Republic of Namibia

Ministry of Finance

"BEYOND 35: FOR A PROSPEROUS FUTURE"

Fiscal Strategy for the Medium-Term Expenditure Framework
2025/26 - 2027/2028

Republic of Namibia

FISCAL STRATEGY
FOR THE
MEDIUM TERM EXPENDITURE FRAMEWORK
FY2025/26 TO FY2027/28

MARCH 2025

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Foreword

The economy showed healthy growth in 2024, albeit slower compared to the previous year. The growth trend is projected to continue over the MTEF period supported by all sectors of the economy. Overall, the primary industries are projected to pose moderate growth, however, the diamond sector is experiencing slowdown due to low prices because of subdued global demand.

Over the medium term, growth is projected to remain steadfast and broad based. However, risk persists arising from geopolitical tension and conflict globally. As a commodity exporter, the domestic economy remains vulnerable to global commodity prices. At the same time, as an arid country, the economy is further threatened by the adverse effects of climate change, which mostly affect the agriculture industry and infrastructure. In this regard, the government is employing measures to diversify the economy and counteract the effect of climate change.

On the fiscal policy front, the government is implementing measures to support the economy and improve competitiveness. Macroeconomic stability is still at the core of government fiscal policy objectives. As a result, the government continues to pursue a balanced fiscal policy aimed at reducing fiscal deficit, reducing public debt and support growth trajectory. Along with the strengthening fiscal landscape is the mammoth socio-economic challenges including unemployment, especially among the youth, poverty, and income inequality. The government is therefore determined to allocate resources efficiently to address these social evils to ensure an inclusive economy.

EBShafudah
Ericah B Shafudah, MP
Minister

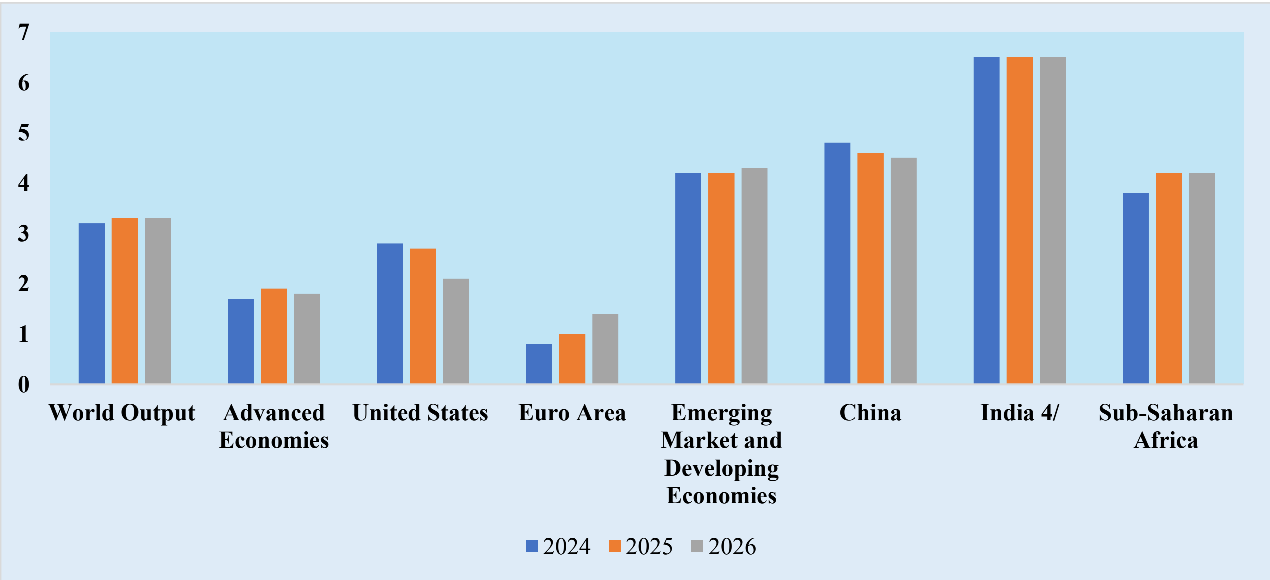
1. OVERVIEW OF GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS AND OUTLOOK

1.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

According to the January 2025 update of the IMF World Economic Outlook (WEO), the global economy continues to hold steady although the degree of grip varies widely across countries as shown in *Figure 1*. Global is projected at 3.2 percent in 2024 and 3.3 percent in both 2025 and 2026, lower than the historic average of 3.7 percent (2000-2019). The growth forecast for 2025 remained broadly unchanged from October 2024 World Economic Outlook (WEO).

In the ***advanced economies,*** growth is projected at 2.7 percent in 2025, 0.5 percentage point higher than the October 2024 forecasts, in part reflecting robust labour markets and accelerating investments. The direction of growth varies in different economies, nonetheless, growth is broadly anchored by the United States, where underlying demand remains robust, reflecting strong wealth effects, a less restrictive monetary policy stance and supportive financial conditions.

Figure 1: Overview of IMF Economic Outlook Real GDP Projections-annual % changes



Source: IMF, WEO January 2025

In the ***Euro area,*** growth remain subdued and is expected to pick up gradually, with geopolitical tensions continuing to weigh on sentiments. The weaker-than-expected momentum at the end of 2024, especially in the manufacturing sector, and heightened political and policy uncertainty explain a downward revision of 0.2 percentage point to 1.0 percent in 2025. Going forward, growth is expected to rise to 1.4 percent in 2026, helped by stronger domestic demand, as financial conditions loosen, confidence improves, and uncertainty recedes somewhat.

In ***emerging market and developing economies***, growth performance in 2025 and 2026 is expected to broadly follow that of 2024. Relative to the projections in October 2024, growth in China has been revised upward by a marginal 0.1 percentage point to 4.6 percent in 2025. This revision reflects a carryover from 2024, and the fiscal package announced in November 2024 largely offsetting the negative effect on investment mainly from heightened trade policy uncertainty and property market. Similarly, growth in India also slowed down more than anticipated, led by a sharper than expected deceleration in industrial activity. In the interim, the Sub-Saharan Africa economies are anticipated to grow by 4.2 percent in 2025, anchored mainly on the performance of Nigeria and South Africa.

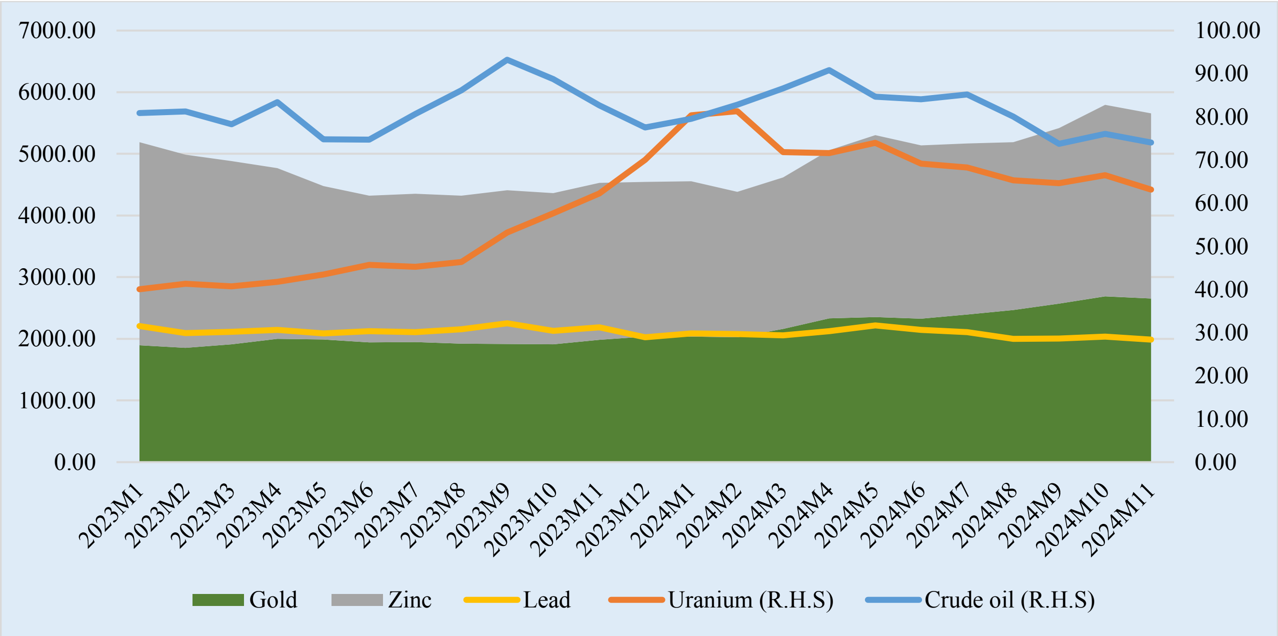
1.2 RISKS TO THE GLOBAL ECONOMIC OUTLOOK

The risks to the outlook in the medium term is tilted to the downside, with global growth expected to be lower than previous 2025–26 forecasts. Whereas in the short-term, ***risks are tilted to the upside in the United States***, elevated policy uncertainty and headwinds from ongoing adjustments (in particular, energy in Europe and real estate in China) remain some of the downward risks in the periphery. An intensification of ***protectionist policies***, for instance, in the form of a new wave of tariffs, could ***exacerbate trade tensions, lower investment, reduce market efficiency, distort trade flows, and again disrupt supply chains.*** Moreover, growth could suffer in both the near and medium term, but at varying degrees across economies. ***Looser fiscal policy in the United States,*** which is driven by new expansionary measures such as tax cuts, could boost economic activity in the near term, with small positive spillovers onto global growth. But in the longer run, ***this may require a larger fiscal policy adjustment that could become disruptive to markets and the economy, by potentially weakening the role of US Treasuries as the global safe asset, among other things.***

1.3 COMMODITY PRICES

The ***all-metal price index*** registered a marginal growth of 0.7 percent year-on-year and contracted by 0.3 percent month-on-month. The annual increase is driven by the positive movements on both base metal and precious metal. However, the prices of **cobalt and lithium** contracted to such an extent that it had a drag-down effect on the base metal prices. The ***base metals*** appear to have been highly affected by developments in the Chinese economy especially the reduced demand for electric vehicles and related industries as well as slowdown in the real estate sector**.**

Figure 1:Commodity prices in US$(metric tons, pound & Oz)



Source: *IMF, WEO January 2025*

Lithium prices declined by 41.4 percent in 2024 compared to a contraction of 58.6 percent in January 2023, owing to the slowdown in demand for electrical Vehicle (EV) and the general uncertainty in the Chinese market. The ***Uranium*** spot price registered a marginal growth of 1.4 percent on an annual basis, and it has been trending upwards during 2024. The upward trend in demand is expected to continue in 2025.

Gold prices recorded a growth of 33.6 percent in 2024 compared to 14.9 percent in 2023. The growth in 2024 was on the back of the high interest rates in the US and Euro area as well as economic uncertainty as individuals prefer to hold their wealth in gold than in cash during such period. ***Copper*** prices grew by 10.8 percent in 2024 compared to the slow growth of 1.7 percent in 2023 The increase in the was due to an increased appetite for demand on the back of the dwindling supply despite the uncertainty.

Zinc prices recorded a growth of 18.1 percent in 2024, compared to a contraction of 13.5 percent in 2023. The increase in the demand for zinc was driven by the recovery in the real estate market in China on an uptick in demand. **The Diamond IDEX**[1] contracted by 12.1 percent on an annual basis, on the back of lower demand and in line with higher interest rate imposed by central banks globally in the fight against inflation during 2024.

1.4 DEVELOPMENTS IN THE DOMESTIC ECONOMY

1.4.1 Developments in the real sector

In 2024, the Namibian economy continues on the recovery path, although at a slow pace compared to 2023. The domestic economy is estimated to have grown by 3.7 percent in 2024 reflecting a slowdown from 4.4 percent recorded in 2023 and a marginal upwards adjustment from 3.6 percent in the FY2024/25 Mid-Year Budget Review Policy Statement (MYBRPS). Growth is estimated to moderate but remain on the positive trajectory at 4.5 percent and 4.7 percent in 2025 and 2026, respectively. The projected moderation in growth is largely on account of muted global demand, prevailing drought conditions, and high base effect in mineral exploration during 2024.

Table 1 GDP by activity constant 2015 prices – annual % changes (actuals)

	2020	2021	2022	2023	2024	2025	2026	2027
Primary industries	-6.0	5.3	13.7	10.0	-1.8	4.4	5.8	6.0
Secondary industries	-11.6	-3.9	3.4	2.4	3.0	3.1	5.2	5.9
Tertiary industries	-5.6	1.9	2.2	3.0	4.9	4.5	4.2	3.5
GDP at market prices	**-8.1**	3.6	5.4	4.4	3.7	**4.5**	**4.7**	**4.4**

Source: NSA and MEWG Projections, 2025

In 2025 the economic growth is expected to be driven by activities in primary and tertiary industries. The primary industries are expected to continue growing at a strong pace driven by high output from uranium and gold as well as petroleum and mining exploration activities. The tertiary industries are projected to grow by 4.4 percent, supported among others by steady activities in the wholesale and retail sector, strong consumer demand, strong tourism activities and recovery in real estate activities. Secondary industries are expected to grow by 3.1 percent marginally higher compared to 2024. The growth in 2025 is attributed to the recovery in the construction sectors and the improved activities in the electricity and water sector on account of increased building plan approved and increased production capacity especially for renewable energy.

