Mid-Year Budget Review Policy Statement

Speech

Presented
By

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1. INTRODUCTION

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

1. It is a distinct privilege for me to present the maiden Mid-Year Budget Review Policy Statement, a first for Namibia, and an added pillar for fiscal transparency, accountability and a more open budget formulation process.

2. In terms of Article 126 of the Namibian Constitution, read with Section 1(1) of the State Finance Act, I have the honour to table, for the favourable consideration and approval by this honourable House, the FY2015/16 Appropriation Amendment Bill and FY2015/16 – 2017/18 Adjusted Estimates of Revenue and Expenditure.

3. The Appropriation Amendment Bill which I am tabling today proposes a redeployment of funds identified within budget Votes for reallocation to various priority programmes within and across the Budget Votes, without increasing overall expenditure and therefore without increasing the overall budget ceiling. It is, thus, not an additional budget. It is a measure intended to enhance optimum delivery of services, resource allocation efficiency and meeting priority commitments of the day.

4. Broadly, the Policy Statement is intended to serve three key objectives, namely;-

   - *To provide a review of the half-year budget execution; identifying potential savings and resource shortfalls in the current budget and proposing resource reallocation within the budget and subsequent MTEF,*
   - *To give an explanation of the macroeconomic and fiscal projections under which the next budget and MTEF will be prepared and; most importantly,*
   - *To make advance announcement of the proposed fiscal framework and the government spending priorities for the next MTEF.*

5. In this regard, *Honourable Speaker*, the Policy Statement affords the legislature and the public the opportunity to scrutinize the policy proposals for the upcoming

budget and MTEF, and allowing for greater participation in the budget formulation.

6. The main focus of the budget policy for the next MTEF is to bring the medium-term expenditure outlook in line with the significant reduction in public revenue, support the rebuilding of macro-fiscal accounts and lift tomorrow's growth potential through a pro-poor and growth-friendly fiscal consolidation programme.

Macro-critical policy priorities for next MTEF

Honourable Speaker,

7. There are FOUR key macro-critical issues which require immediate policy attention today and over the next MTEF. I have had the opportunity to update the House on these matters in my Ministerial Statement of 15 October 2015.

8. These macro-critical matters are:-

- *The structural challenges of eradicating poverty, unemployment and inequality through targeted developmental intervention measures,*

- *the declining public revenue due to contractions in receipts from the Southern Africa Customs Union (SACU) and downward adjustments in domestic revenue outlook,*

- *The widening twin deficits regarding the Government budget deficit and Current Account deficit as well as the associated weakening of the external trade position driven by the strong historical expansionary budget and high imports growth over exports,*

- *The declining stock of international reserves, a consequence of a negative trade balances.*

Honourable Speaker,

Honourable Members,

9. Namibia ranks as the fourth most diversified economy in Sub-Saharan African sub-continent, with the share of manufacturing accounting for about 11.9 percent

over the last four years and the tertiary services sector accounting for over 57 percent of GDP.

10. As an Upper Middle-Income Country, we have been able to grow incomes, expand services to the large number of our people and make progress on poverty eradication and the improvement of the quality of life for our people.

11. However, the structural challenges and development opportunities remain. A high percent of the population still live in poverty. Unemployment, as at the last count, stood at 28.1 percent of the labour force. The productive capacity and structure of our economy still harbours a large scope of expansion. Income inequalities are widespread. Still, up to 70 percent of our foodstuff is imported. We have neither been able to realize full value-addition to our raw materials, nor have we taken full advantage of the value chains and value shares of the domestic and regional trade flows.

12. In addition, *Honourable Speaker*, infrastructure gaps continue to weigh on our growth potential. We aspire to be a logistics hub for the sub-continent. We need to ensure adequate supply of water for households and industrial use. And we need secure source of energy and close future supply gaps to fuel development. We have committed ourselves to accelerating delivery of serviced land and affordable housing to address supply gaps and asset over-pricing. We have to develop skills, improve educational outcomes and access to finance in order to push back the frontiers of poverty and unemployment. We have to strengthen our interventions in the health and sanitation sectors to improve the quality of life of our people and deal with the unfinished business of the Millennium Development Goals (MDGs) in the framework of the recently adopted Sustainable Development Goals (SDGs).

