

Govt unveils N\$8.1bn stimulus package

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Kuzeeko Tjitemisa

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Government has prepared an economic stimulus package totalling a massive N\$8.1 billion to confront the expected coronavirus economic fallout. The much-anticipated announcement was made by finance minister Ipumbu Shiimi at State House yesterday.

The package will go a long way in assisting formal and informal businesses directly affected by the virus lockdown measures, especially in Khomas and Erongo regions, where strict measures were imposed. As a result, government will provide a wage subsidy of N\$400 million to aid businesses in keeping employees on board in the travel, tourism, aviation and construction sectors.

Also, the finance minister said the package is directed to labour and households for job retention, to mitigate the negative impact on income, as well as to provide for the basic amenities for households, such as potable water.

“This would promote health and hygiene, as well as enable Namibians to cope with the constrained conditions arising from the lockdowns as we stave off the potential spread of the Covid-19,” explained Shiimi.

According to Shiimi, the N\$8.1 billion comprises N\$5.9 billion as direct support to businesses, households and cash flow acceleration payments for services rendered to government, as well as N\$2.3 billion of additional support, guaranteed by government but off the balance sheet of government liabilities to support loan uptake on preferential terms by businesses and individuals.

To support job retention, continued productive economic activities and the cash flow of businesses, Shiimi said government will provide a wage subsidy of N\$400 million to aid businesses in keeping employees on board in the travel, tourism, aviation and construction sectors.

He said government will accelerate repayments of overdue and undisputed VAT refunds to enhance the cash flow of enterprises paying VAT.

“The total amount of the refunds to be settled within one week of the implementation of these measures stands about N\$3.0 billion,” Shiimi said.

Government will also accelerate payments of overdue and undisputed invoices for goods and services it received, which stands at N\$800 million to boost the cash flow of enterprises that are suppliers to government.

Furthermore, on the non-agricultural small business loan scheme, Shiimi said government will guarantee N\$500 million concessional rate loan scheme for non-agricultural small businesses, with funds provided through the Development Bank of Namibia (DBN).

The loans, he said, will be extended to businesses experiencing or expected to experience cash-flow pressure as a result of a loss in revenue due to Covid-19.

Government will guarantee a N\$200 million loan scheme for farmers and agricultural businesses by extending a guarantee for such loans to the Agricultural Bank of Namibia (Agribank).

According to him, the loans will be extended to cashflow-constrained farmers and small to medium-sized farming businesses that have experienced a significant loss of revenue.

Government will be granting policy relief to borrowers by DBN and Agribank in the form of a capital repayment moratorium where a holiday is allowed on the principal amount for a period of up to six months.

He explained the relief will not exceed two years, based on assessment, recapitalisation of interest, lengthening of the repayment periods and waiving of penalty provisions.

Similarly, Shiimi said, to provide breathing room for tax-paying cash flow-constrained businesses in the non-mining sectors, such businesses can borrow an amount equal to 1/12th of their tax payment in the previous tax year, which is to be repaid after one year.

He said the interest rate will be concessional, below prime, on the back of the government guarantee and capped at N\$470 million, adding that applications will be made via the commercial banks.

Equally, Shiimi said 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, and 50% for the worst-hit industries.

He said these negotiations will be undertaken through a consultative process with employees and labour unions.

Shiimi says to support households to cope with reduced income, increased health-related spending and other hardships due to the virus outbreak, government has come up with an Emergency Income Grant (EIG).

He said the grant, consists of a once-off payment of N\$750 to people who have lost their jobs in either the informal or formal sector to essentially stave off the vulnerabilities that may arise.

“Applications may be made by Namibians citizens between 18 and 60 years of age, who have lost their jobs and not receiving any other social grants,” he said.

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

- ktjitemisa@nepc.com.na

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