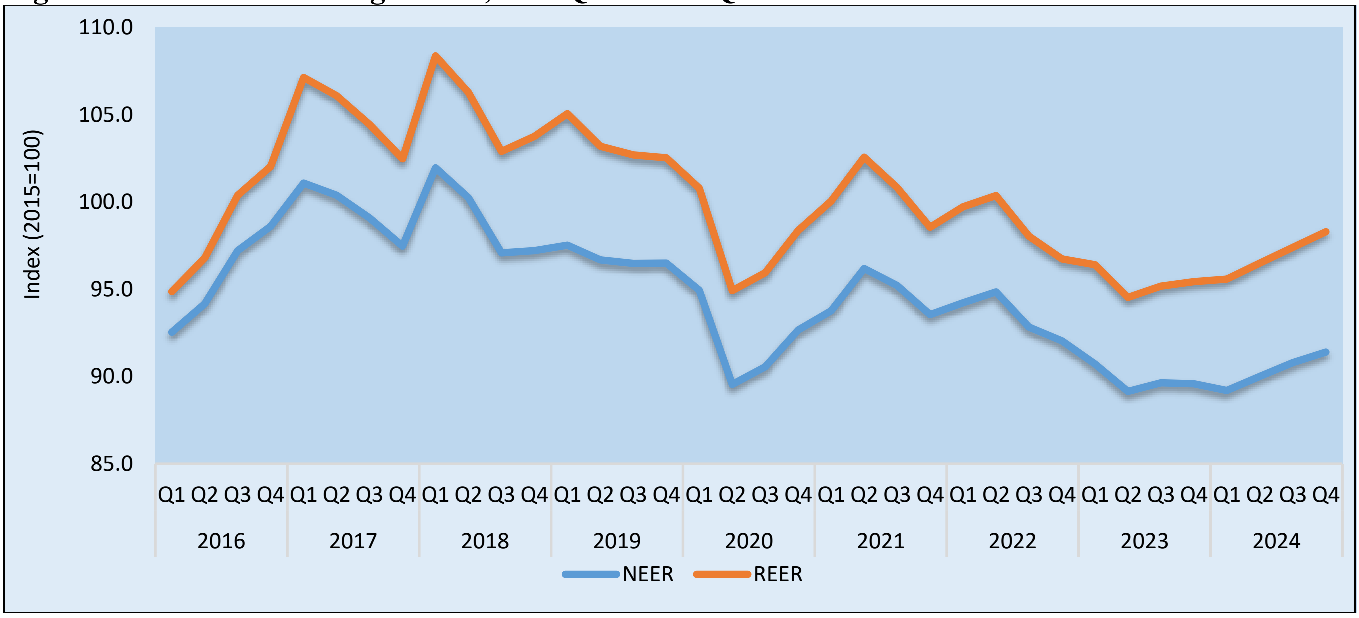
Going forward, the economy is expected to improve somewhat, however, it expected to slow down to 4.4 percent in 2027. The growth in 2026 will be supported by the energy production, expansion of the two Namibian ports, continuous exploration activities in the mining, and oil and gas sector as well as transport and storage activities as the new port operator continues to source new markets and ensure most shipment goes through the Namibian port. The slowdown in 2027, will be driven by low output in the mining sector as one mine goes underground.

1.4.2 Exchange Rates and Competitiveness

The Namibia Dollar strengthened on average, against the international currencies (US Dollar, the British Pound and the Euro) during the fourth quarter of 2024. The Namibia Dollar appreciated against the US Dollar, the British Pound and the Euro by 0.4 percent, 1.8 percent and 3.3 percent, respectively. This appreciation was attributed to several factors affecting the South African Rand to which the Namibia Dollar is pegged, including a primary budget surplus in South Africa, improved electricity availability, and a stabilised logistics system in South Africa. Furthermore, increased infrastructure investment contributed to the strengthening of the Namibia Dollar/South African Rand during the fourth quarter of 2024. Moreover, the Namibia Dollar gained strength against the Euro and British pound following the interest rates easing by the US Federal Reserve Bank, European Central Bank and the Bank of England. Global financial markets continue to demonstrate improved sentiment towards South Africa's economy since the formation of the Government of National Unity (GNU), further strengthening the South African Rand. On an annual basis, the Namibia Dollar appreciated against the US Dollar by 4.6 percent, the British pound by 1.4 percent and the Euro currency by 5.4 percent.

During the fourth quarter of 2024, the effective exchange rates recorded appreciation on both a quarterly and annual basis, influenced by a combination of a strengthened South African economy and prevailing global factors. The Nominal Effective Exchange Rate (NEER) strengthened by 0.7 percent on a quarterly basis, and by 2.0 percent on a yearly basis, largely influenced by the relatively stronger Rand during the fourth quarter of 2024 (Figure1). This is attributable to South Africa's primary budget surplus for the year ended March 2024. Similarly, the Real Effective Exchange Rate (REER) appreciated by 0.9 percent and 3.0 on a quarterly and yearly basis, respectively, during the same period, indicating a loss in trade competitiveness of Namibian products in international markets.

Figure 2: Effective Exchange Rates, 2016Q1 to 2024Q4

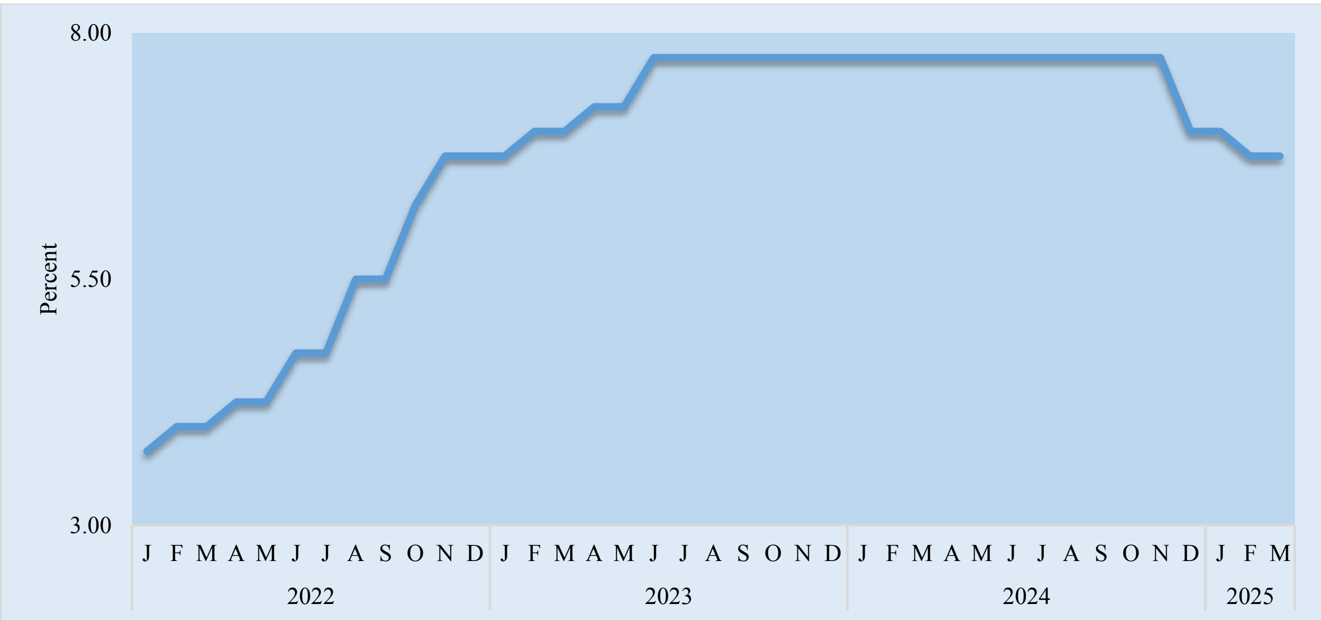


Source: Bank of Namibia, February 2025

1.4.3 Interest Rate Developments

The Bank of Namibia reduced the policy rate in February 2025. The rate has increased from 6.75% to 7.25% between April 2023 and December 2024, after which the rate was reduced by 25 basis points. A further reduction of 25 basis points in February 2025 brought the rate to 6.25%. The decision to reduce the repo rate was in line with the national objective of maintaining price and financial stability to promote economic development in Namibia, while preserving the one-to-one peg with the South African Rand.

Figure 3: Bank of Namibia Repurchase Rate, 2022 to 2025

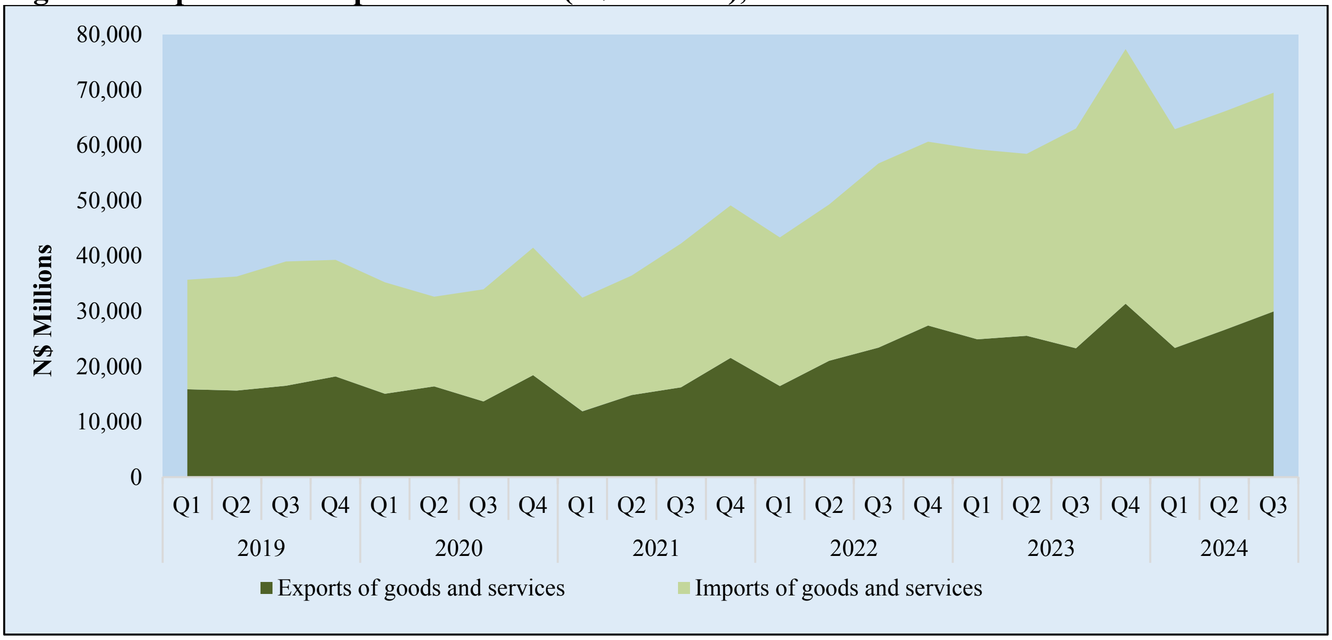


Source: Bank of Namibia, February 2025

1.4.4 Merchandise Trade Balance

The merchandise trade narrowed during the third quarter of 2024, both on an annual and quarterly basis as export receipts outpaced import payments. The merchandise trade deficit narrowed by 46.8 percent on an annual basis and by 8.7 percent on a quarterly basis to N$8.0 billion during the third quarter of 2024 (Figure 4). The improvement in the merchandise trade deficit was attributable to higher export receipts, which respectively rose by 22.2 percent and 12.2 percent on an annual and quarterly basis to N$23.8 billion, primarily due to higher volumes and export earnings from uranium and gold. Similarly, the import bill also increased but rose by lower margins of 4.8 percent and 6.9 percent on an annual and quarterly basis to N$31.9 billion. The annual and quarterly increases were chiefly driven by a higher import bill for consumer goods, particularly food items, machinery and mechanical appliances, products of the chemical industry and vehicle parts.

Figure 4: Exports and Imports of Goods (N$ millions), 2019 to 2024

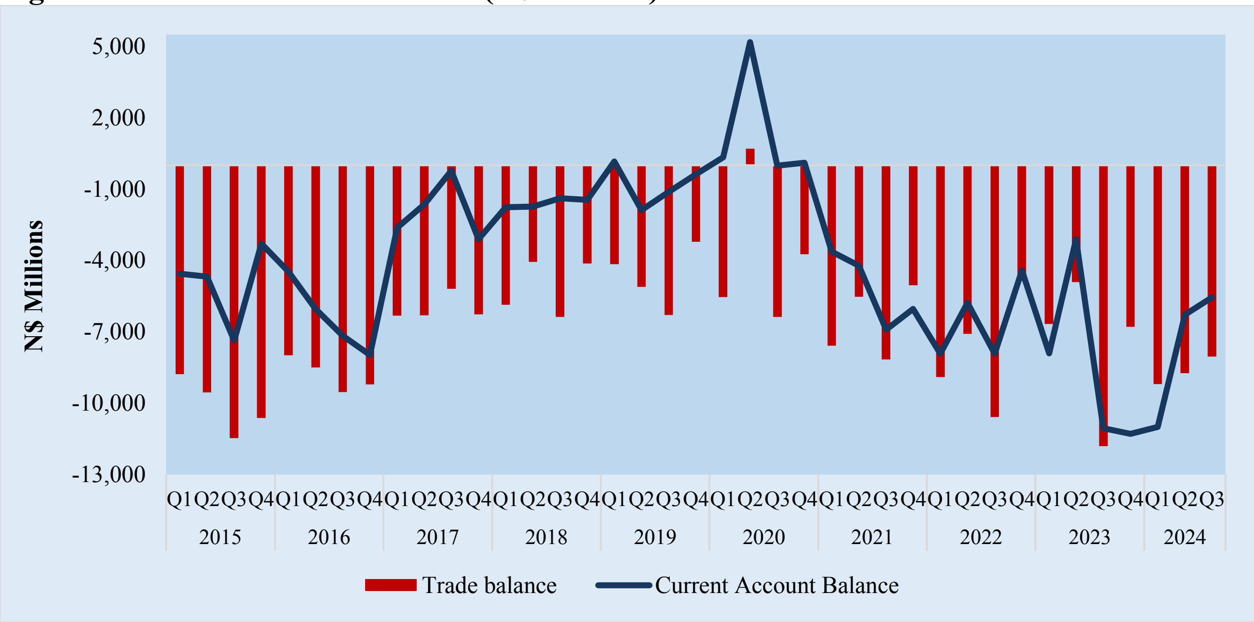


Source: Bank of Namibia, February 2025

1.4.5 Current Account Balance

The inflows in the financial account of Namibia's balance of payments was sufficient to not only cover the deficit on the current account but also repayment of some of Namibia's liabilities related to reserves during 2024. The current account deficit improved to N$5.6 billion during the third quarter of 2024 supported by non-reserve-portfolio and other investments. Given the surplus in the current financial account financing, the overall balance of payments before reserves registered a modest surplus of N$325 million. However, the repayment of a reserve related liability in the form of the partial repayment of the IMF RFI loan to the amount of N$585 million, led to a decline of N$260 million in gross reserves over the period under review.

Figure 5: current Account Balance (N$ millions)



Source: Bank of Namibia, February 2025

1.4.6 Capital Account

The inflows on the capital account rose annually but fell quarterly due to developments in capital transfers. Inflows on the capital account increased by 2.0 percent on an annual basis and fell by 10.6 percent on a quarterly basis to N$575 million. The annual rise was due to higher capital transfers received during the third quarter of 2024 relative to the corresponding period of 2023. Meanwhile, the quarterly decline was largely ascribed to reduced donations for fixed investments received by non-government organisations during the period under review.

Namibia registered lower net borrowing from the rest of the world annually and quarterly, reflecting the reduced deficit recorded on the current account. The sum of current and capital account transactions resulted in a significantly lower net borrowing of N$5.0 billion from the rest of the world during the third quarter of 2024 compared to N$10.5 billion recorded a year earlier and N$5.7 billion recorded in the preceding quarter. The lower net borrowing from the rest of the world was chiefly reflective of the lower current account deficit during the quarter under review.

