

2024/25 MID-YEAR BUDGET REVIEW

1. Overview

Honorable Iipumbu Shiimi, the Minister of Finance & Public Enterprises, delivered the Mid-Year Budget Review Policy Statement in Parliament on October 29, 2024. In his address, he emphasized the government's commitment to balancing the budget while prioritizing investments in growth areas that will benefit Namibia in the long term.

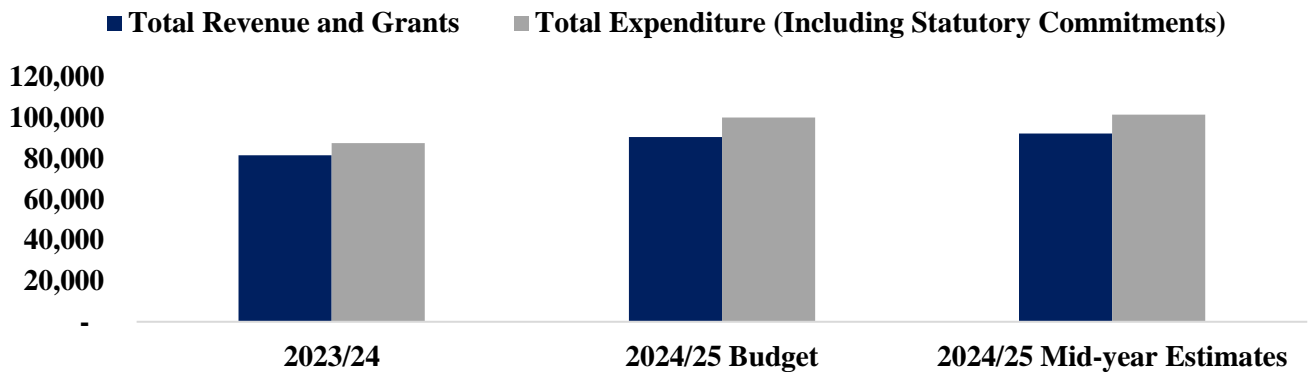
During the budget consultations, additional expenditure requests totaling N\$8.3 billion were submitted. These were evaluated against available resources to maintain fiscal sustainability and manage borrowing. As a result, the FY2024/25 Appropriation Amendment Bill allocates an additional N\$3.6 billion, distributed as follows:

- **Drought Relief:** N\$698.8 million is allocated to the Office of the Prime Minister to expand the food distribution program, bringing the total drought relief budget for FY2024/25 to over N\$1.4 billion.
- **Conditional Basic Income Grant (CBIG):** An additional N\$139 million is allocated to extend the N\$600 monthly grant to qualifying urban beneficiaries, complemented by N\$117.8 million for the Ministry of Gender Equality, Poverty Eradication, and Social Welfare to support Old Age Social Grants.
- **Goods and Services Budgets:** N\$1.1 billion is distributed across various sectors, including N\$450 million for the Ministry of Health and Social Services for emergency responses, N\$233 million for Green Scheme summer cropping, N\$200 million for the Electoral Commission of Namibia, N\$187.8 million for catering and utilities in the Ministry of Education, Arts and Culture, N\$140 million for the Ministry of Defense and Veteran Affairs, and N\$86.8 million for the Ministry of International Relations and Cooperation to manage foreign exchange fluctuations from last year's overspending.
- **Subsidies and Transfers:** N\$2.4 billion is allocated to support government entities, including N\$500 million to address Public Service Employees Medical Aid Scheme (PSEMAS) shortfalls, N\$386 million for operational expenses at the University of Namibia, N\$187.8 million for the contingency budget, N\$88 million for student funding shortfalls at NSFAF, and N\$40 million to offset the suspended electricity tariff increase by the Electricity Control Board (ECB).

