REPUBLIC OF NAMIBIA

MINISTRY OF FINANCE

FISCAL STRATEGY
for the Medium-Term Expenditure Framework

2026/2027 - 2028/2029

PEOPLE
Human capital investment

PRODUCTIVITY
High impact investment

PRUDENCE
Long-term fiscal sustainability

REPUBLIC OF NAMIBIA

FISCAL STRATEGY
2026/2027-2028/2029
MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

AVAILABLE ONLINE: www.mof.gov.na

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Foreword

Namibia's development and economic agenda continue to be guided by the 2025/26 -2029/2030 **Sixth National Development Plan (NDP6)**, which provides the overarching framework for Government action. This framework is operationalised through the **OMAs Strategic Plans** and implemented within the **Medium-Term Expenditure Framework (MTEF)**, ensuring coherence between national priorities, fiscal discipline, and budget execution.

Despite a challenging domestic and global environment, Government interventions during the **2025/26 fiscal year** have yielded measurable progress across priority sectors. Investments in housing and sanitation, education and skills development, agriculture and water infrastructure, youth empowerment, and energy access have strengthened service delivery, supported employment creation, and enhanced economic resilience.

At the same time, the macroeconomic and fiscal environment remains constrained. Slower economic growth, revenue pressures, and rising debt-service obligations underscore the importance of prudent fiscal management and disciplined prioritisation. Government remains firmly committed to ensuring policy certainty, restoring fiscal sustainability, stabilising public debt, and improving the efficiency and impact of public expenditure.

The policy and budget framework for the **2026/27–2028/29 MTEF period** is therefore anchored on outcome-based budgeting, efficiency spending, and targeted investment in growth-enhancing and socially impactful programmes. Through these measures, the Government seeks to support economic recovery while safeguarding long-term fiscal stability and advancing Namibia's development objectives.

I wish to express my appreciation to all stakeholders who continue to contribute to the monitoring and implementation of Government policies and programmes. Together, we remain committed to building a resilient, inclusive, and prosperous Namibian economy.

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Ericah Shafudah, MP

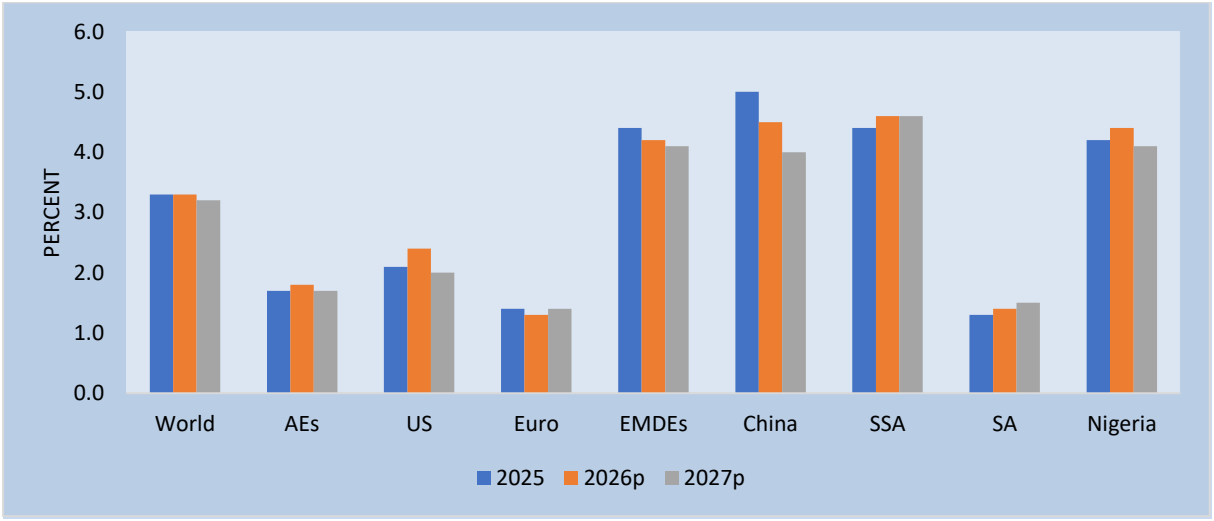
MINISTER

1. OVERVIEW OF GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS AND OUTLOOK

1.1 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

The IMF's January 2026 World Economic Outlook (WEO) Update estimates global economic growth to remain steady at 3.3 percent in 2025 and 2026, relative to the 2024 growth. The growth for 2025 reflects an upward adjustment of 0.1 percent from the October 2025 WEO update, where growth in the global economy is projected to moderate to 3.2 percent in 2027 (Figure 1). The steady growth performance reflects the impacts of shifting trade policies, offset by catalysts from surging investment related to technology, including artificial intelligence, as well as fiscal and monetary policy support, broadly accommodative financial conditions, and adaptability of the private sector.

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



Source: WEO, January 2026

In advanced economies, growth is projected to remain broadly steady, increasing marginally. In this respect, growth in advanced economies is estimated to rise from 1.7 percent in 2025 to 1.8 percent in 2026, before slowing down to 1.7 percent in 2027. The projected growth is driven mainly by the US economy, which is expected to grow by 2.4 percent in 2026 supported by fiscal policy and relatively lower policy rate, while the impact of higher trade barriers also gradually fades. In 2027, growth in the US economy is projected to slow down to 2.0 percent. In the Euro Area, growth is projected to remain subdued with a moderate growth of 1.4 percent in 2025 and 1.3 percent in 2026, but it is expected to pick up slightly to 1.4 percent in 2027. The improvement in 2027 reflects projected increases in public spending, notably in Germany, alongside continued strong performance in Ireland and Spain. The lingering effects of the

persistent rise in energy prices after Russia/Ukraine war will continue to drag on manufacturing, with additional pressure from the real appreciation of the Euro relative to currencies of countries exporting similar products.

In Emerging Markets and Developing Economies, growth is estimated to remain stable at 4.4 percent in 2025 and is projected to slow down marginally to 4.2 percent in 2026. The growth is driven by stronger-than-expected outturn from China and India. Growth in China is estimated at 5 percent in 2025 and is projected to moderate marginally to 4.5 percent in 2026, reflecting slowed momentum for stimulus measures. The growth for emerging markets is projected to slow down to 4.1 percent in 2027.

Growth in the Sub-Saharan Africa is estimated at 4.4 percent in 2025, before picking up to 4.6 percent in 2026 and 2027. This represents an upward revision compared to the October 2025 update, which is supported by macroeconomic stabilization and reform efforts in key regional economies. Growth in Nigeria is estimated at 4.2 percent in 2025 and 4.4 percent in 2026 owing to favourable investment conditions. The South African economy maintains a stable but subdued momentum, growing at 1.3 percent in 2025, which is projected to improve to 1.4 percent and 1.5 percent in 2026 and 2027, respectively.

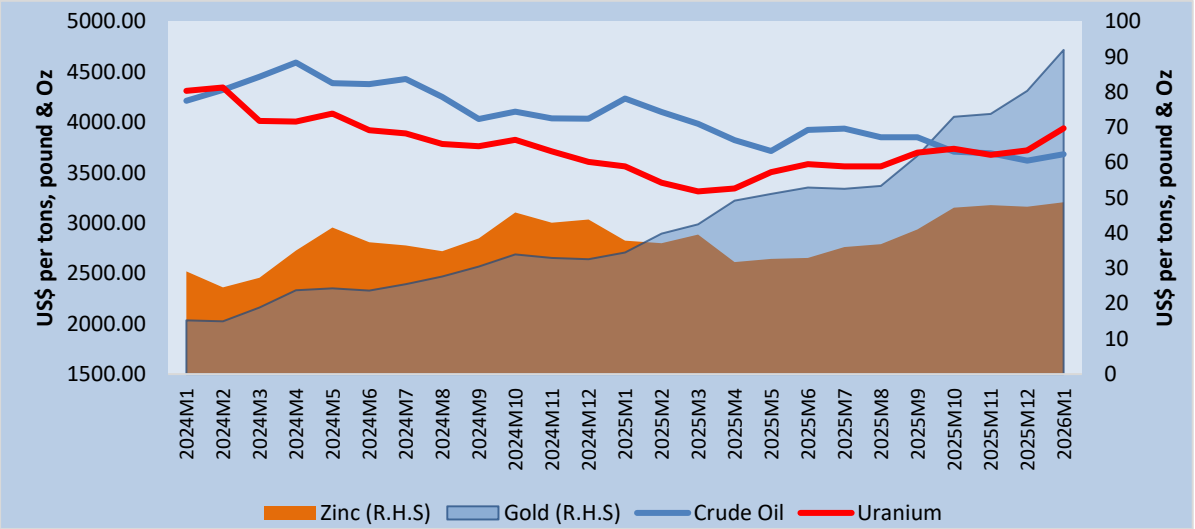
1.2 RISKS TO THE GLOBAL ECONOMIC OUTLOOK

The risks to the global outlook remain tilted to the downside. A second look at growth expectations through slower ***adoption of artificial intelligence*** induced productivity may lead to a decline in investment and growth. Although supply chain disruptions have eased and global trade has normalized, as economies adapt, continued ***geopolitical tensions*** could flare up, ***large fiscal deficits*** may raise ***long- term interest rates*** and tighten global financial condition or awaken volatility in financial markets.

1.3 COMMODITY PRICES

In January 2026, IMF All Commodity Price Index recorded an average annual growth of moderate annual growth of 1.3 percent compared to 8.4 percent recorded in January 2025, pulled down mainly by a decline in the crude oil price index. On a monthly basis, the index grew by 5.2 percent from December 2025 to January 2026, mainly supported by a surge in prices of gold and uranium. The all-metal price index grew strongly by 23.6 on average in 2025 relative to 8.3 percent average annual growth of 2024 and expanded by 6.2 percent monthly (December 2025 to January 2026), attributed to high copper and gold prices.

Figure 2: Commodity prices in US$ (metric tons, pound & Oz)



Source: IMF, January 2026

Gold prices increased on average by 44.1 percent in 2025, a significant rise relative to a average growth of 22.9 percent registered in 2024. Prices averaged to USD3075 per ounce in the first half of the year and traded at USD4313 per ounce in December 2025, the highest prices in 10 years and longer, driven mainly by bolstered demand by central banks to store gold as a form of international reserves and by geopolitical tensions and expectations of interest rate cuts by the US Federal Reserve. Copper prices grew on average by 8.8 percent in 2025, compared to a 7.7 percent average growth recorded in 2024. The increase was influenced by global shift toward electrical vehicles, renewable energy (particularly wind and solar energy) and improved demand supported by the recovery in the real estate sector in China.

The Uranium spot price grew on average by 58.8 percent in 2025, compared to an average growth of 42.3 percent in 2024. During the year, prices gradually increased, peaking at USD63.9 per ounce in October and moderating to USD63.5 per ounce in December. The price is expected to rise in 2026 with increasing demand for nuclear output globally.

