NATIONAL BUDGET REVIEW 2024/25
2024/25 – 2026/27
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Contents

Key Points in the Speech

(From speech with editing)

2023/24 Outturn

- Domestic economic growth for 2023 has been revised upwards to 5.6%, from the 3.5% projected in the Mid-Year Budget Review. Growth is expected to moderate to 4.0% in 2024 before slowing further to 3.9% in 2025.
- For FY2023/24, total revenue outturn is projected at N$81.1bn, 3.24% more than the Mid-Year Review estimate.
- The current account deficit widened during 2023, mainly due to a rise in outflows in the services account, driven by activities related to the exploration of oil and gas. The estimated current account deficit amounted to N$33.2bn in 2023, from N$26.4bn during 2022.
- At the end of January 2024, the total debt stock stood at N$151.3bn or about 61.3% of GDP. Approximately 80.4% of the total funding requirement for FY2023/24 has been secured.
- The stock of international reserves rose 11.9% y/y to N$53.2bn and continues to meet the international benchmark. The stock of international reserves is equivalent to 4.0 months of import coverage, compared to 5.6 months recorded at the end of September 2023.
- Total expenditure is projected at N$89.5bn, marginally lower than the revised mid-year estimate of N$88.9bn.
- The budget deficit for FY2023/24 is estimated at N$8.4bn or 3.2% of GDP.
- At the end of January 2024, the total debt stock stood at N$151.3bn or about 61.3% of GDP. Approximately 80.4% of the total funding requirement for FY2023/24 has been secured.

FY 2024/25

- The Minister announced a budget of N$100.01bn.
- Total revenue is estimated at N$90.4bn for FY2024/25, 11.5% more than the N$81.1bn projected for FY2023/24. The increase is attributed to an expected increase in non-tax revenues and includes the following:
    - N$1.2 billion in dividends following the anticipated dissolution of the Namibia Post and Telecom Holdings Company (NPTH) during the fiscal year.
    - N$500m is expected from the sale of the remaining 9.0% shares in MTC.
- Over the MTEF period, revenue growth is projected to average 1.90% reaching N$93.6bn in FY2026/27.
- The operational expenditure is budgeted at N$74.6bn, an increase of 8.8% over the 2023/24 estimates.
- The development budget has been set to increase by 50.8% y/y to N$12.6bn.
- The execution rate on operational expenditure stood at 73.6% at the end of January 2024.

- The development budget implementation rate (including expenditure commitments) is at 64.5% at the at the end of January 2024.

- Total debt stock is estimated at N$165.8bn for the fiscal year, representing 60.1% of GDP.

- The government aims to maintain a primary surplus over the MTEF and consequently maintain the budget deficit below 4.0% of GDP by the end of the MTEF.

- The social sector has once again been allocated a larger portion of the budget and is set to receive N$44.3bn, constituting 50.7% of the budget. The economic sector follows the social sector with an allocation of 23.9% or N$20.9bn of the budget. The public safety sector will receive the third-largest allocation amounting to N$15.4bn or 17.6% of the budget. The administrative sector is allocated N$6.8bn or 7.8%.

- The government will increase the threshold for Income Tax on individuals to N$100,000 from the current N$50,000 with effect from 01 March 2024.

- The corporate income tax rate for non-mining companies has been reduced to 31% effective 01 January 2024.

- The mandatory registration threshold for VAT will be lifted from N$500,000 to N$1.0 million.

- Effective 01 January 2026, a 10% dividend tax will be introduced for resident shareholders.

Revenue

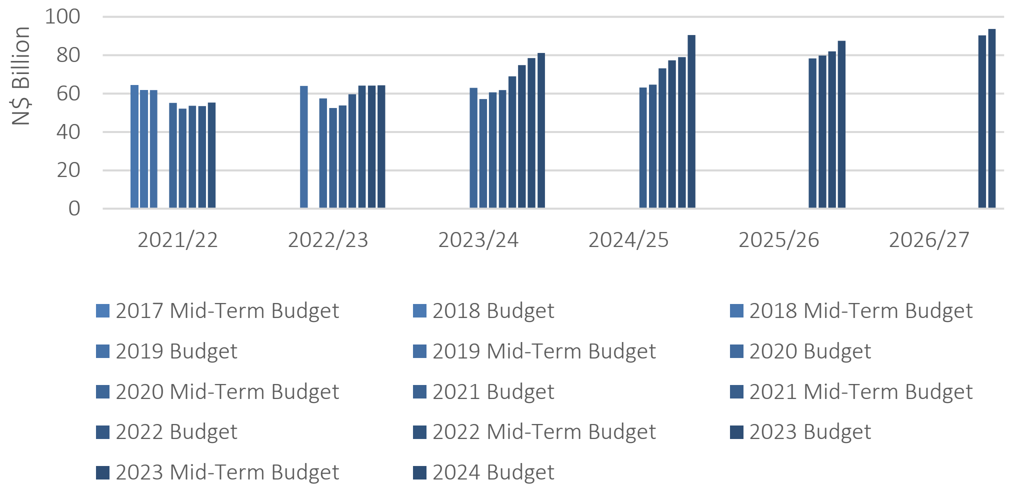
2023/24 Outturn

According to the Ministry of Finance, revised revenue collection for 2023/24 is estimated to come in at N$81.1bn, well above the N$78.6bn estimated in the October Mid-year review. Revenue for 2023/24 is expected to be 26.1% or N$16.8bn higher than in the prior year. The increase in expected revenue for the 2023/24 year has primarily stemmed from improved tax administration as well as a domestic economic recovery that has outpaced expectations.

Tax revenues are estimated to amount to N$74.7bn, 4.57% more than the N$71.4bn forecast in the mid-year budget. Anticipated non-tax revenues are projected to be N$6.44bn, falling short of the mid-year estimate of N$7.16bn. Additionally, there are no expectations for external grants, consistent with previous estimations.

In comparison to 2022/23, total revenue collections are expected to increase by 26.0% y/y or N$16.7bn, mainly driven by an increase in SACU revenues and revenue from taxes. As of January 2024, the Minister of Finance reported a preliminary revenue outturn of N$72.0bn, equivalent to 90.6% of the expected total revenue for the year. Significantly higher than the corresponding historical average.