2. Revenue and Expenditure Outlook

Comparing the 2024/25 budget to the Mid-year estimates, the deficit improved by about N\$ 430 million. This is due to improve in revenue collections. See figure 1 below

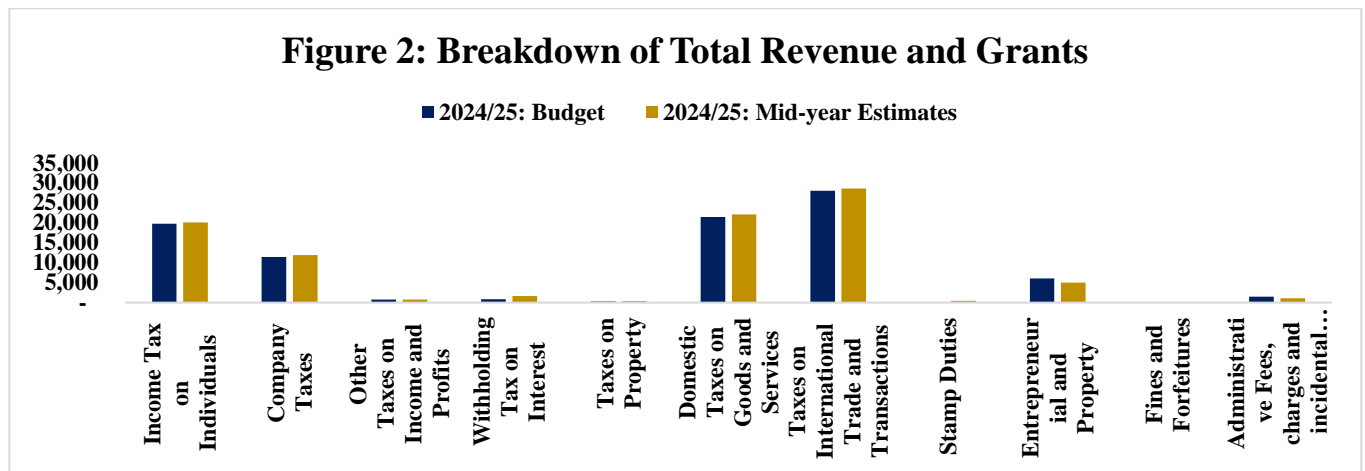
Figure 1: Total revenue and Grants vs Total Expenditure (2023-2025), millions NAD



Source: Ministry of Finance (MoF)

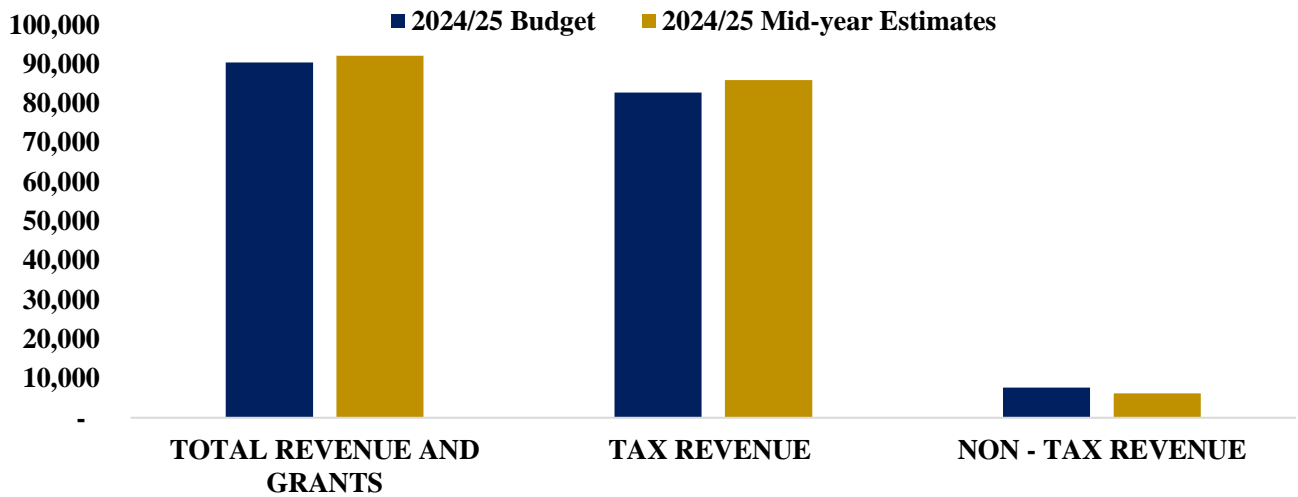
2.1 Revenue Breakdown

The mid-year estimate revenue is higher by approximately N\$1.7 billion, suggesting increased revenue collections. Tax revenue increased by about N\$ 3.2 billion., with income tax increasing by N\$ 300 million, company tax increased by N\$ 400 million, other tax on income and profits increased by 16 million, withholding tax on interest and income increase by N\$ 780 million and taxes on profits. See figure 2 below