Zinc prices registered a slow growth of 3.2 on average in 2025, relative to an average growth of 4.7 percent in 2024, on account of improved supply in the global market. Crude oil prices contracted further in 2025, by an average of 14.4 percent, relative to a decline of 1.8 percent recorded in 2024. The Diamond IDEX[1] declined by 11.9 percent between December 2024 to December 2025, with diamond prices falling from USD96.4 per carat at end of December 2024 to USD84.9 per carat at end of December 2025, on the back of lower demand and weak financial conditions in advanced economies. However, there is confidence in the expectations that prices will improve marginally over the MTEF period.

1.4 RECENT DOMESTIC ECONOMY DEVELOPMENTS

In 2025, growth in real GDP is estimated to have slowed to 2.9 percent, from 3.7 percent recorded in 2024. The growth estimates for 2025 were revised downward from 3.3 percent estimated in the 2025/26 Mid-Year Budget Review Policy Statement (MYBRPS). The main drivers for the slower, but positive growth in 2025 growth, include increased value addition in uranium and metal ores mining, wholesale and retail trade as well as the transport and storage sectors.

Table 1: GDP by activity, constant 2015 prices

	2022	2023	2024	2025
Primary Industries	13.7	10.0	-1.8	2.8
Secondary Industries	3.4	2.4	3.0	0.8
Tertiary Industries	2.2	3.0	4.9	3.3
Real GDP	**5.4**	**4.4**	**3.7**	**2.9**

Source: NSA, 2025 & MEWG Projections

Primary industries are estimated to have recorded a positive growth in 2025 from a contraction in the previous year. The primary industries are projected to expand by 2.8 percent in 2025 from a contraction of 1.8 percent recorded in 2024. This growth is driven by increased mining and quarrying output realized especially in the uranium and metal ores sub-sectors, which experienced increased production. Uranium mining is estimated to have grown significantly by 30.1 percent in 2025, compared to 1.8 percent recorded in 2024, while metal ore mining is estimated to grow by 6.6 percent in 2025, an increase from 5.2 percent growth

[1]https://www.idexonline.com/diamond_prices_index

recorded in 2024. Conversely, diamond mining continues to contract in 2025, recording a similar contraction of 3.7 percent, as in 2024. This is a result of subdued production levels prompted by declining international demand and prices. The agriculture, forestry and fishing industry is estimated to contract by 0.2 percent in 2025, from a deeper contraction of 2.7 percent recorded in 2024 on account of declining output from the livestock farming subsector. As farmers opt to restock following drought in preceding years, fewer cattle are marketed, resulting in reduced economic activities.

Real growth in the Secondary industries is estimated to have slowed to 0.8 percent in 2025 compared to 3.0 percent in 2024. The slowdown was attributed to a decline in the manufacturing sector, which is estimated to contract by 0.8 percent in 2025, against a growth of 2.8 percent recorded in 2024. The contraction is estimated to have emanated from lower output in various manufacturing sectors including meat processing, grain mill production, diamond processing and basic non-ferrous metals production.

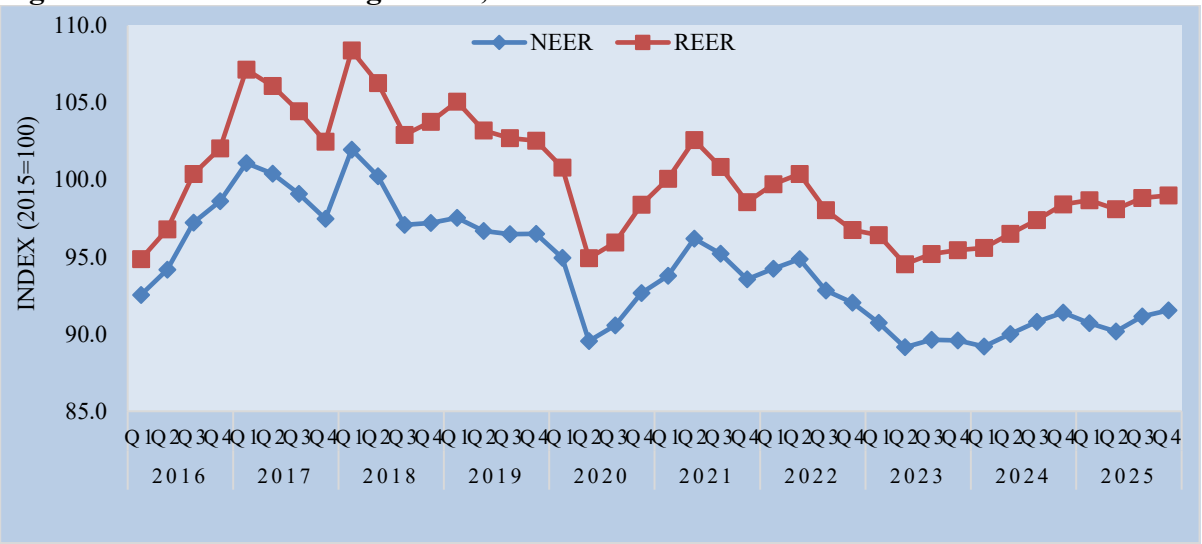
Tertiary industries are estimated to grow by 3.3 percent in 2025, a marginal decline from a growth of 3.7 percent estimated in the FY2025/26 MYBPS, and 4.9 percent recorded in 2024. The key drivers for growth in the tertiary industries include wholesale and retail trade sector, supported by increased importation of construction materials; while transport and storage activities are estimated to moderate in 2025, growing by 7.2 percent compared to 11.4 percent in 2024.

1.5 EXTERNAL AND FINANCIAL SECTOR DEVELOPMENT

1.5.1 Exchange Rates and Competitiveness

During the fourth quarter of 2025, the Namibia Dollar (NAD) appreciated against major currencies. Specifically, the NAD strengthened against the US Dollar, the British Pound and the Euro currency on a quarterly basis by 2.8 percent, 3.4 percent and 4.6 percent, respectively. This was partly explained by the favourable prices of gold and platinum group metals that boosted South Africa's export receipts and fiscal prospects, alongside positive sentiment brought about by the removal of the country from the money laundering grey list.

Figure 3: Effective Exchange Rates, 2016 to 2025



Source: Bank of Namibia, 2026

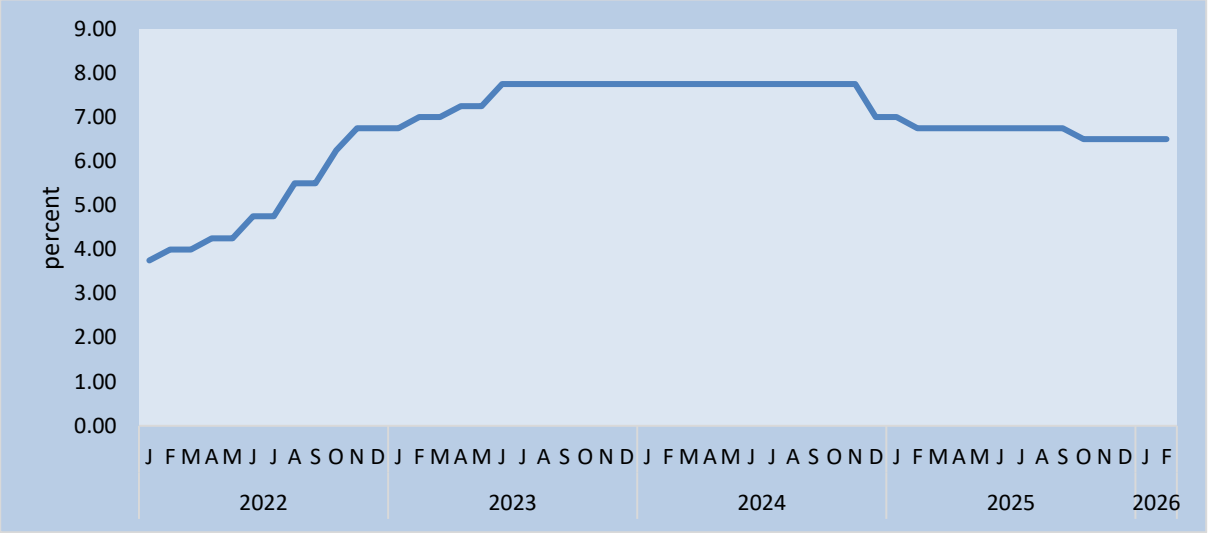
In the fourth quarter of 2025, the effective exchange rates strengthened marginally, both on a quarterly and annual basis, influenced by a combination of relative improvements in the South African economy and the prevailing global factors. The Nominal Effective Exchange Rate (NEER) strengthened by 0.4 percent on a quarterly basis, and by 0.2 percent on a yearly basis, as shown in figure 3, during the fourth quarter of 2025. The NEER was largely supported by the temporary easing in global trade tensions, including a brief tariff agreement between the US and China, alongside improved investor sentiment in response to rising international gold prices. Additionally, the South African Reserve Bank's commitment to a lower inflation target of 3 percent also contributed to the currency's relative stability. Likewise, the Real Effective Exchange Rate (REER) appreciated by 0.2 percent and 0.5 percent on a quarterly and yearly basis, respectively, during the same period. Consequently, this indicates a marginal erosion in international trade competitiveness for Namibia, as domestic price levels rose faster relative to those of trading partners.

1.5.2 Domestic Interest Rate Developments

In 2025, the Bank of Namibia (BoN) adjusted the repo rate downward by 50 basis points, from 7.00 percent to 6.50 percent at various monetary policy committee meetings. The adjustment was considered necessary to continue supporting the domestic economy while safeguarding the peg between the Namibia Dollar and the South African Rand. These policy interventions were strategically aligned with the BoN's primary mandate of safeguarding price and financial stability to foster sustainable economic development within Namibia.

Furthermore, these measures were instrumental in preserving the one-to-one fixed exchange rate peg with the South African Rand. In a broader context, the BoN's Monetary Policy Committee's decisions remained consistent with the synchronized monetary policy shifts observed across global central banking institutions during this period. More recently, the policy rate was kept unchanged at the recent MPC meeting in February 2026.

Figure 4: Bank of Namibia Repurchase Rate, 2022 to 2026



Source: Bank of Namibia, 2026

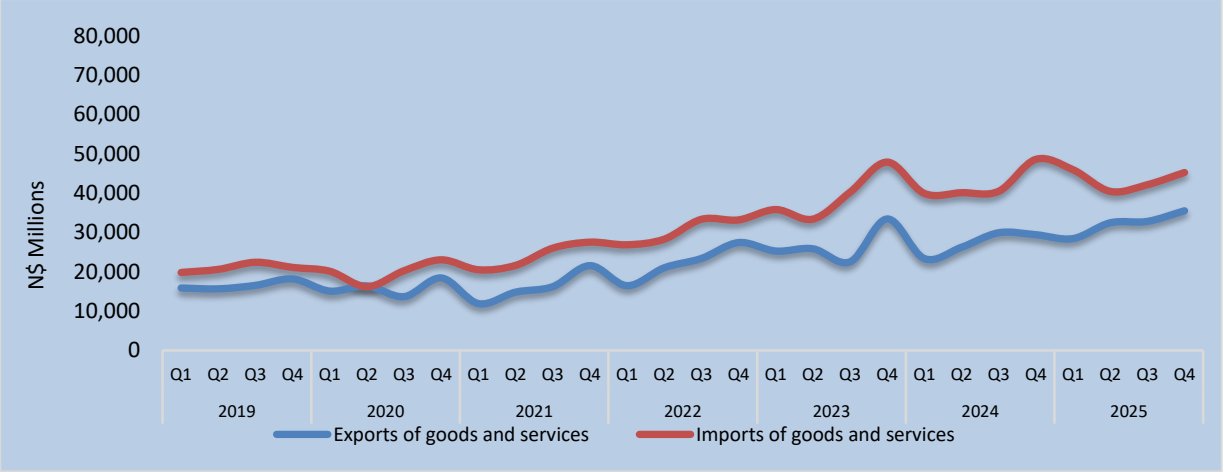
Additionally, to provide further support to the domestic economy, the central bank introduced an unconventional measure requiring commercial banks to lower their lending rates by a total of 25 basis points by December 2025. This reduction was implemented in two stages of 12.5-basis-point each, by end of December 2025 resulting in a narrowed spread of Namibian prime-repo from 3.75 percent to 3.50 percent, bringing it in line with other Common Monetary Area (CMA) members.