Revenue Revisions

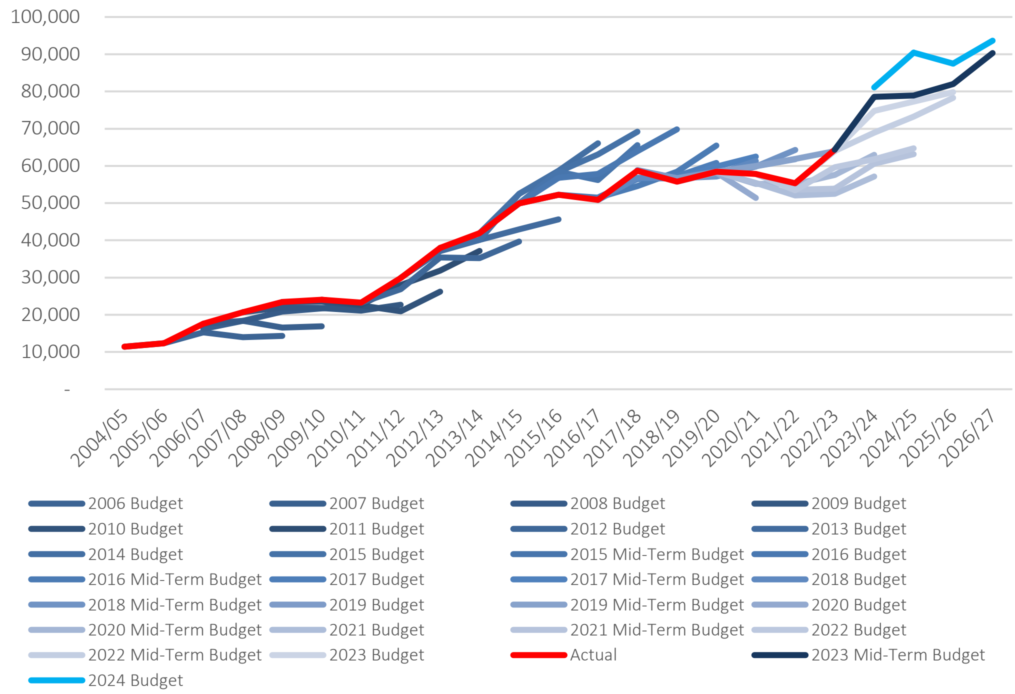


Source: MFPE, IJG Securities

Total revenue to GDP is anticipated to amount to 32.9% during the period, 230 basis points more than the 30.6% in the prior year. Nominal GDP is expected to expand by 17.3% y/y during the period. This increase emphasises the rise in revenue collection relative to the growth in Nominal GDP.

2024/25 Revenue Review

MTEF Revenue
(N$ millions)



Source: MFPE, IJG Securities

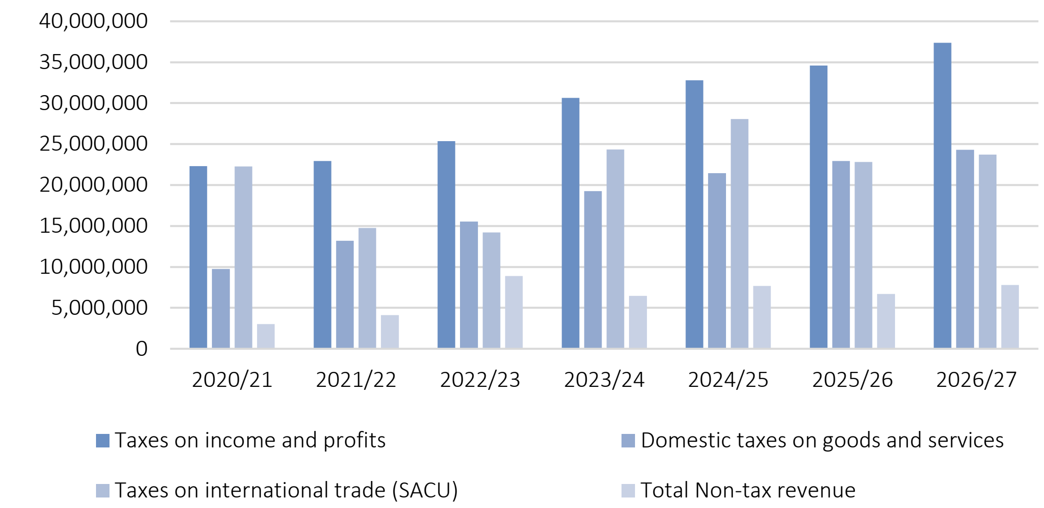
In 2024/25, total revenue collection is expected come in at N$90.4bn, representing a 11.5% or N$9.33bn increase when compared to the estimated collection in 2023/24. In contrast to the estimate provided during last year's mid-year budget review for 2024/25, the current figure is N$11.5bn more than estimated.

The ministry estimates that SACU revenues for the coming fiscal year will increase by 15.2% to N$28.0bn from the high base of N$24.3bn in 2023/24. SACU revenues are expected to make up about 31.0% of government revenue in 2024/25, this compares to 30.0% share of total revenue in 2023/24. SACU revenues are expected to moderate to N$22.8bn in 2025/26 before growing to N$23.7bn in 2026/27.

Domestic taxes on goods and services (VAT), which makes up the third largest share of total revenue are expected to increase by 11.4% to N$21.5bn. This figure remains unadjusted from the mid-term budget review last year. The ministry expects the growth in this revenue segment to continue in the outer years of the MTEF, forecasting it to grow to N$24.3bn in 2026/27.

Taxes on income and profits share continues to make up the largest share of total revenue at 36.3%. Taxes on income and profits comprises of tax collections from individuals and corporates and are expected to increase by 7.10% y/y to N$32.8bn in 2024/25. Tax collections from individuals are expected to grow by 12.4% y/y to N$19.7bn, while tax revenue from corporates is expected to fall 0.63% y/y to N$11.5bn in the coming fiscal year. The ministry estimates that taxes on income and profits will increase to N$34.6bn in 2025/26 and N$37.4bn in 2026/27.

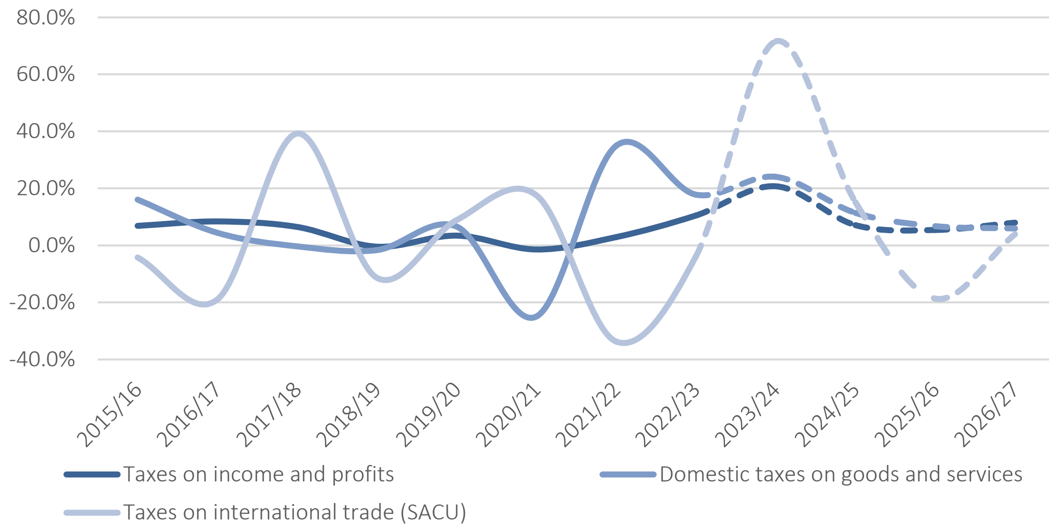
Revenue by Category (N$ '000)



