Republic of Namibia

FISCAL STRATEGY

FOR THE

MEDIUM TERM EXPENDITURE FRAMEWORK

FY2024/25 TO FY2026/27

FEBRUARY 2024

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

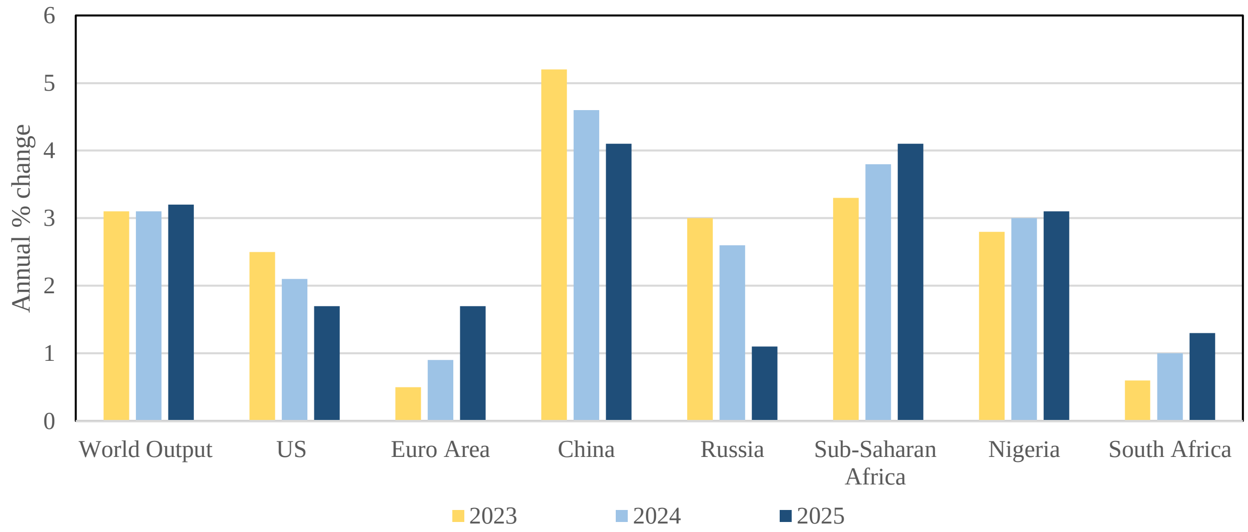
ANNEXURES

1. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS AND OUTLOOK

1.1. GLOBAL AND REGIONAL ECONOMIES

The global economy continues to show resilience against the adverse risks that prevailed since the onset of the pandemic. According to the International Monetary Fund (IMF) World Economic Outlook (WEO) January 2024 Update, the growth for the global economy is projected at a stable rate of 3.1 percent for 2023 and 2024, before edging marginally higher to 3.2 percent in 2025. The growth forecast for 2024 was revised upwards by 0.2 percentage points higher than the previous forecast. The upwards revision is prompted by the lower-than-expected inflation outturn and growth resilience in some of the larger economies as well as continued fiscal support in China. Despite the recovery, growth prospects remain below pre-pandemic levels due to the withdrawal of fiscal support, tighter monetary policy meant to fight off high inflation, low productivity, and the weight of high debt on economic activity.

Figure 1: Real GDP Projections



Source: IMF

Growth for ***Advanced economies*** is projected at 1.6 percent and 1.8 percent in 2024 and 2025, respectively, but marginally higher than 1.5 percent recorded in 2023. In this regard, growth is mainly driven by activities in the *US* and *Japan*, which has shown greater resilience than initially anticipated. Furthermore, the *Euro area* is expected to recover despite the high inflation environment, while the cost of energy continues to create greater uncertainty. ***Emerging markets and developing economies*** continue a steady expansion maintaining a growth rate of 4.1 percent between 2023 and 2025. The growth in 2024 is mainly driven by the *Indian* economy, which is expected to grow by 6.5 percent. In contrast, growth for *China* is expected to slow to 4.6 percent in 2024 and 4.1 percent in 2025.

The ***Sub-Saharan Africa*** region is estimated to grow by 3.8 percent and 4.1 percent in 2024 and 2025, respectively. This is an increase from 3.3 percent registered in 2023. Activities in the region are anchored on the performance of the *Nigerian* economy, which is expected to grow by 3.0 percent in 2024 and 3.1 percent in 2025. The *South African* economy, on the other hand, is expected to grow by 1.0 percent and 1.3 percent in 2024 and 2025, respectively. The growth for South Africa was revised down on the back of loadshedding and increased logistical constraints weighing down on economic activities.

1.2. RISKS TO THE GLOBAL ECONOMIC OUTLOOK

Risks to the global baseline projections are tilted to the downside and include:

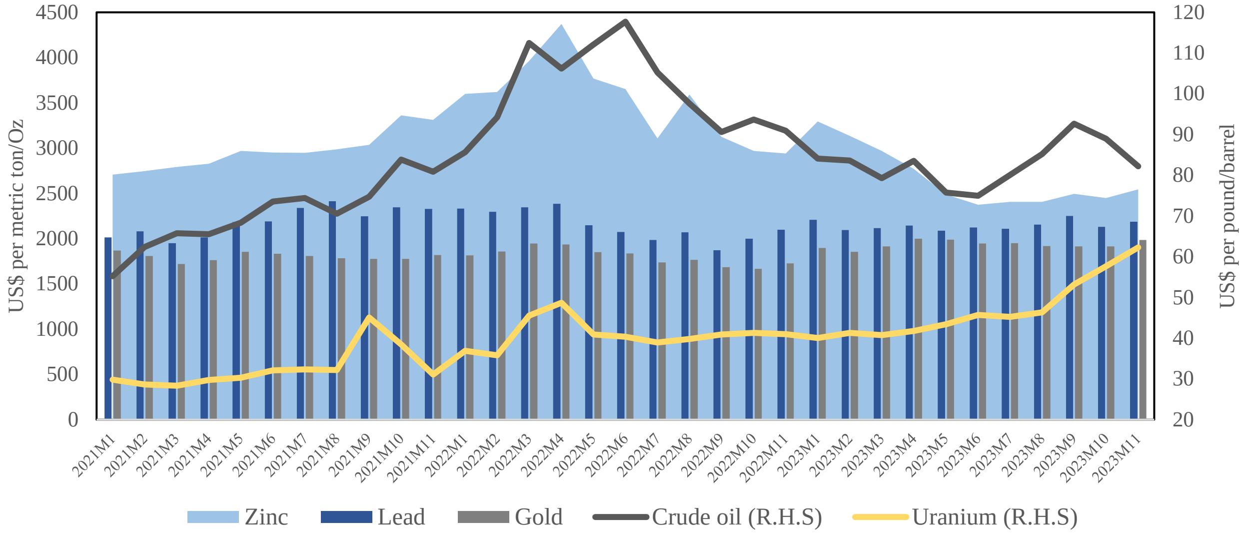
i. Rising geopolitical tensions, including the prolonged conflicts in Ukraine and the Red Sea, which create further uncertainty especially in the commodity markets;
ii. The continuation of tight financial conditions, putting pressure on emerging markets and developing economies;
iii. The impact of climate change and associated volatilities in output and fiscal support;
iv. Property crisis in China.

1.3. COMMODITY PRICES

Commodity prices contracted during 2023 relative to 2022. The IMF commodity prices index contracted by 17.9 percent at the end of 2023. The decline is attributed to similar developments in the crude oil and food price indices. Meanwhile, the **all-metal price index** registered a growth of 6.2 percent over the same period. In this regard, the increase is premised on high prices of uranium and gold.

Uranium spot price registered a substantial growth of 78.8 percent at the end of 2023 in line with increased global demand. Going forward, uranium prices are expected to continue increasing further, with latest prices trending above US$100. G**old prices** recorded a growth of 13.2 percent over the same period on the back of interest rates hikes in the US and Euro Area as well as ongoing economic uncertainty as individuals turn to gold as a safe haven.

Figure 2: Commodity prices



Source: IMF

Lithium prices declined by 43.6 percent in 2023 compared to a growth of 150.2 percent in 2022 owing to slow demand for electrical vehicles. **Copper prices** increased marginally by 0.4 percent in 2023 compared to the contraction of 17.4 percent in 2022. **Zinc prices** similarly recorded a decline of 19.4 percent over the same period driven by low demand. The International Diamond Exchange (IDEX)[1] contracted by 18.3 percent on an annual basis, on the back of lower demand and the prevailing higher interest rates. The prices of **cobalt** and **rare earth minerals** also contracted significantly during 2023 on the back of lower demand for electrical vehicle and electronics over the period.

1.4 DOMESTIC ECONOMIC DEVELOPMENTS

1.4.1 Real Sector Developments

The domestic economy continues on the recovery path anchored primarily on upbeat activities in the mining sector. The economy is estimated to have grown by 5.6 percent in 2023, a slowdown from 6.4 percent recorded in 2022. The slowed growth is attributed to deceleration in output in the primary and secondary industries. The lower output in primary industries is due to reduced diamond production, contraction in agricultural output as well as high base effects for oil and gas exploration activities. Secondary industries recorded slowed growth owing to reduced output from manufacturing and continued contraction in construction activities.

[1] http://www.idexonline.com/index

Table 1: GDP growth by industry 2020-2023

	2020	2021	2022	2023
Primary industries	-6.0	6.4	21.4	13.3
Secondary industries	-11.6	-3.6	3.3	1.0
Tertiary industries	-5.6	1.8	2.2	3.7
GDP at market prices	**-8.1**	**3.5**	**6.4**	**5.6**

Source: NSA

The ***primary industries*** are estimated to have grown albeit at a slower pace as the impact of higher output in diamond mining and the oil and gas exploration activities subsides. Growth in the primary industries is estimated at 13.3 percent in 2023 compared to a stronger growth of 21.4 percent in 2022. The growth stemmed from the *mining and quarrying* sector, despite a contraction in the *agriculture sector*. The *mining and quarrying* sector grew by 24.8 percent, compared to a stronger growth of 37.1 percent in 2022, due to the lower output from *diamond mining* and high base effect for oil exploration activities. The *agriculture* sector is estimated to contract by 5.1 percent compared to a growth of 2.6 percent in the previous year. The decline is attributed to the impact of the drought which resulted in a contraction in crop production.

The ***tertiary industry*** recorded a growth of 2.2 percent in 2023 compared to 1.1 percent in the preceding year. The improved growth is ascribed to improved performance in the *wholesale and retail trade, transport, hotels* and *restaurants* as well as *financial services* sectors. The *wholesale and retail trade* recorded a growth of 6.0 percent in both 2022 and 2023, supported by continued economic recovery. The hotels and restaurants sector recorded a growth of 9.2 percent compared to 6.1 percent in 2022. The higher growth reflects an increase in tourism activities.

The *financial sector* recorded a growth of 2.4 percent, an improvement compared to 1.7 percent recorded in 2022. The increase is supported by the high interest rate environment and improvements in the insurance subsector. The *transport sector* recorded a growth of 7.7 percent in the period under review compared to 0.9 percent recorded in the same period last year.