1.5.3 Merchandise Trade Balance

During the fourth quarter of 2025, Namibia's merchandise trade deficit narrowed on an annual and quarterly basis, primarily due to an increase in export earnings relative to import payments. The deficit stood at N$5.8 billion, an improvement from N$12.4 billion recorded a year earlier and N$6.3 billion in the preceding quarter (figure 5). The improvement in the merchandise trade deficit was attributable to higher export receipts. Export receipts rose by 27.7 percent year-on-year and 14.2 percent quarter-on-quarter to N$28.9 billion, supported mainly by mineral export earnings, particularly uranium and gold. Meanwhile, the imports bill

rose by 9.8 percent quarter-on-quarter but declined slightly by 0.9 percent year-on-year to N$34.7 billion. The annual decline was due to lower imports of consumer goods and mineral fuels, while the quarterly rise was largely attributed to higher imports of machinery and mechanical appliances as well as products of the chemical industries (largely sulphuric acids imports).

Figure 5: Exports and Imports of goods (N$ million), 2019 to 2025

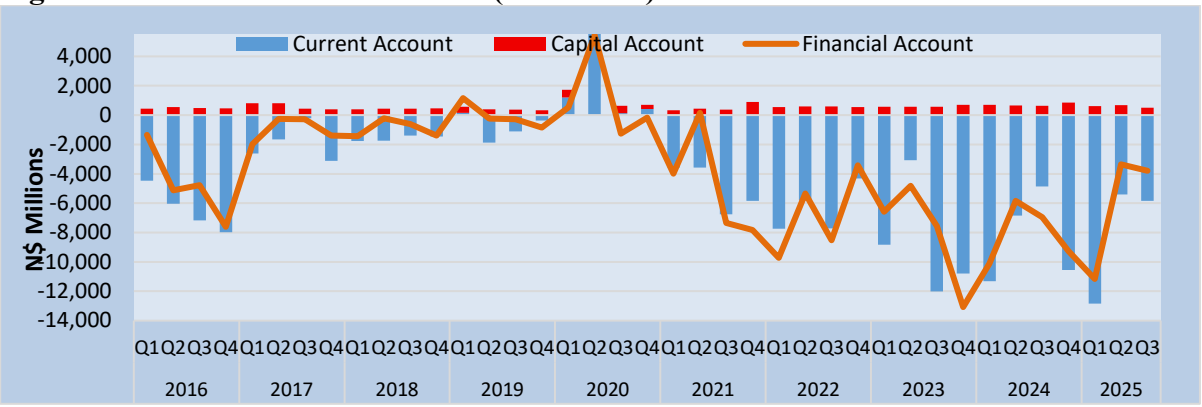


Source: Bank of Namibia, 2026

1.5.4 Current Account Balance

The current account deficit widened year-on-year and quarter-on-quarter, owed to reduced annual secondary income inflows, and a higher merchandise trade deficit on a quarterly basis. The deficit on the current account widened by 20.0 percent annually and by 8.1 percent quarterly to N$5.8 billion during the third quarter of 2025 (figure 6). The lower net inflows on the secondary income account contributed to the higher current account deficit on an annual basis, primarily due to a decline in SACU receipts, while a wider merchandise trade deficit led to a quarterly increase in the current account deficit. As a ratio of GDP, the current account deficit stood at 8.8 percent in the third quarter of 2025, relative to deficits of 8.4 percent and 7.8 percent registered in the preceding quarter and the corresponding quarter of 2024, respectively.

Figure 6: Current Account Balance (N$ million)



Source: Bank of Namibia, February 2026

1.5.5 Capital Account

During the third quarter of 2025, the capital account surplus declined both on annual and quarterly basis, primarily reflecting reduced inward capital transfers. Inflows on the capital account declined by 19.2 percent and 25.0 percent on an annual and quarterly basis, respectively, to N$509 million (figure 6). The decline was due to lower capital transfers directed toward fixed investment extended to non-government organizations during the third quarter of 2025. Furthermore, the third quarter of 2025 saw increased net borrowing, driven by a wider current account deficit. Net borrowing (the sum of current and capital account transactions) increased by 25.9 percent on an annual basis and by 12.9 percent on a quarterly basis to N$5.3 billion, largely owing to a higher deficit in the current account.

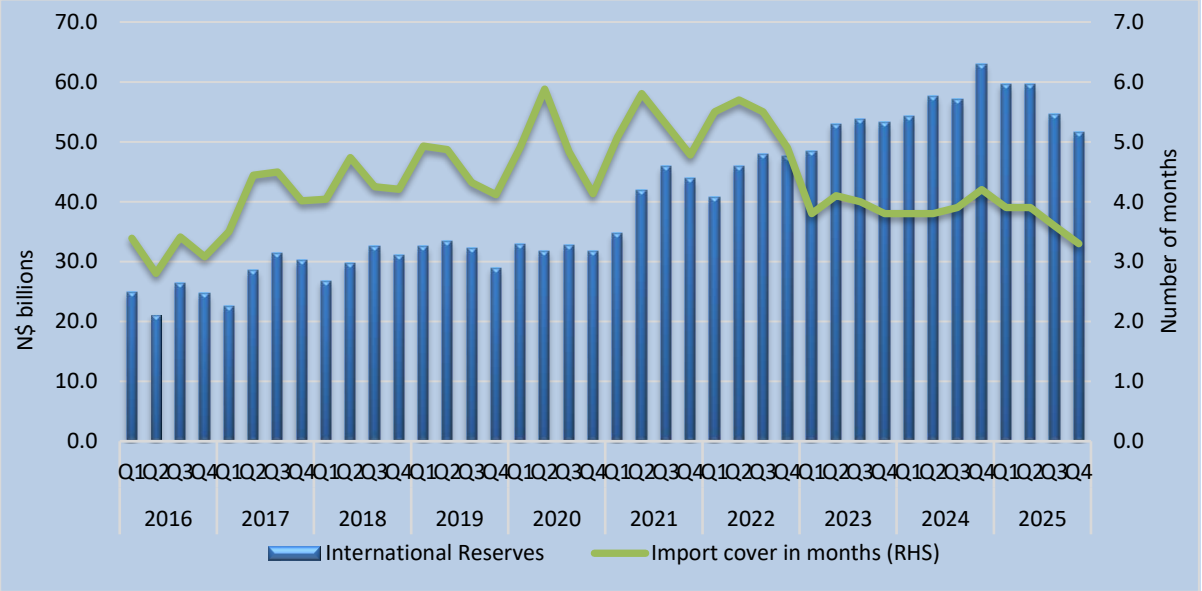
1.5.6 Financial Account

Namibia's financial account recorded a lower net borrowing from the rest of the world during the third quarter of 2025 compared to the corresponding period of 2024. To this end, the financial account balance stood at 5.7 percent of quarterly GDP during the period under review from 11.1 percent in 2024. The financial account registered a net inflow of N$3.8 billion, when compared to a higher inflow of N$7.0 billion registered in the same quarter of the preceding year (figure 6). The yearly decline in net inflows was largely driven by significant outflows in portfolio investment. On a quarterly basis, however, net inflows in the financial account rose marginally to 5.7 percent from 5.2 percent recorded in the previous quarter on the back of an increase in financial derivatives transactions by both deposit-taking and other financial corporations.

1.5.7 International Reserves

The stock of international reserves held by the Bank of Namibia declined during the fourth quarter of 2025, largely reflecting foreign debt repayments by the Government. Foreign reserves stood at N$51.6 billion at the end of December 2025, down from N$54.7 billion in the preceding quarter and N$63.0 billion in the corresponding period of 2024 (figure 7). The quarterly and annual decline observed was primarily attributable to external debt service obligations by the Government, notably the redemption of the Eurobond and other foreign debt payments. This trend was exacerbated by lower SACU receipts, net ZAR outflows from commercial banks and the strengthening of the NAD/ZAR against major foreign currencies.

Figure 7: International Reserves at Bank of Namibia (N$ billion)



Source: Bank of Namibia, 2026

In this regard, international reserves translated into an estimated import cover of 3.3 months in the third quarter, down from 3.6 months in the preceding quarter. The estimated import cover of goods and services, excluding expenditure on oil exploration and appraisal activities, which are mostly funded from abroad through foreign direct investment, stood at 3.8 months. This level of import cover is lower than 4.0 months recorded in the previous quarter, although it remains adequate to sustain the currency peg and sufficient to meet the country's international financial obligations. The level of international reserves remained adequate to meet the country's short-term external financial obligations and sustain the currency peg to the South African Rand, with the December 2025 stock amounting to 8.7 times the currency in circulation of N$5.9 billion.

2. OUTLOOK FOR THE DOMESTIC ECONOMY

2.1 BASELINE GROWTH SCENARIO PROJECTION

The domestic economy is projected to moderate, growing at 3.1 percent in 2026, from the initial estimate of 3.6 percent in the 2025/26 MYBPS. This downward revision is on account of lower-than-expected economic activities, uncertainty in the recovery of global demand for commodities and fiscal constraint. The projected growth of 3.1 percent in 2026 is driven mainly by increased wholesale and retail output, construction, as well as transport and storage activities. Overall, growth for the 2026/27- 2028/29 MTEF period is revised to an average of 3.3 percent.

Table 2: GDP by activity comparison table

	2026/2027 Fiscal Strategy					2025/2026 Mid-Year Budget Review			
	2024a	**2025e**	**2026p**	**2027p**	**2028 p**	**2025e**	**2026p**	**2027p**	**2028p**
Primary Industries	-1.8	2.8	0.2	1.8	2.9	2.5	2.9	3.2	3.4
Secondary Industries	3.0	0.8	2.8	3.9	3.8	1.9	3.5	3.7	4.0
Tertiary Industries	4.9	3.3	3.8	3.5	3.5	3.7	3.7	3.9	3.2
Real GDP	**3.7**	**2.9**	**3.1**	**3.3**	**3.4**	**3.3**	**3.6**	**3.7**	**3.5**

Source: NSA, 2025; and 2026 MEWG projections; [a = actual; e = estimate; p = projected)]

PRIMARY INDUSTRIES

Primary industries are projected to slow down to 0.2 percent in 2026, revised downwards from the 2.9 percent estimated in the 2025/26 MYBR, on account of reduced activities in the mining and quarrying sector. Diamond mining is expected to contract by 3.5 percent in 2026 owing to prolonged depressed demand in the diamond market in US, India and China; competition from synthetic diamonds and impact of tariffs. Additionally, the metal ores subsector is projected to contract by 9.0 percent in 2026, on account of reduced gold production.

