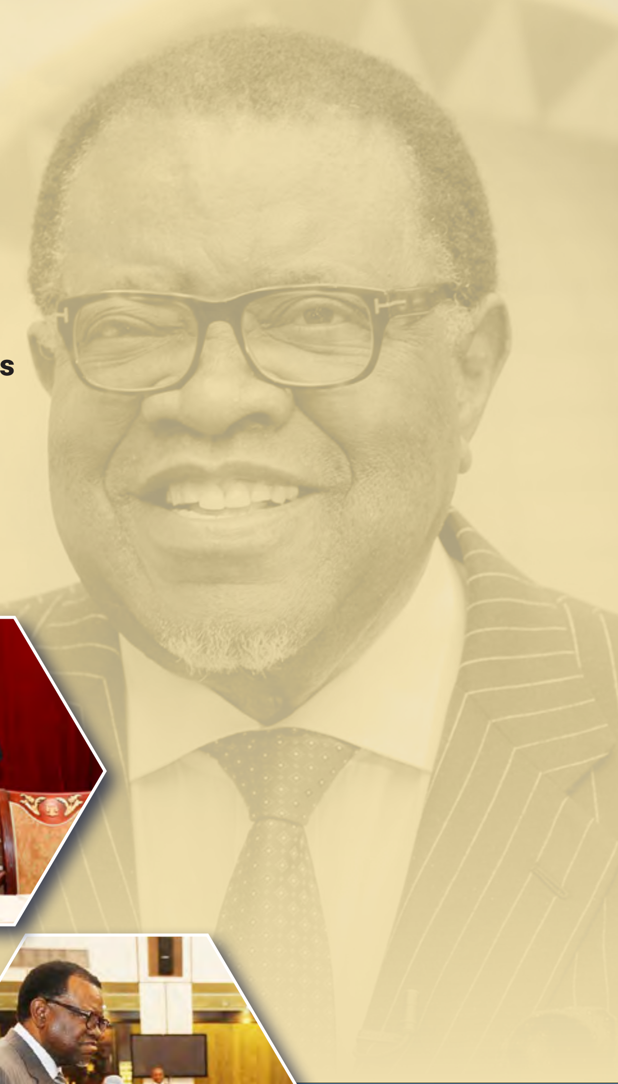
Republic of Namibia

Ministry of Finance & Public Enterprises



BUDGET STATEMENT FOR THE 2024/25 FINANCIAL YEAR
IPUMBU SHIIMI, MP
MINISTER

Continuing the legacy of H. E. Dr. Hage G. Geingob
by caring for the Namibian child

FY2024/25 Budget Statement

Continuing the Legacy of His Excellency, President Hage G. Geingob by Caring for the Namibian Child

Presented

by

Iipumbu Shiimi, MP

Minister of Finance and Public Enterprises

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Introduction

Honourable Speaker,
Honourable Members of Parliament,
Fellow Namibians,

1. I have the distinct honour this afternoon to table before the National Assembly the budget proposals for the FY2024/25 and the Medium Term Expenditure Framework for FY2024/25 – FY2026/27 under the theme "*continuing the legacy of His Excellency Dr. Hage G. Geingob by caring for the Namibian child*".

2. Before I delve into the details of the budget, I would like to share with you my back-to-school journey. In the early morning of the 23rd of January 2024, I started with my school tour in the Khomas region. On that day I left home around 07h00 to visit the Havana High School, located in the Havana location of Katutura. Because I was travelling in the opposite direction of the morning traffic flow, it was a blissful drive for me, traffic was not a problem at all. For those who were driving towards the town centre and other places on the eastern side of the city, however, it was a nightmare as I noticed a long queue of cars.

3. In that moment, I couldn't help but envision how the traffic situation in Windhoek will look like in the next 10 years. In the spur of the moment, I made a mental note that I need to have a discussion over a cup of coffee with Her Worship, the Mayor of Windhoek, in this regard. Soon I arrived at the Havana High School, only to see a multitude of young children walking to school. For a brief moment, I thought I was at the wrong place because I expected a secondary school to have older learners, only to realise later that there are two newly constructed schools next to each other, the Havana High School and the Monte Christo Primary School.

4. At the Havana High School, I was joined by a few of my colleagues from our Ministry and a team from the Namibia Revenue Agency (NamRA). Mr. Mweti, the School Principal, a Board Member and some staff members gave us a brief history of the school. I could hardly comprehend that, a few years ago, the whole place was full of tents and that's where learning was taking place.

Soon after, we commenced with the school tour, after I gave a brief address to the learners who were gathered in a disciplined fashion at the school amphitheatre.

5. At Havana High School, we could see Government resources put to good use: blocks of classrooms, a computer laboratory, a library, sport facilities etc. The school was still waiting for some additional equipment and books to be delivered, but overall, the school has made impressive progress. I was subsequently saddened to note that part of the school roof was damaged by strong wind last Friday.

6. Nonetheless, we decided we cannot end in Havana. Again, in the early morning of the 8th of February 2024, we were at Augustineum Secondary School. This is another school that benefited from the Education and Training Quality Improvement Project – a collaboration between the Government and the Africa Development Bank. Augustineum is a special place, that name is interwoven with the history of our dear departed president. His Excellency Dr. Hage Geingob, was a student at the Augustineum College.

7. Under the stewardship of Mr. Matengu, the School Principal, we toured the newly renovated school hostel, dining room and the school hall. We saw firsthand what tax money could do, if appropriately deployed to care for the Namibian child. Before rushing off to the Mix Primary School, we conveyed our sincere condolences to the staff and learners of Augustineum Secondary School, who all gathered in the newly renovated school hall, for the loss of their alumna.