13. This year, we have had to contend with the adverse impacts of a yet another devastating drought whose mitigation requires additional resources. Climate change has adverse implications on us as a semi-arid country and our environmental fiscal reforms should continuously take this into consideration.

14. In addressing the macro-critical issues of the day, the resource allocation and policy interventions for the next budget and MTEF should increasingly be directed at addressing these structural challenges. We should proceed decisively to achieve measurable results in these core areas.

15. Before I proceed to provide the fiscal policy framework, the spending priorities for the next budget and MTEF and the 2015/16 Appropriation Amendment Bill, let me take this opportunity to provide an account of the recent economic developments and how we have fared with the implementation of the 2015/16 budget.

Economic Developments and Outlook

Honourable Speaker,

16. This Mid-Year Budget Review and Policy Statement is being presented at the time of significant developments in the global economy.

17. The global economic weather map, as plotted by the International Monetary Fund (IMF), puts the world economic growth at 3.1 percent in 2015, much lower than 3.4 percent in 2014. This is the first general slowdown in the global economy since 2011.

18. A key factor that weighs on the global economic growth outlook is the notable deceleration in the growth rate for Emerging Market and Developing Economies, which have been the source of global economic recovery during and after the financial crisis. Activity slowdown is particularly noticeable for China and other BRICS economies (Brazil, Russia, India, China and South Africa), with the exception of India.

19. Improving economic fundamentals, and the tightening of monetary policy conditions in some of the major Advanced Economies, have triggered capital outflows from Emerging Market and Developing Economies, with net capital flow to these economies estimated to fall or even turn negative for the first time in the last 27 years. Currencies have depreciated precipitously and we have to contend with lower commodity prices and severe financial market volatility.

These developments have raised the borrowing costs for Emerging Market and Developing Economies.

20. The Sub-Saharan African region is not spared from these adverse developments. Growth for the Sub-continent is now estimated at 3.8 percent in 2015. This is a significant slowdown from 5.0 percent achieved in 2014, with only a moderate but uncertain rise to 4.3 percent expected for 2016. This growth outlook is below the average rates realized in recent years, and it is on the back of low commodity prices, tightening capital markets and reduced investment flows.

21. Closer to home, growth for the South African economy, which is closely associated with the Namibian economy, has been marked down to 1.5 percent in 2015 from the 2 percent estimated in the budget and it is only projected to advance to 1.7 percent next year, with an average of 2.4 percent over the next MTEF still subject to significant downside risks.

22. This state of global and regional economy is expected to impact on the domestic economic activity and public revenue for Namibia as a small, open economy. Already, revenue under the Southern African Customs Union (SACU) for which South Africa is a major contributor is projected to decline significantly. The Common Revenue Pool has incurred a deficit in FY2014/15, estimated at N$7.60 billion. Namibia has to repay about N$3.0 billion in the next financial year as a share of this deficit, over and above the projected downward adjustments in SACU receipts associated with the slowdown in the South African economy.

The Domestic Economy

23. At home, the domestic economy, while registering a strong growth of 6.4 percent in 2014, is anticipated to moderate to 5.0 percent this year as the strong expansion in the construction activity for major capital projects in the private sector witnessed in 2014 is reaching completion stage. ,

24. In addition, the coming into production of mega investment projects in the mining sector is expected to lift the growth trajectory to about 5.5 percent in 2016 and averaging 5.3 percent over the MTEF, with associated mineral beneficiation

in secondary industries and steady activity in the tertiary industries supporting the medium-term growth trajectory.

25. This growth outlook for the domestic economy is above Sub-Saharan Africa regional averages. But the risks to the outlook are tilted to the downside, given the high degree of openness of our economy, depressed commodity prices and a moderation in domestic demand associated with policy tightening. However, such relatively strong outlook offers the opportunity for Namibia to anchor the fiscal consolidation programme, adjust to medium-term risks and implement targeted policy packages to boost resilience and lift tomorrow's growth prospects.

26. Domestic demand conditions remained relatively strong during the year, amidst low inflation standing at 3.3 percent by September 2015 and a weaker domestic currency. The monetary policy tightening to 6.50 by June this year has helped to moderate the growth in household credit extension which tends to fuel unproductive consumption activity. However, the South African Rand to which the Namibia Dollar is pegged has depreciated significantly during the year with positive spin-offs for the domestic exporters, but with adverse implications for foreign debt servicing and the import bill.