Source: MFPE, IJG Securities

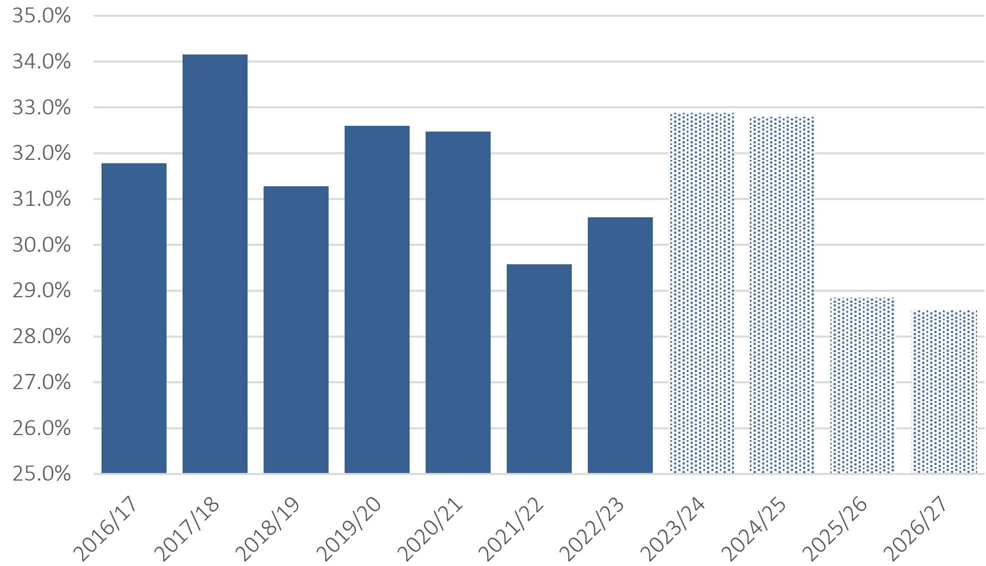
Non-tax revenues for 2024/25 are revised downward to N$7.68bn from the N$8.15bn estimated during last year's mid-year budget review, nevertheless they are expected to grow by 19.2% y/y in 2024/25, before moderating to N$6.68bn in 2025/26 and then growing to N$7.79bn during 2026/27.

Tax Revenue Growth



Source: MFPE, IJG Securities

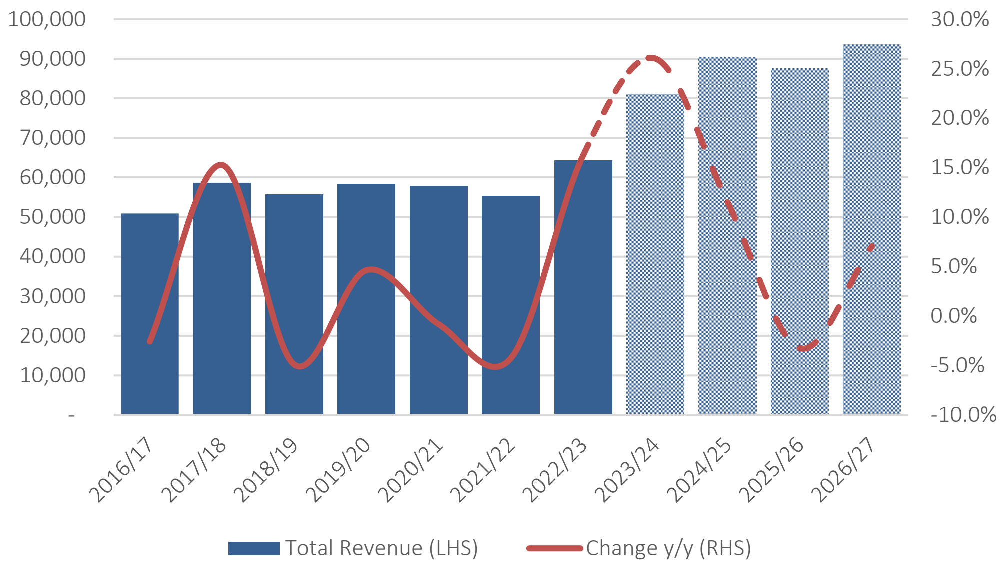
Revenue as a Proportion of GDP



Source: MFPE, IJG Securities

As a percentage of GDP, the ministry of finance expects revenue to slightly fall from 32.9% in 2023/24 to 32.8% in 2024/25 and to 28.8% and 28.6% in 2025/26 and 2026/27 respectively. This is mainly as a result from the deterioration in SACU receipts. The ministry estimates SACU revenue to hover around 7.38% of nominal GDP over the MTEF. This conservative outlook remains reasonable in our view, as SACU revenues, are mainly tied to the economic performance of member countries.

Revenue (N$ millions)



Source: MFPE, IJG Securities

MTEF Revenue Estimates

Total revenue growth is anticipated to average 5.1% over the MTEF. Total revenue of N$87.5bn is projected for 2025/26, while N$93.6bn is projected for 2026/27. Most of this growth going forward is expected to come from taxes on income and profits, which will stem from increased revenue from company taxes, alongside taxes on domestic goods and services.

Tax Policy and Tax Administration Reforms

The Minister of Finance announced that they will maintain a policy stance and will not consider new tax policy proposals over the MTEF. The budget however contains specific tax policy proposals aimed at providing some relief to taxpayers with the aim to broaden the tax base to improve revenue mobilisation.

The government has also looked at certain ideas to make the country's tax system more attractive for investments and to encourage the growth of private businesses.

The Ministry announced the following resolutions:

- The government will increase the threshold for Income Tax on individuals to N$100,000 from the current N$50,000 with effect from 01 March 2024. Taking this into account, the revised tax tables will be published accordingly, and the government has made provisions to adjust all tax brackets for inflation creep in 2025/26 and 2026/27.

- The corporate income tax rate for non-mining companies has been reduced to 31% effective 01 January 2024, with a further percentage point deduction to 30% taking effect on 01 January 2025.

- The ministry furthermore announced that the non-mining company tax rate will be reduced by a further 2 percentage points to 28% during FY2026/27, mainly to improve competitiveness against regional peers and keeping in line with global developments. However, the reduction will be accompanied by recoveries in the following areas:

    - Replacing the 3:1 thin capitalisation ratio with a 30 percent limit on interest deductions.

    - Assessed losses carried forward will be capped at 5 years for normal companies and 10 years for companies operating in the natural resources sectors.

    - Effective 01 January 2026, a 10% dividend tax will be introduced for resident shareholders to address the existing disparity in the investment arena where dividends paid to non-resident shareholders are subject to tax.

- The mandatory registration threshold for VAT will be lifted from N$500,000 to N$1.0m, to allow capacity at NamRA to focus on large taxpayers and free administrations to focus on their core activities.

- The introduction of an Internship Tax Incentive Programme aimed at incentivising employers to enrol more interns by providing an additional corporate tax deduction have also been confirmed by the Ministry. The total financial implication for the Government is estimated at N$126m.

- As previously mentioned in the mid-term budget, Namibian Insurers enjoyed a very low effective tax rate, as such the Government will amend the law to remove non-resident shareholder tax exemption for a foreign insurance company shareholders and provide for taxation of shareholder activities like other businesses. This change will take effect in 2024/25.

- The budget outlined a 10% capital depreciation allowance each year and will be applicable on the costs of buildings erected, added to, extended or improved and which are used for trade purposes.

- The brackets for transfer duties and stamp duties will be adjusted for inflation, effective in 2024/25. The exempt level will be raised from N$600,000 to N$1.1m, and the threshold that activates the 8% transfer duty rate will be elevated to N$3.15m.

The Minister stated that in the upcoming fiscal year, they will look into implementing a VAT e-invoicing system. This system will connect with cash registers in businesses and integrate with the ITAS, enhancing NamRA's capability to gather and track tax information. Additionally, NamRA will proceed with the last phase of the Tax Amnesty Program, where interest and penalties will be completely written off if taxpayers settle the remaining capital by 30 October 2024.