8. Mix Primary School is a new school at the Mix Settlement in Brakwater. So far only few buildings are completed, but construction work was in full swing at the time of our visit. For now, only the little ones in pre-primary and the Grade One leaners are accommodated there. Prior to our arrival at the school, Ms. Lopez, the School Principal, had already marshalled the little ones in line, singing us a welcoming song. When I greeted them, they replied emphatically, "*good morning teacher*". Who can blame them for thinking I am also a teacher?

9. For your full appreciation of the infrastructure developments at Havana High School, Augustineum Secondary School, and Mix Primary School, let's watch a short video that documented our visits.

Honourable Speaker,

10. Teachers from Havana High School, Mr. Matengu from Augustineum Secondary School and some of their best performing learners are my special guests who accompanied me to Parliament today. I would like all of them to stand up, so we extend to them a warm welcome to the National Assembly.

11. I will reflect further on my back-to-school journey later in my remarks.

Economic, fiscal, and financial context

Honourable Speaker,

12. The global economy continues to show resilience in the face of significant adverse risks that prevailed since the onset of the global pandemic. In the World Economic Outlook (WEO) update released in January 2024, the International Monetary Fund (IMF) estimates global growth to remain steady at 3.1 percent in 2023 and 2024 before increasing marginally to 3.2 percent in 2025. Global growth remains below the historical average, weighed down by elevated interest rates to curb inflationary pressures, low productivity as well as limited fiscal support due to high debt levels.

13. On the commodity prices front, international fuel and nonfuel commodity prices are projected to trend downwards during 2024 in line with subdued global demand. Nonetheless, significant downside risks remain, further heightened by the continued geopolitics in the Red Sea region with risk of generating fresh adverse supply shocks to the global economic recovery.

14. For the domestic economy, muted commodity prices present a significant risk for domestic production and export earnings, particularly for the diamond subsector. Nevertheless, on the upside, falling international commodity prices translate into reduced domestic price pressures, going forward.

Honourable Speaker,
Honourable Members,

15. On the regional front, economic activities in the sub-Saharan Africa region are estimated to remain steady, with growth projected to gradually increase from 3.3 percent in 2023 to 3.8 percent in 2024 and 4.1 percent in 2025. The growth prospects for the region largely reflect easing supply side constraints, resilient domestic demand, and the subsiding impact of negative weather shocks.

Domestic economic developments and outlook

Honourable Speaker,
Honourable Members,

16. The domestic economic outlook has improved significantly, as reflected in the latest quarterly GDP statistics released by the Namibia Statistics Agency (NSA). In this regard, we estimate GDP growth at 5.6 percent in 2023 before moderating to 4.0 percent in 2024 and 3.9 percent in 2025. The strong growth is anchored by upbeat activities in the natural resources sector, including the residual impact of ongoing petroleum exploration on domestic economic activities and the surge in uranium production following price increases. In addition, sentiments have also broadly improved across many other sectors of the economy such as tourism, transport and storage, financial services, and electricity generation.

17. Nevertheless, the strong economic activities largely reflect recovery in the traditional engines of domestic growth, particularly the mining sector which is highly capital intensive. As such, the projected economic recovery is not expected to address the pervasive and entrenched national challenges such as high unemployment, poverty, and income inequalities. Consequently, the urgency to diversify the economy remains a key cornerstone of our fiscal and economic policy framework moving forward.

18. This would require Government to create a conducive environment by addressing the identified binding constraints to growth and addressing existing policy coordination barriers. That could facilitate a faster emergence of new engines of growth, especially in sectors with potential to create high

quality jobs. In this vein, we will continue to implement Economic Diversification Strategy and integrate it into the upcoming sixth National Development Plan (NDP 6). Furthermore, we will pursue potential new industries through the green industrialisation agenda that not only promises to diversify Namibia's exports but can also increase the complexity of our economy.

19. On a positive note, however, the surge in growth and the resultant improvement in public revenues has created a much-needed avenue for a stronger structural reform momentum which could bolster productivity, with positive spillover effects on the broader economy. Furthermore, Government can utilise the boost in public revenues to address the acute infrastructure backlog, especially in the areas of housing, railway, water, education, and health.

Honourable Speaker,

20. Aligned with global developments, domestic prices moderated to an average of 5.9 percent in 2023 in contrast to 6.1 percent recorded in 2022. Similarly, the latest data prints for January 2024 showed a continued downward trend in prices with an annual inflation rate of 5.4 percent. Going forward, inflationary pressures are expected to subside over time, although the speed of moderation remains largely dependent on the performance of the exchange rate and global commodity price developments, among others.

21. The abating inflationary pressures is a welcome development for corporate and household balance sheets alike. Nevertheless, the impact of the prevailing monetary policy tightening cycle still weighs heavily on domestic consumption. As a result, we are keenly aware of the need to provide some measure of fiscal stimulus to improve household disposable income and boost consumer spending power. Consequently, the fiscal policy stance for the next MTEF should balance rebuilding fiscal buffers with providing the necessary fiscal stimulus to boost domestic demand.

Fiscal Policy Developments

Honourable Speaker,

22. When I tabled the FY2023/24 Mid-Year Budget Review in this house on 25 October 2023, I provided full account of the actual fiscal outturns in respect of the previous financial year as well as the revised estimates for the FY2023/24. On the same day, I also tabled the 2023 Appropriation Amendment Bill which provided an additional operational budget of N$2.5 billion, and some N$2.3 billion for interest payments. This exercise subsequently shifted the global expenditure ceiling for FY2023/24 upwards to N$89.0 billion.

23. The preliminary indicators at the end of January 2024, show strong and improving fiscal fundamentals driven by strong revenue growth due to improved tax administration as well as the domestic economic recovery. In this context, revenue collections stood at N$72.0 billion, translating into a collection rate of 90.6 percent over the first 10 months of the financial year. This is significantly higher than the corresponding historical average.