27. Our currency, which is pegged to the South African Rand, has depreciated against the major currencies, having lost over 12 percent of value against the US Dollar in recent months. The depreciation is largely due to external factors impacting on the Developing economies globally. I should, however, state that the currency peg provides a fundamental anchor to domestic price stability and a natural hedge in the context of about 70 percent of our imports being sourced from South Africa. In this context, the peg remains a relevant policy for Namibia.

Mid-Year Budget Review and fiscal outturn

28. The 2015/16 budget provided for N$67.08 billion, with non-interest operational expenditure of N$63.23 billion and a development budget of N$11.10 billion which represented an increase of 15.8 percent over the previous year.

29. The total budgeted revenue for the current financial year was estimated at N$58.4 billion, an 11.4 percent increase from the N$52.47 billion budgeted for FY2014/15.

30. Due to the unfavourable economic environment, the revenue outturn for FY2014/15 stood at N$49.93 billion, which is a collection rate of 95.2 percent. The shortfall suggests that the revenue collection targets for the current and the subsequent years have to be proportionately adjusted downwards to align with the revised macroeconomic outlook. Increased borrowing has to be undertaken to fund potential revenue shortfall for the current budget, while expenditure for the next MTEF has to be reduced in line with the medium-term outlook.

31. In this regard, it is estimated that total revenue outturn for FY2015/16 would be adjusted down by 4.9 percent, from N$58.44 billion to N$55.57 billion. The mid-year collection rate as at the end of September 2015 stood at 42.3 percent of the revised estimate, compared to 46.0 percent collected during the previous corresponding period. This pace of collection rate suggests that scaled-up collection activity has to be pursued, with the potential shortfall due to the adjustments made to be financed with additional borrowing.

32. The total expenditure execution rate for FY2014/15 amounted to 97.6 percent of the N$60.20 billion budget. Operational expenditure execution rate, including interest payments stood at 98.9 percent, while development budget execution rate was 95.4 percent of the net budget allocation.

33. For the current FY2015/16, the total expenditure execution rate by the Mid-Year mark amounted to N$24.69 billion, or some 36.8 percent, compared to 46.5 percent execution rate in the previous corresponding period. This execution, while in part subject to on-going data reconciliation suggests a rather slow budget implementation rate.

Debt stock and deficit financing plan

34. The debt stock has increased from N$35.95 billion in FY2014/15 to an estimated N$50.8 billion in FY2015/16, some 29.8 percent of the revised GDP. This is in line with the deficit financing plan over the current MTEF and it is well below

the 35 percent benchmark. Half-way through the budget implementation calendar, the Government was able to finance up to 61 percent of the budget deficit.

35. As part of the debt market diversification programme, the Government successfully raised the second US-Dollar denominated bond in October this year, to the tune of US$750.00 million, equivalent to some N$10.38 billion at current exchange rates. The proceeds of this issuance will support the stock of international reserves, infrastructure project financing and programmes to improve the productive capacity of the economy. In particular, US$300 million will be set aside as a measure to support the foreign reserves position, while US$450 million will finance development projects. This was a successful issuance, at better coupon rate than the 2011 international bond and it was three times more over-subscribed.

36. The raising of the international bond is an integral part of the deficit financing plan for the current budget and over the MTEF. During the first half of the year, a total of N$4.17billion was raised from the domestic market and R1.5 billion was raised on the Johannesburg Stock Exchange (JSE). The raising of financing from other markets is in spite of the fact that substantial domestic capital continues to flow out of the country. A total cumulative amount of N$ 61.9 billion financial assets from institutional investors is currently invested abroad.

37. We will thus review the domestic asset requirement rules with the view of instituting optimal thresholds for domestic asset requirement.

38. The Government will maintain the 70/30 ratio of domestic debt to foreign debt policy over the medium to long-term, in support of domestic capital markets development.

Fiscal Policy and Medium-Term Expenditure Framework

*Honourable Speaker***,**

39. In the context of declining revenue and a widening budget deficit following an extended period of fiscal expansion, Government will further reinforce the fiscal consolidation programme over the next MTEF, starting with the FY2016/17 budget.