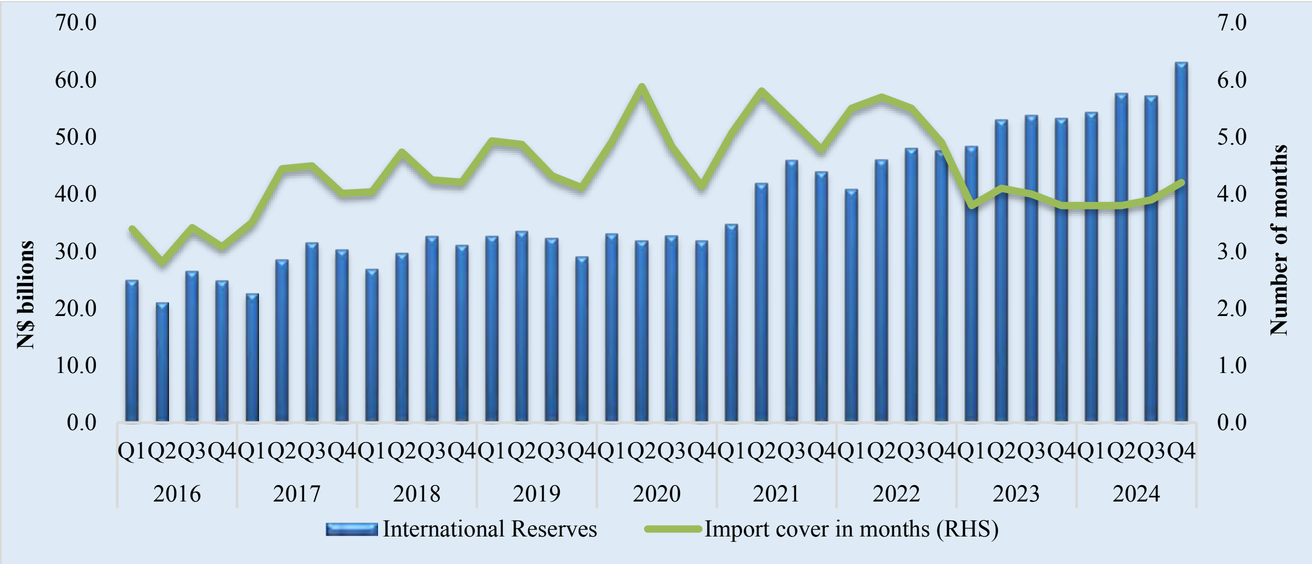
1.4.7 Financial Account

Namibia's financial account recorded a lower net borrowing from the rest of the world during the third quarter of 2024, when compared to the same quarter of the preceding year. During the quarter under review, Namibia recorded a lower financial account net inflow of N$6.2 billion compared to N$7.5 billion recorded in the corresponding quarter of 2023. The lower net inflow during the quarter was driven by reduced inflows from the direct investment category further supported by large outflows observed in the other investment category. On a quarterly basis, net inflows in the financial account rose by N$702 million as a result of net inflows in portfolio investment. As a percentage of GDP, Namibia's financial account inflow stood at 9.3 percent during the quarter under review compared to 13.4 percent and 10.6 percent recorded a year earlier and in the preceding quarter, respectively.

1.4.8 International Reserves

At the end of the fourth quarter of 2024, Namibia's stock of international reserves rose when compared to the third quarter of 2024, mainly due to increased foreign currency placements. The stock of foreign reserves rose to N$63.0 billion, reflecting a 10.4 percent and 17.2 percent increase on a quarterly and yearly basis, respectively. The quarter-on-quarter surge was driven by Customer Foreign Currency (CFC) placements, which was supported by the revaluation gains due to the marginal depreciation of the Namibia Dollar against major currencies. On an annual basis, foreign reserves rose predominantly on the back of higher SACU receipts during 2024 coupled with foreign borrowing by the Government. In this regard, foreign reserves translated into an estimated import cover of 4.2 months compared to the 3.9 months reported during the preceding quarter. The estimated import cover at the end of December 2024, that exclude expenditure related to oil exploration and appraisal activities stood at 5.1 months. Moreover, the stock of foreign reserves was 11.2 times above the N$5.6 billion currency in circulation, remaining adequate to sustain the currency peg and sufficient to meet the country's short-term international financial obligations.

Figure 6: International Reserves at Bank of Namibia (N$ billions)



Source: Bank of Namibia, February 2025

2 OUTLOOK FOR THE DOMESTIC ECONOMY

2.1 BASELINE GROWTH SCENARIO FOR THE DOMESTIC ECONOMY

REVISED GDP GROWTH PROJECTIONS

According to the Namibia Statistics Agency (NSA), the Annual National Accounts for 2024 indicates that the Namibian economy recorded a growth of 3.7 percent in 2024, a slowdown from 4.4 percent in 2023 and is and it is expected to grow further by 4.5 percent in 2025. The slower growth was due to a decline in primary industries, which contracted by 1.8 percent compared to a 10 percent growth recorded in 2023, mainly, on account of contraction of forestry and fishing sectors, which declined by 2.7 percent and mining and quarrying sector contracted by 1.2 present As a results, the projection for 2025 and 2026 were all revised downward compared to 5.4 percent and 4.9 percent in 2025 and 2026 in the Mid-Year Review Policy Statement, respectively. The revision follows the year-to-date information for 2024 and revised production estimates for 2025 and 2026.

PRIMARY INDUSTRIES

Primary industries declined by 1.8 percent compared to a compared to a robust 10 percent growth in the previous year. The main driver of the slow performance in the Primary industries is owed to weak demand for diamonds in the international market, which led to lower production, the poor performance in 'fishing and fish processing on board' sector that declined during the period under review and Other mining and quarrying' subsector which slowed in 2024 as investment in oil and gas exploration declined, While Uranium subsector also decelerated in Primary industries are expected to grow by 4.4 percent and 5.8 percent in 2025 and 2026 respectively, mainly supported by growth mining (uranium and other mining and quarrying, oil and gas exploration activities) and a recovery in agriculture.

Table 2: GDP by activities

	2025/26 FS				2023/24 MYBR		
	2023a	**2024a**	**2025p**	**2026p**	**2024a**	**2025p**	**2026p**
Primary industries	10.0	-1.8	4.4	5.8	**-1.8**	**4.5**	**4.8**
Secondary industries	2.4	3.0	3.1	5.2	**3.0**	**7.8**	**6.7**
Tertiary industries	3.0	4.9	4.5	4.2	**4.9**	**4.7**	**4.4**
GDP at market prices	4.4	3.7	4.5	4.7	**3.7**	**5.4**	**4.9**

Source: NSA and MEWG projections 2025, (e=estimate, p=projection, a=actual)

SECONDARY INDUSTRIES

The secondary industries grown by 3 percent compared to 2.4 percent in 2023. The improvement in performance is due to a growth of 2.8 percent and 6.4 percent respectively recorded in Manufacturing and Construction sectors, compared to declines of 2.1 percent and 2.4 percent in the same period of 2023. The performance in the secondary industries is primarily driven by beverages, basic nonferrous metal and government construction activities Going forward the secondary industries are expected to slow down to 3.1 percent in 2025, before expanding to 5.2 in 2026, supported by stable growth in manufacturing, electricity and water sectors as well as a recovery and growth in construction based on investments that are expected over the projected period.

TERTIARY INDUSTRIES

The Tertiary industries posted a strong growth of 4.9 percent during the period under review, compared to a growth of 3.0 present recorded in 2023. The improved performance is observed across major sectors including Transport and storage (11.4%), 'Wholesale and Retail' (9.1%), Health (8.3%), 'Financial and Insurance services activities' (5.9%) and 'Public administration and defence' (4.2%) which registered improved growth rates. The tertiary industries are projected to expand further marginally by 4.5 percent in 2025 and 4.2 percent in 2026 on the back of slowing economic activities.

RISKS TO THE ECONOMIC OUTLOOK

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

i. Geopolitical tensions remain high in the global economy
ii. Volatility in commodity prices due to geopolitics and policies uncertainty in the global economy
iii. Fast falling inflation and continuation of slow loosening financial conditions, putting pressure on emerging market and developing economies, and
iv. The impact of climate change and the volatility that comes with it.

3 FISCAL POLICY REVIEW

3.1 Global Fiscal Developments and Outlook

Economic policy uncertainty has risen significantly, particularly in the areas of trade and fiscal policy, with notable variations across countries, according to the International Monetary Fund (IMF) World Economic Outlook published in January 2025. Expectations of policy changes following the election of new governments in 2024 have influenced financial market valuations in recent months. Episodes of political instability in certain Asian and European nations have unsettled markets and introduced further uncertainty regarding the progress of fiscal and structural reforms. Additionally, geopolitical tensions, particularly in the Middle East, alongside persistent global trade frictions, continue to exacerbate economic uncertainty.

The IMF projects tighter fiscal policy over the 2025–2026 period, particularly in advanced economies mainly the United States, albeit to a lesser extent in emerging market and developing economies.

According to the IMF Fiscal Monitor (October 2024), future debt levels may exceed current projections. The political discourse surrounding fiscal policy has increasingly favoured expanded government expenditures in recent decades. Consequently, fiscal policy uncertainty has intensified, and political constraints on taxation have become more rigid.

Debt-at-risk exhibits considerable variation across countries. For advanced economies collectively, three-year-ahead debt-at-risk has declined moderately from its pandemic-era peak, currently estimated at 134 percent of GDP. Conversely, debt-at-risk has risen to 88 percent of GDP for emerging market and developing economies. These disparities are attributable to historically higher debt levels in advanced economies and substantial primary deficits in key systemic economies such as China and the United States. Additionally, financial conditions play a more significant role in amplifying debt risks in emerging markets and developing economies.

The fiscal consolidation measures planned for 2024 are insufficient to ensure debt stabilization or reduction with a high degree of certainty, underscoring the necessity of rebuilding fiscal buffers. As inflation moderates and central banks are anticipated to ease monetary policy, economies are increasingly positioned to absorb the economic impact of fiscal tightening. Furthermore, delaying fiscal adjustments in countries where debt levels are projected to rise—such as Brazil, France, Italy, South Africa, the United Kingdom, and the United States—will necessitate even more substantial future fiscal corrections. Historical evidence suggests that prolonged high debt levels heighten the likelihood of adverse market reactions and constrain fiscal flexibility in responding to negative economic shocks.

Regarding downside risks, a more expansionary fiscal stance in the United States, including measures such as tax reductions, could provide short-term stimulus to economic activity, generating limited positive spillover effects for global growth. However, over the long term, such policies may necessitate more substantial fiscal adjustments, potentially disrupting financial markets and the broader economy. The erosion of confidence in U.S. Treasury securities as a global safe asset could be among the consequences. Additionally, increased borrowing to finance expansionary fiscal policies could elevate global capital demand, driving interest rates higher and potentially dampening economic activity elsewhere. The risk of renewed inflationary pressures may prompt central banks to adopt more restrictive monetary policies, thereby exacerbating monetary policy divergence. Persistently high interest rates could further intensify fiscal, financial, and external vulnerabilities.

3.2 Domestic Fiscal Developments and Outlook

The Domestic Fiscal Policy remains prudent mirroring the steady growth on GDP recorded since 2023. However, the policy is still crowded by continuing volatile commodity prices in the global market as well as risks from global geo-political tensions. Government revenues remain vulnerable despite the positive economic growth experienced in the past three years and aggressive revenue collection administration efforts employed by the revenue authority, NamRA, since its establishment. Revenue growth stemmed mainly from domestic revenue categories such as Income tax on Individuals, Value Added Tax (VAT), and Non-mining company tax. With respect to these positive developments, downside risk also remains originating from subdued diamond revenue due to lower global prices for diamond which led to lower diamond demand. This development is projected to last over the medium term.

SACU revenue on the other hand as one of the bigger categories of government revenue is projected to fall sharply in 2025/26 expected to reduce by about 24 percent and is expected to recover in the next three years but the recovery es expected to be uneven. The decline in SACU revenue is due to weak economic activities in the Common Monetary Area region, mostly driven by slow growth in the South African economy. The non-tax revenue is expected to remain flat over the medium term, much influenced by poor performance in the diamond industry, which halted dividends prospects from the industry and small numbers of State-Owned Enterprises declaring dividends as profitability remain a challenge. Diamond royalties, which make up a significant part of non-tax revenue remain flat over the medium term, also contributing to the slow down, while revenue from administration remain sticky over the medium term.

On the expenditure front, a mounting pressure remains strong, due to many socio-economic challenges facing the country, including high unemployment, poverty and inequality, and climate change. The government, however, continues to reign in expenditure to maintains macroeconomic stability, through budget deficit reduction and debt stabilisation. In this regard, the government projected a continued positive primary balance over the MTEF period, and consequently building fiscal buffers. Fiscal policy further focused on supporting the economy through a balanced reduction of corporate tax for non-mining companies to support growth and the country's improve competitiveness.

3.3 Fiscal Developments (FY2024/25)

Total revenue and grants for FY2024/25 as at the end of February 2024 stood at N$84.4 billion, representing a collection rate of 90.4 percent. Therefore, total revenue is revised downward from N$92.1 billion estimated in the Mid-Year Budget Review Policy Statement to N$90.9 billion, a downward revision of about N$1.2 billion. When compared to the previous year, total revenue is estimated to increase by 11.8 percent from N$81.5 billion collected in FY2023/24. The increase in total revenue collection in comparison to FY2023/24 is due to buoyance on Income Tax on individuals, Company tax and VAT which grows by 8.2, 13.6 and 19.1 percent respectively. SACU revenue on the other hand decreased by 2.9 percent in comparison to the previous financial year. Non-tax revenue is estimated to have declined by 34.6 percent on account of reduction in dividends, which is estimated to decline by 78.2 percent, mostly due to poor performance of the diamond industry, while Diamond royalties declined by 16.0 percent.