Expenditure

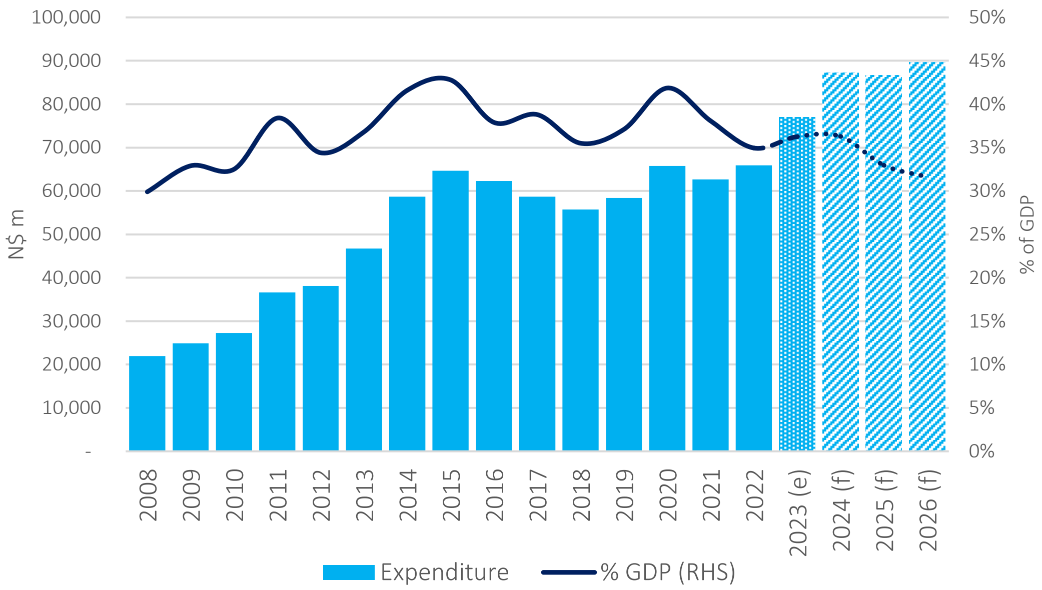
2023/24 Outturn

Total expenditure (including interest payments) for 2023/24 is estimated to have been N$89.46bn, marginally surpassing the ceiling set in October at the Mid-Year Budget Review. This translates to a 36.6% expenditure to GDP figure. According to the Ministry, 92.0% of statutory expenditure was spent by January. Total non-interest spending stood at N$54.1bn as at January 2024, equivalent to 70.7% of the N$88.97bn expenditure estimate announced at the Mid-Year Budget Review. The Ministry has revised the non-interest expenditure upwards from N$76.60bn to N$76.96bn. Interest payments were revised upwards by N$78.4m or 0.7%, driven by an increase in domestic interest payments and partially offset by reduced foreign interest payments.

The operational budget execution rate stood at 73.6%, while the development budget's stood at 64.5%. Operational spending is estimated to have come in at N$68.6bn, in line with the Mid-Year Budget Review estimate, while the development budget is expected to have come in at N$8.3bn, 4.52% more than the Mid-Year Budget Review estimate (N$8.01bn) for 2023/24.

The Minister stated that the minimal spending in 2023/24 mitigates the expectation of expenditure surpassing budgetary limits by the conclusion of the fiscal year.

Government Expenditure
(N$ millions)

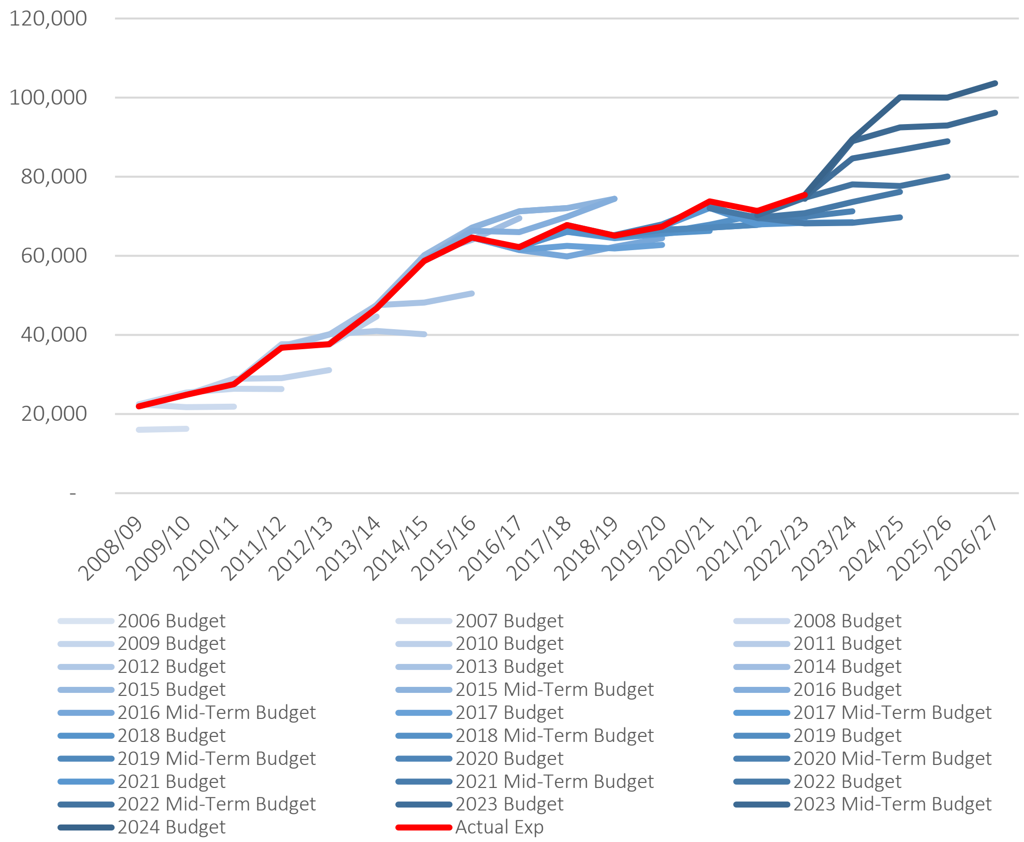


Source: MFPE, IJG Securities

2024/25 Expenditure Review

In 2024/25, the Ministry projects total expenditure of N$100.1bn, an 11.9% increase from the revised budget amount of 2023/24. This projection is supported by improved domestic economic conditions and strong revenue performance, allowing for an expansion of expenditure. According to the MFPE, this is to drive service delivery, address pressing needs, and improve infrastructure development. Although expenditure is expected to increase, spending as a percentage of GDP in 2024/25 is expected to maintain steady at 36.3% off the back of higher expected nominal GDP.