The agriculture sector is projected to grow by 2.0 percent in 2026, on the back of lower output from crop farming, growing at 7 percent compared to a strong growth of 35 percent in 2025, owing to erratic rainfall patterns. In the same vein, livestock farming is estimated to remain low in 2026, growing marginally by 0.1 percent, from a contraction of 16 percent in 2025, driven by restocking efforts. Going forward, the subsector is projected to recover and register strong growth in the near term. For the remainder of the MTEF, primary industries are projected to gradually grow by 1.8 percent and 2.9 percent in 2027 and 2028, respectively. The expected growth outcome is on

account of commencement of production by new mines for gold and uranium commodities.

SECONDARY INDUSTRIES

Secondary industries are projected to grow by 2.8 percent in 2026, revised downwards from 3.5 percent estimated during the 2025/26 MYBR. The secondary industries are expected to recover gradually following a contraction of 0.8 percent in 2025. The sector is forecast to strengthen further to 3.9 percent in 2027. This improvement is mainly driven by performance in the electricity and water, and construction subsectors.

The construction sector is expected to register a strong growth of 7.7 percent in 2026, compared to an estimated 4.6 percent in 2025. This robust growth is expected to mainly be driven by an increase in government expenditure on capital projects including water projects and other public infrastructure, on-going roads and railway projects as well as increased investments in construction and expansion of mines.

The water and electricity sector is expected to remain strong, growing at 6.9 percent in 2026 compared to 4.9 percent estimates for 2025. This is mainly driven by above normal rainfall, the 2025/26 rainfall season, with a positive impact on electricity generation from the Ruacana Hydro-powered plant. Furthermore, high capital spending by NAMPOWER transmission lines and generations as well as a scale up of the renewable energy production by independent power producers are expected to boost outputs in the electricity subsector.

Despite this recovery, overall performance in the secondary industries remains constrained by weakness in the manufacturing sector, which is expected to contract marginally by 0.3 percent in 2026. The decline in manufacturing is largely attributed to a sharp reduction in basic non-ferrous metals production and diamond processing activity.

TERTIARY INDUSTRIES

Tertiary industries are projected to grow by 3.8 percent in 2026 compared to an estimated growth of 3.3 percent in 2025, and revised upwards from 3.7 percent estimated during the 2025/26 MYBR. The moderate growth is fueled by improved output in wholesale, hotels & restaurants and transport & storage. The wholesale and retail trade is projected to grow by 6.0 percent and 6.5 percent in 2026 and 2027, respectively, on account of an increase in demand for equipment and machinery for construction of government capital projects and mines, coupled with stable inflation projected over the MTEF period. Other notable drivers of growth

in tertiary industries include public sectors such as health and education projected to grow by 4.7 percent and 4.0 percent, respectively, in 2026 driven by investments in subsidized education and improvements in health care delivery.

2.2 RISK TO THE DOMESTIC OUTLOOK

Risks to the domestic outlook are tilted to the downside. The current ***subdued demand*** and prices for diamonds pose adverse risks to the domestic economy. The unexpected changes in ***climate conditions*** may affect economic activities, especially in the agricultural sector. Growing ***geopolitical tensions*** emanating from trade wars and ***uncertainty in policy shifts*** as jurisdictions attempt to navigate high impact policy announcements may influence demand and production domestically.

3. FISCAL POLICY REVIEW

3.1 GLOBAL FISCAL DEVELOPMENT AND OUTLOOK

Major global economies have pivoted toward procyclical expansionary fiscal policies and strategic stimulus to bolster growth. According to the January 2026 World Economic Outlook Update, the global fiscal landscape is defined by a strategic shift toward procyclical, expansionary policies in major advanced economies, amid intensifying risks to sovereign debt sustainability. In the United States, fiscal policy has pivoted from a mildly contractionary stance, previously influenced by trade tariffs, to a stimulative one, largely driven by the supply-side tax incentives for corporate capital expenditure under the One Big Beautiful Bill Act of 2025. This trend is mirrored in Germany, where projected increases in public consumption are expected to accelerate growth by 2027, and in Japan, where the new administration has deployed a significant discretionary stimulus package. Similarly, China's growth projections have been upwardly revised, reflecting robust countercyclical measures and expanded policy bank lending directed at strategic investment.

The looming threat of global sovereign debt, projected to exceed 100 percent of GDP by 2030, risks destabilizing the global economy through higher borrowing costs and increased market volatility. Data from the October 2025 Fiscal Monitor highlights that major economies like the US and Japan are already surpassing these levels, while fifty-five developing nations face imminent debt distress. To mitigate these systemic risks, the IMF advocates rebuilding fiscal buffers through credible medium-term consolidation and the implementation of "sunset provisions" on discretionary spending. By addressing significant allocative inefficiencies—estimated up to 39 percent in developing regions—and reallocating resources toward high-impact investments in infrastructure and R&D, governments can catalyze growth without increasing total expenditures. Ultimately, achieving long-term macroeconomic stability requires a strategic dual approach of expenditure rationalization and enhanced revenue mobilization to ensure debt is placed on a decisively downward trajectory.

3.2 DOMESTIC FISCAL DEVELOPMENT AND OUTLOOK

Domestic fiscal developments are currently defined by slower GDP growth, weaker revenue drivers from traditional sources and structural vulnerabilities. While a medium-term recovery is anticipated, underpinned by a rebound in the primary industries, mainly from agriculture and mining, and secondary industries such as construction, the immediate fiscal environment remains significantly constrained. The current narrow base of economic drivers

makes growth particularly vulnerable. The diamond sector, historically a cornerstone of fiscal revenue, faces significant headwinds due to pro-cyclical global demand fluctuations and increasing market penetration from synthetic substitutes (lab-grown diamonds), leading to muted mineral royalty, income tax and dividend contributions.

The fiscal trajectory is further complicated by operational shifts within the extractive industries. Revenue collection is projected to face downward pressure as major gold mining operations transition from open cast to underground mining, which have lower ore deposits. These capital-intensive transitions typically result in temporary production breaks and increased capital expenditure deductions, which defer taxable corporate income and impact the immediate flow of mining rents to the Treasury. This is further compounded by a structural contraction in receipts from the Southern African Customs Union (SACU).

In response to these macroeconomic imbalances, the government has reaffirmed its commitment to a credible medium-term fiscal discipline path to replenish fiscal buffers and strike the right balance regarding growth-friendly adjustment. The overarching strategy aims to maintain a primary budget surplus throughout the 2026/27 – 2028/29 MTEF period, through rigorous expenditure rationing and efficiency spending. Despite these austerity measures, the government intends to protect pro-poor spending, social protection safety nets and prioritizing human capital development through subsidised tertiary education and targeted youth empowerment initiatives to foster long-term inclusive growth.

3.3 FISCAL DEVELOPMENTS (FY2025/26)

Total revenue and grants stood at N$76.6 billion by the end of January 2026, accounting for 86 percent of the revised targets set forth in the Mid-Year Budget Policy Statement. Consequently, the aggregate revenue forecast has been revised downward by approximately N$2 billion, from the N$89.4 billion projected in the Mid-Year Budget Policy Statement to a revised estimate of N$87.4 billion. This adjustment reflects a 1.8 percent year-on-year contraction, compared to the N$89 billion collected during the previous fiscal cycle. Additionally, the legacy payment for Public Enterprises of N$1.3 billion significantly contributed to the N$89 billion total revenue recorded for the FY2024/25.

The decline in revenue in FY2025/26 is mainly on account of a persistent decline in diamond revenue and a N$ 2 billion decline in SACU revenue. Diamond mining revenues have dropped to N$830 million in FY2025/26, from N$1.4 billion in FY2024/25. However, this decline has

been partly cushioned by a robust recovery in gold production, which is anticipated to contribute N$3.8 billion, driven by increased output and favourable market prices. All major domestic tax categories remained firm in FY2025/26, given the prevailing economic conditions in 2025. Going forward, the key policy challenge is to balance revenue mobilisation with the need to support economic growth, ensuring fiscal sustainability while protecting recovery and investment.

Table 3: Trend of Fiscal Indicators

Indicators	2023-24	2024-25	2025-26	2025-26	2026-27	2027-28	2028/29
	Actual	*Actual*	*Mid-Year Est.*	*Revised Est.*	*projection*	*projection*	*projection*
GDP	**232,939**	**248,244**	**262,222**	**267,876**	**285,872**	**307,173**	**329,891**
Revenue	**81,488**	**89,058**	**89,423**	**87,408**	**89,558**	**96,258**	**99,375**
% of GDP	35.0%	35.9%	34.1%	32.6%	31.3%	31.3%	30.1%
Expenditure excl. interest	**74,584**	**86,654**	**91,716**	**91,577**	**89,816**	**91,037**	**92,618**
% of GDP	32.0%	34.9%	35.0%	34.2%	31.4%	29.6%	28.1%
Primary Balance	**7,305**	**2,978**	**-1,431**	**-3,308**	**438**	**5,352**	**6,857**
Expenditure incl. interest	**87,068**	**99,754**	**106,086**	**105,919**	**106,034**	**108,160**	**110,417**
% of GDP	37.4%	40.2%	40.5%	39.5%	37.1%	35.2%	33.5%
Budget Balance	**-5,180**	**-10,122**	**-15,801**	**-17,650**	**-15,780**	**-11,771**	**-10,942**
% of GDP	-2.2%	-4.1%	-6.0%	-6.6%	-5.5%	-3.8%	-3.3%
Debt	**153,721**	**167,157**	**177,121**	**174,577**	**193,794**	**206,722**	**217,321**
% of GDP	66.0%	67.3%	67.5%	65.2%	67.8%	67.3%	65.9%
Interest payments	**11,811**	**13,084**	**14,369**	**14,342**	**16,218**	**17,123**	**17,799**
% of Revenue	14.5%	14.7%	16.1%	16.4%	18.1%	17.8%	17.9%
Guarantees	**8,332**	**8,516**	**9,348**	**7,573**	**11,786**	**10,586**	**14,083**
% of GDP	3.6%	3.4%	3.6%	2.8%	4.1%	3.4%	4.3%

Sources: Ministry of Finance 2026

As of January 2026, total non-interest expenditure reached N$63.9 billion, representing a 79 percent execution rate of the revised estimates detailed in the Mid-Year Budget Policy Statement. For the FY2025/26 total expenditure, inclusive of statutory obligations, is projected at N$106.1 billion. This reflects a 5.3 percent year-on-year expansion compared to the N$99.7 billion recorded in FY2024/25. The interplay between softened revenue projections and the incremental rise in public spending has resulted in a widening fiscal gap, with the budget deficit estimated at 6.6 percent of GDP.