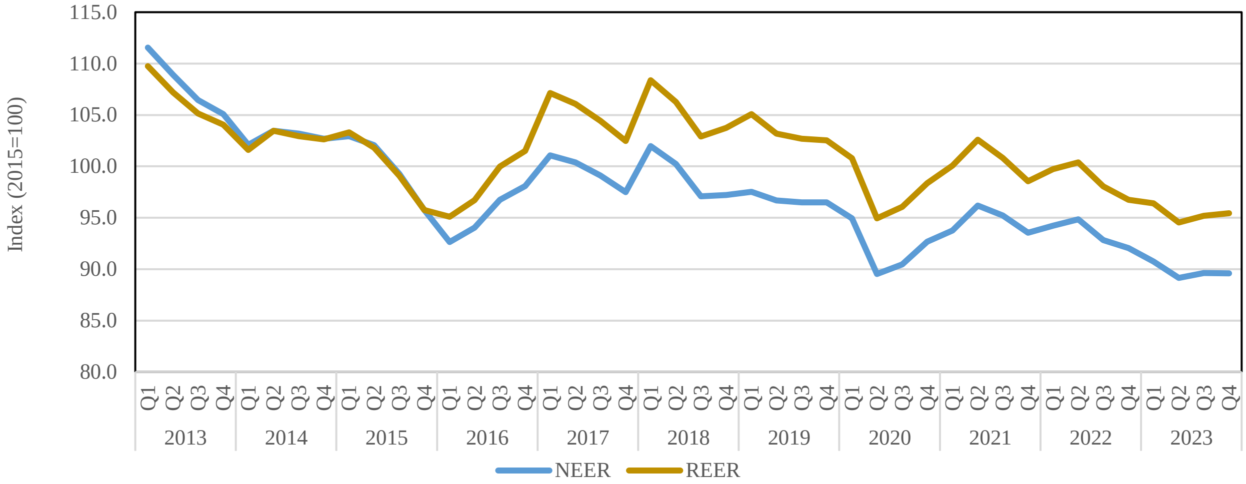
Secondary industries recorded a growth of 1.0 percent in 2023 compared to 3.3 percent in the same period last year. The slowed growth resulted from a contraction in *construction*, slowed activities in *manufacturing* and *electricity and water* sectors. The *manufacturing sector* recorded a growth of 0.7 percent compared to 5.0 percent in 2022. This slower growth was exacerbated by contractions in grain mill, beverages, and diamond processing subsectors. The *construction* sector contracted by 6.8 percent in 2023 compared to 16.4 percent, on the back of improving economic activities. The *electricity and water* sector recorded a growth of 7.4 percent compared to 10.3 percent in 2022.

1.4.2 Exchange Rates and Competitiveness

The exchange rate depreciated over the review period in both nominal and real terms. The Nominal Effective Exchange Rate (NEER) depreciated on an annual basis during the fourth quarter of 2023 stemming from global risk aversion and weaknesses in the South African economy. The NEER weakened by 2.7 percent on a yearly basis largely influenced by global risk sentiments amid higher interest rates and heightened geopolitical risks (Figure 4). The NEER was also negatively affected by power and logistical issues in South Africa that exerted pressure on economic growth.

Similarly, the Real Effective Exchange Rate (REER) depreciated by 1.2 percent on a yearly basis indicating an improvement in the competitiveness of Namibian products in international markets. On the currency front, the Namibia Dollar/Rand depreciated against the US Dollar, Euro and British Pound by 6.4 percent 12.5 percent and 12.2 percent, respectively over the year. The Namibia Dollar/Rand depreciated amid a realignment of global currencies and concerns about South Africa's economic performance. Additionally, the currency worsened due to uncertainty over the global economic outlook along with higher interest rates resulting in heightened risk aversion and subsequently a stronger demand for safe-haven assets.

Figure 3: Effective Exchange Rates

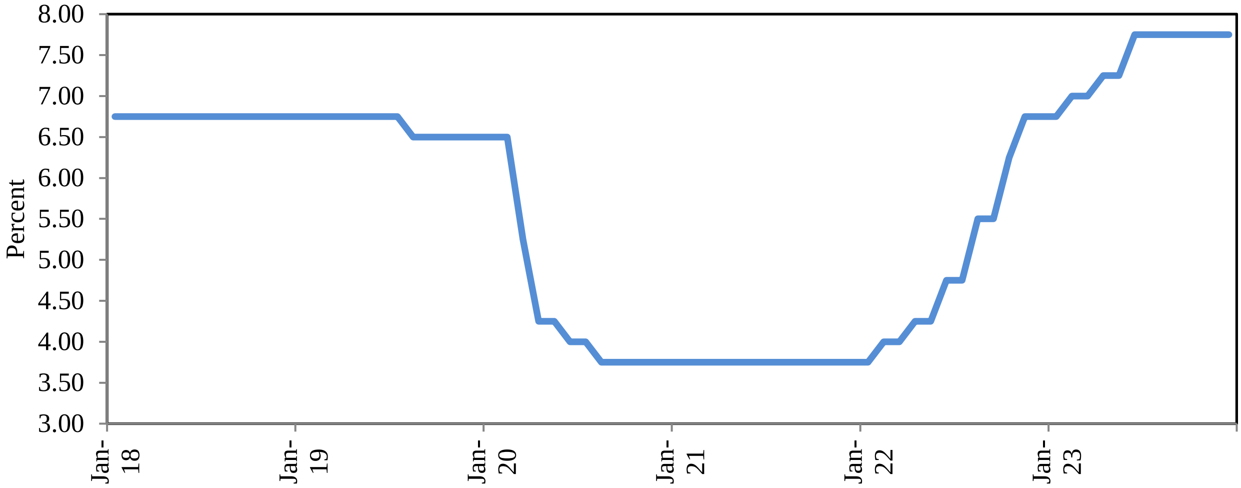


Source: Bank of Namibia

1.4.3. Interest Rate Developments

The Bank of Namibia maintained its policy rate stable during the second half of 2023. During 2023, interest rates increased by a cumulative 100 basis points, from 6.75 percent to 7.75 percent. This was consistent with the monetary policy objective of maintaining price and financial stability that is conducive for the development of the Namibian economy while simultaneously maintaining the one-on-one peg to the South African Rand. These decisions were also in line with actions taken by other Central Banks around the globe.

Figure 4: Bank of Namibia Repurchase Rate

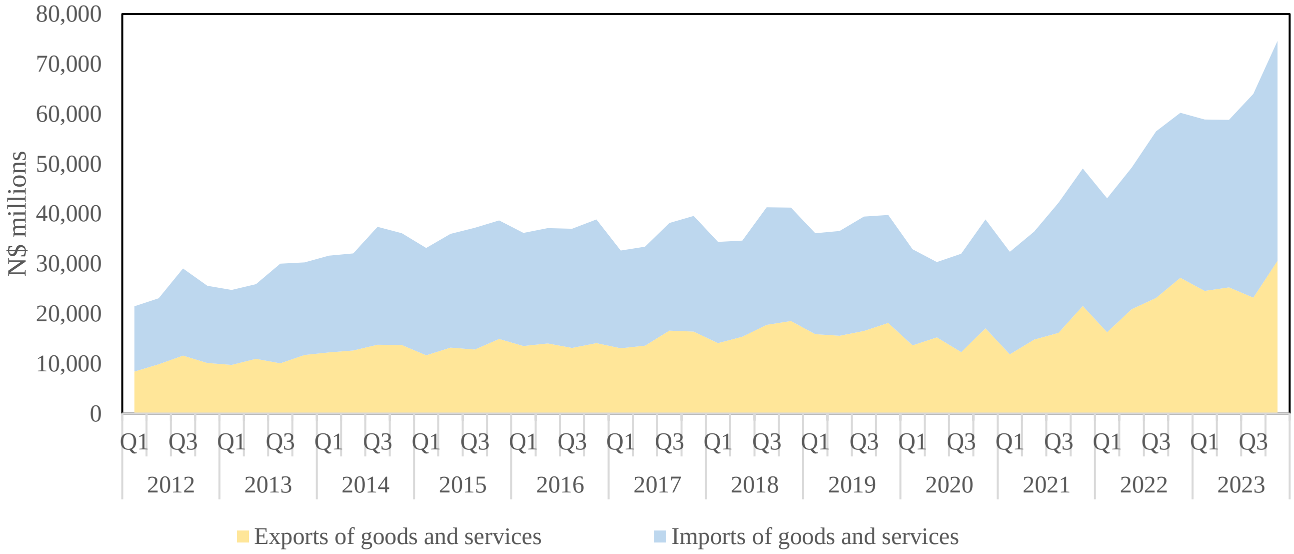


Source: Bank of Namibia

1.4.4. Merchandise Trade Balance

The merchandise trade deficit narrowed during 2023. The trade deficit improved by 3.7 percent on an annual basis to N$30.3 billion (Figure 5), mainly ascribed to higher export receipts. In this regard, export earnings rose by 18.6 percent to N$85.7 billion supported by higher earnings from gold, rough diamonds, and uranium. Meanwhile, import payments rose by 11.8 percent on an annual basis to N$116.0 billion, mainly on the back of higher import payments for mineral fuels, machinery, and consumer goods. The rise in the import payments for mineral fuels and machinery was attributable mainly to increased demand from the mining sector. Meanwhile, imports of consumer goods were mainly in the form of cereal, sugar, beverages, pharmaceutical and optical products.

Figure 5: Exports and Imports of Goods

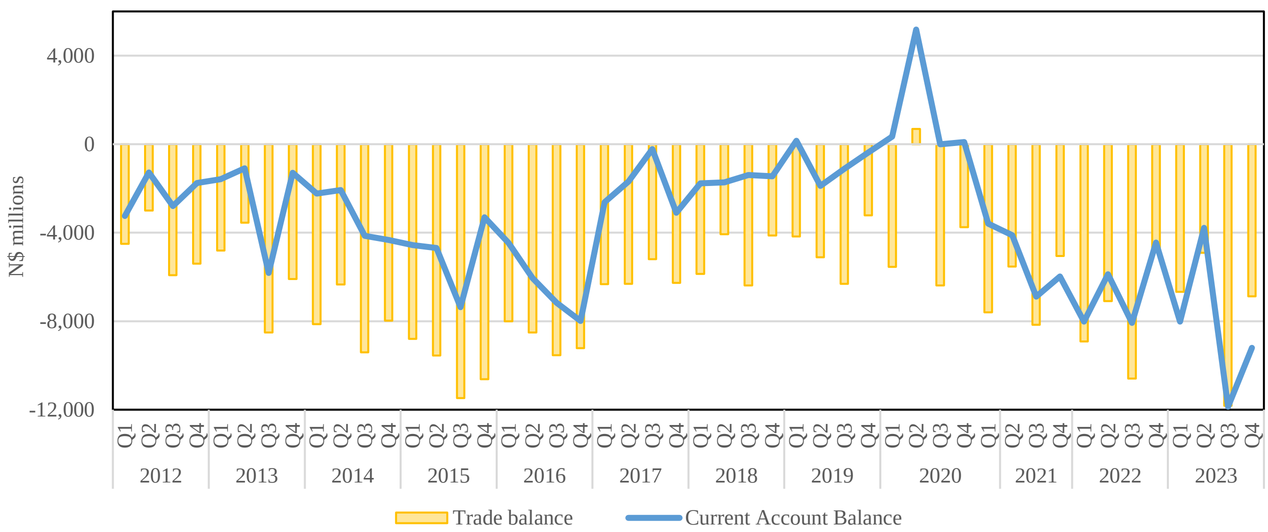


Source: Bank of Namibia

1.4.5. Current Account Balance

The current account deficit widened during 2023. This was primarily due to increasing outflows on the services account on the back of oil and gas exploration activities. The estimated current account deficit amounts to N$33.2 billion in 2023 compared to N$26.4 billion during 2022. The widened current account balance emanated from higher outflows from the services account. As a percentage of GDP, the current account deficit stood at 14.3 percent in 2023 compared to 12.6 percent of GDP in the previous year.