Expenditure
(N$ millions)



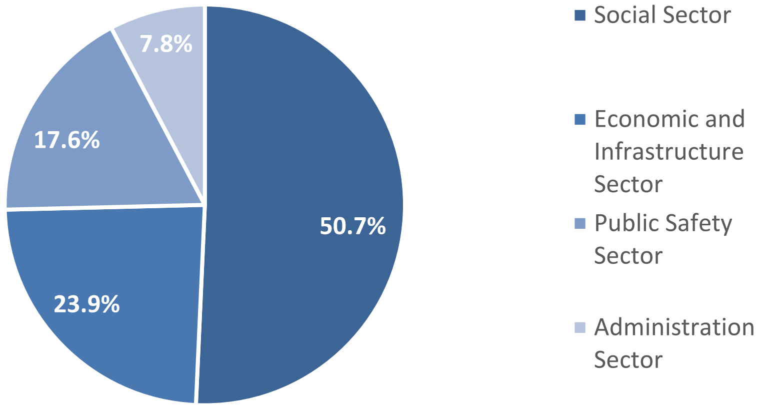
Source: MFPE, IJG Securities

The operational budget is expected to reach N$74.6bn, an 8.8% increase over the 2023/24 estimate, driven by the 5% adjustment in the civil servant wage bill to maintain the purchasing power of civil servants given the relatively high inflationary environment, effective from 1 April 2024. Although the operational budget is expected to increase, as a proportion of total expenditure, it is set to fall from 89.1% in the prior year to 85.8% in 2024/25.

The developmental budget has encouragingly been increased by 50.8% from N$8.37bn in 2023/24 to N$12.7bn in 2024/25, making up 14.5% of total expenditure (excluding statutory commitments).

Interest payments are expected to amount to N$12.8bn, accounting for 14.2% of anticipated revenue – exceeding the 10% desired benchmark by the MFPE, and relative to GDP comes in at 4.7%. At the same time, other statutory payments are expected to increase by 8.5% from N$603m to N$654m.

2024/25 Sectoral Allocations



Source: MFPE, IJG Securities

The social sector has been allocated little over half of this year's budget and is set to receive N$44.25bn, 12.4% more than last year. The Ministry of Education, Arts and Culture continues to receive the largest share of the total budget at N$18.10bn (21.9%), while The Ministry of Gender Equality, Poverty Eradication Social Welfare at N$7.99m (9.5%) followed. On the development side, N$970m allocated is for the construction and renovation 15 of classrooms and other school infrastructures.

The allocation towards Gender Equality, Poverty Eradication and Social Welfare increased by 23.3%, owing to an increase in the Old Age Grant and the Disability grant (from N$1,400 to N$1,600 per month effective 1 April 2024), anticipated increase of food distribution frequency (N$170.0m) and full coverage of the Orphan and Vulnerable Children Grant (N$284.5m).

The Ministry of Health and Social Services is allocated N$10.89bn (12.9% of the budget), and N$34.3bn over the MTEF, with over N$450m allocated in the development budget for initiatives such as commencing earthworks at the Windhoek District Hospital in Havana.

Additionally, N$679.4m has been allocated to various youth programmes as follows:

- N$20m for skills development courses for out-of-school youth.
- N$12m for youth training in charcoal and mushroom production programs.
- N$10m for the youth credit scheme.
- N$9.8m for financing 121 youth enterprises across all constituencies.
- N$20m for youth skills development through the National Youth Service.
- An additional N$100m is allocated for in the operational budget for sport promotion programs.
    - This includes N$29.5m for preparatory activities for hosting the Region 5 Youth Games in May 2025.
- N$124m is provided in the development budget for upgrading the Independence Stadium and various sports facilities and multipurpose youth centres across the country.

The Economic and Infrastructure sector is allocated N$20.9bn, 19.8% more than the prior year's allocation, accounting for 23.9% of the budget.

The Ministry of Finance and Public Enterprises is set to receive N$8.13bn (9.7% of total budget) with a further allocation of N$3.0bn for the Public Servants Medical Aid Scheme (PSEMAS), more than N$700m in transfers to public enterprises, N$212.0m for the Meat Corporation of Namibia (MeatCo), N$300m for TransNamib to support day-to-day operations, N$88m allocated for the completion of the Luderitz Waterfront project, N$77.0m availed to Agribank for a subsidy program supporting drought-affected farmers and additional funds allocated for exploring mechanisms to accelerate employment creation in the economy.

The Ministry of Agriculture and Land Reform receives N$1.9bn, earmarked for initiatives such as land purchase, animal health, and the Green Scheme program which includes Phase II of the Neckartal Dam Irrigation Project. Meanwhile, the Ministry of Industrialisation and Trade sees a 31.7% budget increase to N$365.5m, focusing on supporting SMEs and domestic economic activities through various schemes.

The Ministry of Mines and Energy witnesses a significant budget surge of over 50% to N$381.9m, with a focus on rural electrification and exploration activities in the Orange Basin. Additionally, the Ministry of Environment, Forestry, and Tourism receives N$725.5m, a 19.4% increase from the previous year, aimed at addressing infrastructural deficiencies to accommodate the higher number of tourists in Namibia.

The Ministry of Industrialisation and Trade's budget has risen by 31.7% to N$365.5m in FY2024/25, and totals N$1.2bn over the MTEF. This increase supports SMEs and domestic trade through initiatives like the Equipment Aid Scheme, Start-Up Namibia, and EMPRETEC Namibia. Additionally, funding for the Namibia Standards Institute (NSI) and the Namibia Competition Commission (NaCC) has been bolstered, along with an increase in the development budget for entrepreneurial projects nationwide.

In parallel, a total of N$481.1m has been earmarked for the Contingency Fund in 2023/24, fully committed to its intended purposes, with an additional N$250m set aside to address unforeseen emergencies in FY2024/25.

The public safety sector receives 17.6% of the budget, with N$15.4bn allocated for 2024/25 and N$48.0bn over the MTEF. The Ministry of Home Affairs, Immigration, Safety, and Security is allocated N$7.4bn, focusing on electronic ID cards and civil registration, while the Judiciary receives N$445.5m in 2024/25 and N$1.4bn over the MTEF, ensuring efficient services. Additionally, the Justice vote gets N$674.3m in 2024/25 and N$2.2bn over the MTEF. The Anti-Corruption Commission receives N$160.0m, up by 29.8%.

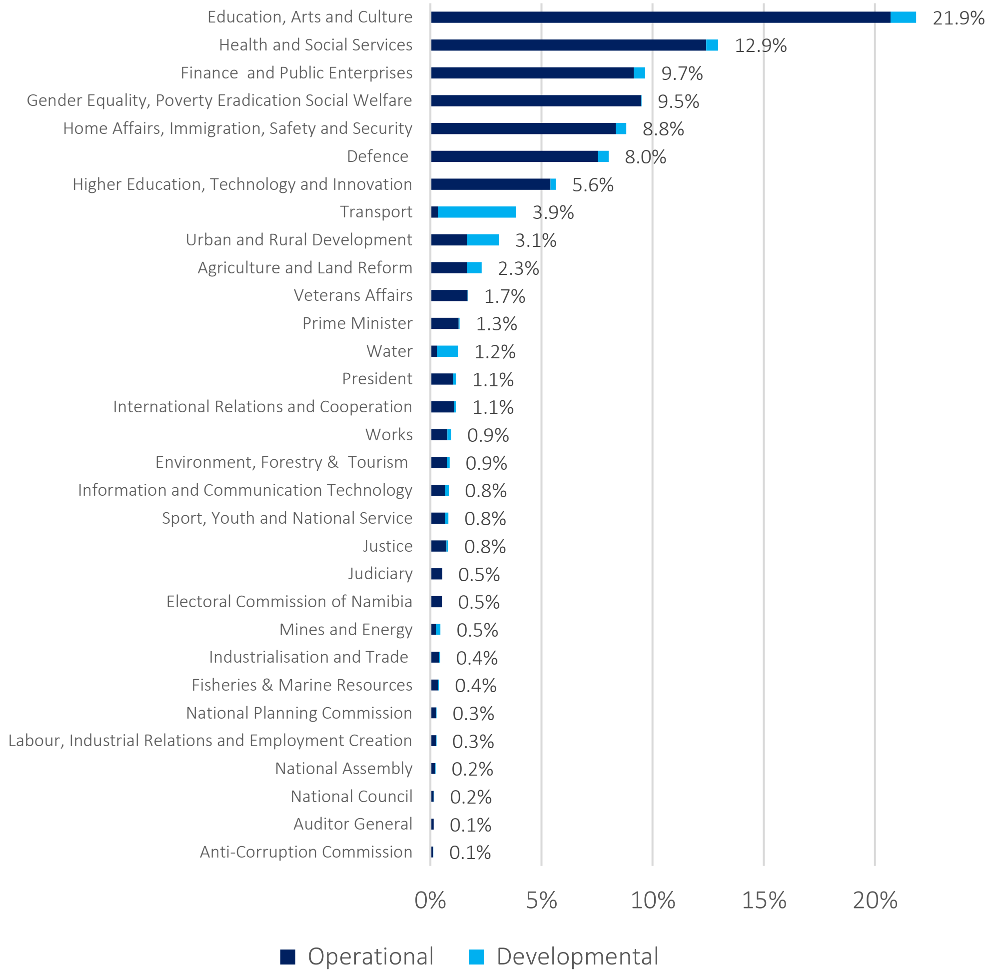
Lastly, the administration sector accounts for 7.8% of the budget, totalling N$6.8bn in 2024/25. The Ministry of Urban and Rural Development has been allocated N$2.6bn for funds for housing and prepaid water/electricity meters. Additionally, N$141m is allocated for local authorities' transformation.