Table 3: Trend of Fiscal Indicators (N$ million)

	Actual	*Actual*	*Actual*	*Budget*	*Mid-Year Estimates*	*Revised estimates*	*projections*	*projections*	*projections*
GDP	**189,505**	**211,119**	**232,939**	**275,837**	**268,361**	**251,263**	**277,920**	**309,086**	**336,591**
Revenue	**55,369**	**64,448**	**81,488**	**90,427**	**92,133**	**90,892**	**92,631**	**96,885**	**105,785**
% of GDP	29.2%	30.5%	35.0%	32.8%	34.3%	36.2%	33.3%	31.3%	31.4%
Grandt funded	**38**	**59**	**401**	**730**	**574**	**574**	**861**	**696**	**130**
Expenditure	**71,309**	**75,401**	**87,469**	**100,101**	**101,327**	**101,327**	**106,304**	**109,945**	**115,978**
% of GDP	37.6%	35.7%	37.6%	36.3%	37.8%	40.3%	38.2%	35.6%	34.5%
Budget Balance	**-15,940**	**-10,953**	**-5,580**	**-8,944**	**-8,621**	**-9,862**	**-12,811**	**-12,363**	**-10,063**
% of GDP	-8.4%	-5.2%	-2.4%	-3.2%	-3.2%	-3.9%	-4.6%	-4.0%	-3.0%
Debt	**125,784**	**142,744**	**153,721**	**165,387**	**166,663**	**165,934**	**172,408**	**190,996**	**206,784**
% of GDP	66.4%	67.6%	66.0%	60.0%	62.1%	66.0%	62.0%	61.8%	61.4%
Interest payments	**7,672**	**9,429**	**11,811**	**12,834**	**12,919**	**12,919**	**13,726**	**13,892**	**14,559**
% of Revenue	13.9%	14.6%	14.5%	14.2%	14.0%	14.2%	14.8%	14.3%	13.8%
Guarantees	**10,338**	**9,999**	**8,332**	**9,272**	**9,340**	**8,747**	**9,348**	**9,786**	**9,486**
% of GDP	5.5%	4.7%	3.6%	3.4%	3.5%	3.5%	3.4%	3.2%	2.8%

Sources: Ministry of Finance 2025/26

Total actual expenditure excluding statutory as at the end of February 2024 stood at N$72.9 billion, equivalent to 86.8 percent of the non-interest total expenditure estimate in the Mid-Year Budget Review Policy Statement. In this context, total expenditure for FY2024/25 is estimated at N$101.3 billion, a 15.8 percent increase relative to N$87.5 billion in FY2023/24. The increase in revenue estimates and gradual increase in expenditure, resulting in deficit of 3.9 percentage of GDP. Government debt is estimated to increase by 7.9 percent from N$153.7 billion in FY2023/24 to N$166.0 billion in FY2024/25. As percentage of GDP, Central Government debt is estimated to remain constant at 66.0 percent.

Interest payment is estimated at N$12.9 billion, an increase of 9.4 percent compared to FY2023/24 due to the high interest environment as well as elevated borrowing requirements. Government guarantees as a percent of GDP on the other hand is estimated to improve marginally from 3.6 percent to 3.5 percent.

3.4 Fiscal Policy outlook 2025/26-2027/28

Fiscal policy outlook for the next MTEF is expected to remain pro-growth, characterised by moderate increase in revenue and expenditure aimed at attaining macroeconomic and debt stability. Revenue is expected to increase due to growth prospects in the economy experienced in the past three years and expected to continue over the medium term. This is despite the poor performance of revenue from the diamond sub-sector. Expenditure pressure is mounting, however, containment is necessary to ensure low budget deficit and the positive primary balance, to contain debt and maintain fiscal prudence.

3.4.1 Revenue outlook

Total revenue is projected to grow steadily over the MTEF at the back of economic recovery, and will be driven primarily by non-mining tax revenue, Income Tax on Individuals and VAT. However, there is a downside risk across the board which may be hinder the expectations.

In FY2025/26, total revenue and grants is projected to increase marginally to N$92.6 billion due to lower receipt from the diamond industry and sharp decrease in SACU revenue. In FY2026/27 going forwards, total revenue is expected to grow steadily mainly at the back of Income Tax on Individuals, Non-mining Company Tax and VAT.

3.4.2 Aggregate Expenditure, Budget Balance, and Debt Outlook

Total Government expenditure is expected to increase over the MTEF. In view of the above, expenditure for FY2025/26 is estimated to increase to N$106.3 billion compared to N$101.3 billion in the previous year. Expenditure is further expected to rise to N$109.9 billion and peaking to N$116.0 billion in FY2026/27 and 2027/28, respectively.

Budget deficit is estimated to increase from 3.9 percent of GDP in FY2024/25 to 4.6 percent of GDP in FY2025/26 given the revenue challenges experienced, while the average for the MTEF period is estimated at 3.9 percent of GDP. Central government debt is estimated to increase from N$165.9 billion in FY2024/25 to N$172.4 billion in FY2025/26 and is expected to reach N$206.8 billion by the end of the MTEF. As a percentage of GDP however, central Government debt is projected to improve from 66.0 percent in FY2024/25 to 62.0 percentage of GDP in FY2025/26 and will average 61.8 percent over the MTEF period.

3.5 Budget Deficit Financing and Debt Servicing

3.5.1 Budget Deficit

The budget deficit is forecasted to rise in FY2025/26 compared to the previous year, primarily due to declining revenue from mining and moderate increase of expenditure. The actual budget deficit amounted to N$5.6 billion, or 2.4 percent of GDP in 2023/2024, while the preliminary estimate for FY2024/25 stood at N$9.9 billion, or 3.9 percent of GDP.

Over the medium-term budget deficit is projected to rise to N$12.8 billion in FY2025/26, N$12.4 billion FY2026/27, before slowing to about N$10.1 billion in FY2027/28. As a percentage of GDP, the budget deficit is expected to increase to 4.6 percent in FY2025/26, and reducing to 4.0 percent in FY2026/27, before stabilizing around 3.0 percent in the last year of the MTEF.

3.5.2 Financing Requirement

The total financing requirement is projected to moderate in the medium term compared to the past three years. The increase is driven primarily by the persistent budget deficits, and subsequent rising debt obligations. The actual financing requirement amounted to N$6.6 billion in the FY2023/24, while the preliminary estimate for FY2024/25 is projected at N$14.2 billion.

The total financing needs for FY2025/26 is expected to rise to N$17.3 billion in line with elevated budget deficit coupled with other externing financing obligations.

3.5.3 Debt Financing (Domestic and External Financing)

Debt financing is sourced from both domestic and external sources, with domestic market constitutes over 80 percent of total financing over the past years. Going forward, domestic financing is projected to remain strong relative to external financing, reflecting a strategic policy stance aimed at fostering the development of the domestic financial market, domestication of the sovereign debt and supporting broader economic growth.

In FY2023/24, actual domestic financing stood at N$4.3 billion and is estimated at N$12.9 billion for FY2024/25. Overall financing is expected to peak to N$17.3 billion in FY2025/26, to partially complement refinancing for the Eurobond redemption of the US$750 million maturing on 29 October 2025.

In the meantime, the Government makes substantial progress in settling the Rapid Financial Instrument (RFI) financing from the International Monetary Fund amounting at N$2.3 billion in FY2025/26 and a final tranche of N$1.2 billion in FY2026/27.

Foreign financing for FY2023/24 amounted to N$2.4 billion, while in FY2024/25 is estimated at at N$1.3 billion for FY2024/25. Given ongoing projects, particularly the water and transport sectors funded through foreign loans, the foreign financing is expected to increase by N$2.6 billion in FY2026/27, and further by N$1.2 billion by FY2027/28.

The funding to the transport infrastructure is aimed at supporting the Phase II expansion of the railway between Kranzberg and Otjiwarongo, as well as the supply of rail materials for the Otjiwarongo-Tsumeb section. In the water sector, funds will be used for the construction of bulk water infrastructure that include the expansion of Rundu water treatment plant, the expansion of Oshakati water treatment Plant, Ohangwena Aquifer including water reservoir as well as pipeline expansions and replacements. These projects are financed through bilateral and multilateral agreements with KfW and the African Development Bank (AfDB). Preparations are underway to secure financing for youth empowerment and healthcare projects, with expected completion in the medium term once agreements with development partners are finalized.

3.5.4 Interest Payments

Interest payments, or debt servicing, form significant component of the national budget, reflecting the government's obligations on both domestic and foreign debt servicing. In FY2023/24, domestic interest payments amounted to N$9.3 billion, while foreign interest payments were N$2.5 billion.

In FY2025/26, about N$11.0 billion and N$2.7 billion in interest payment is projected for domestic and foreign debt, respectively. Moreover, domestic interest payments are projected to rise gradually, reaching N$12.3 billion by FY2027/28, while foreign interest payments are expected to decrease to N$2.0 billion in FY2026/27 from N$2.7 billion in FY2025/26, before stabilizing at N$2.3 billion in FY2027/28. As a percentage of revenue, overall interest payments are expected to slightly decrease from 14.5 percent in FY2023/24 to an average of 14.3 percent over the MTEF period.

3.5.5 Total Debt Stock

The debt stock rose steadily, reflecting the growing financing needs. Domestic debt constitutes a significant portion of the total debt stock, while foreign debt is projected to decrease over the medium term due to foreign loan repayments. In FY2023/24, the total debt stock stood at 66.0 percent of GDP, while in FY2024/25 debt stock is estimated to remain stable at 66.0 percent of GDP. The stabilisation in debt stock is supported by improved revenue collection, especially from domestic taxes as well as increase in nominal GDP. Of the total debts, domestic debts accounted for 49.4 percent of GDP, while foreign debt represented 16.6 percent of GDP in FY2023/24. In FY2024/25, domestic debt is estimated to increase marginally to 51.4 percent of GDP, while foreign debt will decrease to 14.6 percent of GDP.

In the medium term, total debt stock as percentage of GDP is projected to stabilise at 62.0 percent in FY2025/26 in relation to previous year and will decrease to an average of 61.6 percent over the MTEF period. This trend indicates a complete shift towards higher domestic debt, while external debt will be highly denominated in South Africa Rand that is pegged one-on-one with to the Namibia Dollar. The overall debt portfolio will predominantly be denominated in a local currency resulting to lower exposure to external financing risks. Detail table of overall debt stock by creditor and by currency will be found on annexure 4 below.

3.5.6 Guarantees

Total guarantees, represent the government's contingent liabilities from both domestic and foreign creditors, and constitutes significant fiscal obligations, as they can create future liabilities if the guaranteed entities default. Over the medium term, these guarantees are expected to decline slightly to 3.5 percent of GDP in FY2024/25 from 3.6 percent in FY2023/24 and continue in the declining path over the MTEF to stand at 2.8 percent in the last year of the MTEF period, reflecting a more controlled fiscal exposure to guarantees.

3.5.7 Maturity Profile and Redemption Strategy

The government's debt maturity profile for the MTEF reveals a series of significant bond maturities and financial obligations resulting in a near-term fiscal pressure and requires prudent fiscal policy management. A total of N$42,3 billion is expected to mature over the MTEF period, as depicted in the below table, underscoring the need for effective debt management strategies to refinance, restructure, or repay these obligations.

Table 4 Bond Maturity Profile

Bond	Maturity	Balance
GC25	15/04/2025	1,145,150,000
GI25	15/07/2025	1,962,710,000
Eurobond2	29/10/2025	13,870,425,000
GC26	15/04/2026	6,390,110,000
NAM04	01/08/2026	335,000,000
IMF (RFI)	01/11/2027	3,242,761,438
GC27	15/01/2027	6,794,970,000
GI27	15/10/2027	1,403,030,000
GC28	16/10/2028	4,745,320,000
GI29	15/01/2029	2,422,650,000
Total		42,312,126,438

Of the N$42.3 billion maturity, 40 percent will be redeemed in the FY2025/26. This constitutes an amount of N$3.1 billion for the two domestic bonds (GC25 and GI25) and the Eurobond25 with an outstanding amount of approximately N$13.9 billion at maturity. Furthermore, the International Monetary Fund (IMF) loan under the Rapid Financing Instrument (RFI), has a repurchase amount of N$2.3 billion due in the same financial year.

To this effect, Government has developed debt strategy aimed at ensuring prudent debt risk management. Timely action is essential in managing these liabilities without compromising fiscal stability, particularly given the substantial repayments expected in FY2025/26.These strategies included, switch, rollover as well as transfers to a designated Euro bond Sinking Fund.

3.5.8 Eurobond Redemption (U$D750 million)

Government has made necessary preparations to meet its Eurobond redemption obligation of USD750 million (approx. N$13.8 billion), due on 29 October 2025. As part of the redemption strategy, funds have been set aside from the SACU receipts to the Eurobond Sinking Fund, which amounted to USD 463.4 million (approx. N$8.5 billion) by February 2025. This leaves a remaining balance of USD 286.6 million (approx. N$5.3 billion) to be set aside for the bond's redemption, before maturity.

Going forward, the government plans to contribute approximately N$3 billion (US$162 million) from its SACU receipts to the sinking fund over the next three quarters of the FY2025/26, towards the Eurobond debt obligation, while N$2.3 billion (US$125 million), will be sourced from the domestic market to bridge the gap. This will be done considering the elevated interest rate environment and the need to manage debt servicing costs effectively.

4 Fiscal Policy Priorities and Reforms (FY2025/26-2027/28)

In the current year, the Government will continue to implement tax reforms to improving business competitiveness. This will be done through increased efficiency in tax collection and maintain fairness and equity in taxation regime. Due to a tax regime that has not been reviewed for a number of years, the country becomes less competitive due to the high corporate tax rate compared to regional peers. At the same time thee tax brackets for Income tax on individuals had not been refreshed for a long period leading to overtaxing of in this tax category. The government is therefore proposing the following tax reforms over the MTEF period.

i) support and facilitate economic development through continued investments in infrastructure, such as housing and informal settlements upgrading, education, water, power generation and health facilities, amongst others, to unlock economic opportunities and ensure delivery of social services across the country;

ii) protect and sustain the allocations to the various social protection programmes in consideration of the need to continue safeguarding livelihoods, support the most vulnerable sectors of our society, empower the youth and protect gains in social metrices;
iii) undertake youth empowerment programmes and capacity enhancement activities
iv) promote food production and stimulate agricultural activities given the elevated incidences of drought and the need to improve food security at a national level.

In addition to the above priorities, government will implement the following administrative measures to increase efficiency in public service delivery.

i) explore an efficient solution for rolling out the Social Safety Nets;
ii) prioritise the implementation of the Methodology for Assessing Procurement Systems (MAPS) recommendations to address the identified bottlenecks in the procurement system and create a dedicated Procurement Court to address bottlenecks in the procurement system.
iii) strengthen oversight measures to improve efficiencies and realise savings on the Public Services Employees Medical Aid Scheme (PSEMAS).
iv) conduct regular auditing of Government redundant assets to ensure that government assets are accounted for and properly managed.

v) Strengthen the introduced vouchers system, redeemed by beneficiaries at local retailers. This initiative digitalises and automates the distribution of food parcels and provides efficiency gains for the food relief distribution programme while also empowering local retailers.