Figure 6: Current Account Balance



Source: Bank of Namibia

1.4.6. Capital Account

The capital account balance improved in 2023 relative to 2022. The estimated capital account balance improved by 29.4 percent to an inflow of N$2.3 billion during 2023. The improvement was mainly ascribed to a notable rise in capital transfers received from the rest of the world during the period under review.

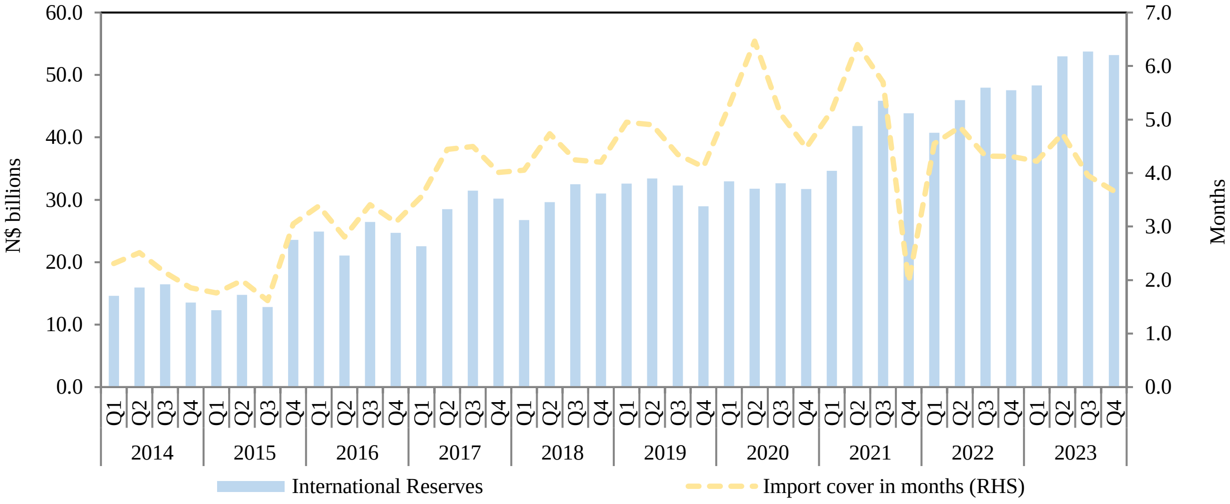
1.4.7. Financial Account

The preliminary financial account balance recorded an increase in net borrowing from the rest of the world in 2023. During the period under review, the financial account is estimated to have recorded a net borrowing of N$28.8 billion, compared to N$26.1 billion in 2022. This reflects substantial equity injections for oil and gas exploration and appraisal activities coupled with divestment of foreign assets abroad, specifically within the manufacturing sector.

1.4.8. International Reserves

At the end of 2023, the stock of international reserves rose annually, mainly supported by capital inflows and commercial bank foreign currency placements. The reserves rose by 11.9 percent on an annual basis to N$53.2 billion. The rise was mainly due to Foreign Direct Investments (FDI) inflows in the manufacturing sector, coupled with higher SACU receipts as well as foreign borrowings by the government. The estimated import cover of goods and services continues to meet the international benchmark and remains adequate to sustain the currency peg. The stock of international reserves translates into an import cover of 4.0 months, compared to 4.9 months recorded a year ago.

Figure 7: Stock of International Reserves



Source: Bank of Namibia

2. DOMESTIC ECONOMIC OUTLOOK

2.1. BASELINE GROWTH SCENARIO

2.1.1 REVISED GDP GROWTH PROJECTIONS

The Namibian economy continues to register strong economic growth. Growth is estimated to expand by 5.6 percent in 2023 and 4.0 percent in 2024 from 6.4 percent in 2022 and is expected to slow down to 3.9 percent during 2025. This represents an upward revision for 2023 and 2024 estimates, from the initial forecast of 3.5 percent and 2.9 percent for 2023 and 2024, respectively. The revision follows the year-to-date indicators for 2023 and revised production estimates for 2024.

Table 2: GDP by activities

	2023/24 MYBR				2024/25 FS			
	2022a	**2023e**	**2024p**	**2025p**	**2024p**	**2025p**	**2026p**	**2027p**
Primary industries	21.4	13.3	2.5	2.4	6.8	2.8	2.0	0.4
Secondary industries	3.3	1.0	3.2	3.6	5.7	5.4	4.9	4.1
Tertiary industries	2.2	3.7	2.8	3.2	2.6	3.9	3.3	2.5
GDP at market prices	**6.4**	**5.6**	**2.9**	**3.4**	**4.0**	**3.9**	**3.2**	**2.3**

Source: NSA (e=estimate. p=projection. a=actual)

Growth for 2024 is expected to be driven by activities in the primary industries and secondary industries, while in 2025 and 2026 it is expected to be supported by activities in the tertiary and secondary industries. Growth in the **primary industries** is expected to slow down to 6.8 percent in 2024 and slow further to 2.8 percent and 2.0 percent in 2025 and 2026, respectively. Meanwhile, the growth in **secondary industries** is anticipated at 5.7 percent in 2024 before moderating to 5.4 percent and 4.9 percent in 2025 and 2026, respectively**.** The growth in **tertiary industries** is estimated to slow to 2.6 percent in 2024, before increasing to 3.9 percent and 3.3 percent in 2025 and 2026, respectively.

The primary industries are expected to grow albeit at a slower pace. The primary industries are estimated to grow by 6.8 percent in 2024 and trend lower at 2.8 percent and 2.0 percent in 2025 and 2026, respectively. This is on the assumption of reduced output from *diamond mining* and high base effects of oil exploration activities**.** The performance of the *agriculture* sector is expected to remain muted due to the expected prolonged recovery period from the impact of drought.

Secondary industries are expected to grow by 5.7 percent in 2024 and moderate to 5.4 percent and 4.9 percent in 2025 and 2026, respectively. The growth in 2024 and 2025 is largely supported by anticipated recovery in *construction* and *electricity & water* as well as *manufacturing* during the same period. Anticipated construction activities include increased government construction projects, green hydrogen pilot projects as well as construction activities in the mining sector. Going forward, the **secondary industries** are anticipated to slow down marginally in 2026 as some construction projects are completed.

The tertiary industries are estimated to grow by 2.6 percent in 2024 before expanding further by 3.9 percent in 2025. Growth in the *wholesale and retail* sector is expected to remain steady at around 5.3 percent and 5.5 percent in 2024 and 2025, respectively. The sector performance, however, remains above expectation despite weakened consumer demand reflected by low credit growth. The recovery in the tourism sector proxied by *hotels and restaurants* is on track and has reached pre-pandemic level of activities. Growth is estimated to slow to 6.0 percent and 5.5 percent in 2024 and 2025, respectively. Growth in the financial service sector is expected to improve going forward, based on the high interest rate environment while the real estate market is also expected to positively contribute to overall growth over the medium term.

2.1.2 RISKS TO THE ECONOMIC OUTLOOK

Risks to the domestic baseline are tilted to the downside and include the following:

i. Geopolitical tensions remain high due to the prolonged conflicts in Ukraine and the Red sea territory;
ii. Potential commodity price volatility due to geopolitics;
iii. Continued tight financial conditions putting pressure on emerging market and developing economies;
iv. The impact of climate change and associated volatility in crop production and water flow in Ruacana hydro-plant impacting electricity production.

3. FISCAL POLICY REVIEW

3.1 Global Fiscal Developments and Outlook

Global fiscal policy remained broadly contractionary during 2023. According to the IMF WEO, advanced economies eased fiscal policy in 2023. In emerging markets and developing economies, on the other hand, fiscal policy has been neutral, except for Brazil and Russia. In low-income countries, public investments were crowded out by liquidity squeezes and the elevated cost of interest payments. This hampered the recovery of large output losses compared to the pre-pandemic trends. Fiscal policy is, however, expected to tighten in 2024 across most economic grouping to rebuild fiscal space and curb rising debt. Fiscal policy across the globe is influenced by energy transition considerations, with the intent of reducing global warming. Private financing also continues to play a role in the transition to low-carbon energy sources, which require strong complementarities between public and private actors.

3.2 Domestic Fiscal Developments and Outlook

Fiscal policy developments continue to be influenced by the impact of COVID-19, volatile commodity prices, sporadic droughts, and geo-political tensions. Public revenues have increased over the previous MTEF supported by strong economic recovery and improved revenue administration. The increase in revenue is associated with recovery in domestic economic activity coupled with improved revenue administration, which resulted in good performance on major revenue categories namely: income tax on individual, diamond mining, Value Added Tax (VAT), Non-mining company tax and SACU revenue, while non-tax revenue also remains robust. Going forward, the same trend is expected to remain sustained over the upcoming MTEF. However, the recent slowdown in diamond prices, is expected to affect income taxes from the diamond sector, especially in 2024 and 2025.

On the expenditure front, spending pressure remains strong due to socio-economic challenges facing the country and other critical national priorities. However, the government employs a well-balanced approach to reign in expenditure and maintain macroeconomic stability while slowing the pace of debt growth. In this regard, the government aims to maintain a positive primary balance throughout the MTEF period. Consequently, the fiscal policy stance for the next MTEF seeks to rebuild fiscal buffers while providing the necessary fiscal support to boost domestic demand and support to the economy.

3.2.1 Fiscal Developments (FY2023/24)

At the end of January 2024, total revenue collections stood at N$72.0 billion, translating into a collection rate of 90.6 percent over the first 10 months of the financial year. This is significantly higher than the corresponding historical averages. As a result, total revenue and grants for FY2023/24 is revised upward by 3.2 percent from N$78.6 billion in the MYBR estimates to N$81.1 billion. When compared to the previous year, total revenues increased by 26.0 percent. The increase reflects strong economic growth prospects and improved revenue administration. As a result, Corporate Income Tax and VAT have been revised upwards by N$2.2 billion and N$1.1 billion, respectively, based on strong year-to-date collection. On the other hand, dividends have been reduced by N$391.3 million due to a significant decline in global diamond prices over the period (refer to Annexure 2).