Central Government debt is projected to increase by 4.4 percent, rising from N$167 billion in FY2024/25 to N$174.6 billion in FY2025/26. Despite this nominal increase, the debt-to-GDP ratio is expected to stabilize at 65.2 percent**.** However, debt servicing obligations remain a significant fiscal burden, as interest payments are estimated to rise by 9.8 percent to N$14.3 billion. This escalation is primarily attributed to the elevated borrowing requirements.

Government guarantees, expressed as a percentage of GDP, are estimated to decrease from 3.4 percent in FY2024/25 to 2.8 percent in FY2025/26.

3.4 FISCAL POLICY OUTLOOK 2026/27-2028/29

The medium-term fiscal landscape is characterized toward fiscal sustainability in response to a reduced revenue environment and heightened debt-servicing obligations. Revenue projections for FY2026/27 have been revised downward reflecting a contraction from initial estimates, due to underperformance of certain tax categories. To mitigate these pressures, the government is implementing a disciplined expenditure rationalization strategy, aiming for a positive primary balance. While nominal debt is projected to rise by the end of the MTEF, the debt-to-GDP ratio is expected to stabilize, underscoring a commitment to long-term fiscal sustainability and macroeconomic resilience.

3.5 REVENUE OUTLOOK

Revenue estimates for FY2026/27 have undergone a downward revision of N$381 million, decreasing by approximately 0.4 percent from the initial Mid-Year Budget Policy Statement projection of N$90.4 billion to a revised N$89.6 billion. Notwithstanding a weaker medium-term growth outlook and further tax relief proposed in this budget, the tax-to-GDP ratio is expected to average 31 percent over the MTEF. This reflects the resilience of the economy and the adequacy of fiscal tools, well above the SADC average of 18 percent. SACU receipts remain a critical component of the revenue base and is expected to be contributing N$24.3 billion, or 26 percent of total revenue in FY2026/27. Higher revenue collection requires sustained investment and economic growth.

Further fiscal pressure stems from the mining sector, where revenue from Other Mining is projected to decline. This is due to a reduction in gold output as operations transition to underground mining, coupled with the processing of lower-grade ore and a lower outlook on price. Over the past three years, the government has focused on measures to protect the tax base and reforms aimed at improving equity, efficiency, certainty and simplicity. Reforms over the MTEF front loaded amendments to close tax loopholes to fund the reduction of the corporate tax rate, for regional competitiveness which benefits all taxpayers compared to loopholes abused by a few. In this regard, Corporate Income Tax collections are expected to moderate in line with profitability of corporates. These are, nevertheless, counterbalanced by the introduction of a dividend tax in the FY2026/27.

3.6 AGGREGATE EXPENDITURE, BUDGET BALANCE, AND DEBT OUTLOOK

Total government expenditure is projected to undergo a sustained contraction over the MTEF, driven by fiscal sustainability efforts. For FY2026/27, expenditure is estimated at N$106 billion, representing a marginal decrease of 0.05 percent from FY2025/26. While this figure reflects a marginal 1.4 percent upward revision from the MYBR estimate of N$105.9 billion, the medium-term trajectory remains downward. Specifically, FY2027/28 expenditure is projected to decline by 6.6 percent, from an initial baseline of N$115.9 billion to N$108.1 billion. The overall budget deficit is projected to reduce to 5.5 percent of GDP in FY2026/27 and narrow progressively to 3.8 percent in FY2027/28 and 3.3 percent by FY2028/29.4

3.6.1 Financing Requirement

Gross financing requirements reduced slightly in FY2024/25 compared to FY2025/26. The gross financing requirement declined slightly from N$14.4 billion in FY2024/25 (Outturn) to N$12.5 billion in FY2025/26, as the redemption of the Eurobond was partially financed through the Sinking Fund.

For the FY2026/27, the financing requirement is projected to increase to N$19.1 billion, driven by higher borrowing costs, amortisation obligations and expenditure pressures and the transition toward a balanced primary position. Over the 2026/27–2028/29 MTEF, the borrowing requirement is projected to gradually narrow to N$12.5 billion in FY2027/28 and N$9.7 billion in FY2028/29, underpinned by fiscal sustainability, improved revenue performance, and the restoration of sustained primary surpluses. Consequently, financing mix remains predominantly anchored in the domestic capital market, with net domestic issuance continuing to support the bulk of financing needs and liability-management operations. This approach supports domestic market deepening, strengthens the local yield curve, and mitigates exchange-rate volatility risks. External disbursements remain largely concessional and project-tied, thereby containing refinancing and foreign-currency risks while supporting priority infrastructure investments.

3.6.2 Interest Payments (Domestic and External)

Total interest payments increased from N$13.1 billion (14.7 percent of Revenue) in FY2024/25 to N$14.3 billion (16.4 percent of Revenue) in FY2025/26, reflecting tighter domestic liquidity conditions and the rollover of maturing securities at higher yields. Additionally, this translates to escalated revenue absorption, tighter financing conditions and increased cost of borrowing.

Over the MTEF, interest payments are projected to rise to N$16.2 billion in FY2026/27 and N$17.4 billion by FY2028/29, averaging about 5.5 percent of GDP and absorbing roughly 17.8 percent of Revenue. The increase is primarily driven by domestic interest costs, consistent with the progressive rebalancing of the debt portfolio toward local-currency instruments. Meanwhile, external interest obligations remain contained due to lower debt proportion, resulting in reduced foreign-currency exposure and a shift toward concessional financing.

3.6.3 Total Debt (Domestic and External)

Central government debt rose from N$167.2 billion in FY2024/25 to an estimate of N$174.6 billion in FY2025/26 in nominal terms. However, as a percentage of GDP debt, it declined from 67.3 percent of GDP to 65.2 percent of GDP for the same period, slightly above the 60 percent of SADC benchmark. The decline in the ratio reflects stronger nominal GDP growth in FY2025/26 when compared to FY2024/25, and a reduction in external debt as a result of the Eurobond redemption and 90 percent partial repayment of the IMF RFI loan.

As at end-January 2026, total central government debt stood at N$174.6 billion, with the portfolio overwhelmingly denominated in local currency. NAD-denominated debt accounted for 88.8 percent (N$155.0 billion) of total debt, reflecting Government's deliberate strategy to minimise foreign-exchange risk and limit exposure to external shocks. Foreign currency debt remains contained at just over 11 percent, largely comprising ZAR (9.4 percent), with limited exposure to RMB (0.9 percent), USD (0.5 percent), EUR (0.4 percent). The currency configuration underscores a prudent external borrowing stance and reduced vulnerability to exchange-rate volatility.

By instrument type, the portfolio is anchored in domestic securities, which collectively account for approximately 85 percent of total debt. Fixed-rate domestic bonds represent the largest component at 52.6 percent (N$91.8 billion), followed by Treasury Bills at 27 percent (N$47.2 billion) and inflation-linked bonds at 5.7 percent (N$10 billion). This structure supports domestic capital market development and enhances predictability in debt servicing, although the relatively high share of Treasury Bills implies continued short-term rollover exposure. External debt instruments remain moderate in scale and diversified across concessional and semi-concessional facilities.

Table 4: Debt by Portfolio (Domestic Versus External)

GOVERNMENT DEBT – JAN 2026	NAD (Millions)
Domestic TBs	47,208.00
Domestic bonds – Fixed rate	91,777.00
Domestic bonds – Inflation linked bond	10,029.00
Commercial loan	6,000.00
Variable-rate Foreign loans	12,046.00
Fixed-rate Foreign loans	7,180.00
Foreign bonds	335.00
TOTAL	**174,575.00**

Source: Ministry of Finance, 2026

Over the MTEF, total debt is projected to increase to N$193.4 billion in FY2026/27 and N$221.6 billion by FY2028/29, with the debt-to-GDP ratio stabilising around 67 percent. The Government's commitment is to reduce the debt-to-GDP ratio to the SADC benchmark of 60 percent, in line with the Medium-Term Debt Management Strategy (MTDS). The debt composition continues to shift toward domestic instruments, representing 88 percent of the total debt portfolio. This increases exposure to interest-rate risk but reduces foreign-exchange vulnerability.

3.6.4 Total Guarantees (Domestic and External)

Government guarantees declined from N$8.5 billion (3.4 percent of GDP) in FY2024/25 to N$7.6 billion (2.8 percent of GDP) in FY2025/26. This was driven by the substantial repayment of loan facilities including the Namibia Students Financial Assistance Fund (NSFAF) overdraft facility and National Energy Fund (NEF) Fuel storage facility. Over the medium term, guarantees are projected to increase to N$11.8 billion in FY2026/27, moderate to N$10.6 billion in FY2027/28 and rise to N$14.1 billion by FY2028/29 but remaining well below the benchmark of 10 percent of GDP at an average of 3.9 percent of GDP. The increase reflects support to strategic public enterprises and implementation of social infrastructure projects in the housing, health and education sectors. While the guarantees are contained relative to GDP, the upward trajectory warrants strengthened monitoring and risk management to mitigate contingent fiscal pressures.

3.6.5 Maturity Profile

The FY2026/27 maturity profile has moderated compared to the elevated FY2025/26 profile, which peaked at approximately N$21 billion. The prior year's high maturities were driven by the redemption of the Eurobond in 2025 (N$12.9 billion), the substantial IMF RFI loan repayment (N$2.0 billion), GI25 (N$3.9 billion), and GC25 (N$1.3 billion). Despite the substantial maturities in FY2025/26, the Government successfully retired all due obligations

owing to a robust debt management strategy aligned with the MTDS, alongside a supportive domestic financial market.

For FY2026/27, total maturities are projected at approximately N$10.7 billion, including significant redemptions such as GC26 (N$1.8 billion, April 2026), NAM04 and GC27 bond. While lower than the previous year, this concentration of maturities still presents notable refinancing and liquidity demands. To avoid a refinancing risk Government will commence with the switching of GC27 in early April 2026.

Total maturities are estimated at N$36.9 billion throughout the 2026/27–2028/29 MTEF period. Maturities moderate in 2027 to around N$1.4 billion, before increasing significantly in 2028 and 2029 with redemptions such as GC28, GI29, and GC30, below, alongside structured tranches maturing through 2030 as depicted in table 5 below.

Table 5: Maturity Profile for the MTEF by Instrument

Instrument	Maturity date	Balance (Million)
GC26	15-Apr-26	2,006
NAM04	01-Aug-26	335
IMF (RFI)	01-Apr-26	714
GC27	15-Jan-27	7,679
GI27	15-Oct-27	691
STD Tranch 1	15-Oct-28	1,500
GC28	16-Oct-28	8,234
GI29	15-Jan-29	2,682
STD Tranch 2	15-Oct-30	1,500
RMB	15-Oct-30	1,500
Bank WHK	15-Oct-30	1,500
GC30	15-Jan-30	8,546
Total		**36,887**

Source: Ministry of Finance, 2026

To mitigate refinancing risk and smooth cash flow pressures, the Government will deploy debt management tools including switch auctions, rollovers, and liability restructuring. Additionally, the forthcoming 2026-2031 MTDS will provide a comprehensive framework to manage the maturity profile sustainably and ensure resilient sovereign debt management.