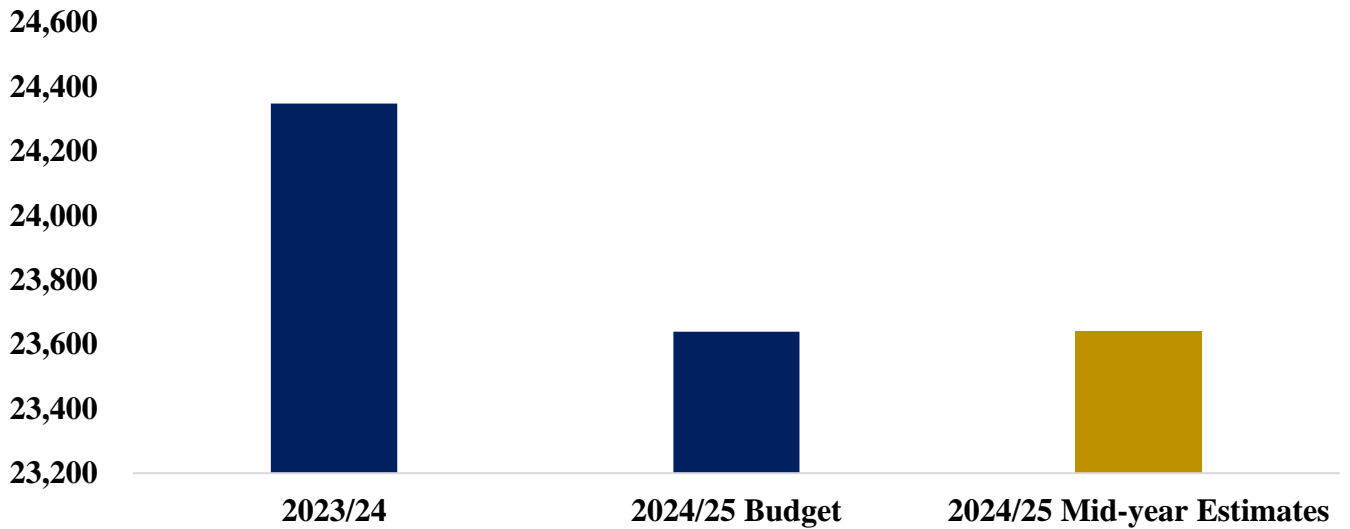
Source: Ministry of Finance (MoF)

Figure 3: Changes in Revenue Streams (N\$m)



Source: Ministry of Finance (MoF)

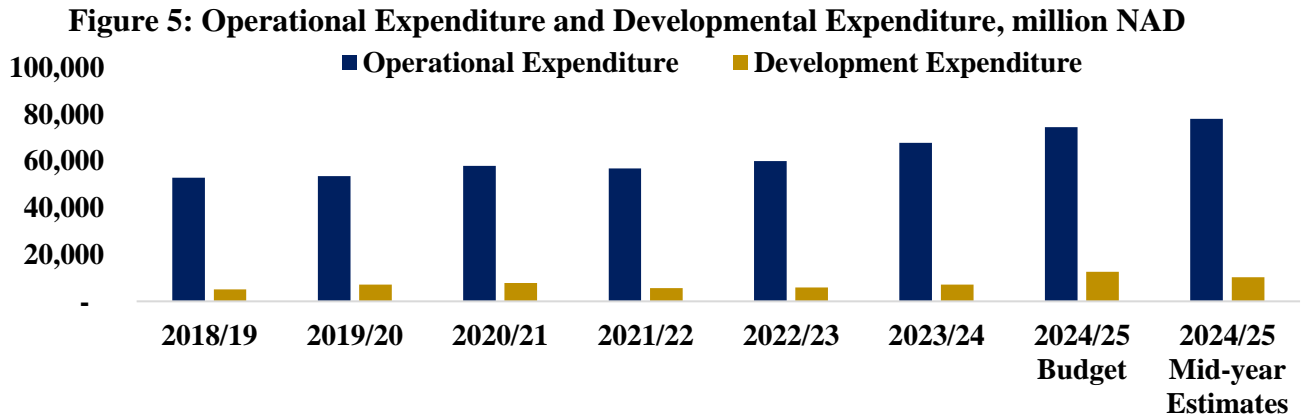
Figure 4: SACU Revenue Pool Share



Source: Ministry of Finance (MoF)