The Office of the Prime Minister maintains a budget of N$1.1bn, with N$700m reserved for potential drought relief. The Electoral Commission of Namibia is allocated N$438.0m for voter registration and elections. On the development side, N$700m is allocated to informal settlements upgrading, massive land servicing and other programmes to improve access to housing opportunities nationwide.

Other development budget allocations include N$2.2bn allocated to Water, which includes N$1.1bn in loan funded projects for the refurbishment of the Oshakati and Rundu Water Treatment Plants as well as the 16 development of the 2nd Ohangwena Aquifer Well Field. N$200m is allocated to support NamPower in funding the development of the 40MW Otjikoto Biomass Power Station. Finally, the Ministry of Transport is set to receive N$5.1bn, including N$1.9bn for external projects. It includes N$1.8bn for road construction and N$431.0m for airport infrastructure. Over the MTEF, it is allocated N$14.5bn.

The chart below shows the allocation split between operational and development by each vote, while the summation represents the total allocation. Indeed, given the increase in total expenditure, 18 of the 32 votes have seen budget allocation increase from 2023/24 to 2024/25 by double-digit growth figures, while only 3 of them saw budget allocation reductions. Surprisingly, during an election year, the allocation towards the Electoral Commission of Namibia (ECN) has increased by a meagre 3.80%. We presume that the ECN has managed their budgets well, not calling for a large increment during an election year.

Expenditure Allocation (%)



Source: MFPE, IJG Securities

The Government has been challenged by increased personnel costs over the year but has managed to maintain them below 43% of total expenditure. Currently, the wage bill is set to reach 42.0% of total expenditure in 2024/25, compared to 40.6% in 2023/24. Overall personnel expenditure is forecasted to grow by 8.1% following the increase in public wage announcement last year to adjust renumeration for inflation.

MTEF Expenditure Projections

Total expenditure is expected to remain steady at N$100.00bn in 2025/26 and to increase by 3.6% in 2026/27. These represent upward revisions of N$7.07bn and N$7.46bn, respectively from the mid-year budget tabled in October.

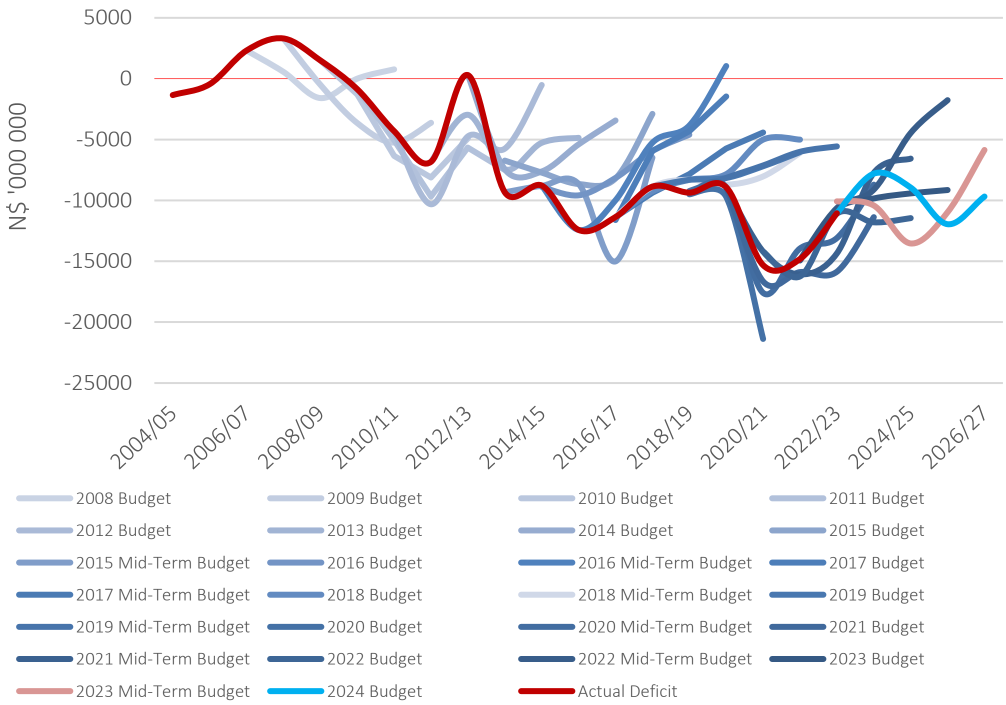
Budget Balance and Financing

2023/24 Outturn

The picture looks even rosier for 2024/25, which sees a significant N$11.52bn upward revision in total revenue from the Mid-Term review to N$90.43bn. This follows on the upward revision in October of N$1.63bn, with estimated revenue for 2024/25 some N$13.15bn or 17.0% higher than expected in last year’s budget review and speaks to the conservative forecasting of the Ministry in recent years.

As was the case last year, the increase expected is in SACU revenues, which are expected to increase by 15.2% from N$24.35bn in 2023/24 to N$28.05bn in 2024/25, as well as a N$2.18bn increase in income tax on individuals. Projected expenditure for 2024/25 was revised upwards by N$7.66bn or 8.3% from the Mid-Year budget. Total expenditure for 2024/25 is now estimated to reach N$100.10bn, making this the largest budget ever tabled by the Ministry by some margin. This was of course driven by the higher revenue expectations.