4.1 Tax Policy Reforms

In the current year, the Government will continue to implement tax reforms in order to improve business competitiveness. This will be done through increased efficiency in tax collection and maintain fairness and equity in taxation regime. Due to a tax regime that has not been reviewed for a number of years, the country become less competitive due to the high corporate tax rate compared to regional peers. At the same time thee tax brackets for Income tax on individuals had not been refreshed for a long period leeding to overtaxing of in this tax category. The government is therefore proposing the following tax reforms over the MTEF period

- *i)* *A reduction of the non-mining company tax rate by two percentage points from the current 30 percent to 28 percent effective on 1 April 2026, as a tax incentive to businesses and for regional competitiveness.*
- *ii)* *Introduce a 10 percent dividend to maintain tax neutrality. In order to alleviate the tax burden, certain institutions such as the Government, pension and medical aid funds as well as companies will be exempted from paying dividend tax.*
- *iii)* *Anti-avoidance measures to be enhanced with regulations on hybrid equity instruments, which instruments are used to disguise debt as equity for purposes of avoiding to pay tax on interest income especially in financial services. Alignment with rest of the world on anti avoidance on the BEPS projects*
- *iv)* *To support investments in mining activities, allow under prescribed circumstances, the deduction of rehabilitation costs. This reform is in line with our commitment to the principle of "polluter must pay" No.15 and the UN SDG No.15 that calls for the protection, restoration and promotion of sustainable use of terrestrial ecosystems, sustainable management of forests, combatting desertification, and halt and reverse land degradation and halt biodiversity loss. This reform will then support entities to make financial provisions for the restoration of the ecosystem, which might have been affected by the mining operations.*
- *v)* *Consideration to review tax brackets for inflation creep over the MTEF at a cost of N$712.9 million per annum over the next two financial years.*
- *vi)* *Increase the single commutation threshold at Retirement from N$50,000 to N$375,000 to reduce costs on retirement and avoid trivial annuities. The proposal will address the UN SDG No. 1, which is concerned with the elimination of poverty, in that the recipients of uneconomical amounts will be able to receive their pension as a single amount.*
- *vii)* *Introduce a limit on fringe benefit tax structure for housing benefits at N$400,000 for the application of one third tax exemption to ensure fairness and equity of PAYE. Protects the progressivity of the PAYE tax tables.*
- *viii)* *VAT on imported digital services by non-resident suppliers, service providers, as growth of streamed services and cloud services continues. VAT on imported digital services by non-resident suppliers, will enhance the fairness of the tax system as it will remove the inherent differentiation between a resident and non-resident supplier.*

ix) *Review of import VAT exemptions (Schedule IV) for business cashflow and administration efficiencies, exemption of certain capital goods imported to support the Green industrialisation strategy.*

x) *Introduce VAT zero rating on commercial properties acquired by government in order to improve the ease of tax administration and to allow for the efficient movement of cash flows.*

xi) *Finalising an improvements allowance of 10% each year on the cost of improvements on buildings to stimulate the construction industry and it also forms part our net zero carbon emissions reduction commitment in that older buildings can reduce their negative carbon emissions foot print.*

5 ANNEXURES

Annexure 1: Revenue outturn and outlook for FY2023/24-2027/28

N$ millions	2023/24 Actual	2024/25 Budget	2024/25 Mid-year Estimates	2024/25 Revised Estimates	2025/26 Projection	2026/27 Projection	2027/28 Projection
GDP at market prices, nominal	**232,939**	**275,837**	**268,361**	**251,263**	**277,920**	**309,086**	**336,591**
Revenue and grants as % of GDP	34.5%	32.8%	34.3%	36.2%	33.3%	31.3%	31.4%
TOTAL REVENUE AND GRANTS	**81,488**	**90,427**	**92,133**	**90,892**	**92,631**	**96,885**	**105,785**
TAX REVENUE	**75,493**	**82,746**	**85,953**	**86,979**	**86,000**	**91,629**	**99,620**
Tax on income and Profits	**31,250**	**32,815**	**34,415**	**34,984**	**38,109**	**38,916**	**42,121**
Income Tax on Individuals	18,560	19,739	20,075	20,075	21,830	22,661	24,177
Company Taxes	**11,038**	**11,450**	**11,917**	**12,545**	**13,454**	**13,187**	**14,644**
Diamond Mining Companies	2,329	1,479	230	239	200	788	1,580
Other Mining Companies	1,601	1,478	2,644	2,884	2,561	929	704
Non-Mining Companies	7,109	8,494	9,043	9,422	10,693	11,119	12,006
Dividend tax				-	-	351	355
Other Taxes on Income and Profits	**691**	**756**	**773**	**722**	**1,047**	**1,162**	**1,280**
Non-Resident Shareholders Tax	480	576	460	354	634	704	775
Tax on Royalty	211	174	313	368	413	458	505
Annual Levy on Gambling Income	-	6	-	-	-	-	-
Withholding Tax on Interest	**960**	**869**	**1,650**	**1,641**	**1,778**	**1,906**	**2,020**
Withholding tax on companies & individuals	334	423	696	598	661	726	809
Withholding tax on unit trusts	162	132	294	347	403	422	437
Withholding tax on Services	465	314	660	696	714	758	774
Taxes on Property	**261**	**273**	**345**	**343**	**375**	**416**	**458**
Transfer Duties	257	271	340	343	375	416	458
Land Tax	4	2	5	-	-	-	-
Domestic Taxes on Goods and Services	**18,860**	**21,463**	**22,113**	**22,557**	**25,264**	**27,507**	**29,338**
VAT + Additional Sales Tax + General Sales Tax	17,303	19,469	20,079	20,606	23,161	25,048	26,666
Levy on Fuel	1,277	1,529	1,535	1,529	1,636	1,944	2,137
Fishing Quota Levies	192	257	250	250	290	335	351
Gambling Licence (Business)	-	2	-	-	-	-	-
Environmental levies & Carbon Emission Taxes	77	176	218	140	146	148	150
Other taxes on goods and services	11	31	31	31	32	32	33
Taxes on International Trade and Transactions	**24,870**	**28,045**	**28,603**	**28,619**	**21,732**	**24,210**	**27,064**
SACU Revenue Pool Share	24,348	23,640	23,640	23,640	21,843	25,119	26,337
Revenue Formula Adjustments	-	4,406	4,407	4,407	-716	-1,575	-5
Export Levy	522	-	556	572	605	666	732
Stamp Duties	**252**	**149**	**477**	**477**	**520**	**580**	**639**
NON - TAX REVENUE	**5,983**	**7,681**	**6,180**	**3,913**	**6,632**	**5,256**	**6,164**
Entrepreneurial and Property	**4,895**	**6,080**	**5,000**	**2,732**	**5,387**	**3,941**	**4,785**
Interest Receipts for Loans Extended to Public Enterprises	4	5	5	5	6	7	7
Interest on Investments	-	-	-	-	-	-	-
Dividends and Profit Share from Public Enterprises	2,574	3,190	2,311	561	3,120	990	1,440
Interest on State Account Balances with BoN	-	-	-	-	-	-	-
Diamond Royalties	1,567	1,787	1,586	1,317	1,278	1,722	1,869
Other Mineral Royalties	656	748	747	748	825	970	1,067
Fishing Quota Auction	94	350	350	100	159	253	402
Fines and Forfeitures	**98**	**104**	**104**	**105**	**106**	**107**	**108**
Administrative Fees, charges and incidental sales	**990**	**1,497**	**1,076**	**1,076**	**1,139**	**1,208**	**1,272**
Lending and Equity Participation	**12**	**-**	**-**	**-**	**-**	**-**	**-**
External Grants	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure 2: Policy Scenario- fiscal stance for FY2023/24-2027/28

N$ millions	2023/24 Actual	2024/25 Budget	2024/25 Mid-year Estimates	2024/25 Revised Estimates	2025/26 Projection	2026/27 Projection	2027/28 Projection
GDP at market prices	**232,939**	**275,837**	**268,361**	**251,263**	**277,920**	**309,086**	**336,591**
Total Revenue and Grants	**81,488**	**90,427**	**92,133**	**90,892**	**92,631**	**96,885**	**105,785**
of which Legacy Tax Liabilities of Public Enterprises	-	*1,358*	*1,358*	*1,358*	-	-	-
Total Expenditure *(excl. Statutory Commitments)*	**74,985**	**87,267**	**88,408**	**88,408**	**92,577**	**96,053**	**101,419**
Operational Expenditure	67,873	74,632	77,968	77,968	79,777	81,913	87,922
of which Legacy Tax Liabilities of Public Enterprises	-	*1,358*	*1,358*	*1,358*	-	-	-
Development Expenditure	7,112	12,635	10,440	10,440	12,800	14,140	13,497
of which External Funded Projects[1]	1,291	3,164	1,632	1,632	3,162	3,284	1,310
Grant Funded	*401*	*730*	*574*	*574*	*861*	*696*	*130*
Loan Funded	*890*	*2,434*	*1,059*	*1,059*	*2,301*	*2,588*	*1,180*
Total Expenditure *(incl. Statutory Commitments)*	**87,469**	**100,101**	**101,327**	**101,327**	**106,304**	**109,945**	**115,978**
Domestic Interest Payments	9,332	10,328	10,412	10,412	11,027	11,865	12,269
Foreign Interest Payments	2,479	2,505	2,507	2,507	2,700	2,027	2,290
Total Interest Payments	**11,811**	**12,834**	**12,919**	**12,919**	**13,726**	**13,892**	**14,559**
Other Statutory Payments[2]	673	-	-	-	-	-	-
Total Statutory Commitments	**12,484**	**12,834**	**12,919**	**12,919**	**13,726**	**13,892**	**14,559**
Primary Balance	**6,904**	**3,890**	**4,298**	**3,057**	**915**	**1,529**	**4,496**
Budget Balance	**(5,580)**	**(8,944)**	**(8,621)**	**(9,862)**	**(12,811)**	**(12,363)**	**(10,063)**
Total Financing Requirement	**(6,647)**	**(11,666)**	**(12,943)**	**(14,184)**	**(5,973)**	**(15,501)**	**(12,620)**
Cash Requirement	(1,273)	-	(1,600)	(1,600)	(3,000)	-	-
Foreign Loan Principal Repayment	(1,394)	(2,722)	(2,722)	(2,722)	(3,838)	(3,137)	(2,557)
Bond Redemption (Sinking Fund)	1,600	-	-	-	13,675	-	-
Foreign Financing	**2,368**	**2,434**	**1,306**	**1,306**	**(11,375)**	**2,588**	**1,180**
African Development Bank	*608*	*1,751*	*794*	*794*	*2,015*	*1,979*	*1,140*
Kreditanstalt für Wiederaufbau	*1,760*	*683*	*512*	*512*	*286*	*609*	*40*
Eurobond	-	-	-	-	*(13,675)*	-	-
Domestic Financing	**4,279**	**9,232**	**11,637**	**12,878**	**17,348**	**12,912**	**11,440**
Total Debt	**153,721**	**165,387**	**166,663**	**165,934**	**172,408**	**190,996**	**206,784**
Domestic Debt	115,007	124,238	126,644	129,191	147,039	163,038	177,647
Foreign Debt	38,714	41,148	40,020	36,744	25,369	27,957	29,137
Total Guarantees	**8,332**	**9,272**	**9,340**	**8,747**	**9,348**	**9,786**	**9,486**
Domestic Guarantees	1,202	2,201	2,269	2,048	1,821	1,803	1,903
Foreign Guarantees	7,131	7,071	7,071	6,700	7,527	7,983	7,583

% of GDP	2023/24 Actual	2024/25 Budget	2024/25 Mid-year Estimates	2024/25 Revised Estimates	2025/26 Projection	2026/27 Projection	2027/28 Projection
As ratio of GDP							
Total Revenue and Grants	***35.0%***	***32.8%***	***34.3%***	***36.2%***	***33.3%***	***31.3%***	***31.4%***
Total Expenditure (excl. Statutory Commitments)	***32.2%***	***31.6%***	***32.9%***	***35.2%***	***33.3%***	***31.1%***	***30.1%***
Operational Expenditure	*29.1%*	*27.1%*	*29.1%*	*31.0%*	*28.7%*	*26.5%*	*26.1%*
Development Expenditure	*3.1%*	*4.6%*	*3.9%*	*4.2%*	*4.6%*	*4.6%*	*4.0%*
Total Expenditure (incl. Statutory Commitments)	***37.6%***	***36.3%***	***37.8%***	***40.3%***	***38.2%***	***35.6%***	***34.5%***
Domestic Interest Payments	*4.0%*	*3.7%*	*3.9%*	*4.1%*	*4.0%*	*3.8%*	*3.6%*
Foreign Interest Payments	*1.1%*	*0.9%*	*0.9%*	*1.0%*	*1.0%*	*0.7%*	*0.7%*
Total Interest payments	***5.1%***	***4.7%***	***4.8%***	***5.1%***	***4.9%***	***4.5%***	***4.3%***
as % of Revenues	*14.5%*	*14.2%*	*14.0%*	*14.2%*	*14.8%*	*14.3%*	*13.8%*
Primary Balance	***3.0%***	***1.4%***	***1.6%***	***1.2%***	***0.3%***	***0.5%***	***1.3%***
Budget Balance	***-2.4%***	***-3.2%***	***-3.2%***	***-3.9%***	***-4.6%***	***-4.0%***	***-3.0%***
Domestic Debt	*49.4%*	*45.0%*	*47.2%*	*51.4%*	*52.9%*	*52.7%*	*52.8%*
Foreign Debt	*16.6%*	*14.9%*	*14.9%*	*14.6%*	*9.1%*	*9.0%*	*8.7%*
Total Debt	***66.0%***	***60.0%***	***62.1%***	***66.0%***	***62.0%***	***61.8%***	***61.4%***
Domestic Guarantees	*0.5%*	*0.8%*	*0.8%*	*0.8%*	*0.7%*	*0.6%*	*0.6%*
Foreign Guarantees	*3.1%*	*2.6%*	*2.6%*	*2.7%*	*2.7%*	*2.6%*	*2.3%*
Total Guarantees	***3.6%***	***3.4%***	***3.5%***	***3.5%***	***3.4%***	***3.2%***	***2.8%***