The revised revenue includes a total of N$2.4 billion collected during FY2023/24 from outstanding tax arrears through the ongoing Tax Amnesty Program. The larger portion was collected from VAT, which generated N$1.5 billion and accounts for 60 percent of total revenue collected under the program. Income tax on Individuals followed with N$485 million, representing 20 percent of revenue collected. The third highest category is Company Income Tax, with an amount of N$405 million equivalent to 16 percent of total collection. Corresponding to the recovery of arrears, an amount of N$711.0 million in interest was written off, while a total of N$14.8 billion of penalties was waived. The amount of capital tax arrears at the end of January 2024 accumulated to N$17.3 billion, compared to N$15.5 billion at the beginning of 2023.

Table 3: Trend of Fiscal Indicators

ITEM	2021-22 *Actual*	2022-23 *Actual*	2023-24 *Budget*	2023-24 *Mid-Year Estimates*	2023-24 *Revised estimates*	2024-25 *Projections*	2025-26 *projections*	2026-27 *projections*
GDP	**189,917**	**215,734**	**215,280**	**232,797**	**246,706**	**275,837**	**303,339**	**327,733**
Revenue	**55,369**	**64,349**	**74,743**	**78,550**	**81,096**	**90,427**	**87,478**	**93,640**
% of GDP	*29.2%*	*29.8%*	*34.7%*	*33.7%*	*32.9%*	*32.8%*	*28.8%*	*28.6%*
Grandt funded			**698**	**698**	**563**	**730**	**571**	**308**
Expenditure	**70,302**	**75,401**	**84,580**	**88,965**	**89,457**	**100,101**	**100,000**	**103,628**
% of GDP	*37.0%*	*35.0%*	*39.3%*	*38.2%*	*36.3%*	*36.3%*	*33.0%*	*31.6%*
Budget Balance	**-14,933**	**-11,052**	**-9,138**	**-9,717**	**-7,799**	**-8,944**	**-11,951**	**-9,680**
% of GDP	*-7.9%*	*-5.1%*	*-4.2%*	*-4.2%*	*-3.2%*	*-3.2%*	*-3.9%*	*-3.0%*
Debt	**125,784**	**142,744**	**150,869**	**153,670**	**154,156**	**165,822**	**172,264**	**184,981**
% of GDP	*66.2%*	*66.2%*	*70.1%*	*66.0%*	*62.5%*	*60.1%*	*56.8%*	*56.4%*
Interest payments	**7,672**	**9,429**	**10,021**	**12,368**	**11,843**	**12,834**	**13,312**	**13,971**
% of Revenue	*13.9%*	*14.7%*	*13.4%*	*15.7%*	*14.6%*	*14.2%*	*15.2%*	*14.9%*
Guarantees	**10,338**	**9,387**	**12,658**	**8,568**	**9,098**	**9,272**	**9,348**	**9,786**
% of GDP	*5.4%*	*4.4%*	*5.9%*	*3.7%*	*3.7%*	*3.4%*	*3.1%*	*3.0%*

Non-Interest Expenditure at the end of January 2024 stood at N$54.1 billion, equivalent to 70.7 percent of the revised expenditure numbers presented in the MYBR. In this context, on the operational budget, an execution rate of 73.6 percent was recorded over the same period, while the implementation rate (including expenditure commitments) on the development budget stood at 64.5 percent. Meanwhile, statutory expenditure execution as at the end of January 2024 stood at 92.0 percent. Cognisant of potential overspending, interest payments are revised upwards marginally by N$78.4 million. On the financing front, N$10.4 billion – equivalent to 80.4 percent of the total funding requirement was secured over the same period, while total debt stock stood at N$151.3 billion, equivalent to 61.3 percent of GDP.

3.2.2 Fiscal Policy Outlook (2024/25 - 2026/27)

The fiscal policy outlook for the next MTEF (2024/25-2026/27) is positive due to the rebound in economic activities, improvement in revenue administration and contained increase in expenditure. The strong revenue prospects emanate from increases in key revenue categories driven by recovery in economic activity, improved domestic demand and stabilising inflation.

3.2.3 Revenue outlook

Total revenue is projected to be buoyant and increase to N$90.4 billion in FY2024/25. This momentum is expected to continue over the MTEF, with revenue projected to reach N$93.6 billion in FY2026/27. However, taxes on income and profits is expected to slow from FY2024/25 due to projected reduction in diamond prices and to recover gradually toward the end of the MTEF period.

The revenue estimates for FY2024/25 are adjusted upwards significantly by N$8.8 billion from the mid-term estimates. The revision stemmed mainly from SACU receipts that increased by N$6.6 billion, non-mining company taxes that went up by N$1.5 billion and VAT that increased by N$1.4 billion. Dividends from Namibia Post and Telecom Holdings (NPTH) company are estimated at N$2.0 billion in FY2024/25 after the expected dissolution of the company and the sale of the remaining 9 percent shares in the Mobile Telecommunication Company (MTC). Meanwhile, revenue from diamond mining activities has been reduced by N$1.3 billion in line with expected developments international prices and global demand.

Revenue estimates for FY2024/25 also include N$1.4 billion in once-off legacy tax liabilities of selected public enterprises. This amount was included in the different tax categories, namely, N$858.9 million in income tax on individuals, N$140.9 million in corporate income tax, N$358.7 million in VAT. These transactions are accounted in the budget as both revenue and expenditure, resulting in a neutral position from a fiscal perspective.

Table 4: Legacy Tax Liabilities of Selected PEs

INSTITUTION	PAYE	INCOME TAX	VAT	IMPORT VAT	TOTAL
Air Namibia (ex gratia)	49,522,141				**49,522,141**
FISHCOR		107,709,551			**107,709,551**
NBC		33,179,762			**33,179,762**
NEW ERA	34,440,948		12,165,404		**46,606,353**
RCC	28,127,157		161,869,137	15,526	**190,011,820**
TRANSNAMIB	141,706,355		164,647,728	19,904,212	**326,258,295**
UNAM	605,127,957		58,151		**605,186,109**
	858,924,559	**140,889,313**	**338,740,420**	**19,919,738**	**1,358,474,030**

For the remainder of the MTEF, revenue is cautiously expected to remain strong in line with the GDP projections. Nevertheless, potential downside risks remain stemming from external factors including international commodity prices, regional economic and trade developments as well as climatic factors.

3.2.4 Aggregate Expenditure, Budget Balance, and Debt Outlook

Total expenditure is expected to be steady responding to pressure from socio-economic and developmental challenges facing the country. These challenges accumulated due the impacts of COVID-19, external shocks, and the on-going drought. Expenditure is estimated at N$100.1 billion in FY2024/25 and will reach N$103.6 billion in FY2026/27. The steady increase in expenditure signifies a balancing act between fiscal consolidation programme, narrowing the deficit and stabilising debt stock.

As outlined earlier, total expenditure in FY2024/25, include provisions in the once-off exercise to address legacy tax liabilities of public enterprises. The beneficiary public enterprises included the University of Namibia (UNAM), TransNamib, the Namibia Broadcasting Corporation (NBC), the New Era Corporation, the National Fishing Corporation of Namibia (FishCor) and the Roads Contractors Company (RCC). In addition, operational expenditure for FY2024/25 include N$1.7 billion for a 5.0 percent salary increase for the civil service as boost to domestic demand. Lastly, there are provisions to increase the social safety nets as a measure to safeguard livelihoods in the face of high inflation.

Regarding development expenditure, the FY2024/25 budget consists of significant infrastructure outlays, particularly in the areas of education, housing, rail, and water. The spending provisions reflect the policy conviction to address infrastructure gaps, particularly in the social sectors.

On Budget balance, the budget continues to pursue fiscal sustainability through maintaining primary budget surpluses over the MTEF. Subsequently, the budget deficit is estimated to remain steady at 3.2 percent of GDP in FY2023/24 and FY2024/25. Over the MTEF, budget deficit is projected to average about 3.4 percent of GDP, resulting in a downward trend of the budget deficit. The planned redemption of the Eurobond in FY2025/26 is further expected to accelerate the moderation in the debt stock to 56.3 percent of GDP in the last year of the MTEF.

3.3 Budget Deficit Financing and Debt Servicing

From a financing perspective, about 80 percent of the financing requirement over the MTEF will be sourced from the domestic markets, in line with the broader Sovereign Debt Management Strategy. To smooth the redemption profile over the MTEF period, Government plan to deploy various strategies aimed at managing debt obligations effectively, while ensuring financial stability. As per the norm, Government will continue to implement the following strategies:

- **Bond Switches:** government will continue to offer switch auctions to investors interested to switch from the maturing domestic bonds to longer dated bond;
- **Rollover Auctions:** alongside conducting switch auctions, the government will provide an opportunity to roll over the maturing bonds into medium to longer date bonds at maturity;
- **Sinking Funds:** the Government has maintained the routine of channelling funds to the two sinking funds, namely the ZAR sinking fund (Internal Registered Stock Redemption Account) and the USD sinking fund. These sinking funds are utilised to redeem maturing debt instruments in the domestic market and international market. Thus far, government has accumulated N$4.2 billion or USD218 million in both sinking funds for the purpose of bond redemption.

Over the upcoming MTEF, a significant portion of the Government debt portfolio is due for repayment over the MTEF. The largest among these maturities is the US$750 million (N$14.3 billion) Eurobond due on 29 October 2025. This is the largest single day debt maturity in the history of our country. In this regard, the government plans to redirect part of the increase in revenues towards the sinking fund to manage the rollover risk and contain increases in future debt service obligations. Accordingly, the Government will transmit at least N$3.5 billion during FY2024/25 and some N$2.0 billion in FY2025/26 of the SACU receipts to the sinking fund to place us in a better position to retire two-thirds of the Eurobond (US$500 million) at maturity. Consequently, the remaining one-third of the bond (US$250 million) will be refinanced utilising the most cost-effective instrument in the next financial year. In this regard, consideration will be given to all funding sources including the domestic markets as well as Development Finance Institutions (DFIs). Similarly, provision has been made for the repayment of the IMF Rapid Finance Instrument (RFI) funding over the MTEF.

Table 5: Bond Maturity Profile

Bond	Maturity date	Balance (N$ mill)
GC24	15-Oct-24	2,587
GC25	15-Apr-25	4,073
GI25	15-Jul-25	1,963
Eurobond	29-Oct-25	14,113
GC26	15-Apr-26	6,052
NAM04	01-Aug-26	335
GC27	15-Jan-27	5,014
Total		**34,136**

External debt is estimated to increase by N$2.4 billion in FY2024/25 and decline in FY2025/26 as a result of the partial Eurobond redemption. On the external debt portfolio, bilateral arrangement for external project financing, negotiations with the African Development Bank (AfDB) have been concluded, securing a total funding of N$3.7 billion for the upgrading of the railway line between Kranzberg-Tsumeb and Otavi-Grootfontein. Government will contribute about N$3.4 billion to the same section, bringing the total funding to N$7.1 billion. The funding for the railway projects is implemented on a 60:40 ratio contribution by the AfDB and Government, for which the contribution by Government is reflected under the development budget.