24. We have noted particularly strong collections in the revenue categories of corporate income tax with a collection rate of 109.6 percent, Value Added Tax (VAT) which recorded an 89.7 percent collection rate as well as withholding tax on services and tax on royalty which both stood at 130 percent of estimated revenue over the period. In addition, a total of N$2.5 billion has been collected on various tax categories through the Tax Amnesty Program between April 2023 and January 2024.

25. On the downside, however, dividends underperformed primarily due to a significant decline in global diamond prices over the period which has adversely affected the financial performance of the NamDeb Group over the medium term.

26. Given the strong year-to-date collections and with two months remaining in the financial year, we have subsequently revised the revenue estimates for FY2023/24 upwards by N$2.5 billion to a total of N$81.1 billion.

Honourable Speaker,
Honourable Members,

27. Regarding non-interest expenditure, the preliminary outturn at the end of January 2024 stood at N$54.1 billion. This is equivalent to 70.7 percent of the revised expenditure numbers presented in the FY2023/24 Mid-Year Budget Review. In this context, on the operational budget, an execution rate of 73.6 percent was recorded over the period, while the implementation rate on the development budget (including expenditure commitments) stood at 64.5 percent. The spending rate is below historical levels for this time of the year. As a result, we do not anticipate significant expenditure overruns by the end of the financial year.

28. On statutory expenditure, 92.0 percent of the budget was spent by the end of January 2024. Cognisant of potential overspending, interest payments are revised upwards marginally by N$78.4 million. On the financing front, N$10.4 billion equivalent to 80.4 percent of the total funding requirement, was secured over the same period. Consequently, the total debt stock stood at N$151.3 billion, equivalent to 61.3 percent of GDP.

29. From a sustainability perspective, public debt growth has stabilised, and the debt metrics have started declining primarily driven by strong growth in nominal GDP, which outpaced the increase in the nominal debt stock. Despite this, it remains crucial for the fiscal framework to maintain a primary budget surplus over the upcoming MTEF to contain the pace of debt accumulation.

30. Overall, the budget deficit for FY2023/24 is expected to improve significantly to 3.2 percent, when compared to our initial estimates of 4.2 percent at mid-term and in the main budget last year.

Budget Policy Pillars

31. The budget I present before you today is crafted taking particular care to make the necessary provisions to programs aimed at supporting domestic demand and stimulating economic activities. At the same time, we remain keenly aware that Government cannot achieve sustainable job creation without the support of private businesses, including Small and Medium Enterprises (SMEs). As such, the fiscal framework considered the requisite

interventions to create a conducive operating environment to enable the private sector to expand domestic investments.

32. As a result of the strong growth in GDP supported by improvements in tax administration measures by NamRA, we have noted significant improvements in several revenue streams and subsequently some key fiscal indicators. Notably, we have observed much welcome stabilisation in the key public debt metrics. However, a significant portion of the Government debt portfolio is due for repayment over the MTEF. The largest among these maturities is the US$750 million (N$14.3 billion) Eurobond due on 29 October 2025. This is the largest single day debt maturity in the history of our country.

33. In this regard, we are committed to redirect part of the increase in revenues towards the sinking fund to manage the rollover risk and contain increases in future debt service obligations. This will ensure that we minimise a potentially significant future drain on resources that are desperately needed for infrastructure development, poverty reduction and combating climate change, among others.

34. Accordingly, the Government will transmit at least N$3.5 billion during FY2024/25 and some N$2.0 billion in FY2025/26 of the SACU receipts to the sinking fund to place us in a position to retire two-thirds of the Eurobond (US$500 million) at maturity. Consequently, the remaining one-third of the bond (US$250 million) will be refinanced utilising the most cost-effective instrument in the next financial year, cognisant of the prevailing high interest rate environment and the need to manage debt servicing costs. In this regard, consideration will also be given to the domestic markets as well as financing from Development Finance Institutions (DFIs).

35. Furthermore, the past years of difficult economic conditions have culminated in a slowed pace of public investments as evidenced in a persistently small and falling development budget. As a result, there has been significant underinvestment in critical infrastructure. Subsequently, a key priority over the MTEF is to make the necessary provisions to accelerate infrastructure development and unlock lasting social and economic value for the country.

36. In summary, *Honourable Speaker*, the FY2024/25 Budget is built on three reinforcing policy pillars, namely:

- firstly, the budget prioritises **stimulating domestic demand** through a menu of policy actions to boost household incomes and create a conducive environment for businesses to thrive and expand investments;

- secondly, it **accelerates investments in productive public infrastructure** through an increase in the development budget to upgrade infrastructure that has become a hindrance to economic activities as well as to expand social infrastructure to meet the needs of a growing and rapidly urbanising populace and ensure the delivery of frontline public services; and

- thirdly, the fiscal framework continues the path to **cultivate fiscal prudence** through maintaining a primary surplus thereby moderating the pace of debt accumulation. Further, consideration has been made in the budget to ensure that Namibia is able to honour her debt obligations over the MTEF with relative ease and in a cost-effective manner.

37. While pursuing the above policy objectives, we remain cognisant of our social and everyday lived realities including poverty levels, high unemployment, and frequent incidences of drought. Accordingly, specific provisions have been made in this budget to safeguard livelihoods and guard against excess reversals on gains made in the social sectors.

38. In this context, *Honourable Speaker*, and in terms of Article 126(1) of the Namibian Constitution, it gives me pleasure to table, for the favourable consideration and approval of the House:-

a) the FY2024/25 Appropriation Bill,
b) the FY2024/25 – 2026/27 Medium-Term Expenditure Framework,
c) the Estimates of Revenue, Income and Expenditure for the MTEF,
d) the Development Programmes over the MTEF; and
e) the Fiscal Strategy for the FY2024/25 - FY2026/27 MTEF.

