such as per capita income and poverty reduction. Deep inequalities persist in the distribution of resources, opportunities, and incomes. Public debt levels have increased at rapid speed. Instituting corrective measures to these anomalies should continue to be the organizing principle of the resource allocation process in the coming years.

56. I must say, I have been deeply encouraged by the spirit of unity and togetherness that we have shown each other over the past two years, in particular. The resolve of the collective leadership in the public sector to do what is necessary to secure the future of the country has been encouraging. The support from the private sector to aid the Government in confronting the glaring public health emergency has been heartwarming. And indeed, the willingness of all Namibians to make the day-to-day sacrifices required to stay the course during the difficult times have been very inspiring. We should all stand tall and proud to be part of this brave nation.

Honourable Speaker,

57. I would like to express my heartfelt gratitude to His Excellency President Dr. Hage Geingob, His Excellency Vice President Dr. Nangolo Mbumba, Right Honorable Prime Minister, Dr. Saara Kuugongelwa-Amadhila, Deputy Prime Minister Dr. Netumbo Nandi-Ndaitwah and indeed all my Cabinet Colleagues and all of you, Honourable Members of this august House for the support rendered to me as I steered our public finances during these difficult times of navigating a global pandemic.

58. I also wish to thank my comrade Hon. Obeth Kandjoze, the Director General of the National Planning Commission and his entire staff for the usual support. I further extend gratitude to the Governor of Bank of Namibia, Mr. Johannes !Gawaxab, the Chief Executive Officer of NAMFISA, Mr. Kenneth Matomola and the Commissioner of NamRA, Mr. Sam Shivute and their staff members for continued support on fiscal matters.

59. I am further grateful for the continued dedication of my colleagues at the Ministry of Finance, Deputy Minister Hon. Maureen Hinda-Mbuende, Executive Director Mr. Titus Ndove, the former acting Executive Director, Mr. Francois Brand, and the entire staff for working tirelessly to produce a credible national budget. It is only with their support that we were able to table this budget a full month before the end of the financial year, in compliance with the Standing Rules of Parliament.

*Honourable Speaker,
Honourable Members,*

60. As I wrap up, I would like to share some messages that I have solicited from my special guests - the youth.
61. Our dangerous mid-fielder could not join us today because he is job hunting in Otjiwarongo. This is the fellow to watch on the soccer field! He is not only a soccer player, but also a graduate in Land Management. His name is Deven Somseb, well known as Ole in the soccer circles. Ole shared a message with us today, he says: *"we are grateful to our leaders, the Parliamentarians, but we want them to focus more on improving education and health"*.
62. The Captain of the team is very versatile, he often plays as the central defender. He read Engineering at NUST. Willem Petrus, known as Lacks, says: *"parliamentarians need to engage the youth more often. The bring a buddy initiative of Hon. Theofelus is highly appreciated, why not have it twice a year"*.
63. Ben Iiyambo, who plays as our defender and captains the junior team, is studying Law at UNAM. He says: *"parliamentarians should enact laws that protects children against child labour, especially on farms"*.

*Honourable Speaker,
Honourable Members,*

64. These are the voices of our youth, sharing their wishes and aspirations. History will judge us harshly if we do not listen to these voices and more so if we don't act upon them.
65. On that note, I now appeal for your unwavering support as we forge ahead into the implementation journey.

I thank you kindly for your attention.



UTILIZATION OF THE CONTINGENCY PROVISION 2021/22 FY

DATE	VOTE	DETAILS	COMMITTED N\$	DRAWN N\$	COMMITTED NOT DRAWN N\$	CONTINGENCY PROVISION BALANCE N\$
BUDGET						
22/06/2021	OPM	Funding for Heroes, State and Official funerals	1,500,000.00	1,500,000.00	-	
28/06/2021	MPE	Swakopmund Hotel operations	20,000,000.00	-	20,000,000.00	
07/09/2021	MPE	Ex-Gratia payment for Air Namibia staff 67%	29,074,172.79	29,074,172.79	-	
16/08/2021	Agriculture, Water and Land Reform	Cater for repairs of selected Vehicle and Daily subsistence allowance	7,300,000.00	7,300,000.00	-	
25/08/2021	President	NCIS	1,780,091.00	1,780,091.00	-	
16/09/2021	MICT	Funding for Support towards the Covid-19 vaccination campaign	1,200,000.00	431,467.00	768,533.00	
15/10/2021	Office of the President	Funding for World Economic Forum in Davos	9,878,724.43	9,878,724.43	-	
25/10/2021	Ministry of Finance	African Development Bank Shares	43,084,363.20	43,084,363.20	-	
22/11/2021	Ministry of Sports, Youth and National Services	African Union Sports Council (AUSC) Region 5 Youth Games (2020 Maseru)	2,800,000.00	2,800,000.00	-	
29/11/2021	Ministry of Home Affairs, Immigration, Safety and Security	Shortfall on Goods and other Services	15,000,000.00	15,000,000.00	-	
12/01/2021	Ministry of International Relations and Cooperation	Quotation to transshipment of donated cooking oil from France to Cuba	1,133,000.00	1,133,000.00	-	
15/12/2021	National council	Cater for critical activities of the Members of Parliament to execute Regional and International obligations	3,000,000.00	-	3,000,000.00	
15/12/2022	National Assembly	Cater for the critical activities of the Vote to carryout its mandate	1,000,000.00	805,243.44	194,756.56	
24/12/2022	Ministry of International Relations and Cooperation	SADC additional assessed contribution	19,661,619.76	19,661,619.76	-	
24/12/2022	Mines and Energy	Material & Supply, Transport, Utility and Maintenance	11,000,000.00	3,501,839.79	7,498,160.21	
02/02/2022	Ministry of Home Affairs, Immigration, Safety and Security	Shortfall on Goods and other Services	30,000,000.00	8,252,491.00	21,747,509.00	
02/03/2022	Office of the President	Shortfall on Vote's Operations	6,000,000.00	-	6,000,000.00	
02/08/2022	Ministry of Finance	PAB (to cater for legal fees and statutory payments)	3,000,000.00	3,000,000.00	-	
	TOTAL		206,411,971.18	147,203,012.41	59,208,958.77	23,588,028.82

NOTE: IT SHOULD BE NOTED THAT FUNDS RECORDED AS COMMITTED AND NOT DRAWN ARE STILL IN THE PROCESS OF BEING SETTLED



Republic of Namibia

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