Furthermore, under the water sector programme, an agreement has been reached with Kreditanstalt für Wiederaufbau (KfW) to fund new water infrastructure projects. A total amount of €140 million or N$2.8 billion has been sourced from KfW for the continuation of the water sector support programme (WSSP). The program consists of the Gammas Direct Potable Reclamation Plant II (DPR2), and the upgrading of Gammas and Otjomuise wastewater treatment plant. A further loan of €50 million or N$1 billion is earmarked to improve the Rural Water Supply has been secured. Namwater as the implementing agency has commenced with procurement for those projects.

Other projects to benefit from foreign funding are the upgrading of the Oshakati Water Treatment Plant, Rundu Water Treatment Plant and a second well at the Ohangwena Aquifer to the tune of N$3.3 billion. These projects are co-funded funded through a loan of N$1.8 billion from the African development bank (AfDB) and an allocation of N$1.5 billion from Government, for which a budget provision is made under the development budget. Procurement for these projects has been completed and construction is expected to commence during this financial year.

Interest payments for the FY2024/25 is estimated at N$12.8 billion higher than the revised value of N$11.8 billion for FY2023/24. Of this amount, domestic interest payments account for N$10.3 billion, while external interest payments amount to N$2.5 billion. Interest rate payments for the subsequent years of the MTEF are estimated to increase moderately in line with the estimated public debt path as well as considering estimated interest rate developments. Interest payments as a percentage of revenue are projected to decline marginally to 14.4 percent from 14.6 percent in FY2023/24.

3.4 Contingent Liabilities

In FY2024/25, Government guarantees extended to Public Enterprises (PEs) are expected to increase slightly to N$9.3 billion, compared to the revised estimate of N$9.1 billion in FY2023/24. Of these guarantees, N$2.2 billion is issued to domestic financial institutions while N$7.1 billion is issued to foreign lenders. For the subsequent years of the MTEF, total Government guarantees are projected to before rising to N$9.8 billion in the last year of the MTEF.

The newly issued guarantees in FY2023/24 were in support of entities such as MEATCO and NAMCOR for business rescue and recapitalization, and the Namibia Student Financial Assistance Fund (NSFAF) to augment student loan awards. Further, guarantees were issued to NAMPOST for microfinance loans to small-business enterprises in the rural areas. Going forward, guarantees are expected to be issued to NamPower for the Transmission Expansion and Energy Storage (TEES) project.

Although the total amount of government guarantees is expected to increase in the near term, it is anticipated that the guarantees as a percentage of GDP will decrease gradually. As such, the guaranteed as a ratio of GDP is estimated to decrease slightly to 3.4 percent in FY2024/25 from a revised 3.7 percent in FY2023/24. In the subsequent years of the MTEF, the guarantees as a percentage of GDP are estimated to stabilize at an average of 3.1 percent. The rapid decrease in guarantees is driven by the buoyant increase in GDP and the lower uptake of new guarantees. Going forward Government will continue to issue guarantees to public enterprises that are undertaking economically important and viable projects.

3.5 Fiscal Policy and Budget Priorities (FY2024/25-2026/27)

The fiscal policy priorities for the FY2024/25-2026/27 MTEF will focus on the implementation of policy measures propelling growth, improving macroeconomic stability and keep positive primary balance to reduce budget deficit and to stabilise debt. As such Budget is built on the following three reinforcing policy pillars, namely:

a) **stimulating domestic demand** through a menu of policy actions to boost household incomes and create a conducive environment for businesses to thrive and expand investments;
b) **accelerating investments** in productive public infrastructure through an increase in the development budget to upgrade infrastructure that has become a hindrance to economic activities as well as to expand social infrastructure to meet the needs of a growing and rapidly urbanising populace and ensure the delivery of frontline public services; and
c) **cultivating fiscal prudence** through maintaining a primary surplus thereby moderating the pace of debt accumulation and ensuring that Namibia is able to honour her debt obligations over the MTEF with relative ease and in a cost-effective manner.

The complimentary fiscal reforms in support of the abovementioned policy objectives includes:

a) Pursuing economic diversification through implementing the findings of the Economic Diversification Strategy and integrating these into the upcoming sixth National Development Plan (NDP IV);
b) recommendations from public expenditure reviews in the health and education will be extended to other sectors to increase efficiency in public expenditure;
c) implementation of recommendations and reforms to the benefit structure of PSEMAS.

3.6 Tax Policy Reforms

Government will implement a series of tax reforms. These are aimed at enhancing the competitiveness of the tax system to attract investments and foster private sector development, broadening the tax base to improve revenue mobilisation and maintain equity in taxation regime, and providing some relief to taxpayers with the aim to boost domestic demand. The country has become less competitive due to the high corporate tax rate compared to regional peers, while tax brackets for Income tax on individuals have not been refreshed for inflation in a long period. In this regard, government is proposing some tax reforms over the MTEF to improve the country's tax competitiveness regionally, give relief to taxpayers and promote economic growth.

The tax proposals for the MTEF period include the following:

a) Increasing the threshold for Income Tax on Individuals from the current N$50,000 to N$100,000 at a cost of N$646,0 million in FY2024/25, Effectively, all taxpayers will be exempted from tax on the first N$100,000 of their income. Going forward, the tax brackets will be adjusted for inflation creep over the MTEF at a cost of N$712.9 per annum over the two outer years of the MTEF;

b) Provide tax exemption for digital nomads who are physically present in Namibia for less than 183 days with only foreign earnings;
c) Reducing the non-mining company tax rate by two percentage points over the next two years to 31 percent effective in April 2024 and further to 30 percent in April 2025 at a cost of N$210 million per annum;
d) Further reduction in the non-mining company tax rate to 28 percent during FY2026/27 to maintain tax neutrality, this will be done alongside broadening the corporate income tax base by limiting interest deductions at 30 percent and assessed losses carried forward at 5/10 years as well as introducing a 10 percent dividend tax;
e) Introduce a Special Economic Zones regime with a corporate income tax rate of 20 percent, also applicable to all SMEs with annual turnover below a defined threshold;
f) Introduce dividend tax of 10 percent in FY2026/27 with exemptions to certain juristic persons such as Government, pension funds medical aids;
g) Remove non-resident shareholder tax exemption for foreign insurance shareholders and provide for taxation of shareholders activities like other businesses in line with the principle of fairness and neutrality;
h) Corporate interest deductions limitations total net interest expense paid by entities in Namibia (whether domestic or foreign) would be subject to the rules. Government considers to set the limit at 30 per cent of taxable income before net interest to align with the region and main trading partners;
i) Government is considering introducing an improvements allowance of 10 percent each year on the cost of improvements on buildings, to stimulate the construction industry and part of our net zero promise that older buildings can reduce their carbon emissions;
j) Introducing a Youth Employment Tax Incentive to the tune of N$126 million in FY2024/25 targeting about 5,075 job opportunities annually at a cost of N$50,000 per intern per year;
k) VAT threshold for SMEs is to be increased from the current N$500,000 to N$1,000,000 in FY2024/25;
l) Increase the brackets for transfer duties and stamp duties from N$600,000 to N$1,100,000 in FY2024/25. Introduce a new bracket for luxury residential properties.

4. FISCAL RISK STATEMENT

The Government is committed to ensuring fiscal sustainability over the medium term through maintaining a primary budget surplus and moderating the pace of public debt accumulation. This statement sets out an assessment of potential downside risks that can impede the achievement of these objectives and outline the fiscal choices facing the country. The risk framework is organised into four broad categories: macroeconomic, climate change, public debt, and contingent liabilities. Fiscal risks are interdependent and highly correlated such that when a risk materialises in one category it can have a multiplier effect that reverberates to more than one category.

The most significant fiscal risks over the next three years are:

(a) slower-than-expected economic and revenue growth;

(b) volatility of receipts from the SACU customs pool;

(c) high public debt rollover risk; and

(d) elevated funding requirements for public enterprises.

RISK CATEGORY	MAJOR ISSUES
Macroeconomic Risks	Slower-than-expected economic and revenue growth
	Volatility of SACU receipts
	Commodity prices volatility
	Risk from key trading partners
	High inflation and interest rates
Climate change risks	Poor performance of the agriculture sector
	Increased spending on drought relief measures
Public debt risks	Short-dated maturity profile
Contingent liabilities	Elevated funding requirements for public enterprises
	Poor performance of public guaranteed debt

4.1. Macroeconomic Risks

The primary sector in Namibia contributes a significant share to GDP and has anchored growth outcome over the past three years. Going forward, medium term projections for next three years further show continuous growth in the primary sector. Given that the sector is historically highly affected by external factors like global commodity price developments, this is a significant risk to our baseline projections. This is specifically relevant considering ongoing and prolonged geopolitical tensions, due to the conflicts in Ukraine and in the Red Sea region which have potential adverse effects on commodity price movements. Accordingly, the volatile commodity prices pose a significant risk to the domestic economy in terms of adjustments to production targets as well as export earnings. This has significant implication on both GDP as well as revenue outcomes.

The economy of our key trading partner, South Africa, is estimated to have recorded a growth of 0.6 percent in 2023. Going forward, growth in South Africa remains fragile and vulnerable particularly to power and logistical challenges. The National Treasury and the South African Reserve Bank estimate a high probability lower economic growth continuing during 2024 and over the medium term. If these growth scenarios materialize in South Africa, there is potential risk for both Namibian exports and SACU revenues to be adversely affected. SACU revenues contribute an average of 28 percent of projected revenues over the MTEF, therefore poor outcomes and volatility in this tax category has significant implications on achievement of the intended fiscal stance.

Another notable risk to be taken into consideration is the prevailing tight financial conditions, putting pressure on emerging market and developing economies. For Namibia, the high interest rate environment in tandem with the high level of household indebtedness is expected to exert significant pressures on domestic demand. As such, this increases the risk of more fiscal stimulus to support domestic households and corporates. A prolonged high interest rate environment will likely further perpetuate the weak credit conditions that prevailed over the past four years. Furthermore, the vulnerabilities in the financial sector through high non-performing loans, although stabilising, could potentially be prolonged. Although inflation has stabilised since the 2022, the volatility in global commodity prices remain a significant risk in this regard.

4.2. Climate Change Risks

With an arid geography and one of the driest countries globally, Namibia is highly vulnerable to climate change shocks. These historically materialise through frequent and prolonged drought episodes that impact agricultural production and increase the vulnerabilities of more than 70 percent of the population that depend on agricultural activities for livelihood. Accordingly, the high risk of drought affects crop and livestock production and subsequently agricultural output. Furthermore, there is risk of limited electricity generation due to poor water flow into the Ruacana hydro power plant.

Going forward, the global dialogue around the green energy transition has significant implications on the availability of financing for fossil fuels. Given the ongoing petroleum exploration activities which have significantly fuelled domestic economic prospects, the availability of financing for the oil and gas sector has significant impact on the future growth trajectory as well as broader sentiments on the Namibian economy. Nevertheless, these activities are not incorporated in our baseline growth projections.