40. Thus, the fiscal policy stance for the MTEF is to:-

- *implement a growth-friendly, consolidated fiscal policy anchored on the recalibration of the composition of expenditure, from non-priority recurrent operational and non-core capital expenditure to productive capital undertakings and priority commitments, while protecting budgetary allocations to social sectors.*

- *mitigate macro-fiscal risks on international reserves, through moderation of public expenditure growth and promoting domestic productive and procurement capacity as well as export-led growth,*

- *maintain the budget deficit well below 5 percent of GDP annually over the MTEF, instead of an average deficit cap over the MTEF* to reinforce policy consistency and predictability, and

- *introducing alternative forms of revenue and measures to curb revenue base erosion, increased tax collection effort and accelerating the implementation of tax administration reforms*

Honourable Speaker,
Honourable Members,

41. The consolidation programme which Government is undertaking is not just for its own sake. It aims to strike a balance between reinforcing fiscal sustainability and supporting economic growth and social development objectives. We know too well that if we do not grow the economy, we will not be able to grow revenue. Without revenue growth, there is no room for expenditure expansion to address development needs. Hence the culture of doing more with less, affordability and stringent prioritization are expected to be the norm than an exception during the next MTEF.

42. Strengthening our macro-fiscal frameworks and rebuilding the fiscal space is important to enhance our investment credit ratings strength, creditworthiness and national competitiveness as an attractive destination for investment.

43. Government will achieve the fiscal consolidation in the next budget and over the MTEF through the following measures:-

- implementing spending cuts of 42 percent on the indicative allocations to the nine non-core and least priority recurrent expenditure items of *materials and supplies, subsistence and travel allowance*, *transport*, *overtime*, *other services and expenses*, *operational equipment and machinery; vehicles* and *office furniture and equipment*.
- Implementing spending cuts and postponement of non-productive capital expenditure such as construction of new office buildings where no contractual commitments are made as well as downward adjustments to estimated transfers to SOEs that are not related to priority development projects.

- Implementing alternative means of project financing through private investment, Public, Private Partnership arrangements and SOE own financing arrangements to defray the reliance on the public budget. This is especially the case in the energy sector where private investment could address existing supply gaps in the medium-term and allow for budgetary support to other pressing needs, and

- Implementing the public sector wage bill management reforms through tripartite dialogue and containment of the civil service going forward. I thus call on the stakeholders and organized labour to exercise restraint and support Government in this reform process and fiscal consolidation programme.

44. These cost saving measures are expected to realize N$4.01 billion for the current financial year, at least N$4.11billion for FY2016/17 and an estimated N$3.81 billion for FY2017/18. It is proposed that the identified savings for the current financial year be reallocated to address urgent priority needs and programmes on which resource shortfalls are being experienced, without increasing the overall FY2015/16 budget ceiling. For the subsequent years of the MTEF, the expenditure adjustments will constitute the fiscal consolidation programme, supported by measures to improve revenue generation and collection.

Honourable Speaker,

45. State-Owned Enterprises are established as operating arms of Government to contribute optimally to economic development and service delivery through delivery of quality infrastructure and affordable services.

46. In this regard, there is significant room for improvement across all categories of SOEs. Large budgetary transfers and investments should bring about concomitant economic and social returns. We should depart from financing bad investments and bad management in some such institutions.

47. Similarly, when resources are allocated to Government Ministries and Offices, the priority is to realize meaningful and quality outcomes. The realignment of resources that I am proposing the Appropriation Amendment Bill and over the MTEF seeks to achieve this desired outcome. We are moving away funds from non-core budget sub-divisions to the productive undertakings so that real, long-term impacts are realized in the economy.

48. Over the MTEF, we aim to fund infrastructure undertakings and social investments which can impact positively on our medium to long-term growth, job creation and social progress.

Medium-Term Expenditure Framework

Honourable Speaker,

49. The consolidated fiscal framework for the next MTEF revises total revenue for FY2016/17 downwards by N$7.05 billion from N$63.05 billion to N$56.00 billion. A significant share of this downward revision, amounting to over N$ 3.00 billion is due to the combination of the repayment for the deficit in the SACU Common Revenue Pool and the revised lower projections for the Pool going forward. Downward adjustments are also made to the domestic revenue outlook, in line with the revised economic outlook.

