



**REPUBLIC OF NAMIBIA**

**Ministry of Finance**

**MEDIA STATEMENT**

**Launching of the Economic Stimulus and Relief Package to mitigate the impact of COVID-19**

***Iipumbu Shiimi, MP***

***Minister of Finance***

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## Introduction & Background

1. The Government of the Republic of Namibia is acutely conscious of the significant negative economic and social impacts of the COVID-19 outbreak on economy, businesses, households and the economy at large.
2. The longer the outbreak and the health containment and suppression of the spread, the deeper and longer the economic contraction and social hardships.
3. During the lockdown and containment period of the outbreak of the COVID-19, all-out efforts are made to ensure that core economic activities, formal and informal, are supported and essential financial services continue uninterrupted.
4. In response to these unprecedented economic hardships the Government, in collaboration with all stakeholders; private, Development Partners and other non-state actors, has adopted the First Phase of the Economic Stimulus and Relief Package geared at addressing the negative effects arising from the first 21-day lockdown period.
5. The total Stimulus and Relief Package amounts to N\$8.1 billion, comprising 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.
6. The Package is directed at:-
  - formal and informal businesses in sectors which are directly affected by the lockdown measures, and
  - households and the related labour market aspects such as job retention to mitigate the negative impact on income and provide for the basic amenities for households such as potable water to be able to cope with the constrained and conditions arising from the lockdowns.

## Specific elements of the Economic Relief and Stimulus Package

### Relief Measures for the business sector.

7. To support the business cash flow and continued productive economic activities, the following measures are proposed:-
- (a) **Wage subsidy for hardest hit sectors.** 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.
  - (b) **Accelerated repayment of overdue and undisputed VAT refunds.** Government will immediately speed up such repayments to enhance the cashflow of enterprises paying VAT. The total amount of the refunds to settled within one week of the implementation of these measures stands about N\$3.0 billion.
  - (c) **Accelerated payment of overdue and undisputed invoices for goods and services provided to Government.** Government will immediately speed up such payments to boost the cash flow of enterprises that are suppliers to the Government. This amount stands at about N\$800.00 million.
  - (d) **Non-agricultural Small business loan scheme.** Government will facilitate a N\$500.0 million loan scheme for non-agricultural small businesses and guaranteeing such loans to be provided by the Development Bank of Namibia. The loans will be extended to cash flow-constrained small businesses that have experienced a significant loss of revenue.
  - (e) **Agricultural business loan scheme.** Government will further facilitate a N\$200.0 million loan scheme for framers 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 small to medium-sized businesses that have experienced a significant loss of revenue.
  - (f) **Granting of the 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 ranging between six (6) months, but not exceeding two years (24 months) based on assessment, recapitalization of interest, lengthening of the repayment periods and waiving of penalty provisions.

- (g) **Tax-back loan scheme for non-mining corporates.** To provide breathing room for cashflow-constrained businesses in the non-mining sectors who are taxpayers, such businesses can borrow an amount equal to 1/12<sup>th</sup> 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\$470.00 million. Applications will be made via the banks.
- (h) **Relaxation of labour regulations to protect jobs.** 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 40% for the worst-hit industries. The negotiations will be undertaken through a consultative process with employees and labour unions.

### Support to households

3.2 To support the households cope with reduced income, increased health related spending and other hardships due to the virus outbreak, the following measures are proposed:-

- (a) **An Emergency Income Grant**, to support those employees who have lost their jobs due to the pandemic and its fallout. 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. 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. Payment will be made by Government in collaboration with the Social Security Commission within 7 days utilising the banking sector's ATM infrastructure. The total amount for this measure is costed at a maximum of **N\$562.00 million**, based on the national poverty line of about N\$250.00 per person per week.
- (b) **Tax-back loan scheme for tax registered and tax paying (PAYE) employees and self-employed individual persons who have lost income or part thereof.** To provide breathing room for cashflow-constrained individuals who are taxpayers, they can borrow an amount equal to 1/12<sup>th</sup> 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 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. The Government, in collaboration with the banking institutions may institute statutory and administrative measures to enhance compliance with loan obligations.
- (c) **Water subsidy during lockdowns.** Government will ensure that water points are kept open without a need for water cards during lockdowns, through NamWater and Local Authorities that will subsidize this critical

service. The purpose of the First lockdown, this amount is estimated at about N\$10.0 million.

8. These measures take into consideration monetary policy and banking sector measures announced by the Bank of Namibia. They take effect immediately and their implementation will be accelerated in coming days and weeks.
9. I wish to reassure the business community, large corporates and the micro, small and medium-sized enterprises in all sectors of our economy that the Government will continue to support economic activities as well as households during the current challenging circumstances and in the recovery phase of our economy. Equally, the Government calls on effective partnerships, solidarity and dialogue with all stakeholders during this time of coordinated actions.
10. I also wish to call on the domestic and external financiers, Development Partners and all stakeholder institutions with the financial wherewithal to work in partnership and to avoid duplication and silos for an integrated approach and optimum impact.
11. With this package of measures now being rolled out, I call on the business community and employers to avoid laying off workers at this point in time. This is an exceptional, crisis-related and temporary period for which stern efforts are required from all employers and the Government.
12. I am confident that through effective partnerships and coordinated planning, we should be able to do what must be done to mitigate the economic and social impact on the COVID-19.
13. Through unity of purpose and action, Namibians, with the support of our multi-stakeholder development partners have demonstrated resilience through which we have surmounted challenging circumstances which came our way.
14. It is with the same zeal that we must, as a united front, rally together to overcome the challenges posed by this outbreak, which is temporary in nature.

Thank you

**Annex I: Size and composition of the Economic Stimulus and Relief Package I**

	<b>Cash Flow</b>	<b>Cost</b>	<b>Contingent Liability</b>
<b>Health intervention</b>			
Health package	1,100,000,000	1,100,000,000	
<b>Household intervention</b>			
Emergency Income Grant	562,000,000	562,000,000	-
Tax Back loan scheme - personal	-	-	1,100,000,000
Water subsidy	10,000,000	10,000,000	
<b>Business intervention</b>			
Hospitality Wage Subsidy (6months at 700 per employee)*	358,600,000	358,600,000	-
Construction Wage Subsidy (500 per employee per lockdown)	22,680,000	22,680,000	-
VAT Refunds	3,000,000,000	-	-
Payment Outstanding Invoices	800,000,000	-	-
Small Business Loan Scheme - DBN	-	-	500,000,000
Agricultural Loan Guarantee Scheme - AgriBank			200,000,000
Tax Back loan scheme - non mining	-	-	470,000,000
	<b>5,853,280,000</b>	<b>2,053,280,000</b>	<b>2,270,000,000</b>