FY2024/25 Budget, Medium-Term Outlook, and Fiscal Policy Stance

Honourable Speaker,
Honourable Members,

39. As always, the key organising principle of the National Budget remains to maintain a careful balancing act in pursuing a people-centred but sustainable budgetary framework. The overall goal is to make a positive impact in the day-to-day lives of our citizenry and avoid reversals on the social and economic gains we have attained since independence.

40. From a revenue perspective, *Honourable Speaker*, we have noted significant improvements. In this regard, we estimate total revenues of N$90.4 billion for FY2024/25, an increase of 11.5 percent from the revised estimates of the previous year. The substantial boost to revenues stem from a positive adjustment in SACU receipts, which is estimated at N$28.0 billion, significantly better than our initial projections.

41. Similarly, several domestic revenue streams have also been revised upwards. In this context, income tax on individuals is estimated to increase by N$1.3 billion over the revised estimates of FY2023/24, VAT is estimated to increase by N$1.7 billion while non-mining company taxes are estimated to increase by N$759.4 million over the same period.

42. In addition to the above, the revenue estimates for FY2024/25 include expected dividends of N$1.2 billion following the anticipated dissolution of the Namibia Post and Telecom Holdings Company (NPTH) during the financial year. An additional N$500 million is expected from the sale of the remaining 9.0 percent shares in the Mobile Telecommunication Company (MTC). Further dividends are expected from other public enterprises, notably, the Bank of Namibia, Namibia Desert Diamonds (NamDia), and the Namibia Port Authority (NamPort). The revenue estimates also include N$1.4 billion in once-off legacy tax liabilities of selected public enterprises, as I will elaborate shortly.

43. Over the MTEF period, revenue growth is projected to average 5.0 percent reaching N$93.6 billion by the end of FY2026/27. In the outer years, the revenue projections incorporated cautious estimates of SACU receipts as well

as a moderate increase in domestic revenues aligned to our positive growth expectations. We project revenue as a ratio of GDP to remain strong, averaging 29.9 percent over the MTEF.

44. Despite accounting for anticipated downside risks and taking a conservative approach in the forecasts, the revenue outlook is still clouded by uncertainties in the global and domestic economies. Nevertheless, we remain committed to maintaining fiscal sustainability and will thus approach any unanticipated revenue shortfalls in a manner that does not compromise the gains on our fiscal metrics thus far.

Honourable Speaker,
Honourable Members,
Fellow Namibians,

45. The strengthening domestic economic fundamentals and the resultant strong revenue performance have created an avenue for us to expand the spending envelope to accelerate service delivery, address the most pressing needs and improve infrastructure development. In this context, I table before the house the FY2024/25 budget of N$100.1 billion. This total expenditure includes N$3.2 billion in development projects funded through external loans and grants as well as N$12.8 billion in interest payments. On balance, the total budget has increased by 12.4 percent from the revised estimates of the preceding year.

46. Accordingly, the operational budget is estimated at N$74.6 billion, representing an increase of 8.8 percent over the FY2023/24 estimates. The increase in operational expenditure largely reflects the 5.0 percent adjustment in the civil service wage bill at a cost of N$1.7 billion to guard against the erosion of purchasing power. Despite significant inflationary pressures over the past several years, civil servants have exercised extraordinary patience, and we would like to extend our heartfelt appreciation for their forbearance during the difficult economic conditions. The wage adjustment is effective from 01 April 2024.

47. The operational budget also includes N$1.4 billion in once-off legacy tax liabilities of selected public enterprises. This includes those enterprises whose

funding was severely reduced due to fiscal consolidation in previous years. The beneficiaries include the University of Namibia (UNAM), TransNamib, the Namibia Broadcasting Corporation (NBC), the New Era Corporation, the National Fishing Corporation of Namibia (FishCor) and the Roads Contractors Company (RCC). Accordingly, this transaction is recorded as both revenue and expenditure in our books, resulting in a neutral position from a fiscal perspective. Furthermore, this action was undertaken on the back of agreed conditions including regular publication of audited financial statements and commitment to meet future tax liabilities henceforth. I would like to emphasize that this is an exceptional once-off exercise to clear the legacy debt of public enterprises accumulated prior to the establishment of NamRA. This action is undertaken to enable NamRA to apply the law to all taxpayers equally. Should any public enterprise accumulate tax liabilities going forward, Treasury is not prepared to offer any support.

48. To close the infrastructure gaps that continue to weigh against our growth potential, the development budget has been increased significantly by 58.1 percent to N$12.7 billion. This is inclusive of N$3.2 billion in grant-funded and loan-funded projects to improve infrastructure through various ministries. The development budget is equivalent to 4.6 percent of GDP, a significant improvement from prior years. Nevertheless, we remain concerned about limited project execution capacity at most Offices/Ministries/Agencies (O/M/As) and procurement bottlenecks which continually translate into virementation of funds from and/or underspending on the development budget. Accordingly, government will continue to work on addressing these shortcomings.

49. Lastly, we have budgeted N$12.8 billion to meet debt servicing obligations in FY2024/25, equivalent to 14.2 percent of revenues and 4.7 percent of GDP. The debt servicing metrics, although stabilising, still remain above the desired benchmark of 10.0 percent of revenues. Therefore, the fiscal framework provides for specific measures to maintain public debt on a reduction path and ensure that debt is raised in the most cost-effective manner.

50. Overall, we estimate to realise a positive primary budget balance of 1.4 percent of GDP during FY2024/25. Subsequently, the budget deficit is

projected at N$8.9 billion in nominal terms, equivalent to 3.2 percent of GDP in FY2024/25. In the interest of pursuing fiscal sustainability and debt stabilisation, we aim to maintain a primary surplus and consequently keep the budget deficit below 4.0 percent of GDP over the MTEF.

51. From a financing perspective, the Government will employ a combination domestic debt instruments and funding from multilateral organisations for ongoing infrastructure projects in the road, water, and railway sectors. As customary, the detailed Borrowing Plan for the issuance of domestic securities will be disseminated to market participants before the commencement of the new financial year.