50. As a proportion of GDP, revenue is projected to moderate to 29.2 percent in FY2016/17, from 35.1 percent in FY2014/15 and average 30 percent of GDP over the MTEF.

51. The proposed total expenditure cuts averaging over N$5.00 billion annually over the remainder of the current MTEF, supported by revenue-raising and base-broadening measures will fully compensate for the estimated revenue losses.

52. Thus, revenue is projected to increase by 13.8 percent on average over the MTEF, from the revised N$56.00 billion in FY2016/17, to an estimated N$72.54 billion by FY2018/19.

53. In keeping with the budget deficit ceiling of less than 5 percent of GDP annually, the total expenditure ceiling for FY2016/17 is revised downward by N$5.64 billion, from N$71.24 billion to N$65.60 billion, increasing on average by 7.4 percent to reach, at least potentially, N$82.51 billion by FY2018/19. This means that the scope of expenditure expansion will have to be kept well below the 5 percent of GDP to guard against a steep rise in public debt.

54. Total debt stock for FY2016/17 is estimated at N$60.85 billion and it is projected to increase by about 13.4 percent on average over the MTEF to reach N$80.10 billion by FY2018/19, corresponding to 30.3 percent of GDP, seen against the threshold of 35 percent.

Tax Policy and Tax Administration Reforms

Honourable Speaker,

55. Tax policy should increasingly contribute to revenue raising and the attainment of socio-economic objectives, while tax administration reforms should increasingly improve the yield and buoyancy of the revenue streams.

56. During the next session of Parliament, I intend to table:-

- *the Export Levy Bill to introduce the taxation to promote domestic value-addition and processing of raw materials in the primary commodity and natural resources sectors, and*
- *Introduce legislation for the implementation of the first phase of Environmental Taxes on carbon dioxide emission on motor vehicles, incandescent light bulbs and motor vehicle tyres as considered and announced last year*

57. For the FY2016/17, I intend to:-

- *Investigate the feasibility of introducing a Solidarity Tax payable by all individuals in the tax paying income brackets and all registered companies as a citizen’s response to the national fight against poverty.*

Honourable Speaker,

Vision 2030, asserts that "inequality and poverty endanger social harmony, peace and democracy and poverty is reduced to the minimum if the existing pattern of income-distribution is equitable and disparity is at the minimum."
The Solidarity tax will be introduced as a progressive withholding tax on income at a graduated scale for individuals, and a flat amount levied from juristic persons (closed corporations, partnerships, trusts and companies). We used the average per capita income for Namibia as indicative threshold to determine who should contribute and who should benefit. Hence, an income above the average per capita income (US$ 5700) is to contribute, whereas those with incomes below that may benefit. It is estimated that an amount of N$600 million will be raised annually from this source.

It is proposed that the proceeds will accrue to a dedicated Fund under the Ministry of Finance and the Office of the Prime Minister, the Ministry of Finance the National Planning Commission and the Ministry of Poverty Eradication and Social Welfare will coordinate its activities. The criteria for fund allocation will be developed for targeted activities on poverty reduction. The Fund will be established through Parliamentary approval and subjected to regular audit and accountability measures. Its establishment is based on existing per capita income and it has a sunset clause that, once the Gini Coefficient reaches about 0.4 percent, the Fund would have reached its objective. In this context the proposed solidarity tax actualizes our declared war on poverty from the fiscal front.

I intend undertaking further public consultation on the modalities of this tax proposal.

Further, the Ministry will:-

- *investigate the modalities for introducing a presumptive tax on the informal sector and small units to broaden the tax base and achieve greater fairness of the tax system, noting that the informal sector accounts for about 30 percent of the size of the economy,*
- *implement a programme for targeted recovery of tax arrears for different categories of tax and non-tax revenues,*

- *leverage regional and international tax cooperation as a mechanism to enhance national technical capacity in various areas of tax administration and protecting revenue base erosion through tax avoidance, transfer pricing and illicit financial flows,*
- *formulate Double Taxation Agreement (DTA) Policy and review the Double Taxation Agreements between Namibia and partner countries aimed at promoting fair taxation arrangements between the parties, and*
- *Table the Namibia Revenue Agency Bill to transform the Inland Revenue Department and Customs and Excise Directorate of the Ministry of Finance into an autonomous Revenue Agency as the Policy Framework to this effect has now been finalized.*

Policy Interventions and Spending Priorities for the next MTEF

Honourable Speaker,

58. The broader economic and fiscal policy priorities for the next budget and MTEF will be targeted at addressing the macro-fiscal risks, macro-critical structural changes both in the economic and social spheres and taking into account environmental sustainability.

