

Billions roll to battle Covid

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Government will pump N\$8.1 billion into the economy to alleviate the impact of Covid-19 on the recessionary economy.

The economic stimulus and relief package, announced by new finance minister Ipumbu Shiimi at State House this afternoon, ranges from business to households.

The package comprises of N\$5.9 billion in direct support to businesses, households and cash flow acceleration payments for services rendered to government and N\$2.3 billion off-balance sheet government liabilities.

To avoid further retrenchments in the hardest-hit sectors, government will provide a wage subsidy to aid businesses in keeping employees on board in the tourism, travel and aviation and construction sectors.

Details will vary between sectors. Government is setting N\$400 million aside for this subsidy.

VAT refunds, suppliers

Government will immediately speed up such repayments to enhance the cash flow of enterprises paying value-added tax, Shiimi said.

The total amount of the refunds to be settled within one week of the implementation of these measures stands about N\$3 billion, he said.

Government will immediately speed up such payments to boost the cash flow of its suppliers. This amount stands at about N\$800 million.

Loans

Government will facilitate a loan scheme of N\$500 million for non-agricultural small businesses and guaranteeing such loans to be provided by the Development Bank of Namibia (DBN). The loans will be extended to cashflow-constrained small businesses that have experienced a significant loss of revenue, Shiimi said.

Government will further facilitate a loan scheme of N\$200 million for farmers and agricultural businesses and guaranteeing such loans to be provided by the Agricultural Bank of Namibia. The loans will be extended to cashflow-constrained farmers and SMEs that have experienced a significant loss of revenue.

Debt relief

Debt relief to borrowers at the DBN and AgriBank was announced. Borrowers are entitled to a repayment holiday of between six and 24 months on the principal amount based on assessment, recapitalisation of interest, lengthening of the repayment periods and waiving of penalty provisions.

Taxpaying businesses in the non-mining sectors can borrow an amount equal to 1/12th of their tax payment in the previous tax year, to be repaid after one year.

“The interest rate will be favourably low at the prime lending rate less 1%, on the back of the government guarantee, capped at N\$470 million,” Shiimi said. Applications will be made via the banks, he said.

Lower salaries

To avoid major retrenchments and business closures, employers including government and business owners will be allowed to negotiate a temporary 20%-reduction of salaries and wages during the crisis period. “Worst-hit” industries can negotiate a temporary reduction of 40%.

“The negotiations will be undertaken through a consultative process with employees and labour unions,” Shiimi said.

Income grant

To support those employees who have lost their jobs due to the pandemic and its fallout, government will pay an emergency income grant.

“This is a once-off payment of N\$750 to people who have lost their jobs, either in the informal or in the formal sector, essentially to stave off the vulnerabilities which arise,” Shiimi said.

Applications may be made by Namibians citizens between 18 and 60 years of age who have lost their jobs and aren't receiving any other social grants.

Payment will be made by government in collaboration with the Social Security Commission within seven days, utilising the banking sectors' ATM infrastructure.

The total amount for this measure is costed at a maximum of N\$562 million, based on the national poverty line of about N\$250 per person per week, Shiimi said.

'Tax-back loan scheme'

A “tax-back loan scheme” for tax registered and tax-paying (PAYE) employees and self-employed individual persons who have lost income or part thereof will be available.

To provide breathing room for cashflow-constrained individuals who are taxpayers, they can borrow an amount equal to 1/12th of their tax payment in the previous tax year, to be repaid after one year. The interest rate will be the prime lending rate less 1% on the back

of a government guarantee.

The total guarantee is capped at the maximum of N\$1.1 billion, based on the PAYE tax register and the potential loan size, Shiimi said.

The government, in collaboration with the banking institutions may institute statutory and administrative measures to enhance compliance with loan obligations, he added.

Water

Government will ensure that water points are kept open without a need for water cards during lockdowns.

NamWater and local authorities will subsidise this estimated amount of about N\$10 million, Shiimi said.