Annexure 3: GDP by activity (production) supply side

	2023	2024	2025	2026	2027	2028
Agriculture, forestry and fishing	-3.2	-2.7	3.6	2.5	2.4	-3.4
Livestock farming	9.1	7.6	-2.9	1.7	2.6	9.1
Crop farming and forestry	-31.7	-6.6	24.9	8.2	5.0	-31.7
Fishing and fish processing on board	11.4	-7.9	-0.4	0.2	0.9	10.8
Mining and quarrying	19.3	-1.2	4.7	6.9	7.5	18.9
Diamond mining	10.9	-3.7	0.5	3.0	3.0	10.9
Uranium	29.6	1.8	6.9	12.6	8.2	24.5
Metal Ores	27.8	5.2	2.5	-10.7	15.0	28.9
Other mining and quarrying	35.4	0.4	13.6	17.5	13.3	37.2
Primary industries	**10.0**	**-1.8**	**4.3**	**5.3**	**5.7**	**9.7**
Manufacturing	-2.1	2.8	1.4	2.9	2.6	-3.2
Meat processing	17.4	2.8	-5.5	7.7	3.7	8.0
Grain Mill products	4.3	6.0	7.4	4.0	5.2	4.3
Other food products	9.1	-0.1	2.4	3.7	2.1	8.1
Beverages	-26.1	13.8	2.6	5.8	6.4	-29.2
Textile and wearing apparel	3.3	4.9	1.5	1.7	1.8	3.5
Leather and related products	-10.9	4.8	0.9	2.1	1.0	-10.9
Wood and wood products	2.8	0.3	1.5	1.6	1.7	2.8
Publishing and Printing	-3.6	-0.5	-2.3	-0.2	-1.6	-3.6
Chemical and related products	0.4	4.5	-4.3	-2.5	-3.2	0.4
Rubber and Plastics products	8.6	8.7	3.1	3.4	3.0	8.6
Non-metallic minerals products	-6.2	2.6	6.1	7.8	11.6	-6.2
Basic non-ferrous metals	-4.8	40.2	-12.0	-2.0	-7.5	-4.8
Fabricated Metals	4.8	5.7	5.1	5.6	5.6	4.5
Diamond processing	-12.4	-26.5	-7.6	-3.1	-5.0	-12.4
Other manufacturing	8.3	12.4	1.5	0.8	2.5	6.4
Electricity and water	26.4	2.3	9.1	10.3	11.5	27.9
Construction	-2.4	6.4	3.0	4.8	5.2	-0.2
Secondary industries	**2.4**	**3.0**	**3.2**	**4.8**	**5.0**	**2.0**
Wholesale and retail trade, repairs	5.8	9.1	7.2	7.1	7.1	5.8
Hotels and restaurants	4.4	3.7	5.6	8.6	11.2	4.8
Transport & Storage	8.5	11.4	5.6	8.3	6.3	8.5
Transport	8.2	8.2	7.2	9.3	6.8	8.2
Storage	9.4	20.1	1.5	5.6	4.9	9.2
Information Communication	0.4	1.6	3.6	1.2	0.9	0.4
Financial and insurance service activities	3.7	5.9	3.5	3.5	3.0	3.2
Real estate activities	1.2	1.0	2.1	2.3	2.8	1.0
Professional, scientific and techical services	5.7	8.3	6.4	6.5	6.7	5.0
Administrative and support services	7.7	4.0	5.1	6.5	6.4	7.7
Arts, Entertainment & Other Service activities	1.0	1.8	7.4	5.8	7.3	2.8
Public administration and defence	-0.6	4.2	2.4	2.4	2.1	-0.7
Education	4.6	1.6	4.9	3.3	2.3	3.5
Health	0.6	8.3	6.1	3.3	1.1	0.0
Private household with employed persons	8.0	2.5	5.5	11.2	8.6	8.0
Tertiary industries	**3.0**	**4.9**	**4.6**	**4.3**	**3.9**	**2.7**
All industries at basic prices	**4.3**	**3.2**	**4.3**	**4.6**	**4.5**	**4.0**
Taxes less subsidies on products	5.6	9.5	7.5	5.2	4.1	5.7
GDP at market prices	**4.4**	**3.7**	**4.5**	**4.7**	**4.4**	**4.2**

Annexure 4: Total Government Debt by Creditors and currency, March 2025

` Loans per Creditor	Loan currency	Agreement date	Term in Year	Redemption date	Interest Rate	Amount Outstanding (000s)	Foreign Exchange Rate	Outstanding Debt in N$(000s)
						46	45716.0	45,716
African Development Fund								
Trans Kalahari road project loan 1	Eur	09/03/1992	50	51957	0.75	990	19.2	19,016
Trans Kalahari road project loan 2	**Chf**	09/04/1992	**50**	**51958**	**0.75**	**187**	**20.6**	**3,845**
Trans Kalahari road project loan 3	Usd	09/05/1992	50	51959	0.75	824	18.5	15,245
Trans Kalahari road project loan 4	**Jpy**	09/06/1992	**50**	**51960**	**0.75**	**53136**	**0.1**	**6,563**
								-
Basic Teacher Education 1	**Usd**	07/09/1993	**50**	**52233**	**0.75**	**1857**	**20.6**	**38,219**
Basic Teacher Education 2	Chf	07/10/1993	50	52234	0.75	1524	18.5	28,185
Basic Teacher Education 3	**Eur**	07/11/1993	**50**	**52235**	**0.75**	**2651**	**19.2**	**50,920**
Basic Teacher Education 4	Jpy	07/12/1993	50	52236	0.75	151515	0.1	18,715
Kreditanstalt fur Wiederaufbau								
Trans Caprivi Highway II	**Eur**	11/13/1996	**20**	**50039**	**2**	**5492**	**19.2**	**105,479**
Trans Caprivi Highway III	Eur	03/27/1999	20	47117	2	1779	19.2	34,174
Rural basic telecommunication Kaokoland	**Eur**	06/19/1996	**30**	**46203**	**2**	**632**	**19.2**	**12,143**
Upgrading commercial port Walvis Bay	Eur	01/30/1997	30	46568	2	706	19.2	13,552
Windhoek water recalmation	**Eur**	01/30/1991	**30**	**46568**	**2**	**1168**	**19.2**	**22,429**
Road rehabilitation Oshivelo -Oshikati Tranch 1	Eur	11/13/1996	20	46386	3.25	4326	19.2	83,079
NDP5 Road Maintenance and Rehabilitation	**Zar**	13/12/2022	**15**	**15/02/2038**	**8.469**	**372600**	**1.0**	**372,600**
Water Sector Support Program 1	Zar		12	15/05/2035	9.8095	465750	1.0	465,750
Labour Based Roads (Construction II)	**Eur**	05/01/1999	**20**	**47847**	**3**	**1841**	**19.2**	**35,353**
Road rehabilitation Mururani Gate Rundu	Eur	09/20/1999	20	47664	2	2058	19.2	39,536
Road rehabilitation Ondangwa-Oshikango	**Eur**	03/31/2002	**30**	**48395**	**2**	**1876**	**19.2**	**36,030**
Extension of payment services NAMPOST	Eur	05/25/2005	30	52961	2	601	19.2	11,539
Participation at Transport SWAP (Sector budget support)	**Eur**	05/29/2008	**30**	**50586**	**2**	**4581**	**19.2**	**87,985**
Policy - Based loan			15	15/02/2038	10.73	2886375	1.0	2,886,375
People's Republic of China								
Loan Acc. No 1 (Aussenkehr Irrigation)	Cny	09/02/1991	40	48122	Free	92926	2.5	235,819
Loan Acc. No 2 (Low Cost Housing)	**Cny**	09/08/1992	**40**	**48488**	**Free**	**48622**	**2.5**	**123,389**
Loan Acc. No 3 (Northern Tannery)	Cny	12/18/1996	40	49766	Free	20537	2.5	52,117
Nordic Investment Bank								
Seaflower Fisheries	Eur	11/24/1994	40	49475	0.75	752	19.2	14,449
African Development Bank								
Economic Governance and Competitiveness Support Programme(Phase 1)	Zar	23/05/2017	15	48335	3-M-JIBAR	1812500	1.0	1,812,500
Education and Training Quality Improvement	**Zar**	28/03/2018	**15**	**50045**	**3-M-JIBAR**	**806644**	**1.0**	**806,644**
Transport Infrastructure Improvement	Zar	28/03/2018	15	50410	3-M-JIBAR	1691675	1.0	1,691,675
Agricultural Mechanisation and Seed Improvement (NAMTSIP)	**Zar**	28/03/2018	**10**	**47853**	**3-M-JIBAR**	**419784**	**1.0**	**419,784**
Economic Governance and Competitiveness Support Programme(Phase 2)	Zar	14/08/2018	15	48587	3-M-JIBAR	2125000	1.0	2,125,000
Economic Governance and Competitiveness Support Programme(Sup	**Zar**	06/05/2020	**12**	**49314**	**3-M-JIBAR**	**1717729**	**1.0**	**1,717,729**
Governance and Economic Recovery Support Programme Phase 1	Zar	31/03/2021	15	48590	3-M-JIBAR	1400885	1.0	1,400,885
Water Sector Support Program	**Zar**	30/06/2022	**23**	**15/04/2045**	**3-M-JIBAR**	**434596**	**1.0**	**434,596**
Governance and Economic Recovery Support Programme Phase 2	Zar	12/10/2020	18	15/11/2042	3-M-JIBAR	2300000	1.0	2,300,000
Arab Bank for Economic Development in Africa								
Northern Railway Extension	Usd	02/01/2001	24	47355	3	1452	18.5	26,853
Aus - Rosh Pinah road	**Usd**	06/04/2003	**24**	**46844**	**3**	**2379**	**18.5**	**43,999**
Instituto De Credito Official								
Construction : Fisheries Surveillance Vessel	**Eur**	06/28/2002	**20**	**48548**	**Euribor**	**2470**	**19.2**	**47,434**
Upgrading and refurbursing of five airports	Eur	12/15/2003	14	48253	4.27	7157	19.2	137,469
Export-Import Bank of China								
Customs and Excise Scanners Procurement	**Rmb**	08/29/2008	**15**	**46833**	**2**	**53077**	**2.5**	**134,693**
Northern Road DR3608	Rmb	03/26/2013	15	48659	2	176811	2.5	448,694
Northern Road MR67	**Rmb**	2013/03/126	**15**	**48659**	**2**	**310533**	**2.5**	**788,041**
BNP Paribas								
Vessels	**Eur**	01/20/2011	**12**	**46461**	**free**	**7647**	**19.2**	**146,869**
Foreign Bond Holders								
Eurobond	**Usd**	10/15/2015	**10**	**45955**	**5.25**	**750000**	**18.5**	**13,870,425**
Johannesburg Stock Exchange								
JSE Bond NAM04	**Zar**	01/08/2016	**10**	**46030**	**10.51**	**335000**	**1.0**	**335,000**
International Monetary Fund	Usd	01/00/1900	0	0	0	0		
Rapid Finance Instrument						**175342**	**18.5**	**3,242,761**
Total Foreign Debt								36,743,558
Domestic Debt								
Treasury Bills								**41,732,500**
Bonds								77,632,200
Inflations								**9,826,180**
Total Domestic Debt								129,190,880
Overal Total Debt Stock								**165,934,438**

Annexure 5: Fiscal Risk Statement

FISCAL RISK STATEMENT

1. Introduction

Namibian economy has recovered from the impact of COVID-19 achieved a healthy average growth of 4.3 percent between 2021 and 2024. The budget deficit has decreased, while government debt stabilised, amid expenditure pressure.

A Fiscal Risk Statement (FRS) can help policymakers to better understand the underlying fiscal threats and risks to the economy. Therefore, identification and disclosure of fiscal risks ensures that policymakers, the public, and legislature understand the nature and extent of risk exposures as well as their potential impact to public finances. It also provides the basis for the development of appropriate risk mitigation strategies, boosts credibility and market confidence by signaling that the government is aware of its risks and has strategies in place to mitigate them.

As in the past years, the government remains committed to fiscal sustainability by maintaining a positive primary budget and stabilise the rate of public debt accumulation. The risk framework is divided into five major categories as highlighted in Table 1, namely: macroeconomics, climate change, public debts contingent liabilities and Long-term sustainability. Fiscal risks are interdependent and highly interrelated, so when one category experiences a risk, and might have multiplier effects across all categories.

Table 1: Major Fiscal Risks Categories

Macroeconomic Risk	✓ Slower-than-expected economic and revenue growth. ✓ Volatility of receipts from the SACU customs pool ✓ Highly commodity dependent economy
Climate Change Risk	✓ Poor rainfall, drought, flood and high sea level temperature (affecting the sea species growth)
Expenditure Risk	✓ Poor execution rate on development budget ✓ Larger spending in personnel expenditure
Public Debt risk	✓ High public debt and public debt rollover risk
Long-term Sustainability	✓ Structural Risk (lack of Skills) ✓ Demographic change (Pressure on housing and land delivery)

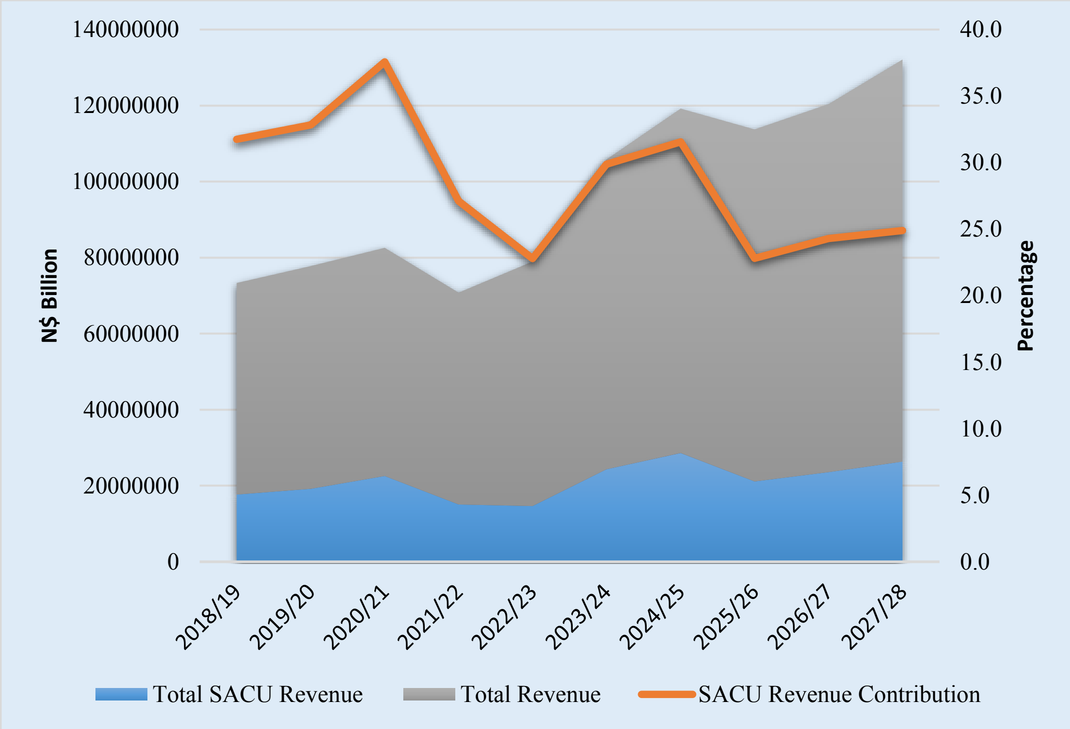
2. ANALYSIS OF FISCAL RISK CATEGORIES' MAJOR ISSUES

2.1 Macroeconomic Risks

Since independence the primary industries have been the major contributor to GDP and economic growth has been anchored around these industries. Although there have been attempts to reduce reliance on the primary industries, the status co remains the same. However, the industries are highly vulnerable to external factors such as global commodity price volatility and foreign demand, making it a significant risk to the baseline for fiscal projections. This is even more pronounced considering the ongoing and prolonged geopolitical tensions in the global economy, which have adverse effects on commodity price movements. Therefore, the volatile in commodity prices pose a significant risk to the domestic economy in terms of adjustments to production targets as well as export earnings with significant implications on both GDP projections and revenue outcomes.

South Africa is a major trading partner to Namibia, with economic growth of 0.7 percent in 2023 and was anticipated to remain fragile and vulnerable particularly due to power and logistical challenges through 2024 and over the MTEF period. 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, therefore, poor outcomes and volatility in this tax category has significant implications on achievement of the intended fiscal stance in Namibia.