3. Operational versus Development Budget

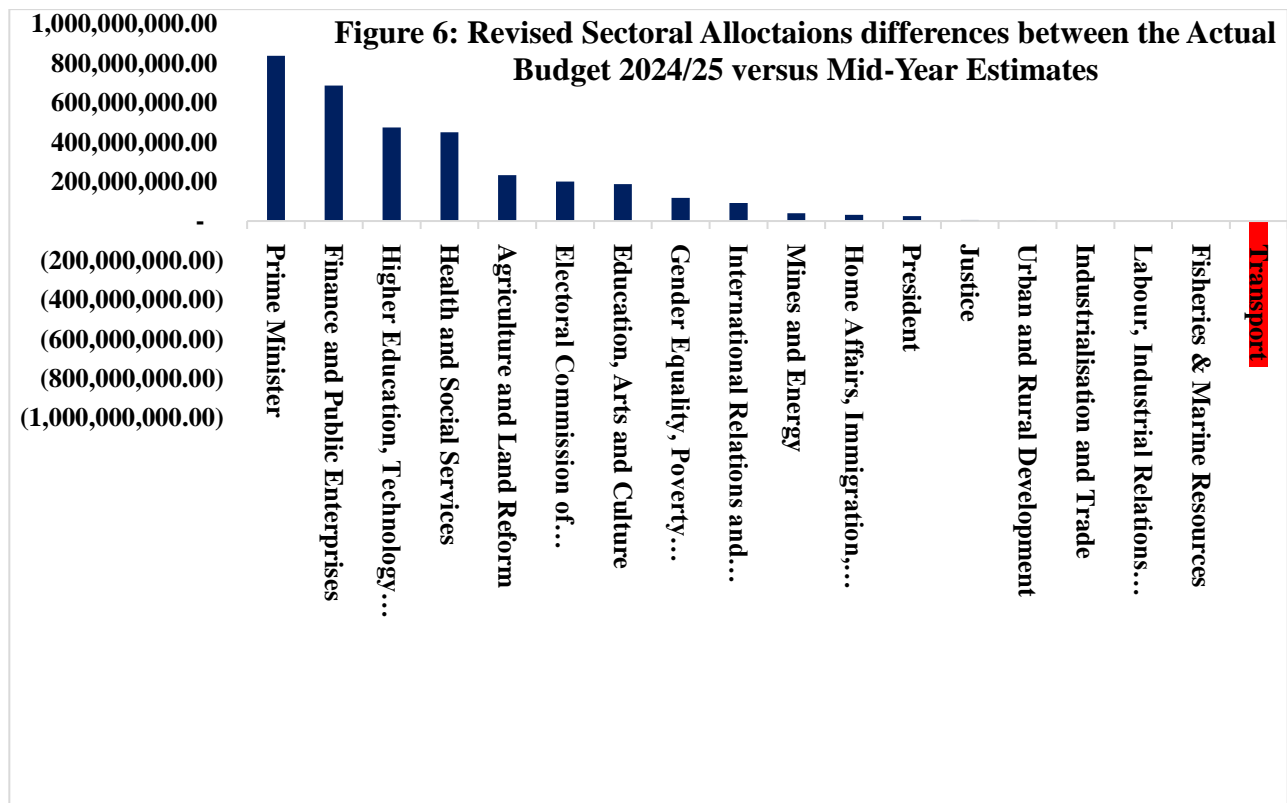
For the FY2024/25 Mid-term year Estimates, the operational budget increased by about N\$ 3.0 billion, reaching a total of N\$78.2 billion. Meanwhile, the development budget has been reduced to N\$10.4 billion. This is due to the concerning capacity constraints that impede timely execution of development projects. See figure 5.