4. FISCAL POLICY PRIORITIES AND REFORMS (FY2025/26-2027/28)

4.1 FISCAL POLICY AND BUDGET PRIORITIES

The FY2026/27 fiscal policy reforms aim at **maintaining a positive primary surplus throughout the MTEF period** from 2026/27 to 2028/29. The fiscal policy is anchored on these specific indicators:

i. Maintaining a positive primary balance throughout the MTEF period (*revenue minus non-interest total expenditure*)
ii. Overall budget deficit of around 3 percent of GDP at the end of the MTEF period (2028/29)
iii. Stabilize the ratio of debt to GDP and gradually reduce it towards 60 percent of GDP in line with the SADC target level.
iv. Gradual reduction in interest payments as percent of GDP
v. Maintain contingent liabilities (Government guarantees) below 10 percent of GDP.

The proposed reforms seek to streamline *operational expenditures* through these measures:

i. Government, through the Office of the Prime Minister, will undertake a comprehensive review of personnel establishments and workload analysis, skills mix, and deployment with service delivery priorities and fiscal sustainability objectives.
ii. This will be supplemented by the Public Finance Review to be undertaken by the Ministry of Finance on key selected OMAs, with a focus on finding efficiency savings.
iii. Synchronizing employment conditions, changes across public service through various commissions would help improve decision-making and manage fiscal pressure.
iv. Eliminating undefined expenditure classifications (especially under vote 027) will improve transparency by centralizing contingency provisions under a specific vote.
v. Coordinating IT systems development to ensure compatibility while prioritizing local capacity.
vi. Manage pricing of public goods, works and services through market research and use of NSA available data.

To improve the *efficiency of public investment***,** the following specific recommendations are proposed:

i. Before incorporating projects into the development budget, set minimum readiness criteria. This should include conducting feasibility assessments, confirming costs, ensuring procurement readiness, and establishing clear implementation timelines.
ii. Establish or improve a centralised technical support unit within the Ministry of Works and Transport to assist line ministries with project preparation, feasibility studies, and cost estimation.
iii. Implement an Outcome-Based Budgeting (OBB) framework aimed at enhancing fiscal discipline and increasing the efficiency of public spending. Initially, this initiative could focus on 3 to 5 key delivery ministries, with plans to expand following a successful pilot phase.

iv. Enhancing the role of State-Owned Enterprises (SOEs) is crucial for advancing the country's developmental agenda. By transitioning key projects related to housing, road infrastructure, and water systems to these enterprises, Government can drive significant progress in these essential areas. Transfer operational projects from the Development Budget to the Operational Budget during the 2026/27 to 2028/29 MTEF period.

v. Streamline procurement processes to bolster value for money.

4.2 TAX POLICY REFORMS

Government will continue implementing the tax policy proposals aimed at supporting economic growth through boosting domestic demand, broadening the tax base to improve revenue mobilisation, and enhancing the competitiveness of the tax system to attract investments and foster private sector development, as announced in the previous FY 2025/26. Furthermore, in order to enhance revenue efficiency and planning, preserving windfalls for debt redemption and stabilising expenditure during revenue downturns would help manage volatility. The potential sale of an additional 9 percent stake in MTC could help generate revenue in the upcoming MTEF period.

At the same time, the proposals recognize the importance of social equity and administrative efficiency. Through balanced adjustments to Income Tax, VAT, Property taxes, and sector-specific measures, Namibia seeks to protect progressivity while ensuring adequate revenue to support national development priorities. Collectively, these reforms position Namibia for stronger economic performance, improved compliance, and a more transparent and growth-oriented fiscal environment. Therefore, the Government is proposing the following tax reforms over the MTEF period:

1. Adjust the Income Tax brackets to reduce fiscal drag and improve fairness. Update personal income tax rates and thresholds to ensure continued progressivity and adequacy of revenue over two financial years.
2. Review and update depreciation allowance (capital allowance) rules to support business investment and economic growth. Accelerated capital depreciation allows businesses to deduct the cost of qualifying capital assets faster than under normal depreciation rules. This reduces taxable income in the early years of an investment, improving cash flow and lowering the upfront cost of doing business. Accelerated depreciation is used as an investment incentive to encourage capital formation, productivity, and job creation,

particularly in priority sectors. While it brings forward tax relief rather than eliminating it, the measure supports economic growth by making new investments more financially viable.

3. Special Economic Zones (SEZ) – Review and update the introduction of tax incentives to ensure they deliver on intended investment and job creations. Incentive design is sensitive to international commitments and circumstances, and with an openness to mutually beneficial cooperation.
4. Introducing mandatory disclosure of tax planning schemes to improve transparency and deter avoidance. In line with the BEPS Action 12, BEPS 12 is part of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project. Its goal is to improve tax transparency by requiring early disclosure of aggressive or potentially abusive tax planning arrangements.
5. Introduce anti-avoidance measures targeting hybrid mismatches that erode the tax base. Anti-hybrid rules aim to neutralize tax advantages created by hybrid mismatches and ensure that income is taxed once, somewhere, without allowing multiple deductions or non-taxation. The primary global standard comes from OECD BEPS Action 2, which recommends coordinated domestic rules to counter hybrid mismatch arrangements.
6. Explore tax incentives, such as incentives for the creative industry, for employment creation. Well-targeted tax incentives can reduce unemployment by lowering the cost of hiring and investing, thereby encouraging businesses to expand operations, create jobs, and absorb unemployed youth and low-skilled workers, while supporting overall economic growth.
7. Review and introduce tax incentives for International Sports events - Clarify tax treatment for revenue relating to international sports events, by ensuring fair taxation without discouraging international participation, reduce administrative burden for short-term activities and protect the host country's tax base while promoting tourism and investment.
8. Introduce ring fencing of losses by traders. Review the ring-fencing of assessed losses to prevent the misuse of losses to offset against unrelated income (employment), while ensuring genuine business activities are not unfairly restricted.
9. Update the taxation of fringe benefits to reflect current compensation practices, improve equity between cash and non-cash remuneration, and strengthen compliance. Reviewing the fringe benefits such as car allowance in order to protect the progressivity of our PAYE.
10. Modernizing the VAT Act and e-invoicing by updating VAT legislation for clarity and compliance and to introduce e-invoicing to improve efficiency, reduce fraud and strengthen revenue collection.
11. Review the VAT zero-rate basket by assessing which goods and services qualify for zero rating to balance social support with revenue needs.

12. Corporate restructuring property, further to clarify the treatment of properties within group structures, to allow for "group relief" that allow for neutral mergers, acquisitions and restructuring under certain conditions.
13. Review and adjust residential property tax bands to reflect market values and prevent bracket creep (fiscal drag and the tables).
14. Explore the introduction of additional levies on the fishing industry, that reflect below average corporate taxes payments.
15. Review of Minerals export levies within the overall sum of mining taxes for global competitiveness and maximizing national economic benefits.
16. Research the effectiveness of a health-related sugar tax impact.
17. Development of a Tax Expenditure Model for reporting on cost effectiveness of policy incentives and improve fiscal transparency.

4.3 SOURCES OF ECONOMIC GROWTH DURING THE MTEF PERIOD

4.3.1 NDP6: Key Sources of Economic Growth

The NDP6 aims to boost growth in agriculture, mining, and tourism. In the mining sector, uranium and gold are key growth drivers. A global demand surge for nuclear reactors and Small Modular Reactor (SMR) technologies supports a positive uranium outlook. Gold production is set to rise due to improved efficiency and new projects. While challenges exist for diamonds, marble, and salt, the strong performance of uranium and gold is expected to lead to overall positive growth in mining.

NDP6 highlights the need to enhance climate resilience in agriculture, improving productivity in livestock and crop production. The tourism sector is also expected to grow through transformation and diversification, with initiatives to improve offerings, expand sustainable infrastructure, and integrate the industry more effectively. These efforts aim to boost tourist arrivals, create jobs, and increase foreign exchange earnings.

NDP6 drives growth by enhancing value addition through agro-processing and advanced technology, alongside improved infrastructure. It prioritizes mineral beneficiation for structural economic transformation and fostering higher-value industrial activities linked to mining. The strategy also encourages the production of high-value manufactured products like steel, pharmaceuticals, and textiles, in alignment with the Growth at Home Strategy. These

efforts strengthen domestic value chains, boost export competitiveness, and promote industrialization across sectors.

The emerging sector, as outlined in NDP6, highlights green energy, oil and gas, and nuclear industry as key growth drivers. Focus areas include building capacity for renewable electricity generation, particularly green hydrogen, wind, and solar power. The oil and gas sector will evolve from exploration to extraction and refining. Namibia's uranium resources support growth in nuclear energy, emphasizing the need to advance along the value chain in energy generation and nuclear-related services.

4.3.2 Developmental Budget allocation for NDP6 drivers of economic growth

Namibia is dedicated to fostering sustainable and inclusive economic growth by making strategic investments in key growth sectors. As a result, a significant portion of the development budget is channeled into the economic sector, with a focus on vital areas such as agriculture, forestry, tourism, mining, and energy. Throughout the current Medium-Term Expenditure Framework (MTEF) period, the economic sector is set to receive a total of N$2.3 billion. Out of this total, approximately N$1.1 billion is earmarked for the Ministry of Mines and Energy, while agriculture and land reform follow closely with an allocation of around N$903.1 million.

The Industry, Mining, and Energy sector aims to enhance agro-processing infrastructure and promote mining diversification, electrification, and the establishment of manufacturing facilities. In Agriculture and Land Reform, the Land Management Project focuses on developing the National Spatial Data Infrastructure and upgrading essential infrastructure for livestock and crop production. In tourism, efforts will target improvements to road networks in key attraction areas.

Table 6: Developmental budget allocation for economic sector in N$

Economic Sector				
Vote No	**Vote Name**	**2026/2027**	**2027/2028**	**2028/2029**
15	Mines and Energy	320,660,000	362,956,000	399,251,000
18	Environment, Forestry and Tourism	72,800,000	90,530,000	50,583,000
37	Agriculture & Land Reform	352,910,000	300,201,000	350,021,000
Sector Total		**746,370,000**	**753,687,000**	**799,855,000**

The NDP 6 acknowledges that infrastructure development plays a crucial role in driving economic growth, which is why it prioritizes investment in areas such as transport and

logistics, ICT, and water. According to the current Medium-Term Expenditure Framework, a significant portion of resources is allocated to the infrastructure sector. In the 2026/27 budget, this sector is set to receive around N$2.4 billion, accounting for 36 percent of the development budget. This allocation is expected to rise to N$2.8 billion, representing 41 percent, in 2027/28, and then increase further to N$3.2 billion while maintaining the same 41 percent share in 2028/29.