52. Reflecting the above developments, the public debt stock is estimated at N$165.8 billion or 60.1 percent of GDP during FY2024/25, a reduction from an estimated 62.5 percent of GDP at the end of the preceding financial year.

Economic Policy Priorities over the MTEF

53. The FY2024/25 National Budget contains macroeconomic policy proposals aimed at supporting economic growth through accelerating infrastructure development. The budget includes the following significant policy priorities:-

- we have made provisions to the tune of N$2.5 billion in FY2024/25 towards railway infrastructures, consisting mainly of N$1.9 billion for the upgrading of the Kranzberg-Otjiwarongo railway section and N$488 million for the rehabilitation of the Sandverhaar-Buchholzbrunn railway section in the south. In this context, critical sections of the national railway line are in a state of disrepair and will thus enjoy attention from a funding perspective over the MTEF. In this regard, a total of N$6.6 billion is earmarked for the railway network development over the MTEF. These allocations are further complimented by operational funding, a dedicated loan facility to purchase rolling stock as well as ongoing efforts to improve governance at TransNamib.

- we have provided a capital budget of N$970 million to the Ministry of Education, Arts and Culture to cater for the construction and renovation of classrooms and other school infrastructures. The allocation reflects our recognition of the urgency to close the infrastructure gap in the education sector and reduce stark inequalities in access to social infrastructures especially for the rural and low-income communities. Furthermore, we remain broadly attuned to the need to invest in human capital development as the catalyst for sustainable development and poverty reduction in the long term. We have seen, in the video I shared earlier, how these allocations make a huge difference in the day-to-day lives of learners and the communities they come from, and we are encouraged to do more, resources permitting.

- to accelerate the implementation of the recently approved National Housing Policy, the FY2024/25 budget has allocated a total of N$700 million to the informal settlements upgrading, massive land servicing and other programmes to improve access to housing opportunities nationwide. We hope this allocation will fast track the provision of bulk infrastructure in various local authorities to improve access to services, especially in the informal settlements. Accordingly, additional implementation capacity will be required in this context, including closer collaboration with the private sector. In line with our commitment to improve the living standards and the quality of life of all Namibians, funding to the housing sector will remain a key priority over the medium term, subject to the available resource envelope.

- given the energy supply shortages in the region, there is a need to fast track the implementation of the approved domestic generation and transmission projects to increase local generation capacity and improve system stability in the medium term. In line with this, an allocation of N$200 million in FY2024/25 and N$200 million in FY2025/26 has been made to support NamPower in funding the development of the 40MW Otjikoto Biomass Power Station.

- the vote of Water receives N$2.2 billion in FY2024/25 including N$1.1 billion in loan funded projects, a significant increase from the previous year ceiling. The beneficiary projects include the refurbishment of the Oshakati and Rundu Water Treatment Plants as well as the development of the 2nd Ohangwena Aquifer Well Field. In addition, funding has been availed for drilling of boreholes, expansion of pipelines and various rural water supply projects to improve access to water within communities, especially considering the increased drought incidences.

Tax Policy and Administration Reforms

Honourable Speaker,

54. On the tax policy front, over the preceding MTEF, we maintained a policy stance to not consider new tax policy proposals specifically those with potential to stifle economic recovery and compromise the emerging growth prospects. Broadly, we still maintain the same view, and as such this budget continues specific tax policy proposals aimed at providing some relief to taxpayers with the aim to boost domestic demand and broaden the tax base to improve revenue mobilisation. Further, we have considered specific proposals to enhance the competitiveness of our tax system to attract investments and foster private sector development.

55. In this context, I am happy to announce the following resolutions-:

- as confirmed previously, the FY2024/25 budget has made provision to provide tax relief to low-income earners. In this regard, we will increase the threshold for Income Tax on Individuals from the current N$50,000 to N$100,000. This action will result in an injection of N$646.0 million directly into the pockets of taxpayers. Effectively, all individual taxpayers will be exempted from paying tax on the first N$100,000 of their income as from 01 March 2024. In this respect, the revised tax tables will be published accordingly;

- furthermore, we have made provisions in the two outer years of the MTEF to adjust all tax brackets for inflation creep. In this regard, a total of N$712.9 million per annum in direct relief to taxpayers has been provided for;

- as previously communicated, the non-mining company tax rate will be reduced by two percentage points during the MTEF. Accordingly, the tax rate will be reduced to 31 percent effective on 01 January 2024, with a further reduction to 30 percent taking effect on 01 January 2025;

- furthermore, to improve competitiveness against regional peers and in keeping with global developments in corporate income taxes, the non-mining company tax rate will be reduced further to 28 percent during FY2026/27. Nonetheless, to maintain tax neutrality, this reduction will be undertaken alongside broadening the corporate income tax base by:
    - replacing the 3:1 thin capitalisation ratio with a 30 percent limit on interest deductions;
    - capping assessed losses carried forward at 5 years for normal companies and 10 years for companies operating in the natural resources sectors; and
    - introducing a 10 percent dividend tax effective on 01 January 2026 to address the existing disparity in the investment arena where dividends paid to non-resident shareholders is subject to tax;

- these proposed reforms on corporate income tax are expected to ensure revenue enhancement through improving corporate tax compliance and easing the administrative and audit burden on NamRA. Overall, the changes are estimated to yield additional taxes of more than N$600 million per annum;

- to ensure that the principles of fairness and equity in taxation are fully applied to the insurance sector, we will amend the law to remove non-resident shareholder tax exemption for foreign insurance company shareholders and provide for taxation of shareholders activities like other businesses. This change takes effect in FY2024/25 and is projected to yield additional revenue of N$180 million per year;

- in conjunction with the Ministry of Industrialisation and Trade, we are working to introduce a Special Economic Zones (SEZ) regime as an anchor to our ambition to curate competitive industrials zones.