4.3. Public Debt Risks

The size and composition of the public debt is a source of fiscal risk. Public debt rose significantly in previous years, increasing to an estimated N$154.2 billion, representing 62.5 percent of GDP at the end of FY2023/24. While the medium-term fiscal framework maintains public debt on a slowing path, the level of debt remains high relative to Namibia's peer economies. Furthermore, potential economic shocks and any materialisation of adverse risks could compromise the achievement of the envisaged debt growth trajectory.

Furthermore, a significant proportion of the debt portfolio is due during the next three years. This implies that Namibia is facing refinancing risk for the current maturity profile of both the domestic and external portfolio, which needs to be managed prudently. The most significant exposure stems from the US$750 million Eurobond maturing on 29 October 2025. In this regard, as a prudent measure, the government has announced a redemption strategy to retire U$500 million and refinance the remaining debt. In this regard, the government is vulnerable to fluctuations in the financial markets as well as interest rate developments for this portion of the debt.

4.4. Contingent Liabilities

Accordingly, the government has consolidated monitoring and oversight over public enterprises through the Ministry of Finance and Public Enterprises since December 2022. Despite constant monitoring, the Government faces a risk of increased statutory obligations from public enterprises. This materialises through calls on publicly guaranteed debt obligations or through increased requirements for budgetary support. Either way, budgetary provision to public enterprises has adverse implications on the fiscal position and the risk of such financial requirements remain prevalent over the MTEF.

National Fishing Corporation (FishCor)

During FY2023/24, the government honoured a call of N$63.0 million on public guaranteed loan to the Seaflower Whitefish Corporation, a FishCor subsidiary. Furthermore, FishCor will benefit from a provision of N$107.7 million for the settlement of their legacy tax liabilities.

Meat Corporation of Namibia (MeatCo)

From a contingent liability perspective, the Government repaid a guaranteed MeatCo loan of more than N$500 million. Going forward, further provisions of N$112.0 million has been made in the FY2024/25 budget to meet MeatCo debt obligations and another N$100 million for operational funding. Going forward, the government is working to address governance, operational and structural challenges to stabilise the entity and minimise incremental spending risks thereof.

TransNamib

Financial provision to the tune of N$300 million has been made for TransNamib in FY2024/25. Going forward, TransNamib is anticipated to require financial support over the MTEF as Government works to address structural challenges in the rail sector.

Outside of the two public enterprises highlighted above, the stock of public guarantees remains stable and manageable in the region of 3.0 percent of GDP over the MTEF. Other than for MeatCo, which continue to face ongoing structural and operational challenges, no further guarantee calls are anticipated. Government will continue to monitor the guarantees portfolio and take the necessary precautionary measures when required.

From a budgetary perspective, several public entities in the social sector are expected to continue requiring budget support to address the various social challenges and support the national developmental objectives. Furthermore, during FY2024/25, budget amounted to N$1.4 billion is made to address the outstanding legacy tax liabilities of selected public enterprises as a measure to ease their operations and that of the Namibia Revenue Agency (NamRA). Regarding commercial public enterprises, the ministry will continue to monitor performance and oversight, including requesting regular publication of financial statements to improve transparency in the operations of public enterprises.

Government faces a range of fiscal risks over the medium to longer term. Significant efforts and coordination will be required across the entire public sector to prevent these risks from materialising and to mitigate those that do materialise.

Risk Measurement

Risk factor	Likelihood	Fiscal impact	Severity	Mitigation in place?
Low economic growth	Low	High	Medium	Limited
Volatile commodity prices	High	Medium	Medium	No
Low growth in South Africa	High	High	High	No
Drought incidence	High	High	High	Yes
Debt refinancing	Low	Medium	Medium	Yes
Public enterprises financing	Low	Medium	Medium	Yes

5. ANNEXURES

Annexure 1: Revenue outturn and outlook for FY2020/21-2026/27

N$ millions	2021/22 Actual	2022/23 Actual	2023/24 Mid-Year estimates	2023/24 Revised Estimates	2024/25 Estimates	2025/26 Estimates	2026/27 Estimates
GDP at market prices, nominal	**189,917**	**215,734**	**232,797**	**246,706**	**275,837**	**303,339**	**327,733**
Revenue and grants as % of GDP	29.2%	29.8%	33.7%	32.9%	32.8%	28.8%	28.6%
TOTAL REVENUE AND GRANTS	**55,369**	**64,350**	**78,550**	**81,096**	**90,427**	**87,478**	**93,640**
TAX REVENUE	**51,249**	**55,465**	**71,388**	**74,652**	**82,746**	**80,796**	**85,851**
Tax on income and Profits	**22,949**	**25,362**	**28,468**	**30,629**	**32,815**	**34,601**	**37,370**
Income Tax on Individuals	14,629	16,137	17,660	17,563	19,739	19,780	20,598
Company Taxes	**7,485**	**8,161**	**9,362**	**11,523**	**11,450**	**13,132**	**15,003**
Diamond Mining Companies	933	1,579	2,003	2,329	1,479	3,028	4,058
Other Mining Companies	743	511	1,001	1,600	1,478	916	839
Non-Mining Companies	5,810	6,071	6,358	7,594	8,494	9,188	10,107
Other Taxes on Income and Profits	**325**	**399**	**624**	**721**	**756**	**777**	**804**
Non-Resident Shareholders Tax	227	279	511	547	576	592	614
Tax on Royalty	97	115	108	169	174	178	182
Annual Levy on Gambling Income	1	5	5	5	6	7	8
Withholding Tax on Interest	**509**	**665**	**822**	**822**	**869**	**913**	**965**
Withholding tax on companies & individuals	232	254	402	402	423	444	466
Withholding tax on unit trusts	100	120	126	126	132	139	146
Withholding tax on Services	178	291	294	294	314	330	353
Taxes on Property	**242**	**247**	**255**	**267**	**273**	**306**	**321**
Transfer Duties	237	245	254	265	271	304	319
Land Tax	5	2	1	1	2	2	2
Domestic Taxes on Goods and Services	**13,174**	**15,523**	**18,187**	**19,261**	**21,463**	**22,917**	**24,286**
VAT + Additional Sales Tax + General Sales Tax	11,431	14,176	16,299	17,373	19,469	20,830	22,080
Levy on Fuel	1,324	1,043	1,456	1,456	1,529	1,606	1,702
Fishing Quota Levies	238	190	250	250	257	262	275
Gambling Licence (Business)	2	3	2	2	2	3	3
Environmental levies & Carbon Emission Taxes	153	98	150	150	176	185	194
Other taxes on goods and services	27	11	30	30	31	32	32
Taxes on International Trade and Transactions	**14,751**	**14,190**	**24,349**	**24,349**	**28,045**	**22,820**	**23,719**
SACU Revenue Pool Share	15,608	19,195	24,349	24,349	23,640	23,320	24,719
Revenue Formula Adjustments	-858	-5,005	-	-	4,406	-500	-1,000
Other Taxes (Stamp Duties)	**133**	**145**	**130**	**146**	**149**	**152**	**155**
NON - TAX REVENUE	**4,102**	**8,885**	**7,162**	**6,444**	**7,681**	**6,681**	**7,788**
Entrepreneurial and Property	**2,833**	**7,012**	**5,708**	**5,017**	**6,080**	**5,056**	**6,117**
Interest Receipts for Loans Extended to Public Enterprises	4	4	5	5	5	5	5
Interest on Investments	-	-	-	-	-	-	-
Dividends and Profit Share from Public Enterprises	672	4,685	3,008	2,517	3,190	1,975	2,675
Interest on State Account Balances with BoN	200	-	-	-	-	-	-
Diamond Royalties	679	1,559	1,665	1,665	1,787	1,941	2,276
Other Mineral Royalties	711	599	680	680	748	785	801
Fishing Quota Auction	567	164	350	150	350	350	361
Fines and Forfeitures	**97**	**97**	**103**	**103**	**104**	**104**	**106**
Administrative Fees, charges and incidental sales	**1,172**	**1,777**	**1,350**	**1,324**	**1,497**	**1,521**	**1,565**
Lending and Equity Participation	**18**	**-**	**-**	**-**	**-**	**-**	**-**
External Grants	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure 2: Policy Scenario- fiscal stance for FY2020/21-2026/27

N$ millions	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Mid-Year Estimates	2023/24 Revised Estimates	2024/25 Estimates	2025/26 Estimates	2026/27 Estimates
GDP at market prices	**176,140**	**187,251**	**215,734**	**232,797**	**246,706**	**275,837**	**303,339**	**327,733**
Total Revenue and Grants	**57,838**	**55,369**	**64,350**	**78,550**	**81,096**	**90,427**	**87,478**	**93,640**
of which Legacy Tax Liabilities of Public Enterprises	-	-	-	-	-	*1,358*	-	-
Total Expenditure *(excl. Statutory Commitments)*	**65,801**	**62,645**	**65,935**	**76,598**	**76,960**	**87,267**	**86,688**	**89,657**
Operational Expenditure	58,016	56,945	60,047	68,582	68,582	74,632	73,621	76,148
of which Legacy Tax Liabilities of Public Enterprises	-	-	-	-	-	*1,358*	-	-
Development Expenditure	7,785	5,700	5,888	8,016	8,378	12,635	13,067	13,509
of which External Funded Projects[1]	586	1,129	1,866	1,529	1,891	3,164	3,033	1,903
Grant Funded	*20*	*38*	*59*	*698*	*563*	*730*	*571*	*308*
Loan Funded	*565*	*1,091*	*1,807*	*830*	*1,328*	*2,434*	*2,462*	*1,594*
Total Expenditure *(incl. Statutory Commitments)*	**73,739**	**71,309**	**75,401**	**88,965**	**89,457**	**100,101**	**100,000**	**103,628**
Domestic Interest Payments	5,196	5,853	7,576	9,323	9,406	10,328	10,923	11,281
Foreign Interest Payments	2,225	1,819	1,853	2,442	2,437	2,505	2,389	2,690
Total Interest Payments	**7,420**	**7,672**	**9,429**	**11,765**	**11,843**	**12,834**	**13,312**	**13,971**
Other Statutory Payments[2]	517	992	37	603	654	-	-	-
Total Statutory Commitments	**7,937**	**8,664**	**9,466**	**12,368**	**12,497**	**12,834**	**13,312**	**13,971**
Primary Balance	**(7,963)**	**(7,276)**	**(1,585)**	**2,651**	**4,699**	**3,890**	**1,361**	**4,291**
Budget Balance	**(15,315)**	**(14,811)**	**(11,051)**	**(9,717)**	**(7,799)**	**(8,944)**	**(11,951)**	**(9,680)**
Total Financing Requirement	**(15,387)**	**(16,873)**	**(12,324)**	**(10,927)**	**(10,927)**	**(11,666)**	**(6,443)**	**(12,717)**
Cash Requirement	(2,890)	(1,454)	(1,880)	(1,273)	(1,273)	-	-	-
Project Financing[3]	(1,513)	(849)	(812)	-	-	-	-	-
Foreign Loan Principal Repayment	(330)	(1,743)	(1,182)	(1,537)	(1,537)	(2,722)	(3,992)	(3,037)
Bond Redemption (Sinking Fund)	4,660	3,486	2,600	1,600	1,600	-	9,500	-
Contingent Liabilities[4]	-	(1,502)	-	-	-	-	-	
Foreign Financing	**2,289**	**(1,483)**	**2,995**	**2,273**	**2,474**	**2,434**	**(7,038)**	**1,594**
African Development Bank	*2,289*	*2,349*	*3,112*	*629*	*714*	*1,751*	*1,609*	*685*
International Monetary Fund	-	*3,917*	-	-	-	-	-	-
Kreditanstalt für Wiederaufbau	-	-	*1,443*	*1,645*	*1,760*	*683*	*853*	*909*
JSE	-	-	*(1,560)*	-	-	-	-	-
Eurobond	-	*(7,749)*	-	-	-	-	*(9,500)*	-
Domestic Financing	**13,098**	**18,356**	**9,329**	**8,654**	**8,453**	**9,232**	**13,481**	**11,123**
Total Debt	**110,514**	**125,784**	**142,744**	**153,670**	**154,156**	**165,822**	**172,264**	**184,981**
Domestic Debt	76,965	94,940	105,805	114,459	115,073	124,305	137,785	148,908
Foreign Debt	33,550	30,844	36,938	39,211	39,083	41,517	34,479	36,073
Total Guarantees	**10,138**	**10,338**	**9,387**	**8,568**	**9,098**	**9,272**	**9,348**	**9,786**
Domestic Guarantees	1,418	1,976	1,838	1,525	2,364	2,201	1,821	1,803
Foreign Guarantees	8,720	8,362	7,549	7,043	6,734	7,071	7,527	7,983

