

The economic impact of Covid-19 on SADC: The Namibian experience

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Trade & Industrial Policy Strategies
Development Dialogue

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Setting the scene

- Novel Corona Virus Disease (Covid) 19 emerged in December in China, spread to other Asian countries, then Europe and afterwards globally
- By 18 May 2021: About 164 million cases with almost 3.4 million deaths. About 1.3 billion shots of vaccines delivered
- First cases confirmed in Namibia on 13 March 2020
- State of Emergency for six months starting 18 March 2020
- Lockdown of Khomas and Erongo regions including the town of Okahandja and Rehoboth starting on 27 March and extended to the whole country on 17 April 2020
- Borders reopened in September, schools as well, but universities conduct online lectures.
- Curfew from 22h00 to 4h00 remains in place as well as limitation of public gatherings to 100 persons.
- 18 May 2021: 51,636 Cases recorded in Namibia with 733 deaths, 413,177 tested – population of 2.5 million. 53,578 persons vaccinated

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Economic Stimulus and Support Package

- After declaration of State of Emergency, and the inauguration of a new Government on 21 March 2020, Government moved fast to consult with private sector stakeholders regarding the economic and social impacts.
- The new Minister of Finance, Mr. Iipumbu Shiimi, announced the stimulus package on 1 April 2020
- Total amount NAD8.1 billion in part provided directly by the Government in part Government guarantees of loans to be provided by financial institutions – NAD5.9 bn direct support and NAD2.3 bn off-balance sheet liabilities .
- First phase stimulus package
- In addition, BoN cut repo rate by 200 basic points and eased other banking regulations

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Support for businesses

- Wage subsidies for hardest hit sectors – NAD400 m
- Accelerated VAT refunds – NAD 3.0 bn
- Accelerated payment of invoices – NAD 800 m
- Non-agricultural loan scheme – through DBN with Government guarantee of NAD500 m
- Agricultural business loan scheme – through Agri Bank with Government guarantee of NAD200 m
- Tax-back loan scheme for non-mining companies – Gov guarantee of NAD 470m, Interest rate: Prime minus 100 basic points (currently 7%).
- Policy relief to borrowers of DBN and Agri Bank
- Relaxation of labour regulations: Temporary wage cuts of 20% to 40% (hardest-hit sectors)

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Support for households

- Emergency Income Grant – NAD750 once off for formal and informal sector employees. Calculation based on weekly poverty line of NAD250. Total amount NAD562 m, equal to almost 750,000 eligible persons
- Tax-back loan scheme for employees and self-employed – NAD1.1 bn (conditions as above)
- Water subsidy – NAD10m

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Support for the Ministry of Health

- NAD1.1 billion to purchase Personal Protective Equipment (PPE), sanitisers, test kits and costs of laboratory testing, respirators.

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Employment and Salary Protection

- MoF – NAD400 million
- Social Security Commission (SSC) – NAD253 million
- SSC – Contribution holiday of three months for selected affected industries
- SSC implementing agency since it has database of 43,000 employers and 372,000 employees
- Two purposes: Retain employment, support individuals who suffered loss of income

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National Employment & Salary Protection scheme

- Three industries – aviation, tourism, construction (define tourism – more than hotels and restaurants)
- Cash subsidy of 17% of total wage bill and SSC payment holiday for period of three months
- Condition: no retrenchment, no salary cut of more than 50% (not consistent with labour law regulation that allows for salary cut of up to 40%)
- Expected to assist 7,900 employers with 65,420 employees

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Affected employees programme

- Employees who have lost job
- Registered with SSC as at 1 Feb 2020
- Salary less than NAD50,000 per annum
- Benefit 50% of monthly salary for three months, minimum NAD1,000.
- Emergency Income Grant will be deducted if received
- Funding for 56,000 to 117,000 applicants

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Additional support for the vulnerable

- Private sector donations of water tanks, food parcels etc. to informal and formal settlements
- Donations of food parcels by private charities to the most needy
- Installation of thousands of tippy taps by DWN and NCE etc.
- Provision of shelter and food for hundreds of homeless people including children

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Summary

- Quick response of Government to the economic and social impacts of the State of Emergency and lockdown is appreciated
- However, only NAD5.9 billion is immediate cash injection of which NAD2.1 bn can be called a stimulus package
- Accelerated payments of approved invoices and of undisputed VAT refunds welcome, but not really a stimulus package (NAD3.8 bn).
- Loan uptake by businesses and individuals remains to be seen. Increases debt burden and loan repayments in future.
- Instead of loan applications, deferment of VAT and income tax payments would be less bureaucratic and would have immediately eased cash-flow constraints
- Contribution holidays to medical aid schemes, pension funds etc. could have further eased pressure on cash flow

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Economic impact

- Economic contracted by 8.0% in 2020 (Preliminary National Accounts), per-capita income by 9.7%
- Hardest hit sectors:
 - Hotels & restaurants: -33.1% (more severe contraction was expected due to border closure. International tourist arrivals at HKIA dropped from 215,679 [2019] to 46,342 in 2020. A decline by 79%.)
 - Tourism-related sectors severely affected: Tour guides, tour operators, car rental companies (all under Business services sector), service stations, community conservancies (tourism concessions such as hunting), etc.
 - Transport: -22.4% (Air transport and Air transport services declined by 95% and 76% respectively during second quarter 2020)
 - Mining declined by 14.9%
 - Manufacturing: -19.6% (Meat processing -40.8%, Beverages -36.5%)
 - Wholesale & retail trade: -11.7%
 - Taxes: -17.0%
- Benefiting sector:
 - Information & Communication: +17.4%
 - Health: +4.8%
 - Agriculture 5.9%, but not Covid related
- K-shape recovery expected worsening the already high income inequality in Namibia – Gini-coefficient of 0.56 (2016).

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Fiscal position

- Budget deficit expected to be slightly lower (9.5%) for 2020/21 than in the mid-year review (10.4%), but almost double compared to 2019/20 (5.0%)
- Projection for 2021/22: 8.6% budget deficit
- Debt to GDP ratio for 2020/21 estimated at 62.6%, which is expected to increase to 70.4% (2021/22) and 77.3% by 2023/24.

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Labour market

- Latest Labour Force Survey conducted in 2018.
- Official data suggests job losses of 12,200 in 2020. Expected to be severely underestimated.
- The Private Sector Development Survey for 2020/21 reveals, 36.1% of respondents reduced employment by between 50% and 100% and additional 5.8% by up to 49%.
- 55.9% of respondents did not report any change in employment.
- Instead of retrenching employees, employers often reduced wages and salaries.

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Conclusion and recommendations

- Reprioritise expenditure to social infrastructure:
 - ✓ Address lack of access to water and sanitation that has been on the agenda for a long time (the private sector and NGO initiatives indicate that it is possible to address these challenges temporarily in a short period of time)
 - ✓ Invest in education facilities – proper classrooms, water and sanitation, electricity, internet connectivity etc.
 - ✓ Invest in health facilities to be properly prepared for any major health challenges
 - ✓ Invest in ICT to reduce the risk of service disruptions during any emergencies, reduce the need for person-to-person contacts and to be prepared for 4IR (e-Government, e-Learning, etc.)
- Strengthen social safety net – National Health Insurance, National Pension Fund, Unemployment Benefits, etc.
- Regain fiscal space:
 - ❖ long overdue reform of the Public Service Medical Aid Scheme that is subsidized by about NAD2.6 billion per annum
 - ❖ reform incl. closure of Public Enterprises (Air Namibia is being liquidated).

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Thank you for your attention

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