Participants in the SEZ will be subject to a corporate income tax rate of 20 percent. The normal deductions in terms of capital allowances will apply in the SEZ regime while VAT will be zero rated. In this respect, the SEZ bill is expected to be tabled in the National Assembly during FY2024/25, in advance to the expiration of the Export Processing Zone (EPZ) regime in 2025;

- the corporate income tax rate of 20 percent to be proclaimed under the proposed SEZ regime will also be applicable to SMEs with annual turnover below a pre-defined threshold. The SME threshold will be published in due course;

- the FY2024/25 budget is further lifting the mandatory registration threshold for VAT from N$500,000 to N$1,000,000. Increasing the threshold will relieve approximately 23,000 SMEs from VAT administration to focus on their core activities while simultaneously freeing capacity at NamRA to focus on large taxpayers;

- we also confirm, as previously announced, the introduction of the Internship Tax Incentive Programme aimed at further incentivising employers to enrol more interns by providing an additional corporate tax deduction. The total financial implication for the Government is estimated at N$126 million;

- the FY2024/25 budget also proposes buildings improvement deductions to address the issue of urban decay within inner cities and to maintain existing infrastructure while encouraging investments. In this regard, a capital depreciation allowance of 10 percent each year will be applicable on the costs of buildings erected, added to, extended or improved and which are used for trade purposes;

- as a measure to support improving access to housing, the brackets for transfer duties and stamp duties will be adjusted for inflation. Accordingly, the exempt level will be lifted from N$600,000 to N$1.1 million. Moreover, the threshold to trigger the transfer duty rate of 8 percent will be increased to N$3.15 million effective in FY2024/25.

Lastly, a supertax transfer duty and stamp duty bracket for luxury residential properties will be introduced for residential properties costing above N$12.0 million;

- in the coming financial year, together with NamRA, we will explore introducing a VAT e-invoicing system which will integrate and interface cash registers at businesses to the Integrated Tax Administration System (ITAS). This envisaged digitalization initiative will, among others, improve NamRA's ability to collect, analyse and monitor tax data, lower administrative and compliance costs while minimizing VAT fraud and enhancing tax enforcement;

- NamRA will continue with the final leg of the Tax Amnesty Program, whereby interest and penalties will be fully written off if taxpayers settle the outstanding capital by 30 October 2024. I would like to emphasise to all concerned taxpayers that this is the final extension of this program. It is important for all concerned taxpayers to participate before the due date because we shall not lender a sympathetic ear to anyone afterwards. The total capital of tax arrears stood at N$17.3 billion at the end of January 2024; and

- Lastly, in conforming with Article 21 of the SACU Agreement, the following excise duties on the consumption of alcohol and tobacco took effect on 22 February 2024:
  - a 340 ml can of beer increases by 10c;
  - a 750 ml bottle of wine goes up by 18c;
  - a 750 ml bottle of spirits will increase by N$3.90;
  - a 23 gram cigar goes up by N$5.47; and
  - a pack of 20 cigarettes, the duty rises by 98 cents.

FY2024/25 Appropriation Bill

Honourable Speaker,
Honourable Members,

56. Allow me to provide a synopsis of the main budgetary provisions across the different sectors and programmes in the FY2024/25 Appropriation Bill.

Social Sector

57. Investments in the social sectors remain imperative for a developing economy like Namibia as it is crucial for cultivating the long-term productive capacity of the economy, cushioning the social strata against vulnerabilities as well as broadly improving the living standards in the country. As such, we continuously prioritise allocations to the social sectors to improve access to and quality of public services while safeguarding the gains made thus far on social and human development indicators.

58. In line with this conviction, the social sectors will absorb 50.7 percent of the budget, equivalent to N$44.3 billion during FY2024/25. This is an increase from N$39.4 billion in the preceding financial year. The allocations are aimed primarily to address the following issues, in addition to sustaining ongoing operations:-

    - a total of N$18.4 billion has been allocated to the Basic Education, Arts and Culture Vote in FY2024/25 and some N$56.1 billion over the MTEF.

    - the budget of the Ministry of Gender, Poverty Eradication and Social Welfare has increased by 23.2 percent to N$8.0 billion in FY2024/25. The budget includes N$824.7 million to maintain the real value of the social safety nets in the face of high inflation and given the high dependence ratio. Accordingly, the Old Age Grant and the Disability Grant will be increased from N$1,400 to N$1,600 per month effective on 01 April 2024. We fully recognise the dream of our departed President for a significant increase in the Old Age Grant, but we cannot afford to deliver on his dream in a single financial year. Nonetheless, we will continue to work towards it with gradual increases over time, as resources permit. In addition, we have made provision to increase the frequency of food distribution to marginalized communities at a cost of N$170.0 million, and N$284.5 million to ensure full coverage of the Orphan and Vulnerable Children Grant. Over the MTEF, the Vote will absorb N$24.5 billion.

    - the Vote of Sports, Youth and National Service has increased by 45.3 percent to N$679.4 million in FY2024/25 and a total of N$2.2 billion over the MTEF period. Allocations have been made to various youth programmes to support with skills development and capacity building. The allocation caters for, among others, skills development courses for out-of-school youth (N$20 million), youth training through the charcoal and mushroom production programmes (N$12 million), funding for the youth credit scheme (N$10 million), financing for 121 youth enterprises across all constituencies (N$9.8 million) and youth skills development through the National Youth Service (N$20 million). We take note of the re-energized interest in sports activities and have accordingly increased the operational budget for sport promotion programmes by an additional N$100 million. This includes N$29.5 million for preparatory activities to enable us to host the Region 5 Youth Games in May 2025. In addition, N$124 million has been provided in the development budget for, among other, upgrading of the Independence Stadium as well as various sports facilities and multipurpose youth centres across the country.