Table 7: Developmental budget allocation for Infrastructure sector in N$

Infrastructure Sector				
Vote No	**Vote Name**	**2026/2027**	**2027/2028**	**2028/2029**
9	Finance	30,000,000	30,000,000	31,780,000
23	Works	93,972,000	218,005,000	229,806,000
24	Transport	1,789,678,000	2,102,845,000	2,313,130,000
29	Information and Communication Technology	94,000,000	70,400,000	77,442,000
38	Water	378,000,000	424,050,000	566,455,000
Sector Total		**2,355,650,000**	**2,815,300,000**	**3,186,833,000**

5. FISCAL RISK STATEMENT

5.1 INTRODUCTION

A Fiscal Risk Statement (FRS) serves as a critical diagnostic instrument, enabling policymakers to internalize the stochastic shocks and structural vulnerabilities that threaten a sovereign's fiscal trajectory. By systematically identifying and disclosing these exposures ranging from macroeconomic volatility to implicit contingent liabilities, the government ensures that the legislature and the broader public possess a comprehensive understanding of the potential variances in public financial outcomes. This detailed transparency facilitates a shift from deterministic budgeting to a risk-adjusted framework, ensuring that the magnitude of potential fiscal variance is quantified and integrated into the medium-term expenditure strategy.

Consistent with previous fiscal cycles, the administration remains anchored to the objective of long-term fiscal sustainability, primarily through the maintenance of a primary budget surplus and the stabilization of the debt-to-GDP ratio. To capture the multi-dimensional nature of these threats, the risk framework is categorized into five distinct pillars: macroeconomic fluctuations, climate-related fiscal risks, sovereign debt dynamics, contingent liabilities, and long-term demographic sustainability. It is critical to recognize that these risk vectors are characterized by high levels of interdependence, an exogenous shock in one sector can trigger a multiplier effect, cascading through the fiscal framework and compounding the aggregate pressure on public resources.

Table 8: Major Fiscal Risks Categories

Risk Pillar	Description of Potential Risk	Mitigation strategies
Macroeconomic Risk	✓ Slower-than-expected economic and revenue growth. ✓ Volatility in revenues especially those from commodity-based sectors and receipts from the SACU common revenue pool ✓ Highly commodity dependent economy	✓ Creating Fiscal Buffers, by strengthening fiscal discipline in the MTEF. ✓ Establish stabilization mechanism withing the Sovereign Wealth Fund to shield the budget from external shocks. ✓ Tax policy reforms, strengthen domestic tax to fill possible gaps in the SACU revenue. ✓ Invest in opportunity-rich sectors such as

		agriculture and manufacturing ✓ Economic Diversification, implement industrial policies to broaden the tax base from minerals/commodity towards manufacturing and services.
Climate Change Risk	✓ Poor rainfall, drought, flood and high sea level temperature (affecting the growth of ocean based natural resources	✓ Invest in early warning systems and data centres. ✓ Disaster Risk Financing, set up a dedicated contingency fund for drought and flood relief. ✓ Climate-Resilient Infrastructure, direct development budget towards green projects such as desalination plants, water-efficient irrigation and flood defenses. ✓ Diversified Fisheries Management, invest in aquaculture to reduce dependence on wild sea species that are sensitive to temperature changes.
Expenditure Risk	✓ Poor execution rate on development budget ✓ Larger spending in personnel expenditure	✓ Project Management Reform, centralize the monitoring of development budget and implement a policy to improve execution rates. ✓ Implement Public Sector Reforms, to promote and support sector-wide productivity.
Debt Management Risks	✓ High public debt and public debt rollover risk ✓ High cost of borrowing.	✓ Debt Refinancing Strategy, transition from short-term to long-term debt instruments to reduce the risk of having to pay back debt during a bad time. ✓ Fiscal Rules, adopt a legal Debt Ceiling or a Debt-to-GDP target to signal commitment to lenders and lower interest rates.

Contingent Liabilities	✓ SOE Solvency, potential bailouts for loss-making State-Owned Enterprises. ✓ Guarantee Calls, legal obligations to cover defaulted loans or PPP project shortfalls. ✓ Litigation, unforeseen legal claims and court awards against the state.	✓ SOE Reform, enforce strict Performance Management System and require SOEs to undergo independent credit ratings to reduce the likelihood of bailouts. ✓ Guarantee Fees, charge SOEs a fee for government guarantees to build a Provisioning Fund that covers the cost if a loan defaults. ✓ Legal Risk Management, Strengthen the Office of the Attorney General to settle disputes early and prevent high-interest court awards.
Long-term Sustainability	✓ Structural Risk (lack of Skills) ✓ Demographic change (Pressure on housing and land delivery)	✓ Vocational Training (TVET), Align the education budget with market needs to solve the Structural Skills Gap. ✓ Public-Private Partnerships (PPPs) for Housing, use private sector capital to develop land and housing, shifting the immediate financial burden away from the state.

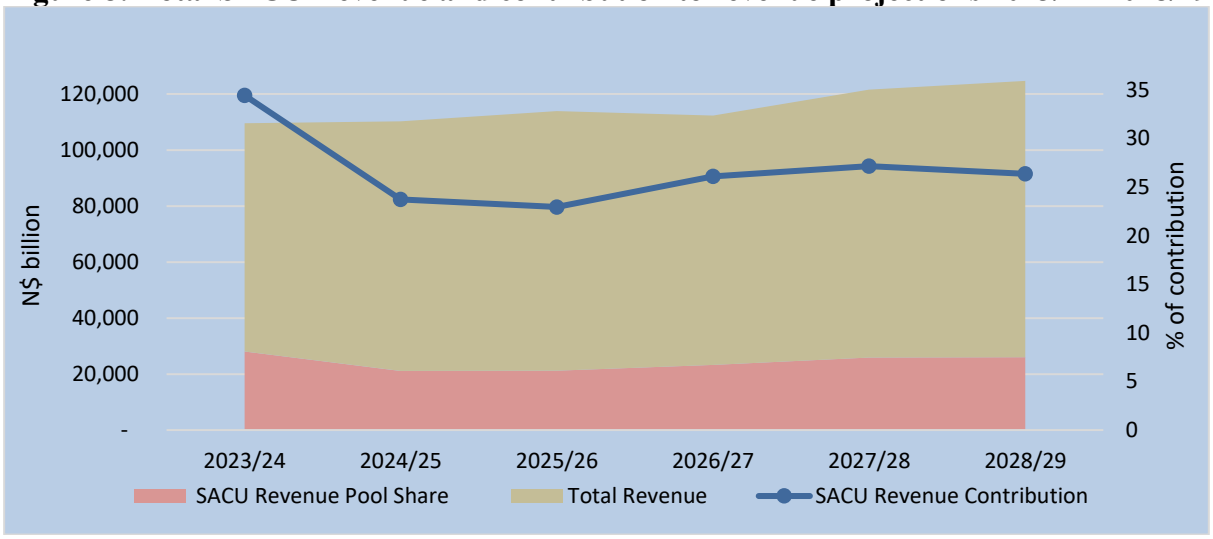
5.2 ANALYSIS OF FISCAL RISK CATEGORIES' MAJOR ISSUES

5.2.1 Macroeconomic Risks

Namibia's economic growth has been anchored in the primary industries, which remain key drivers of economic growth. Despite policy efforts to promote economic diversification, growth dependency on these sectors persists. This concentration creates significant macro-fiscal risks, as the primary industries are highly sensitive to external shocks, specifically global commodity price volatility and fluctuations demand globally. These vulnerabilities are further amplified by prolonged geopolitical tensions and global policy uncertainty, which fuel fluctuations pressure on commodity markets. Consequently, these volatile price movements threaten the domestic economy by forcing pro-cyclical adjustments to production targets and export earnings, ultimately jeopardizing both real GDP projections and medium-term revenue outcomes.

Namibia's fiscal outlook is sensitive to the regional developments especially through exposure to the South African economy. In this regard, modest growth in South Africa would dampen demand for non-mineral exports and heightened volatility in the SACU Common Revenue Pool. South Africa is Namibia's largest trading partner, hence, growth below long-term trends soften the market for high-value Namibian goods, while simultaneously reducing the total volume of global imports entering the SACU region. The sluggishness would shrink the distributable pot, increasing the likelihood of negative revenue adjustments in future budget cycles as SACU revenues contribute an average of 28 percent of projected revenues for Namibia.

Figure 8: Total SACU Revenue and contribution to revenue projections 2023/24-2028/29



Source: SACU and MEWG 2026 Computations

Domestic and global monetary policy remains on an easing trajectory, evidenced by the Bank of Namibia reducing the repo rate from 6.75 percent to 6.50 percent between April 2025 and February 2026. However, this accommodative policy stance remains vulnerable to exogenous shocks. Should global volatility trigger a tightening of international financial conditions, emerging markets and developing economies (EMDEs), including Namibia, may face renewed capital outflow pressures and currency depreciation.

5.2.2 Climate Change Risks

Namibia's vulnerability to climate shocks has intensified over the past three decades, creating mounting risks to fiscal sustainability. Severe droughts especially the 1991 that affected over 550,000 people and resulted in losses equal to 4 percent of GDP, have been followed by increasingly frequent and damaging floods, such as the 2011 floods that displaced 60,000 people. The prolonged 2013–2016 droughts, which impacted 450,000 people, further

highlighted the country's fragile climate resilience. Flooding now affects an estimated 70,000 people annually. The 2023 Housing and Population Census reported that natural disasters accounted for 6.1 percent of all deaths between October 2022 and September 2023. While these trends are consistent with patterns across Southern Africa, Namibia's arid climate and vast rural geography heighten the per-capita fiscal cost of disaster response.

Climate change also threatens fiscal stability through its impact on agriculture, a sector already constrained by low productivity and high import dependence. With 40 percent of food imported, a projected 3.3°C temperature rise could reduce agricultural output by 27 percent without adaptation. Yet Namibia requires significantly higher adaptation spending than regional peers, of 0.1 percent of GDP to achieve a 30 percent reduction in climate damage, compared to 0.01 percent elsewhere. Long-term food security through 2050 will require annual investments of 2.4–2.5 percent of GDP. Although government allocations of 0.9 percent of GDP for recent drought relief and increased water-infrastructure spending are essential, remain reactive. Without sustained adaptation investment, climate change will continue to intensify fiscal pressures.

5.2.3 Expenditure Risks

The government has consistently faced challenges with the execution of the capital budget, which significantly hinders long-term economic growth. A low execution rate often results in funds being diverted toward non-developmental activities or being returned to the Treasury as unspent at the end of the fiscal year. This trend is largely driven by delays in project implementation and a growing backlog of uncompleted public works, which disrupts the fiscal cycle and undermines the effectiveness of national development planning. This underspending creates a high opportunity cost, as the government often pays interest on debt intended for infrastructure that remains unbuilt, thereby increasing the debt-to-GDP ratio without expanding the economy's underlying capacity

5.2.4 Debt Management Risks

The Namibian Government debt remains elevated at N$174.6 billion or 65.2 percent of GDP during 2025/26 fiscal year. The medium-term fiscal framework moderated the increase, the level of debt remains high relative to Namibia's peer economies and might not be able to absorb any potential economic shocks, and any materialisation of adverse risks could compromise the achievement of the envisaged debt growth trajectory. Consistent increase of debt has resulted in increased interest payments, currently standing at N$14.3 billion or 5.5 percent of GDP in

FY2025/26 above the benchmark of 3 percent. The growing increase of interest payment has surpassed the benchmark of 10 percent of revenue and currently stand at 16 percent of revenue, threatening the Government's ability to spend more on social services.