Deficit Forecasts



Source: MFPE, IJG Securities

2024/25 Budget Balance Review

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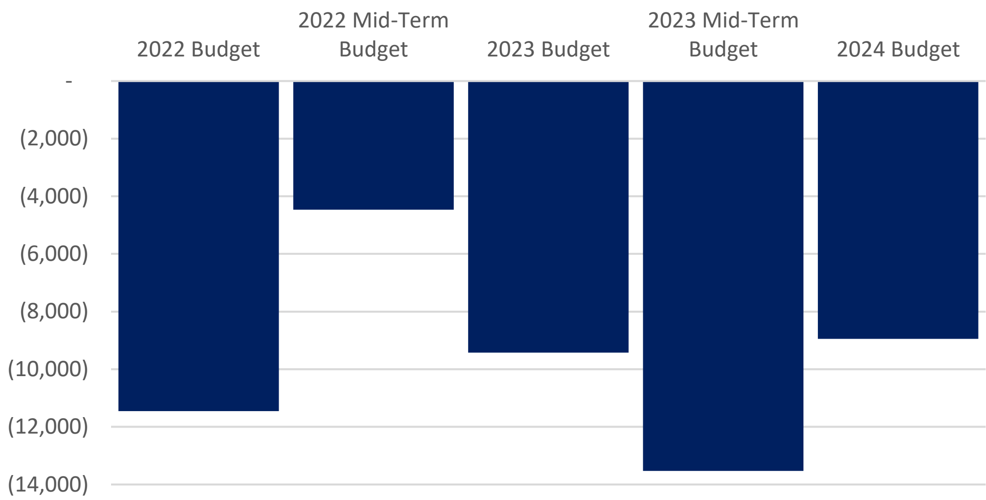
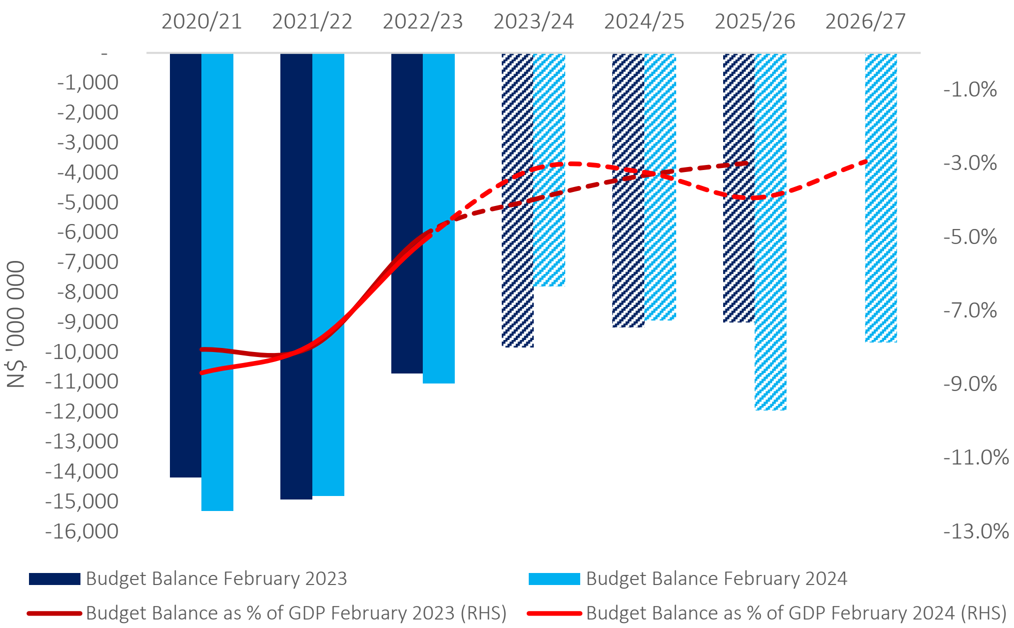
2024/25 Budget Deficit Projections (N$ million)



Source: MFPE, IJG Securities

With expenditure growth expected to outdo revenue growth, the deficit for 2024/25 is expected to widen by N$1.15bn from N$7.80bn in 2023/24 to N$8.94bn. However, while the absolute deficit is larger than last year's, improved nominal GDP expectations sees the deficit-to-GDP estimate remain steady at 3.2%. This is a significant improvement from the 7.9% ratio just two years ago.

Budget Balance



Source: MFPE, IJG Securities

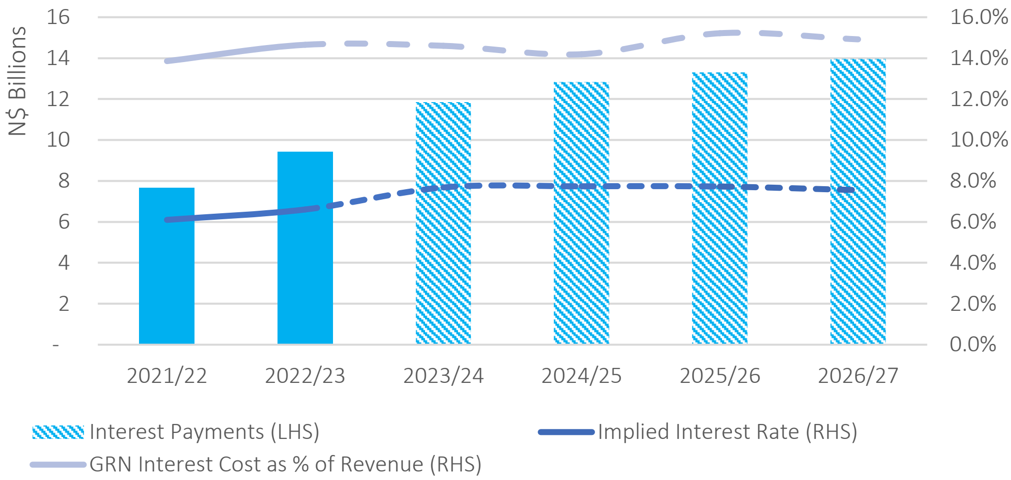
The funding requirement for 2024/25 amounts to N$11.67bn, according to the Ministry of Finance. N$9.23bn or 79.1% of this amount will be sourced from the domestic market, while the remaining N$2.43bn will be raised from the African Development Bank (AfDB) and the Kreditanstalt für Wiederaufbau (KfW). As a result, domestic debt is set to reach N$124.31bn by March next year, while foreign debt will increase to N$41.52bn.

The government's debt management strategies will be the same as in recent years where switch- and rollover auctions will be held, alongside building up the reserves in the two (ZAR & USD) sinking funds. According to the Ministry, the government has so far accumulated N$4.20bn or USD218m in both sinking funds for bond redemption.

The Minister correctly pointed out in his speech that a "significant portion of the Government debt portfolio is due for repayment over the MTEF". The largest looming maturity is that of the second Eurobond, which sees US$750 million (around N$14.5bn) coming due on 29 October 2025. The Ministry will put away "at least" N$3.5bn of SACU receipts in the sinking fund during 2024/25 along with another N$2.0bn in 2025/26, which should place the government in a position to redeem two-thirds of the Eurobond at maturity, while the remaining US$250m will be refinanced. The Ministry's clear plan for the bond's forthcoming maturity is very welcome.

Total debt-to-GDP is expected to amount to 60.1% in 2024/25, well off its peak of 67.2% in 2021/22, aided by strong nominal GDP growth which outpaced the increase in the nominal debt stock. The metric is expected to improve further to 56.8% in 2025/26 and remain relatively steady at 56.4% in 2026/27, as illustrated in the Total Debt Stock-to-GDP figure below.