59. The key spending priorities for the FY2016/17 and MTEF are to fund development interventions in the priority sectors of the economy as set out in NDP4 and protect spending allocations in the social sectors. Among others, Government will:-

- Provide funding for infrastructure development, especially the rehabilitation of the railway infrastructure to facilitate cargo transport from the major mining and manufacturing operations in the North Central areas to the Port of Walvis Bay and vice versa and further recapitalize Transnamib to enhance efficiency of service delivery,

- Provide funding for the Industrial Upgrading Programme to projects in the fields of Agro-industry and irrigation scheme to boost domestic productive and value addition capacity espoused in the Growth at Home Strategy. I, therefore wish to invite the private sector and captains of industry to seize the opportunities offered under this national Strategy and the larger SACU market,

- Provide funding to the road sector through targeted project financing budget support to develop major roads infrastructure, in addition to financing provided through the Road User Charges administered by the Road Fund Administration over the same calendar,
- scale-up allocations to the mass land serving and the Mass Housing Programme over the next MTEF for accelerated delivery of serviced land and affordable housing,
- harness private sector investment in the energy sector to develop alternative energy sources in solar, wind and diesel power generation, while further strengthening Nampower's balance sheet for the development and maintenance of national energy generation and transmission capacity,
- Maintain priority spending on education and health sectors, further increase the Old Age Pension to N$1,100 per month as per the commitments made in the FY2015/16 budget as well as to strengthen the OVC grants.
- Scale-up allocation to the Student Financial Assistance Fund over the MTEF and assessing the modalities for transforming the Fund from a loan-based to scholarship grant Fund,

60. To reinforce the impulse of fiscal interventions and lift potential long-term growth, structural policy reforms including the following key reforms will be implemented during the MTEF:-

- The Public Procurement Bill, after favourable consideration of this House, will come into force next year, with added impetus on public procurement governance and local economic development,
- Government is now seized with the drafting of the Public Finance Management Bill to modernize and broaden the provisions of the State Finance Act,
- The Tax Policy and Tax Administration reforms will proceed well into the MTEF period. I am grateful for the support from the House on the Income Tax and VAT Amendment Bills. We will launch the Integrated Tax System next year and table the Namibia Revenue Agency Bill to pave way for the establishment of the Revenue Agency for Namibia,

- I will table the Public Private Partnership Bill which has now been submitted for legal scrutiny and drafting,
- The technical assessment of the fiscal incentive regime governing the Export Processing Zones and Manufacturers and Exporters of manufactured goods has been finalized for decision on the revamped incentives scheme for both domestic and foreign investors. The Ministry of Industrialization, Trade and SME Development has made progress in the review of the Foreign Investment Act and SME Development Policy as well as the institutional framework to facilitate the ease of doing business,
- Government is now seized with the evaluation of various instruments for SME development and access to finance in the form of a Venture Capital Fund, Credit Guarantee Scheme and Challenge Fund. The Ministry of Finance is engaged with the stakeholders for finality on these instruments which promise to elevate the role of SMEs in the economy, job creation and wealth creation,
- We will proceed to review the Domestic Asset Requirement rules under Regulation 28, Regulation 29 and Regulation 15 with the view to shore up the domestic investment thresholds from the current 35 percent of total assets as a means of mobilizing domestic resources and supporting liquidity in the domestic market, and
- Legal Drafting remains preoccupied with the finalization of key legislation for the non-banking financial sector under the mandate of Namfisa. These will be due for tabling once this process is completed.

61. *Honourable Speaker*, *Honourable Members*, these structural reform packages together with specific budgetary interventions proposed in this Policy Statement will constitute the main elements for intervention in the FY2016/17 budget and the ensuing MTEF, with the objective of addressing medium-term risks and supporting the growth outlook.