- the Higher Education Vote has been allocated N$4.8 billion in FY2024/25, 13.0 percent higher than the preceding year. The additional allocation includes N$200 million to the Namibia Student Financial Assistance Fund (NSFAF), bringing their total allocation to N$2.3 billion and a total of N$7.1 billion over the MTEF. Furthermore, we have provided N$108.3 million for a 5.0 percent salary increment for UNAM staff. Over the MTEF, the Vote will receive an estimated N$14.7 billion.

- during FY2024/25, the Vote of Health and Social Services will receive N$10.9 billion and a sum of N$34.3 billion over the MTEF. Within that allocation, we have availed more than N$450 million in the development budget including for commencing with earthworks at the Windhoek District Hospital in Havana, the expansion of primary health care centres and clinics countrywide and improving the capacity of referral hospital services. Further consideration has been made to cater for the recruitment of medical personnel as well as acquisition of pharmaceuticals and medical equipment.

Economic and Infrastructure Sector

59. As I have outlined prior, this budget makes specific provisions for infrastructure development to close infrastructure gaps and give greater impetus to our economic growth objectives. In this regard, a total of N$20.9 billion in FY2024/25 and some N$58.9 billion over the MTEF, inclusive of projects funded through external loans, has been allocated to the sector ministries responsible for carrying out the construction of infrastructure and implementation of economic policies. Collectively, these make up 23.9 percent of the total budget. The allocations are distributed among the various votes, as follows:

- during the FY2024/25, the vote of Transport will receive a total of N$5.1 billion, including N$1.9 billion in project financed through external loans and grants. In addition to fast-tracking the upgrading of the railway network, this allocation also caters for N$1.8 billion for the completion of ongoing road construction projects. Regarding, airport infrastructure, an allocation of N$431.0 million has been made for FY2024/25. Over the MTEF, the vote will receive N$14.5 billion.

- a total of N$1.9 billion in FY2024/25 has been availed to the vote of Agriculture and Land Reform. This includes N$50 million dedicated for land purchase to address the plight of generational farm workers as well as N$87 million for the improvement of animal health and marketing in communal areas. Provisions have also been made for improving food systems as well as the Green Scheme programme including Phase II of the Neckartal Dam Irrigation Project, among others.

- in support of SMEs and domestic economic activities, we have increased the budget of the Ministry of Industrialisation and Trade by 31.7 percent to N$365.5 million in FY2024/25 and a total of N$1.2 billion over the MTEF. In this context, funding has been allocated to the Equipment Aid Scheme, Start-Up Namibia and EMPRETEC Namibia to facilitate domestic trade activities and build domestic entrepreneurship capacity especially for SMEs. Furthermore, we have made financial provision for increased funding to the Namibia Standards Institute (NSI) and the

Namibia Competition Commission (NaCC) as well as an increase in the development budget for various capital projects to support entrepreneurial activities nationwide.

- the budget of the Ministry of Mines and Energy has increased by more than 50 percent to N$381.9 million in FY2024/25 and some N$1.5 billion over the MTEF. The increased allocation is meant to improve capacity at the ministry, especially in the Petroleum Affairs Directorate in light of the upsurge in exploration activities in the Orange basin. Furthermore, the development budget of the ministry has more than doubled, with N$131.0 million availed to fast-track rural electrification and improve access to electricity countrywide.

- a total of N$725.5 million has been availed to the Ministry of Environment, Forestry and Tourism, some 19.4 percent higher than the preceding year. The increased allocations should allow the ministry to attend to infrastructural deficiencies given the increased volumes of tourist arrivals as well as to improve the overall marketing of Namibia as a tourism hub.

- the Ministry of Finance and Public Enterprises has been allocated a budget of N$8.1 billion in FY2024/25, including N$3.0 billion for the Public Servants Medical Aid Scheme (PSEMAS) and more than N$700 million in transfers to public enterprises. A total of N$212.0 million has been budgeted for the Meat Corporation of Namibia (MeatCo), inclusive of the settlement of their contingent liabilities. Meanwhile, N$300 million has been provided for TransNamib to support their day-to-day operations cognisant of significant infrastructure and operational challenges. N$88 million has been allocated for the completion of the Luderitz Waterfront project. Furthermore, we have availed N$77.0 million to Agribank for a dedicated subsidy program to support farmers whose operations have been adversely affected by drought conditions. Dear farmers, we have heard your cries. In addition, we have put aside funds to explore mechanisms to accelerate employment creation in the economy.

- for the current financial year, FY2023/24, a total of N$481.1 million was allocated to the Contingency Fund and all the funds therein are fully committed. Accordingly, we have distributed the corresponding information regarding the utilization of the Contingency Fund during the current financial year.

- In addition, a total of N$250 million is provided for in the Contingency Fund to cater for unforeseen emergencies in FY2024/25.

Public Safety Sector

60. The Public Safety Sector takes up a total share of 17.6 percent of the non-interest budget. For FY2024/25, an amount of N$15.4 billion is allocated and about N$48.0 billion over the MTEF. The allocations are spread as follows:

    - the Anti-Corruption Commission has been allocated N$106.0 million in FY2024/25, a 29.8 percent increase from the previous financial year. Allocations for this important sector have been increased to improve implementation capacity, particularly in area of combating anti-money laundering and financial crimes. Despite the recent grey listing by the Financial Action Task Force (FATF), we have made significant progress and remain committed to address the outstanding action items for us to be removed from the grey list in the shortest time possible. Over the MTEF period, the Vote will utilise a total of N$299.2 million.

    - the vote of Home Affairs, Immigration, Safety and Security receives N$7.4 billion in the next financial year. In this allocation, provision of over N$70 million has been made for the ministry to roll-out electronic identification cards (e-IDs) and ensure full coverage of civil registration through mass registration for national documents countrywide.

    - the Judiciary has been allocated N$445.5 million in the next financial year and some N$1.4 billion over the MTEF period to ensure speedy delivery of services.