Projected Interest Costs



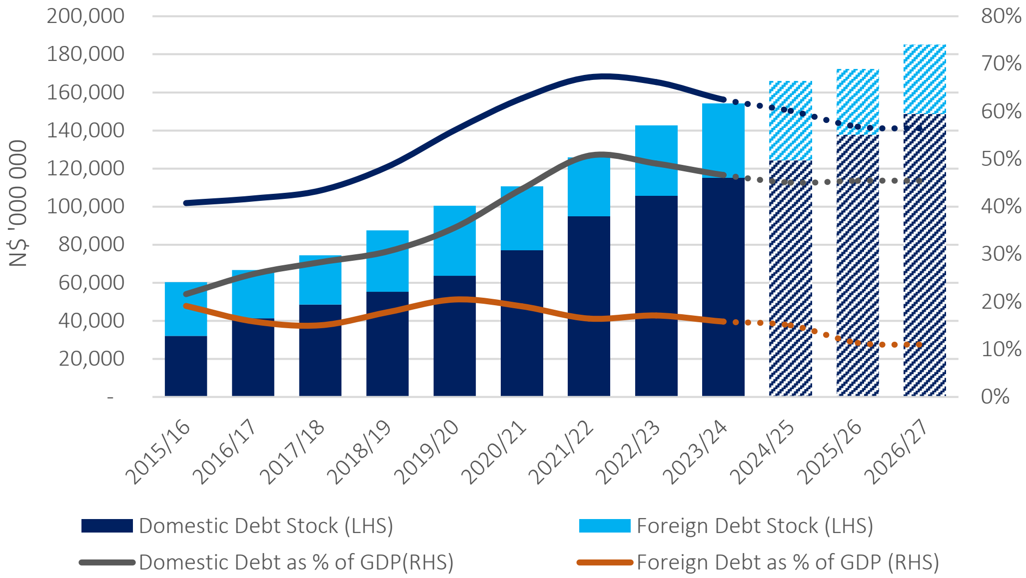
Source: MFPE, IJG Securities

As always, our preferred metric to track in terms of debt sustainability and sovereign risk is interest payments (including statutory commitments) as a percentage of revenue. After remaining steady at 14.6% in 2023/24, the metric is expected to marginally improve to 14.2% in 2024/25. Total interest payments are projected to increase to N$12.84bn, accounting for N$990.4m of the increase in expenditure for the year. The year will see a slightly smaller primary budget surplus of N$3.89bn, compared to 2023/24's N$4.70bn, although a positive balance remains welcoming to see.

MTEF Deficit and Funding Projections

The Ministry projects that the budget deficit will widen in the 2025/26 fiscal year to N$11.95bn on the back of revenue that is expected to fall by 3.3%, while expenditure is forecasted to remain steady. The Ministry however projects the deficit to again start narrowing in 2026/27 to N$9.68bn. The Ministry aims to maintain a primary surplus, and to keep the budget deficit below 4.0% of GDP, over the MTEF.

Total Debt Stock and Debt to GDP



Source: MFPE, IJG Securities

Total debt as a percentage of GDP is expected to continue declining over the MTEF, with the Ministry forecasting the metric to come in at 56.8% in 2025/26 and 56.4% in 2026/27. Total government debt is expected to reach N$172.26bn in 2025/26 and N$184.98bn in 2026/27.

Outlook

The Namibian National Budget for 2024/25 is a testament to the government's pragmatic approach to economic challenges, incorporating strategic tax reforms and fiscal conservatism to navigate the post-pandemic landscape and the "lost decade". The budget outlines significant tax amendments aimed at providing relief and stimulating economic growth. Key reforms include the revision of income tax thresholds and brackets to counteract bracket creep, effectively increasing disposable income for lower-income earners. Corporate tax rates are set for a gradual reduction, aiming to boost business competitiveness and encourage investment.

The Namibian FY2024/25 Budget is anchored on three synergistic pillars: stimulating domestic demand, accelerating investments in productive public infrastructure, and cultivating fiscal prudence. It aims to boost economic activities by enhancing household incomes and creating a conducive environment for business growth, including significant support for SMEs. The budget prioritises upgrading and expanding infrastructure to improve economic efficiency and public service delivery, while committing to fiscal prudence by maintaining a primary surplus and managing debt sustainably, including preparing for the Eurobond maturity in 2025. These measures are designed to foster a robust economic recovery, ensure long-term prosperity, and maintain fiscal health in a balanced and strategic manner.

The FY2024/25 Budget injects some much-needed optimism into the economic outlook through the announcement of measures aimed at enhancing household incomes and fostering a business-friendly environment that should encourage investment and growth. To achieve these objectives, the government has introduced several measures designed to increase disposable incomes and stimulate spending. One of the key strategies involves providing tax relief to low and middle-income earners by revising the income tax brackets for bracket creep in the outer MTEF years. This is some ten years overdue but will put more money directly into the pockets of taxpayers, thereby enhancing purchasing power. For businesses, the government has committed to reducing corporate tax rates progressively, down to 28% in 2026/27, aiming to improve the competitiveness of Namibian enterprises on a regional scale. This reduction is anticipated to encourage domestic investment and expansion, contributing to economic growth and employment creation. The only drawback is that we will have to wait a year for these measures to start kicking in.

Within the Namibian FY2024/25 Budget is a strategic response to the critical need for upgrading and expanding infrastructure to support economic activities and public services. This initiative recognises the significant role that well-maintained and comprehensive infrastructure plays in economic development, particularly in facilitating trade and enhancing business efficiency. To address the past underinvestment in critical infrastructure, the budget substantially increases the development budget by 58.1% to N$12.7 billion. This increase, although still well below the target of 20% of expenditure and which growth is coming from an extremely low base, is aimed at closing some infrastructure gaps that have been a hindrance to economic growth. The increased allocation towards the development budget, marks a significant improvement from previous years, reflecting the government's commitment to reversing the slowdown in public investments and addressing the backlog in infrastructure development.

The increased investment will target various sectors, including transportation, water, and energy, to improve the operational environment for businesses and the living standards for Namibians. For example, allocations for railway infrastructure aim to rehabilitate and upgrade critical sections of the national railway network, enhancing connectivity and trade. Similarly, investments in the education sector will focus on constructing and renovating school infrastructure, thereby addressing inequalities in access to education, particularly for rural and low-income communities.

The strategic focus on infrastructure development is complemented by efforts to improve project execution capacity and address procurement bottlenecks, ensuring that the increased funding translates into tangible improvements in infrastructure and public services.

In addressing the imminent maturity of the Eurobond in the next fiscal year, the government has earmarked setting aside specific funds, including SACU receipts, showcasing a proactive and prudent stance toward reducing Debt-to-GDP, and foreign debt in particular. This allocation underscores the Ministry’s commitment to maintaining fiscal discipline while ensuring debt sustainability and follows on the successful redemption of the first Eurobond in 2022. The commitment to run primary surpluses over the period extends the scope of the fiscal prudence pillar further. This approach is particularly prudent in light of the optimism generated by recent offshore oil discoveries, which, while promising, entail future revenue streams that are yet uncertain.

In summary, the 2024/25 budget reflects Namibia's strategic response to the rebound in revenue collection that started in the 2023/24 budget year, passing along some of these fiscal tailwinds to Namibians through further tax reform, fiscal prudence, and infrastructure investment. The Ministry of Finance has tabled a pragmatic budget that sees a number of much needed reforms loosen the reigns on public investment that accompanied the fiscal consolidation stance of the last seven years. This has been brought on by the significant increase in revenue collection. Thus, going forward, government spending will swing from a drag on economic activity to a positive contribution, not just through consumption, but through capital investment. This is a very welcome change in outlook.

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