62. Let me now turn to the FY2015/16 Appropriation Amendment Bill.

The FY2015/16 Appropriation Amendment Bill

63. A total of N$4.0 billion internal savings were identified for the FY2015/16 during the Mid-Year Budget Review process for reallocation to urgent priorities. The proposed reallocation within and across Budget Votes is aimed at enhancing

the quality of spending and reduce opportunity cost of budgetary allocations to non-core items.

64. Internal reallocation totalling about N$775.3 million and N$218.9 million are apportioned to all Votes to cater for the salary adjustments and bush allowance respectively, in accordance with the agreement reached between the Government and the Labour Unions.

65. Some of the spending adjustments made for the Ministry of Health have been reallocated to scale-up allocations for the purchasing of Anti-Retroviral drugs and other pharmaceuticals to supplement current budgetary provisions.

66. On the balance, *Honourable Speaker*, net savings have been realized from 27 Votes. These net savings after internal reallocations within each Vote is considered, will enable Government to scale-up resource allocation to urgent priorities for which the main ones are:-

- Ministry of Agriculture Water and Forestry: An amount of N$458.00 million is allocated to fund the fast-track completion of the Neckartal Dam, which will unlock irrigation activities. A further N$210.0 million is made to compensate for the Vote funding for the combating of Foot and Mouth Disease in the northern parts of the country.
- An amount of N$531.0 million is allocated the Drought Relief Programme under the Office of the Prime Minister; N$121.0 million is allocated the Land Serving Programme in the Pilot towns, while N$166.0 million is allocated to the settlement of Mass Housing contracts under the Ministry of Urban and Rural Development,
- An amount of N500 million is allocated for Anti-Retroviral drugs and pharmaceuticals, and

- N$291.00 million is allocated to Transnamib for the leasing of locomotives to improve efficiency of cargo services and rail transport, while N495.0 million is allocated for anti-poaching activities.

67. The details of the reallocation are contained in the Appropriation Amendment Bill and the Adjusted Estimate of Revenue and Expenditure provided for in the Policy Statement.

Conclusion

Honourable Speaker,

68. The relatively strong growth outlook over the next MTEF is an anchor for our medium-term budget policy. But it is a growth episode that is clouded with downside risks and volatility due to an uneven and volatile global and regional economy.

69. As a consequence of these external events, the weak revenue outlook will be further supported by stringent collection and revenue-raising activities.

70. While robust public finances have supported yesterday and today's growth outturn and contributed to job creation and social protection, the main macro-fiscal accounts have weakened after a long duration of fiscal expansion.

71. Through measures set out in this Mid-Year Policy Statement, we have taken steps and bold actions to place the fiscal operations back to a sustainable path. This requires an adjustment path which is challenging but surmountable over the next two years. This policy stance summons the support and commitment of all stakeholders; Government, labour, policymakers and civil society.

72. We have also taken due consideration to ensure that the medium-term fiscal policy remains pro-poor and growth friendly.

73. This is challenging, but surmountable task. I have undertaken considerable consultation with Offices/Ministries and Agencies I wish to thank His Excellency, President Dr Hage Geingob, Vice President Dr Nickey Iyambo, The Right Honourable Prime Minister and Deputy Prime Minister for their guidance and leadership.

74. I am indebted to my Cabinet colleagues for their support and diligence to realize the cost saving measures and resource prioritization over the coming MTEF. I

will continue to rely on your support in the ensuing preparation of the FY2016/17 Budget and MTEF.

75. I wish to particularly thank my dear colleague, Honourable Tom Alweendo, Minister of Economic Planning and Director General of the National Planning Commission and his staff for the relentless and collaborative work during the budget review process.

76. In the same vein, I wish to thank my Ministry's staff, Governor Iipumbu Shiimi and his staff at the Bank of Namibia and colleagues at Namfisa for the countless hours spent in formulating the Mid-Year Budget Review.

77. I thank the Honourable Members of Parliament, the private sector, civil society and the Economic Association of Namibia for the invaluable inputs into the budget process. This collaborative engagement should continue well into the future.

78. Honourable Speaker, Honourable Members, it is now my honour to table the FY2015/16 Appropriation Bill and the Adjusted Estimates of Revenue and Expenditure for your support and approval.

79. I want to end with a quotation from *Professor Joseph Stiglitz*, which I find particularly appropriate for Namibia's economy:

> *"The only true and sustainable prosperity is shared prosperity."*

I thank you.