    - the vote of Justice receives N$674.3 million, about 8.6 percent higher than the previous year and a total of N$2.2 billion over the MTEF.

Administration Sector

61. The Administrative Sector receives 7.8 percent of the budget allocations and an amount of N$6.8 billion in FY2024/25 to support effective governance and efficient administration of public services.

    - in this sector, the budget of the Ministry of Urban and Rural Development has increased by 37.6 percent to N$2.6 billion in FY2024/25. In addition to provisions for housing, this allocation includes N$250 million in FY2024/25 and N$175 million in FY2025/26 for the rollout of prepaid water and electricity meters in various local authorities as a long-term solution to the rising debt with NamPower and NamWater. An additional N$141 million has been allocated for the transformation of Aus and Lüderitz local authorities to improve services due to the growing population driven by oil and gas exploration as well as green hydrogen activities in the region. Over the MTEF, the vote receives a total of N$7.8 billion.

    - the budget of the Office of the Prime Minister will remain steady at N$1.1 billion in FY2024/25. In this regard, provisions to the tune of N$700 million has been made to cater for drought relief in the event the 2024 rain season disappoints.

    - the Electoral Commission of Namibia (ECN) has been allocated a total of N$438.0 million in the coming financial year to ensure smooth and timely voter's registration as well as to undertake the Presidential and National Assembly elections towards the end of the year.

62. The detailed breakdown of the expenditure allocations and revised ceilings for the various Votes are available in the Appropriation Bill before you.

Conclusion

Honourable Speaker,
Honourable Members

63. The FY2024/25 budget and the MTEF I just outlined was crafted against the backdrop of much more stable macroeconomic fundamentals than we have

seen in a long time. The stable economic platform allowed us room to channel resources to provide for the most urgent needs in the social sectors, increase outlays towards investments in infrastructure while providing some relief to households and corporates alike. Furthermore, we maintained a careful balance to ensure that we can meet our upcoming debt obligations as we persist with the fiscal sustainability imperative. I believe this MTEF maintains a theme of fiscal prudence and places our public finances on a sound and sustainable path.

64. Nonetheless, I caution us to safeguard the fiscal gains we have made over the past few years by utilising the window of opportunity presented by the strengthening economic activities to rebuild our fiscal buffers and spend our resources sparingly. We should carefully balance between our very real, very urgent, and very large spending requirements and putting something aside to leave a better country to the future generations. The learners with me here from Havana High School, Augustineum Secondary School and their peers at home are counting on us to provide for their infrastructure needs, but in a manner that does not burden them with unsustainable debt obligations.

65. On the broader economy, *Honourable Speaker*, I further extend my caution that the signs of recovery we are seeing emanate from the very capital-intensive natural resources sector. Too great a share of our youthful population remains out of work, the disparities in income distribution are still prevalent and poverty levels still require much more work. As such, the need to cultivate a conducive environment to support economic activities and encourage the development of nascent industries remains very urgent. In particular, we need to address policy coordination gaps and administrative bureaucracies and duplications that frustrates businesses in their day-to-day operations and thus impede job creation. I implore us all to redouble our efforts to create a better future for the Namibian child.

66. In closing, I wish to sincerely thank our late President, His Excellency President Hage Geingob, for the confidence and honour he bestowed upon me to steer our public finances. I similarly would like to thank His Excellency President Nangolo Mbumba, Vice President Hon. Netumbo Nandi-Ndaitwah, Right Honourable Prime Minister, Dr. Saara Kuugongelwa-Amadhila, Deputy

Prime Minister Meester John Mutorwa and indeed all my Cabinet Colleagues and all of you, Honourable Members of Parliament, for your continued support and camaraderie in the management of our national purse.

67. I also wish to thank my colleagues, Hon. Obeth Kandjoze, the Director General of the National Planning Commission and Deputy Minister Maureen Hinda-Mbuende. I further extend my appreciation to the Executive Directors, Ms. Wilhencia Uiras and Mr. Titus Ndove and our officials at the Ministry of Finance & Public Enterprises and the National Planning Commission for the usual support in preparing the budget.

68. I also express my gratitude to the Bank of Namibia and NamRA for the all-round support on fiscal matters. I thank the leadership and officials in all O/M/As for the hard work and understanding the fiscal stance.

Honourable Speaker,

69. My back-to-school journey has left me with some homework. Mr. Mweti, the Principal of Havana High School asked me a thought-provoking question. He said "children from the Monte Christo Primary School next door are fed daily at school. However, there is no feeding program at secondary schools without hostels, yet the children come from similar households". He asked: what is the possibility of introducing feeding programs, specifically at certain secondary schools that are located in less fortunate communities?"

70. Mr. Matengu, the Principal of Augustineum had this to say: "we are grateful for the resources we have received from Government to renovate part of our school. We hope to still be considered in the future as there are still some school buildings at our school that need renovation."

71. My interactions with the learners and teachers at the schools I visited has inspired me to work harder to care for the Namibian child. It has further demonstrated that the Namibian state has the capacity to look after its citizens effectively when it mobilises enough tax revenue from taxpayers. This has underscored for me that, as leaders in Namibia, we should nurture and support NamRA to collect the revenues due to the State in order for us to deploy those resources to care for the Namibian child.

72. It has underlined the need for all of us who are in leadership positions to always think about the less fortunate members of our society when we spend state resources. The experience made me to envision a future where each Namibian child is accorded an opportunity to be well educated, productive and contributing positively to the prosperity of Namibia.

Honourable Speaker,

73. You may say "I am dreamer," to paraphrase the words of John Lennon, "but I am not the only one". I know the Namibian Government is fully committed to this vision. I hope someday all of you Honourable Members of Parliament and indeed all Namibians will join me in envisioning and working towards making Namibia prosperous and a better place for all.

74. Thank you, *Honourable Speaker.*

Republic of Namibia

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