Source: Ministry of Finance (MoF)

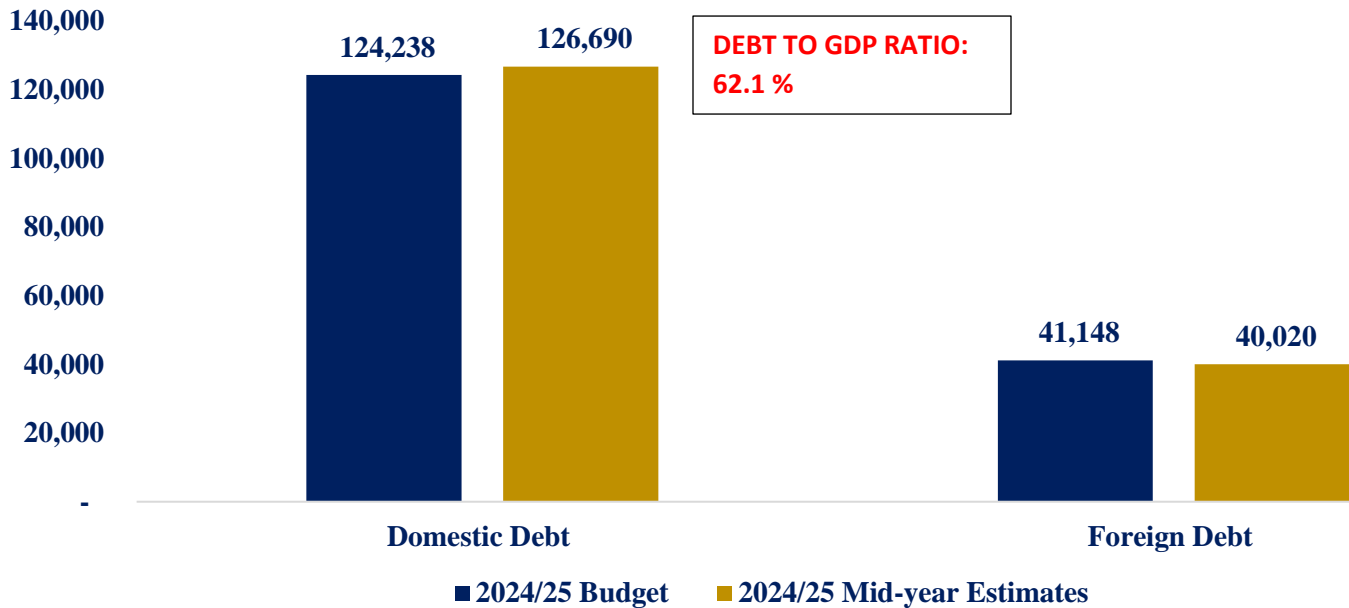
4. Comparisons of the Budget Allocations by sector (2024/25 Budget versus Medium Term Expenditure Estimates 2024/25)

The prime minister vote received the highest increment this is due the additional N\$ 698.8 million for draught relief provisions and N\$ 139 million for the conditional basic income grant. The Finance and Public enterprises received the second highest increment with an additional N\$ 687 million for the operational budget. An additional N\$ 450 million was also added to the ministry of health and social services to meet various emergencies in the sector. The ministry of education, arts and culture received an N\$ 88 million to cover NSFAP and N\$ 386 million for UNAM. Refer to figure 6. The transport sector had the most decline in the allocation due budget cuts for the projects in the railway sector. See figure 6.



5. Domestic Debt and Foreign Debt

Initially projected at N\$124.238 billion, domestic debt increased slightly in the mid-year estimates to N\$126.690 billion. This rise aligns with the government's strategy to rely more on domestic borrowing to manage the upcoming Eurobond repayment due in October 2025 and reduce exchange rate risk. The government aims to limit exposure to foreign exchange volatility by managing foreign debt levels, focusing on stabilizing the debt portfolio, and making debt servicing more manageable under current economic conditions.



Source: Ministry of Finance (MoF)

6. Tax reforms to support economic recovery and provide taxpayer relief

- **Non-Mining Corporate Tax:** Reduced to 31% from April 2024, with plans for a further reduction to 28% by FY2026/27.
- **Income Tax on Individuals:** Threshold raised to N\$100,000, with future adjustments to tax brackets planned to account for inflation, costing N\$712.9 million annually.
- **Tax Amnesty Program:** Extended for two more years, until 31 October 2026. Interest and penalties are waived if outstanding taxes are fully paid by the new deadline.
- **Petroleum Fiscal Regime:** In collaboration with the Ministry of Mines and Energy, the government is updating the petroleum tax regime to simplify requirements for taxpayers amid rising exploration activities.