As ratio of GDP	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Mid-Year Estimates	2023/24 Revised Estimates	2024/25 Estimates	2025/26 Estimates	2026/27 Estimates
Total Revenue and Grants	***32.8%***	***29.6%***	***29.8%***	***33.7%***	***32.9%***	***32.8%***	***28.8%***	***28.6%***
Total Expenditure (excl. Statutory Commitments)	***37.4%***	***33.5%***	***30.6%***	***32.9%***	***31.2%***	***31.6%***	***28.6%***	***27.4%***
Operational Expenditure	*32.9%*	*30.4%*	*27.8%*	*29.5%*	*27.8%*	*27.1%*	*24.3%*	*23.2%*
Development Expenditure	*4.4%*	*3.0%*	*2.7%*	*3.4%*	*3.4%*	*4.6%*	*4.3%*	*4.1%*
Total Expenditure (incl. Statutory Commitments)	***41.9%***	***38.1%***	***35.0%***	***38.2%***	***36.3%***	***36.3%***	***33.0%***	***31.6%***
Domestic Interest Payments	*2.9%*	*3.1%*	*3.5%*	*4.0%*	*3.8%*	*3.7%*	*3.6%*	*3.4%*
Foreign Interest Payments	*1.3%*	*1.0%*	*0.9%*	*1.0%*	*1.0%*	*0.9%*	*0.8%*	*0.8%*
Total Interest payments	***4.2%***	***4.1%***	***4.4%***	***5.1%***	***4.8%***	***4.7%***	***4.4%***	***4.3%***
as % of Revenues	*12.8%*	*13.9%*	*14.7%*	*15.0%*	*14.6%*	*14.2%*	*15.2%*	*14.9%*
Primary Balance	***-4.5%***	***-3.9%***	***-0.7%***	***1.1%***	***1.9%***	***1.4%***	***0.4%***	***1.3%***
Budget Balance	***-8.7%***	***-7.9%***	***-5.1%***	***-4.2%***	***-3.2%***	***-3.2%***	***-3.9%***	***-3.0%***
Domestic Debt	*43.7%*	*50.7%*	*49.0%*	*49.2%*	*46.6%*	*45.1%*	*45.4%*	*45.4%*
Foreign Debt	*19.0%*	*16.5%*	*17.1%*	*16.8%*	*15.8%*	*15.1%*	*11.4%*	*11.0%*
Total Debt	***62.7%***	***67.2%***	***66.2%***	***66.0%***	***62.5%***	***60.1%***	***56.8%***	***56.4%***
Domestic Guarantees	*0.8%*	*1.1%*	*0.9%*	*0.7%*	*1.0%*	*0.8%*	*0.6%*	*0.6%*
Foreign Guarantees	*5.0%*	*4.5%*	*3.5%*	*3.0%*	*2.7%*	*2.6%*	*2.5%*	*2.4%*
Total Guarantees	***5.8%***	***5.5%***	***4.4%***	***3.7%***	***3.7%***	***3.4%***	***3.1%***	***3.0%***

1. *Starting in the FY2023/24, expenditure outside budget are incorporated in the budget deficit calculations above the line - net of the grant-funded component. The grant-funded component could not be recorded as part of revenues because they are not channelled through the State Revenue Fund, as per the statistical requirements. Accordingly, the corresponding project financing component below-the-line will be removed henceforth.*
2. *These figures primarily consists of the settlement of public enterprises guaranteed debt, including Air Namibia, Namibia Wildlife Resorts, Namibia Port Authority, Meat Corporation of Namibia and Seaflower Whitefish Corporation.*
3. *Starting in the FY2023/24 expenditure expenditures outside budget are incorporated in the budget deficit calculations above the line - net of the grant-funded component. The grant-funded component could not be recorded as part of revenues because they are not channelled through the State Revenue Fund, as per the statistical requirements. Accordingly, the corresponding project financing component below-the-line will be removed henceforth.*
4. *This figure consists of the settlement of the two Airbus A330 leases following the liquidation of Air Namibia.*

Annexure 3: GDP by activity (production) supply side

	2022	2023	2024	2025	2026	2027
Agriculture. forestry. and fishing	2.6	-5.1	3.2	2.2	2.5	3.8
Livestock farming	1.2	4.1	5.4	2.8	3.2	5.5
Crop farming and forestry	4.3	-18.3	3.1	2.2	2.9	5.6
Fishing and fish processing on board	2.3	-1.0	1.7	1.8	1.6	1.3
Mining and quarrying	37.1	24.8	8.4	3.0	1.8	-1.2
Diamond mining	45.1	12.3	5.5	6.1	5.0	-1.5
Uranium	-2.5	35.7	10.5	6.7	-2.0	-1.4
Metal Ores	0.5	23.2	-25.3	-6.3	0.2	0.3
Other mining and quarrying	70.5	44.5	19.5	-1.5	-0.9	-0.9
Primary industries	**21.4**	**13.3**	**6.8**	**2.8**	**2.0**	**0.4**
Manufacturing	5.0	0.7	5.4	4.4	4.1	2.8
Meat processing	11.6	14.1	2.4	7.2	5.0	6.0
Grain Mill products	2.0	-0.4	7.0	-0.2	1.7	1.0
Other food products	4.8	7.3	5.6	6.3	4.9	3.2
Beverages	5.7	-8.2	6.2	5.6	5.9	4.5
Textile and wearing apparel	13.3	1.7	4.8	1.8	1.7	1.0
Leather and related products	-13.0	3.9	4.6	3.6	3.0	1.9
Wood and wood products	3.6	1.3	4.3	1.5	1.5	0.9
Publishing and Printing	-0.3	-0.4	1.0	3.5	5.4	3.5
Chemical and related products	-3.1	-2.0	4.1	5.5	4.3	2.8
Rubber and Plastics products	0.5	3.3	3.9	3.2	2.7	1.7
Non-metallic minerals products	-8.3	5.1	5.1	4.6	3.8	2.4
Basic non-ferrous metals	-13.9	7.4	4.3	8.0	6.5	5.9
Fabricated Metals	-5.1	7.0	4.7	4.4	3.6	2.3
Diamond processing	33.7	-5.1	4.7	6.1	5.0	2.5
Other manufacturing	2.2	-1.5	6.3	5.0	2.6	0.9
Electricity and water	10.3	7.4	6.1	9.7	6.2	3.9
Construction	-16.4	-6.8	7.6	6.1	9.5	14.3
Secondary industries	**3.3**	**1.0**	**5.7**	**5.4**	**4.9**	**4.1**
Wholesale and retail trade. repairs	6.0	6.0	5.3	5.5	3.9	2.8
Hotels and restaurants	6.2	9.2	6.0	5.5	4.4	3.2
Transport and Storage	0.9	7.7	5.4	6.6	6.9	5.3
Transport	-0.8	6.4	5.5	6.7	7.4	5.9
Storage	6.0	11.2	5.3	6.2	5.7	3.8
Information Communication	2.5	2.7	3.0	2.8	2.9	1.9
Financial and insurance service activities	1.7	2.4	3.3	6.4	5.3	3.6
Real estate activities	1.0	1.7	3.4	3.7	2.7	1.7
Professional. sci and technical services	5.0	8.0	3.0	4.1	3.0	1.8
Administrative and support services	3.9	5.7	5.6	4.9	3.5	2.2
Arts. Entertainment & Other Service…	-2.8	6.5	-2.3	9.8	5.3	3.2
Public administration and defence	-0.9	1.5	1.6	1.8	1.9	2.0
Education	1.5	3.7	0.5	2.5	2.2	2.1
Health	8.0	2.9	-0.1	2.3	1.8	1.5
Private household with employed persons	3.1	6.8	-0.9	-1.2	2.5	3.8
Tertiary industries	**2.2**	**3.7**	**2.6**	**3.9**	**3.3**	**2.5**
All industries at basic prices	**6.1**	**5.4**	**4.1**	**3.9**	**3.2**	**2.3**
Taxes less subsidies on products	10.2	8.3	3.6	4.3	3.5	2.5
GDP at market prices	**6.4**	**5.6**	**4.0**	**3.9**	**3.2**	**2.3**

6. ASSUMPTIONS

ASSUMPTIONS UNDERLYING MACRO-PROJECTIONS

DEMAND SIDE ASSUMPTIONS

The Namibian economy is expected to have decelerated in 2023 from a strong growth recorded in 2022. however upward growth compared to the projections at mid-term. The estimated growth is attributable mainly to increased gross capital formation (water projects in Oshakati. Rundu and Ohangwena Aquifer. oil and gas exploration) and consumption. Going forward. the economy is expected to further slowdown in 2024 supported by Final consumption. private consumption and exports of goods and services (diamond. gold and uranium). The economy is anticipated to continue to be on the slowdown trajectory in 2025 and 2026 on the back of gross capital formation and consumption.

Final consumption is estimated to slow down in 2023 attributed to the expected growth in private consumption. Furthermore. final consumption is projected to grow in 2024 as inflation and interest rate subsided. before slowing down in 2025 and 2026.

Private consumption is estimated to slow down in 2023 compared to a strong growth recorded in 2022. The slow growth is due to high inflationary environment and rising interest rates experienced in 2023. Private consumption is anticipated moderate to expand in 2024 attributable mainly to subsiding inflation and interest and salary increment. Going forward private consumption is anticipated to decelerate in 2025 on account of high base effects.