Figure 1: Total SACU Revenue and contribution to revenue projections 2016-2028



Source: SACU and MEWG 2025, Computation

The domestic and global monetary policy continue to ease, with the Bank of Namibia so far reduced the policy rate from 7.25 percent to 6.25 percent between April 2023 and February 2025. However, if developments in the global economy trigger tight financial conditions in the global monetary policy, will put pressure on emerging market and developing economies including Namibia. In Namibia, the high-interest rate environment is always associated with the high level of household indebtedness, which is anticipated to exert significant pressures on domestic demand. As such, this increases the risk of fiscal stimulus to support domestic households and corporates. Furthermore, the vulnerabilities in the financial sector through high non-performing loans could potentially be prolonged. Although inflation has stabilised since the 2022, the volatility in global commodity prices remain a significant risk.

2.2 Climate Change Risks

Namibia is one of the driest countries globally and is prone to climate change shocks. This is evident through frequent and prolonged drought episodes that impact agricultural production and increase the vulnerabilities of more than 70 percent of the population that depends highly on agricultural activities for their livelihood. According to UN and world bank information, the 2013-2016 drought cycle severely impacted approximately 450,000 people, leading to widespread food insecurity. Flooding events have also increased in frequency and severity, affecting roughly 70,000 people annually, with the 2011 floods displacing over 60,000 and causing 65 fatalities. The 2023 Housing and Population Census further highlights the impact of natural disasters, indicating that they accounted for 6.1% of all deaths between

October 2022 and September 2023. High risk of drought affects crop and livestock production and consequently the agricultural output thus, reducing export earnings from agricultural output especially livestock. Climate change is affecting the temperature in the sea level which in return affecting the development of the sea species. Furthermore, Namibia has a limited electricity generation due to poor water inflow into the Ruacana hydro power plant and this poses as a risk to power generation which further affect major sectors and GDP, through reduced output.

To mitigate climate change-induced damage, an estimate adaptation investment rate of 0.1% of GDP is required in Namibia, compared to the Sub-Saharan regional average of 0.01% of GDP to achieve a 30% damage reduction. While, maintaining food security through 2050 is estimated at an annual investment of 2.4-2.5% of GDP, with an optimal split in 2025 projected to be 0.12% of GDP for adaptation and 2.28% of GDP for development. IMF model Simulation).

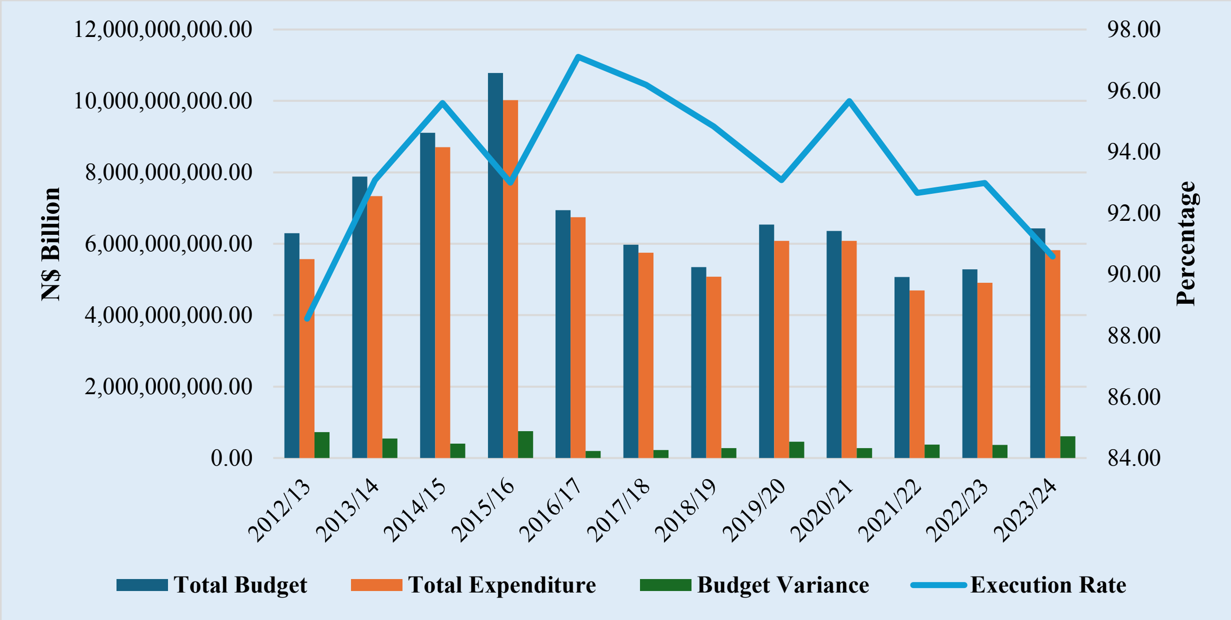
Dialogue around the green energy transition continue at the global level, and this has significant implication on the availability of financing for fossil fuels as the world moves toward clean energy. This is more pronounced due to ongoing petroleum exploration activities in the Namibia coast and have significantly fuelled domestic economic prospects. However, this development will affect 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 the baseline growth projections.

2.3 Expenditure Risks

2.3.1 Low Capital/Development budget Execution rate

The government has been experiencing poor execution for the capital budget as depicted in figure 2, that has huge implications on growth. The poor execution rate led to money being taken back to the treasury or being redirected toward operational expenditure. This situation is in many instances manifested in uncompleted government projects, which continues to draw the government back in terms of budgeting as OMAs goes back to the state to request extra fundings. As indicated in the figure below since FY 2012/13 to FY 2023/24 capital budget was never fully executed.

Figure 2: Total Capital Budget, Expenditure, Budget Variance and Execution Rate



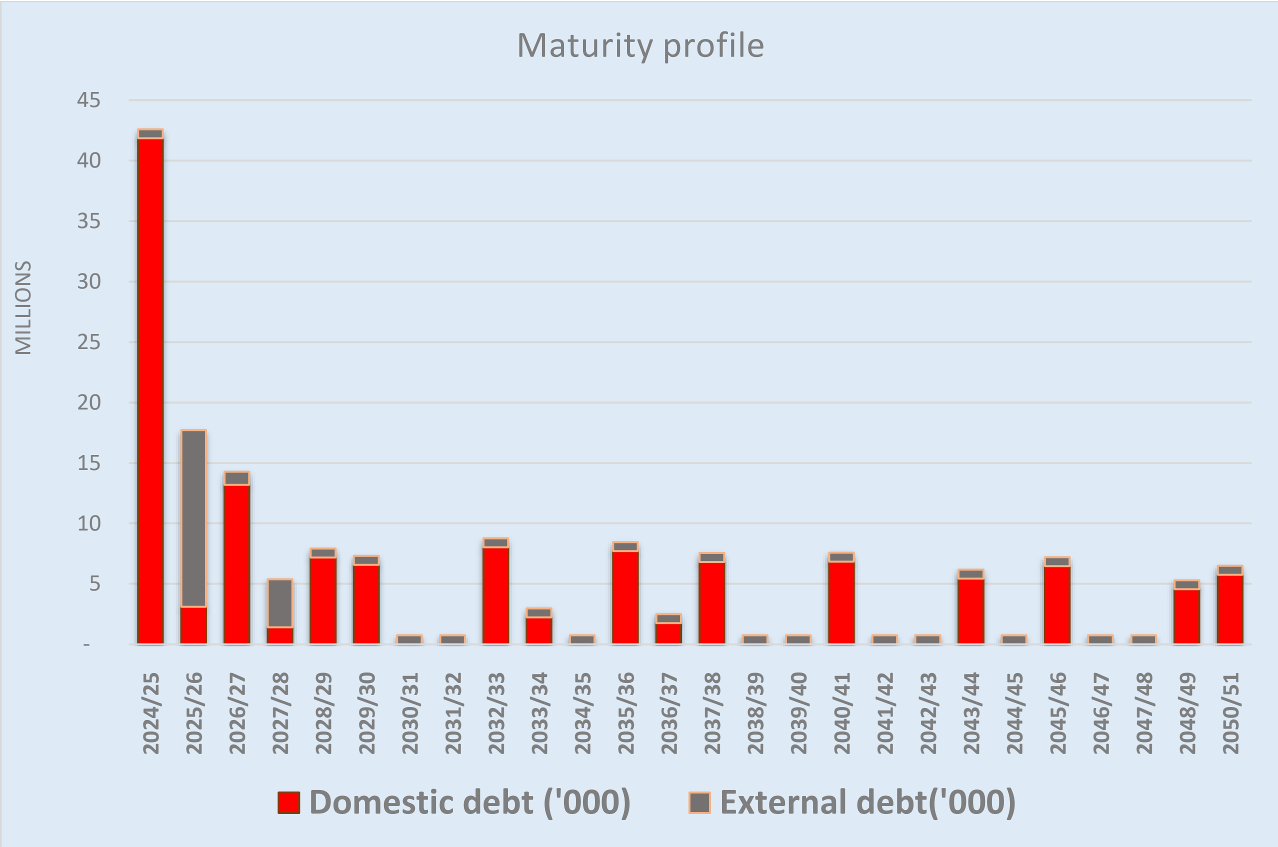
Source: National Planning Commission and MFPE Ledger, 2025

2.4 Debt Management Risks

Public debt comprises one of the government's significant fiscal risks. Namibia central government debt increased significantly between 2015/16 to 2023/24, growing from N$44.8 billion or 28.9 percent of GDP to N$153.7 billion or 65.1 percent of GDP. The medium-term fiscal framework maintains public debt on a slowing path, however, the level of debt remains high relative to Namibia's peer economies. At that level, any potential economic shocks and any materialisation of adverse risks could compromise the achievement of the envisaged debt growth trajectory. High level of debt, is also associated with high interest payments, standing at N$11.8 billion or 5.0 percent of GDP in 2023/24 above the benchmark of 3 percent.

As indicated in figure 3, a significant proportion of the debt portfolio is due in 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 and the repayment of the IMF loan. In this regard, as a prudent measure, the government has announced a redemption strategy to retire U$628 million and refinance the remaining U$122 million through domestic borrowing. Thus, the government is vulnerable to fluctuations in the financial markets as well as interest rate developments for this portion of the debt.

Figure 3: Long term Government Debt maturity profile 2025/25 to 2050/51



2.5 Contingent Liabilities

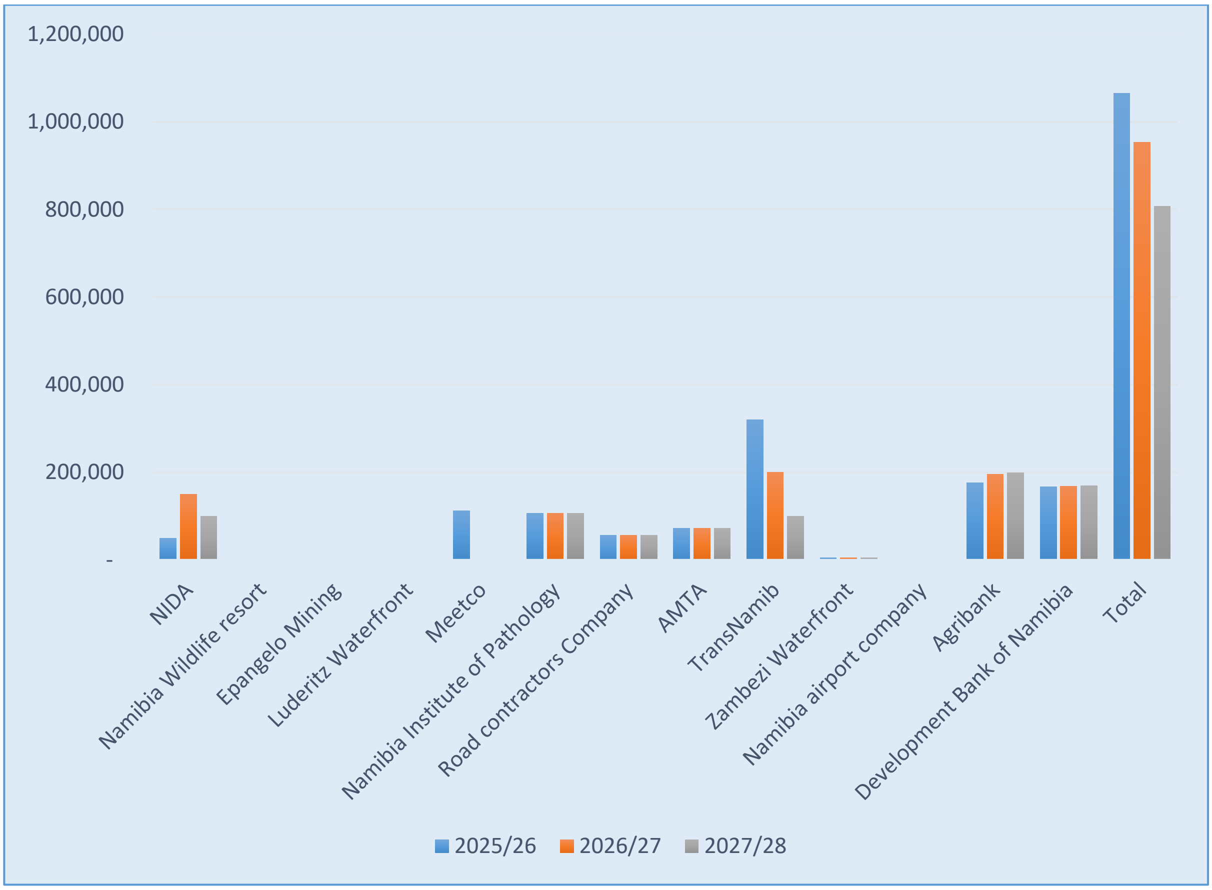
Contingent liabilities represent government's potential financial commitments if certain events occur. The bulk of contingent liabilities are associated with the poor balance sheets of state-owned enterprises. In December 2022, the government has consolidated monitoring and oversight roles over public enterprises through the Ministry of Finance and Public Enterprises. 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. In FY2024/25 Government guarantee to various SOEs was estimated at N$9.3 billion (N$2.3 billion domestic and N$7.1 billion foreign guarantee) and is projected to remain relative flat over the MTEF period. The budgetary provision to public enterprises has adverse implications on the fiscal position and the risk of such financial requirements remain prevalent over the MTEF.

3. FINANCIAL CONDITION OF STATE-OWNED COMPANIES

The financial position of state-owned companies remains in distress. Despite several notable improvements in the legal and governance framework, most major state-owned companies continue to post net losses and fall short of performance targets. Many remain unable to fund their operations and debt obligations adequately on their own balance sheet. They are also unable to optimally invest in infrastructure, with many entities requiring some form of state support to implement their recovery plans. Government is pursuing a sustainable turnaround at these companies while maintaining service delivery.

State-owned companies are likely to continue facing high borrowing costs as poor governance and operations limit their access to financial resources. Although global interest rates are expected to decline, those entities with weak and highly leveraged balance sheets, poor cash generation and significant refinancing risks may face difficulty in raising finance until they return to better form. Figure 4 shows the estimated transfer to Major SOEs during the (2025/26-2027/28) period.

