



REPUBLIC OF NAMIBIA

**MINISTRY OF FINANCE
OFFICE OF THE MINISTER**

Keynote Address

Mid-Year Budget Review 2019/2020.

AT

Avani Hotel

Wednesday, October 23, 2019.

**Distinguished Captains of Industry,
Invited Guests,
Members of the Media, and
Ladies Gentlemen,**

GOOD MORNING

1. Yesterday I had the honour of presenting the 2019/2020 Mid-Year Budget Review to the National Assembly.
2. This is the fifth such event since we introduced this in 2015. These occasions provide the Government with the opportunity to inform the Namibian public of our progress in meeting our macro-economic policies as well as providing an update on the current and projected economic situation in the Country.
3. We all recognise that these past few years have not been easy in terms of the economic well-being of Namibia. However, we remain committed to a continued policy of fiscal consolidation; maintaining fiscal sustainability; doing what is necessary to encourage economic recovery, economic growth, job creation; and, reducing the stubbornly high-level of income inequality in Namibia.
4. However, it is unrealistic to expect that the Government alone can help Namibia emerge from its current economic situation.

We have come from a culture where in ‘times of trouble’ the default position has been to look to the Government for solutions. This culture has to change and, we would encourage mutually beneficial partnerships between the Government and the private sector to build a better Namibia for all. We need your support in these testing and challenging times.

5. The bottom line is that in fiscal and economic terms we are at a crossroads. If we stay on the path of fiscal consolidation whilst, protecting the public investments in socio-economic activities, then, we will ultimately see benefits. However, if we are not disciplined and consistent in our policy stance then, we risk losing out on the gains we have made and will make. Ladies and gentlemen, time is not on our side and I would urge all of you to help the Government to reboot the economy and do this in a spirit of openness and frankness. We need to listen to all Namibians as the solutions are not solely the prerogative of Government policy makers.

6. I do not intend to reiterate the content of yesterday’s speech; I will leave it to others to produce their independent analysis of what is being proposed. However, I would make the point that we have, I believe, balanced fiscal prudence whilst ensuring that our policy priorities in areas such as public health, public education and, poverty alleviation remain protected.

7. I want to be frank with you. We are facing serious challenges in mobilising the financial resources needed to maintain adequate and quality public services to our people. We have no space left for increased borrowing; due to the depressed domestic market we have limited potential for increased domestic revenues; and, with continued uncertainty over the economic situation in South Africa, we can expect SACU revenues to be volatile over the short and medium terms.

8. In this setting we need to learn to do more with less. We must seek opportunities for efficiencies in the way we allocate and spend public monies. Key to this is allocative efficiency which simply means that we use public funds to create maximum impact in terms of service delivery, encouraging economic growth, and, maintaining stability, peace and prosperity for all Namibians.

9. The current drought has added an unwanted and unwelcome negative condition; however, the Namibian economy will never grow in an inclusive and sustainable manner through agriculture alone. Real and sustainable growth will only happen if we embrace and meet the challenges presented by new technologies and innovation including disruptive innovation.

I would like to give you an example of disruptive innovation. You will all have heard of the company Amazon? 20-years ago the idea that you could order online and have delivered to your doorstep all manner of goods would have seemed like fantasy. Well, fantasy has become today's reality with consequent impacts on traditional shopping habits.

10. However, the situation is not all doom and gloom. Despite unfavourable global, regional and domestic economic downturns, we have:

- narrowed the budget deficit from 8.1 percent of GDP to about 4.1 percent,
- Aligned expenditure to revenue, which means that expenditure must not grow faster than revenue,
- Settled the steep growth in public debt at 11.2 percent annually, far below averages of 30.1 percent during excess volatility in income three years ago,
- Ring-fenced expenditure on the social sectors, and social safety nets strengthened, to guard against significant reversals and enable continuous provision of essential services,
- Seen recessionary pressures in the sectors of wholesale and retail trade, construction and public education and health have eased,

□ International reserves, in terms of import cover, have improved to above 4 months, relative to the international benchmark of 3 months of import coverage.

Additionally, the 2019 Global competitiveness Report of the World Economic Forum further confirms early gains for Namibia, indicating that: -

- o macroeconomic stability has improved, thanks to difficult but firm actions taken,
- o rankings on business and financial systems efficiency as well as ICT innovation have also improved.

11. I will repeat something I said yesterday that I believe is core to all of us contributing to the economic wellbeing of our Country.

“Namibia still has significant discrepancies between the ‘haves’ and the ‘have nots. To extricate ourselves from this current economic situation of inequality will require the ‘haves’ to take a share of the collective responsibility we all have for the good of all our people. Those with broad shoulders must bear the weight of those in our society who are left behind.”

12. I am pleased to inform you that despite four years of consistent fiscal consolidation we have managed to identify, during this Mid-Year Budget

Review, further savings of N\$1.18 billion. This amount comprises of N\$176.32 million from the Operational budget on personnel emoluments and N\$999.59 million from the Development Budget.

13. This amount will be reallocated to socio-economic and strategically important priorities including:

- The Ministry of Agriculture Water and Forestry for personnel expenditure, utilities and dry-land crop production.
- The Drought Relief Programme under the Office of the Prime Minister.
- The Orphans and Vulnerable Children programme under the Ministry of Gender Equality and Child Welfare to cater for expanded coverage.
- The Ministry of Home Affairs and Immigration for the Visa Stickers project.
- The Ministry of Education, Arts & Culture for the recruitment of Teachers, Textbook and School feeding Programme.
- Health and Social Services for pharmaceuticals and clinical suppliers as well as recruitment of Health Professionals.
- The Ministry of Poverty Eradication and Social Welfare for Social Grants.

14. To conclude, the economic and fiscal environment has changed and remains dynamic. Our economy, small as it is, remains resilient in challenging times. Current and medium-term economic growth are still projected to be positive, thereby establishing a coherent and sound basis for the re-calibration of fiscal policy.

15. This Mid-Year Budget Review proposes a fundamental, but balanced alignment of the Government fiscal operations to the new macroeconomic and fiscal framework.

16. The consolidation framework has the objective of placing our public finances on a sound, prudent and sustainable path. It is a balanced consolidation adjustment, with a supportive policy package to enhance efficiencies and quality of spending and cushion the adverse impact of expenditure cuts on growth and service delivery.

17. Achieving shared goals and fiscal sustainability is a collective responsibility. At this juncture, we can make it or break it. Retaining fiscal sovereignty is not a matter of choice. We have collectively chosen to build the Namibian house together. We have chosen to make it.

18. We are re-asserting our time-tested national commitment that sustainability is at the core of our fiscal policy and, sustainable development outcomes which is obtained from resilient policy

frameworks. This is the policy course of action which we have acceded to when we set out our long-term aspirations in Vision 2030. This is what we aim to achieve as we pull together to achieve the goals of the Harambee Prosperity Plan. This is what we aspire to achieve in the envisaged Fifth National Development Plan (NDP5).

19. Finally, ladies and gentlemen, I would be disingenuous if I promised you quick fixes to our current situation. Yes, we continue to mitigate, as best we can, the socio-economic impact of an economy afflicted by recessionary pressures. However, none of us should be in any doubt, that the path to economic recovery and sustainability will be fraught with many challenges and obstacles. The task for all of us is to recognize and address these as they emerge and not wait until the pain becomes unbearable before we act.

I thank you