Government consumption is anticipated to grew upward in 2023 from a slow growth registered in 2022 on the back of increased benefits of the public servants. Government expenditure is expected to grow further in 2024 as the government continues to spend on infrastructure development. and in line with anticipated improvement in economic activity. Going forward. government consumption is expected to register slow growth for 2025 and 2026 as some projects comes to an end.

Gross fixed capital formation is projected to rebounded in 2023 compared to a slow growth registered in 2022. Investment in oil and gas exploration is propelling growth in this category in 2023. Going forward GFCF. is expected to moderate in 2024 and rebound to a high growth in 205 and 2026 attributed to investment in mining (Lithium and Gold). renewable energy power supply projects. water infrastructure projects. as well as the developments in green hydrogen and the oil and gas sectors.

Exports of goods and services are estimated to had slowdown in 2023 from a strong growth registered in 2022. driven by high base effects in 2022 coupled with global logistic constraints as well as lower output from the fishing sector. However supported by increase in services due to mining exploration. Exports are expected to slow down further in 2024 and 2025. The expected slow growth is on the back of reduction in mineral production. as well as weak global demand of diamond.

Imports of goods and services are estimated to decelerated in 2023 compared to the strong growth in 2022. The slow growth is driven by the high inflationary pressures which reduces purchasing power. depreciation of the Namibia dollar against major trading currencies. as well as high base effected but the growth was supported by importation of machineries and fuel used in exploration of oil and gas. Imports are anticipated to continue moderating in 2024 and 2025. due to expected lower final consumption.

Figure 8: GDP growth estimates – Demand/Expenditure approach

	2021	2022	2023	2024	2025	2026	2027
Final consumption expenditure	**9.5**	**9.5**	**3.7**	**14.3**	**6.0**	**3.7**	**3.0**
Private	12.7	12.7	4.2	18.1	7.2	4.3	3.3
General government	1.5	0.7	2.1	2.5	1.7	1.7	1.7
Gross fixed capital formation	**18.4**	**10.0**	**30.7**	**6.4**	**8.5**	**9.1**	**6.4**
Changes in inventories	-286.9	315.5	0.0	0.0	0.0	0.0	0.0
Gross domestic expenditure	**9.3**	**13.1**	**8.3**	**8.4**	**5.4**	**4.0**	**3.1**
Exports of goods and services	1.4	20.0	10.5	8.4	1.6	1.4	1.0
Imports of goods and services	20.3	24.1	11.9	14.4	7.3	5.1	4.1
Gross domestic product	**3.5**	**6.4**	**5.6**	**4.0**	**3.9**	**3.0**	**2.3**

Source: NSA

SUPPLY SIDE ASSUMPTIONS

The Namibian economy is estimated to record slow growth in 2023 compared to an upward growth in 2022. However. a strong upward revision from the initial forecast for 2023[2] at midterm. The growth for 2023. is expected to be driven by growth from the mining sector specifically oil and gas exploration and return to growth for most of tertiary industries as well as high base effects.

[2] the upward revision follows new information that has emanated from the industrial survey, especially output from the mines and year to date performance.

PRIMARY INDUSTRIES

Growth in the **primary industries** is estimated to slow down in 2023 compared to an upward growth recorded in 2022. The slow growth in 2023 is attributed to the contraction in agriculture, forestry and fishing, as well as a reduction in diamond mining. Growth for is expected to further slow down to 2.5 percent and 2.4 percent in 2024 and 2025 respectively, as a result of anticipated drought and lower global demand for diamonds.

Agriculture, Forestry, and fishing is estimated to contract in 2023, due to the expected contraction from forestry. Crop farming as a result of poor rainfall and lower growth in fishing. Agriculture is expected record a recovery in 2024 mainly driven by the expected improved performance in the fishing subsector and continued improved in livestock marketing. The improved performance in the Livestock subsector comes on the back of robust slaughtering activities at abattoirs and butchers for cattle. Going forward the sector is projected to decelerate in 2025 and 2026 as it continues to experience climate change impacts and the fishing subsector is expected to continue with its structural issues.

The livestock subsector is estimated to register an upward growth in 2023 and in 2024 due to strong growth in animal marketing and livestock exports as farmer wane-off to reduce the loss on the back of drought in 2023. The subsector is expected to slowdown in 2025 and 2026 attributed to expected climate change impacts.

Crop farming is projected to decline in 2023 on the back of the high input cost and on-going drought which is expected to reduce the yield from the rainfed crops. The subsector is expected to recover to in 2024. The recovery is due to the anticipated normalization of the rainfall patterns in that period, before slowing down in 2025 and 2026.

The **fishing** subsector is expected to contract in 2023, before recovering in 2024. The slow growth in 2023 is resulting from lower total allowable catches ACs, landings as well as smaller sizes of the fish landed in some species, while the recovery in 2025 and 2026 is expected on the back of improvements in activities of the sector.

The mining industry and quarrying is expected to slow down in 2023 from a high base in 2022. The growth in 2023 is supported by increased output from *diamond mining*, uranium mining, and sustained investments in mineral exploration**.** Going forward the industries is anticipated to start slowing in 2024 and this deceleration is attributed to lower production in diamond mining and gold before contracting in 2025 due to the preparation of closure of one gold mine.

Diamond mining is projected to record slower growth in 2023 and 2024 from a higher base of 2022 before contraction in 2025. The slower growth in 2023 and 2024 from a high base effect (owing to the production impact of the new vessel introduced) in 2022. While production is expected to contract in 2025 because of expected lower carats recovery. Global demand for diamonds is expected to be lower in line with slowing global economic activities in 2023 and 2024, which is expected to weigh down on consumer spending powers particularly in advanced economies.

Uranium mining is estimated to return to growth in 2023 following a contraction in 2022. The sector is expected to grow in 2023. The growth in 2023 is expected on the back of increased output due to innovative production methods despite water challenges in 2023. Going forward growth is expected to remain stable on the back of resumption of mining activities by an additional mine that was under care and maintenance, coupled with anticipated favourable uranium prices in 2024.

The metal ores sub-sector is projected to make a strong recovery in 2023 and a slowdown in in 2024. The metal ores sub-sector is expected to grow in 2023. The improved growth in this subsector will come from increased production from gold, which is anticipated to offset lost output from zinc and copper. The expected contraction in 2024 is on account of the winding down of production from open pit operation from one of the golds producing mine.

SECONDARY INDUSTRIES

Secondary industries are expected to record a slow growth in 2023 compared to an upward growth recorded in 2022.The lower growth in **Secondary industries** is mainly driven by expected decline in beverages, grain mill products as well as the *construction sector*. Growth in **secondary industries** is projected to register a strong growth in 2024 and 2025. The growth in 2025 is largely on the back of anticipated recovery in construction (road construction. oil and gas well drill and green hydrogen, upgrade and construction of water canal) and electricity & water as well as *beverage* and *manufacturing* during the same period. Going forward. the secondary industries is anticipated to slow down marginally in 2026 as some construction projects comes to completion.

The manufacturing sector is estimated to record a slowdown in growth in 2023. from growth high growth recorded in 2022. The slowdown is attributed to the expected slower performance of basic non-ferreous. diamond cutting and polishing, grain meal product and beverages that are anticipated to register a low growth in 2023. Going forward, growth in the sector is expected to improve to in 2024 and 2025, supported by diamond processing, beverages, other food products and grain mill products.

Electricity and water sector is estimated to slow down in 2023 on the back of lower electricity output from the Ruacana hydro-power station due to poor rainfall in southern Angola. The water subsector is expected to grow on the back on increased demand for water due to poor rainfall recorded in Namibia. The water and electricity sector is set to grow in 2024 and 2025. This will be supported by more than three (3) renewable energy power project expected to come-on stream by the end of 2025 with a combined power supply of around 110MW. There are some developments around the solar powered storage-battery system pilot project to cater for the intensity of the UV rays in Namibia, as the current battery systems are not suitable to the Namibian climate as well as three (3) water projects namely Rundu canal. Oshakati canal and Ohangwena water aquifer.

The construction sector is estimated to contract in 2023 before returning to growth trajectory in 2024. The expected recovery is supported by increase in government expenditure on capital projects including the construction of new classrooms and on-going road projects and the low base effects. As the economy normalises, the construction sector is expected to expand further and grow in 2025 and 2026. The expectation is that the sector will benefit from increased investments including the, reopening one of the uranium mines, water projects, Lüderitz port expansion, construction of new mines (gold and lithium), construction activities linked to oil and gas as well as the green hydrogen sector.

TERTIARY SECTOR

Tertiary industries are estimated to grow during 2023, from a slow growth recorded in 2022.The growth in these industries are mainly on the back continuous recovery in the *Wholesaler and retailer*, *hotel and restaurant secto*r and *transport* as well as *financial sectors* that is supported by high interest rate. Meanwhile, the industry is expected to slow down in 2024 as interest rate subside, before picking up in 2025 supported by overall economic recovery.

The **wholesale and retail trade sector** is estimated to register a growth in 2023, equal to that registered in 2022. This growth is mainly on the back of a reduction in disposable income, owing to high inflation and interest rates. The elevated inflation environment is attributed to the on-going war in Ukraine and high fuel prices although on a downward trend. The growth momentum in 2023 is attributed to increase in vehicles sales and clothing and footwear, despite sluggish to no growth in real income. The sector is expected to remain strong in 2024 on the back of improvement in demand as inflation moderate downwards and the anticipated interest rates stabilization as well as salary increment, before slowing down in 2025 and 2026 on the back of high base.

The hotels and restaurants sector is anticipated to grow in 2023. The strong growth in 2023 is supported increase in demand for tourism activities, induced by high international arrivals (new airline routes), depreciating exchange rate, before moderating. The sustained momentum in local tourism as well as increased competitive sport activities within the country. The number of international arrivals reached the pre-covid-19 levels by the end of 2023. In 2024, the subsector is expected to slow down on the back of unstable economic in EU market and higher base.

The transport and storage sector is projected to register a growth in 2023, relative to sluggish growth in 2022. The growth in the sector is attributed to improved economic activities, moderating international fuel price, increased port cargo handling for exploration, mines and regional trade activities. The industry is expected to grow further in 2024 and 2025. The growth is ascribed to anticipated increase in twenty-foot equivalent unit (TEU), to be handled because of the appointment of the container terminal operator, coupled with rising import activities to be used in the oil and gas industry as well the expected increase in construction activities.

The **financial sector** is estimated to grow in 2023. The increased performance of the sector is supported by the prevailing high interest rate environment, increase in premium written in line with recovery in economic activities. Growth in the sector is expected to grow further in 2024 supported by demand in investment in oil and gas sector.

Growth in **real estate** activities is expected to increase in and pick up in 2024 onwards. The growth for 2023 and 2024 is expected to be driven by the upgrading of informal settlement, completion of ongoing construction private property and increase in demand of property in the high-income segment supported by the upgrade of the subsidies package.

Public Administration and Defence, health, and education is expected to grow in 2023. The growth in the sector is attributable to additional recruitment of staff in the Public Safety and defence. The health sector is expected slowdown due to reduced spending on account dwindling impact of the Covid-19. Going forward these sectors are expected to grow moderately.