Figure 4: Transfer to SOEs (N$000s)



4. Long-term Sustainability

Demographic and structural trends are critical to assess government's ability to sustain its long-term social commitments. According to the 2023 census, Namibia recorded a population growth rate of 3.0 percent between 2011 and 2023. This is a reflection of population from 2.1 million registered in 2011 to 3,0 million in 2023. In the same vein, the unemployment rate is reported to have increased to 36.6 percent according to the 2023 Labour Force Survey. Population growth and high unemployment rates are the major factors underpinning the authorities' focus on job creation as well as land and housing delivery. It should also be noted that the two may have long-term effects socio-economic fiscal policies.

Figure 5: Labour force Survey 2018, 2023 and changes 1991-2023

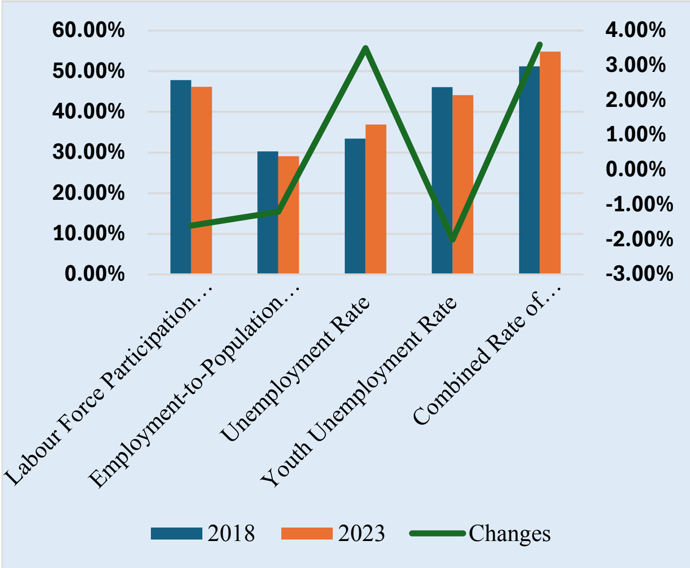
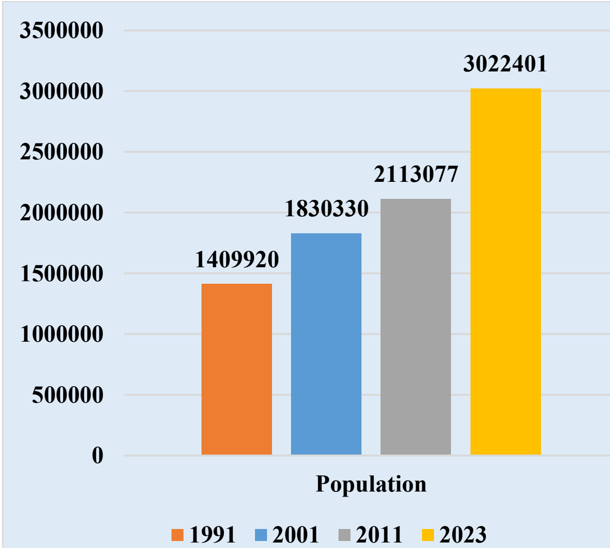


Figure 6: Changes in Population



Source: NSA, 2025

5. CONCLUSION

The identification of the risks discussed above indicates the government exposure to various to various domestic and external risks. However, the government is gradually strengthening fiscal buffers to mitigate the risks highlighted and maintain fiscal sustainability. This involves effort to improve competitiveness, increase the fiscal space and contain debt. This indention is crafted in the fiscal strategy over the next three years, which involves growth objectives as well as balancing macroeconomic sustainability.

6 ASSUMPTIONS

6.1 ASSUMPTIONS UNDERLYING MACRO-PROJECTIONS

DEMAND SIDE ASSUMPTIONS

The Namibian economy is anticipated to decelerate in 2024 compared to 2023, before rebounding on the growth momentum in 2025. The slowdown in growth expected for 2024 is due to the deceleration in gross fixed capital formation and exports. The accelerated growth expected in 2025 is mainly attributed to the expected increase in economic activities that will result in an improved spending in the domestic economy following the different consumer relief packages introduced in 2024.

Figure 7: GDP growth estimates – Demand/Expenditure approach

	2023	**2024**	**2025**	**2026**	**2027**
Final consumption expenditure	3.9	10.8	7.3	8.0	5.9
Private	4.7	13.3	8.7	9.5	6.9
General government	1.3	3.2	2.3	2.5	2.0
Gross fixed capital formation	68.9	-7.9	10.6	13.3	9.9
Gross domestic expenditure	-1.2	0.5	7.0	8.0	6.4
Exports of goods and services	11.5	7.3	3.2	3.6	5.1
Imports of goods and services	13.3	0.1	9.9	11.7	8.4
Gross domestic product	22.5	7.9	**4.5**	**4.7**	**4.4**

Source; NSA and MEWG projections (2025)

Final consumption is expected to grow significantly in 2024 compared to 2023. The anticipated growth is significantly driven by private consumption. Additionally, there is a slight acceleration expected in general government consumption.

Private consumption is projected to accelerate in 2024 compared to 2023. This is mainly attributed to salary increments for civil servants and income tax relief. Moving forward, private consumption is expected to slow down in 2025 before acerating slightly in 2026. Thereafter, the private consumption is expected slowdown in 2027 and continue with marginal changes through to 2029.

Government consumption is anticipated to increase slightly in 2024 compared to 2023 supported by the increase in the purchase of vehicles, housing allowances and salaries of civil servants. It is anticipated that the fiscal space will moderate, hence, stagnation is expected in 2027 and 2029.

Gross fixed capital formation is estimated to slow down in 2024 due to the high base effects in 2023 mainly emanating from the investment in oil exploration activity. In 2025, the growth is further anticipated to slow down marginally as some project comes to completion. However, an accelerated growth is expected in 2026 due to increased capital projects in key sectors such as ‘water and electricity’, ‘transport and storage’, ‘agriculture, forestry, and fishery’, and ‘mining and quarrying’. Subsequently, no major capital projects are anticipated; thus, growth is expected to slow down from 2026 to 2029.

Exports are expected to significantly decrease in 2024 compared to a strong growth recorded in 2023 attributed to a decline in weak demand and diamond prices. Going further, exports are expected to remain moderate in 2025 and 2026 due to a low production in gold and livestock exportation, respectively, and slightly improve in the later years due to the anticipated increase in mining activities.

Imports are projected to slowdown in 2024 compared to a strong growth in 2023 due to high base effects. Going forward, improved growth is in 2025 and 2026 is expected in the importation of goods and services due to the anticipated improvement in the demand for construction inputs in the oil, gas, and mining sectors.

SUPPLY SIDE ASSUMPTIONS

The Namibian economy is estimated to record slow growth in 2024 compared to a higher growth in 2023 before expanding in 2025. The growth for 2024 representing a marginal upward revision from the mid-year budget review (MYBR) GDP growth. The upward revision in growth for 2024, stemmed from better-than-expected output especially from the primary, tertiary and secondary industry.

PRIMARY INDUSTRIES

Growth in the **primary industries** is estimated to slowdown in 2024 compared to an upward growth recorded in 2023. The slowdown in growth for 2024 is attributed to the contraction in crop farming and forestry that is dragging down the growth in agriculture, as well as a reduction in diamond mining. Growth is anticipated to increase in 2025 and 2026 respectively, as a result of anticipated good rainfall, improved global demand for diamonds, higher uranium, gold output and mineral exploration activities increases.

Agriculture, forestry, and fishing growth is estimated to rebound in 2024, due to the expected small contraction from forestry, crop farming as a result of poor rainfall and lower growth in fishing. Agriculture is expected to continue on the growth trajectory in 2025 on the account of the expected improved performance in the crop farming. Going forward the sector is projected to record a slow growth in 2026 and 2027 due to restocking and the impact of climate change, and the fishing subsector is expected to continue struggles with structural issues.

The livestock subsector is estimated to slowdown in 2024 due to slow growth in low stock levels and high base effects from 2023 as farmer waned-off to reduce the loss on the back of drought.The subsector is expected to contract in 2025 as farmer are restocking and it is anticipated to record a marginal growth in 2026 and 2027.

Crop farming is projected to record a slower contraction in 2024 compared to a higher contraction in 2023, on the back of the on-going drought which is expected to reduce the yield from the rainfed crops, the improved contraction is on account of better yields from the horticulture - grapes and date subsector. The subsector is expected to recover in 2025, the recovery is due to the anticipated normalization of the rainfall patterns in that period, before slowing down in 2026 and 2027.

Fishing

The fishing subsector is expected to slow down in 2024, before contracting in 2025. The slow growth in 2024 is resulting from lower total allowable catches (TACs), percentage of landings as well as smaller sizes of the fish landed in some species which is anticipated to worsen in 2025. The subsector is anticipated to recover in 2026 and 2027 due to improvements in activities of the sector.

The mining industry and quarrying is expected to slow down in 2024 from a high base in 2023. The slowdown in 2024 is supported by a decline in the production *diamond mining* due to subdue low global demand and prices. The industry is anticipated to start growing in 2025, on the back of sustained investments in mineral exploration and improvement in global diamond prices and increase in uranium and gold production. Going forward the industry is expected to continue the growth trajectory supported uranium and gold mine in 2026 and 2027 as well as the recovery in the diamond prices.

Diamond mining is projected to contract in 2024 from a higher base of 2023 before improving in 2025. The contraction in 2024 is attributed to the decline in the production due to global demand, unfavourable prices and a vessel that that was out of commission for planned maintenance. The production is expected to improve marginally in 2025 due to expected full operation of all vessels, somewhat recovery in diamond prices and an improvement in global demand. Going forward growth is anticipated to increase in 2026 and over the MTEF period due to continuous recovery in diamond prices and improved global demand for diamonds.

Uranium mining is estimated to slow down in 2024 from a high base in 2023. The growth in 2024 is expected on the back of increased output due to innovative production methods despite water scarcity challenges. In 2025 and 2026 growth is expected to remain stable on the back of resumption of mining activities by an additional mine that was under care and maintenance, in anticipated favourable uranium prices. In 2027 the uranium production is anticipated to slowdown and one of the mines transitions between mining phases at the end of 2026, causing production to decline in 2027.

The metal ores sub-sector is projected to slow down in 2024 from a strong growth in 2023 and continue on the slow pace in 2025. The sector is expected to contract in 2026 on the account of the winding down of production due to the transition from open-pit to full underground operation by one of the gold's producing mine. In 2027 the sector is expected to record an improved growth on account of increased production from gold, which is anticipated to offset diminished output from zinc and copper.

SECONDARY INDUSTRIES

Secondary industries are expected to record an upward growth in 2024 compared to a slow growth recorded in 2023.The growth in **Secondary industries** is mainly driven by an expected increase in manufacturing supported by grain mill products, *water and electricity* as well as the *construction sector*. Growth in **secondary industries** is projected to slow down in 2025, before registering a strong growth in 2026. The growth in 2026 is largely on the back of anticipated recovery in construction (road construction, upgrade and construction of water canal) and water & electricity as well as *manufacturing* during the same period. Going forward, the secondary industries is anticipated to continue on the growth trajectory in 2027 before it slows marginally in 2028 as some construction projects comes to completion.

The manufacturing sector is estimated to record an improved in growth in 2024 compared to a contraction recorded in 2023. The growth in 2024 is attributed to the expected improved performance of non-metallic minerals, grain mill product and beverages that are anticipated to register an improved growth in 2024. Going forward, growth in the sector is expected to slowdown in 2025 before picking up in 2026, supported by non-metallic minerals, beverages and other food product.

Water and Electricity sector is estimated to slow down in 2024 attributed to the insufficient rainfall during 2024, which led to reduced water supply for irrigation, despite higher water levels for electricity generation. The water and electricity sector is set to slow down further in 2025 and pick up marginally in 2026. This will be supported by more than three (3) renewable energy power project expected to come-on stream by the end of 2025 and two in quarter three of 2026 with a combined power supply of around 270MW. There are some developments around the solar powered storage-battery system pilot project as well as three (3) water projects namely Rundu, Oshakati canal, Ohangwena water aquifer and Ondangwa-Omutsegonime pipe expansion that8 will increase

The construction sector is estimated to expand in 2024 compared to a contraction in 2023. The expected recovery is supported by increase in government expenditure on capital projects, 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, uranium). Going forward the sector is expected to continue on the high growth trajectory in 2027 supported by railway construction and energy projects.

TERTIARY SECTOR

Tertiary industries are estimated to expand during 2024 and 2025, from a slow growth recorded in 2023.The growth in these industries are mainly on the back continuous recovery in the *Wholesale 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 2026 and 2027 due to a slow growth in financial sector as interest rate subside.

The **wholesale and retail trade sector** is estimated to register a higher growth in 2024, compared the slower growth registered in 2023. This growth is mainly on the back of an increase in disposable income, owing to tax relief measures, and slower inflation. The growth momentum in 2025 is attributed to increase in demand from construction sectors and vehicles sales. The sector is expected to remain strong in 2026 on the back of improvement in demand as inflation moderate downwards and the anticipated interest rates stabilization.

The hotels and restaurants sector is anticipated to grow in 2024, the growth is supported by increase in demand for tourism activities, induced by high international arrivals (new airline routes), depreciating exchange rate. The sub-sector will continue on the upward growth in 2025 due to increase in passenger vessel and additional international route. Going forward the sector is expected to achieve a strong growth in 2026 and 2027 on the back of stabilization in the EU economic market and increase in Namibian tourism interest.

The transport and storage sector is estimated to register a marginal slow growth in 2024, compared to an higher growth in 2023. The growth in the sector is attributed to improved economic activities, moderating international fuel price, increased port cargo handling for mines and regional trade activities. The sector is expected to grow further in 2025 and 2026. The growth is ascribed to anticipated increase in twenty-foot equivalent unit (TEU), to be handled on account of the new container terminal operator as they liaison with international markets to make use of the Namibian port, rising import activities as well the expected increase in construction activities.

The **financial sector** is estimated to grow in 2024, compared to slow growth in 2023 the increased performance of the sector is supported by the prevailing high-interest rate environment, increase in insurance premium underwritten in line with recovery in economic activities. Growth in the sector is expected to slow in 2025 as interest rate subside. The sector is expected is continue on the slow down trajectory over to 2027.

Growth in **real estate** activities is expected to pick up in 2024 onwards. The growth for 2024 and 2025 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 government employees' subsidies package and evident increase in building plan approved.

Public Administration and Defence, health, and education is expected to grow in 2024. The growth in the sector is attributable to additional recruitment of staff in the Public Safety and defence. Going forward the sector is anticipated to slow down in 2025 and 2026. The education and health Sector are expected to record an upward growth in 2025 and 2026 due the recruitment of new teachers and nurses. Before slowing down in 2027.

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