5.2.5 Contingent Liabilities

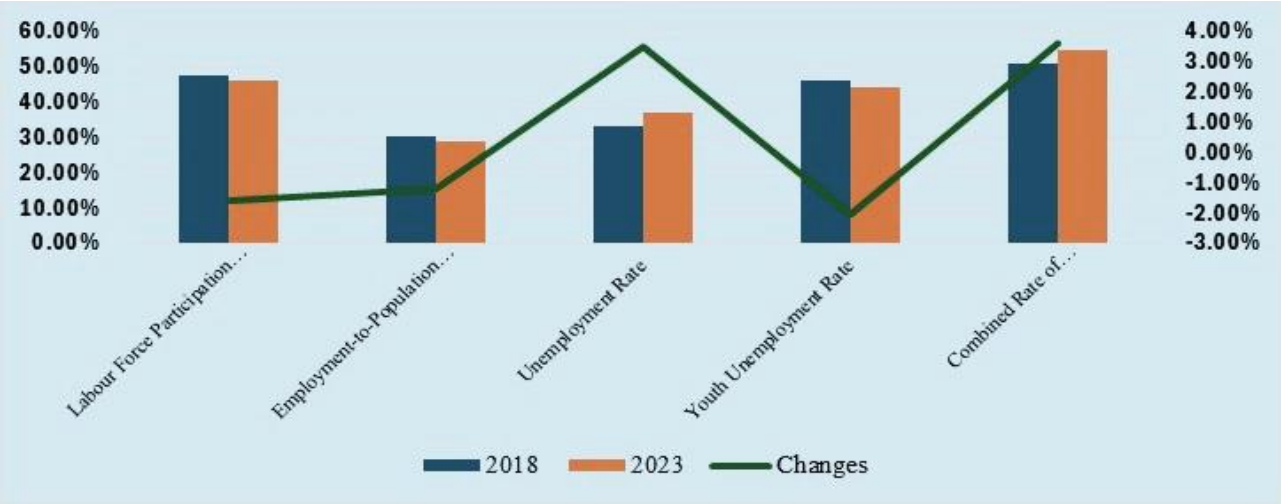
In FY2025/26 Government guarantee to various SOEs is estimated at N$7.6 billion (N$1.5 billion domestic and N$6.1 billion foreign guarantee) and is projected to become elevated over the MTEF period. The budgetary provision to public enterprises has adverse implications on the fiscal position and the risk of such financial requirements remains prevalent over the MTEF.

5.2.6 Long-term Sustainability

According to the 2023 census, Namibia's population grew by 3.0 percent annually between 2011 and 2023, expanding from 2.1 million to 3.0 million residents. In parallel, the 2023 Population and Housing Census (PHC) Labour Force Report indicates that the unemployment rate has reached 36.9 percent. This rapid population growth, combined with high level of joblessness, is a primary reason why Government prioritises job creation and the delivery of land and housing.

These demographic shifts and labour market challenges are expected to have a lasting impact on socio-economic and fiscal policy. As the population grows and unemployment remains high, there is an increased demand for public services and social safety nets, which can place significant pressure on government spending. If economic expansion does not match the rate of population growth, the resulting fiscal strain may hinder Government's ability to fund vital infrastructure and development. Therefore, addressing these structural issues is crucial for maintaining future fiscal health and overall economic stability.

Figure 9: Labour Force Survey 2018, 2023 and changes



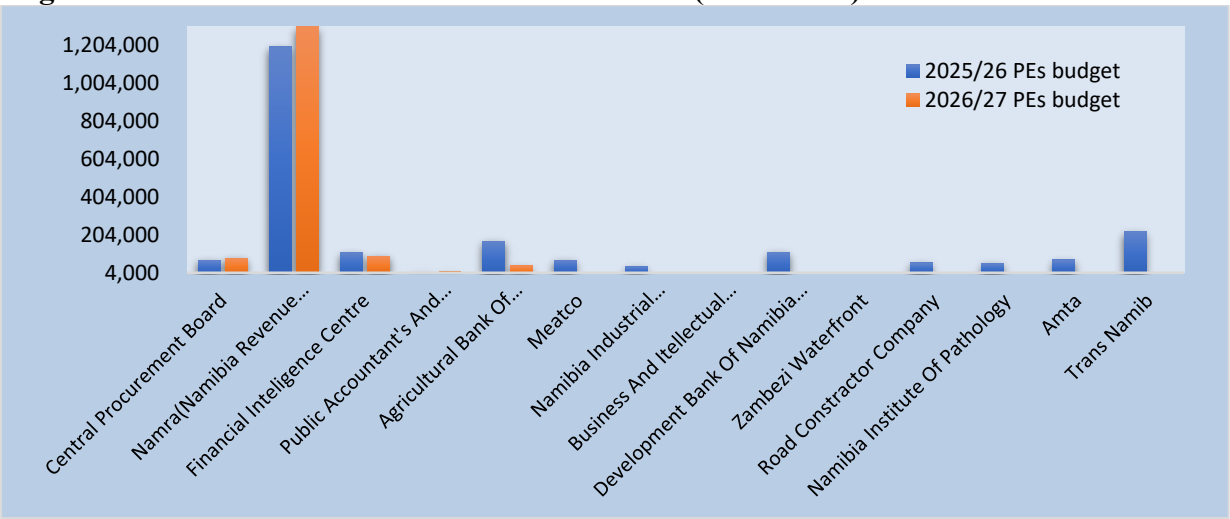
Source: NSA, 2025

5.3 FINANCIAL CONDITION OF PUBLIC ENTERPRISES (PEs)

In the FY2024/25, the overall financial performance of commercial PEs was considered satisfactory, with an average return on assets of 8 percent across the portfolio, according to the IMF PEs Fiscal Risk Report of 2024. However, this performance varied significantly among individual entities, while nine PEs reported profits, seven others reported losses. Despite a total asset base of nearly N$100 billion and a government equity investment of N$58 billion, only eight PEs paid dividends to the government during this period. The portfolio has also shown considerable volatility over the last five years, with returns ranging from a small loss in FY2023/24 to positive returns seen in FY2024/25.

Public Enterprises represent a significant source of fiscal risk, primarily through potential failures to contribute to government revenue and the need for increased spending via subsidies or bailouts. In FY2024/25, the total liabilities of commercial PEs reached N$12 billion, equivalent to 15 percent of GDP. These liabilities are either owed directly to the government or are explicitly or implicitly guaranteed, posing a substantial risk should an economic shock cause default.

Figure 10: Transfer to SOEs 2025/26 and 2026/27 (N$ Million)



Source: Ministry of Finance, 2025

In the FY2025/26, government transfers to Public Enterprises (PEs) totaled N$2.18 billion towards 14 PEs encompassing both commercial and non-commercial entities. However, under the fiscal sustainability measures implemented for the FY2026/27, the government has prioritized the funding of only 5 non-commercial entities. This strategic shift in resource allocation has resulted in a significant reduction in total transfers, bringing the projected funding down to N$1.5 billion, as illustrated in Figure 10.

CONCLUSION

The recognition of the various risks discussed in the statement highlights the government's significant exposure to both domestic and external vulnerabilities. These risks range from macroeconomic volatility and climate change to the financial instability of public enterprises and high levels of sovereign debt. Addressing these structural issues, particularly the challenges posed by rapid population growth and high unemployment, is viewed as critical for maintaining future fiscal health and overall national economic stability.

To manage these exposures, the government is gradually strengthening fiscal buffers and refining its strategy to maintain long-term sustainability. This approach involves concerted effort to improve national competitiveness, expand fiscal space, and contain the growth of public debt. These objectives are integrated into the fiscal strategy for the next three years, which seeks to balance necessary growth targets with the broader requirement for macroeconomic sustainability.

ANNEXURES

Annexure 1: Revenue outturn and outlook for FY2026/27 – 2028/29

N$ millions	2023/24 Actual	2024/25 Actual	2025/26 Budget	2025/26 Mid-year estimates	2025/26 Revised Revenue	2026/27 Projection	2027/28 Projection	2028/29 Projection
GDP at market prices, nominal	**232,939**	**248,244**	**277,920**	**262,222**	**267,876**	**285,872**	**307,173**	**329,891**
Revenue and grants as % of GDP	34.98	35.9	33.3	34.1	32.6	31.3	31.3	30.1
TOTAL REVENUE AND GRANTS	**81,488**	**89,071**	**92,631**	**89,423**	**87,408**	**89,558**	**96,258**	**99,375**
TAX REVENUE	**75,493**	**84,792**	**86,000**	**83,390**	**79,063**	**82,970**	**89,634**	**92,481**
Tax on income and Profits	**31,250**	**34,293**	**38,109**	**37,271**	**34,092**	**34,416**	**37,043**	**39,150**
Income Tax on Individuals	18,560	19,287	21,830	20,374	18,138	19,194	20,367	21,570
Company Taxes	**11,038**	**12,599**	**13,454**	**14,537**	**13,945**	**13,157**	**14,181**	**14,897**
Diamond Mining Companies	2,329	239	200	115	74	102	202	405
Other Mining Companies	1,601	2,887	2,561	3,538	4,434	3,324	3,324	3,324
Non-Mining Companies	7,109	9,473	10,693	10,884	9,437	9,226	10,117	10,593
Dividend tax		-	-	-	-	504	537	574
Other Taxes on Income and Profits	**691**	**803**	**1,047**	**911**	**918**	**890**	**957**	**1,009**
Non-Resident Shareholders Tax	480	454	634	710	717	676	729	765
Tax on Royalty	211	349	413	201	201	214	228	244
Annual Levy on Gambling Income	-	-	-	-	-	-	-	-
Withholding Tax on Interest	**960**	**1,605**	**1,778**	**1,450**	**1,091**	**1,176**	**1,538**	**1,674**
Withholding tax on companies & individuals	334	778	661	609	487	532	767	826
Withholding tax on unit trusts	162	-	403	-	-	-	-	-
Withholding tax on Services	465	827	714	841	605	643	771	848
Taxes on Property	**261**	**356**	**375**	**283**	**339**	**369**	**313**	**337**
Transfer Duties	257	355	375	283	339	369	313	337
Land Tax	4	1	-	-		-	-	-
Domestic Taxes on Goods and Services	**18,860**	**21,072**	**25,264**	**23,829**	**22,557**	**24,078**	**25,340**	**25,956**
VAT + Additional Sales Tax + General Sales Tax	17,303	19,708	23,161	21,865	20,864	22,262	23,343	23,859
Levy on Fuel	1,277	1,024	1,636	1,469	1,191	1,272	1,429	1,506
Fishing Quota Levies	192	194	290	290	290	335	351	368
Gambling Licence (Business)	-	-	-	-	-	-	-	-
Environmental levies & Carbon Emission Taxes	77	135	146	173	176	178	183	190
Other taxes on goods and services	11	11	32	32	36	32	33	33
Taxes on International Trade and Transactions	**24,870**	**28,605**	**21,732**	**21,796**	**21,891**	**23,914**	**26,660**	**26,738**
SACU Revenue Pool Share	24,348	23,639	21,843	21,843	21,968	24,341	25,951	26,007
Revenue Formula Adjustments		4,407	-716	-716	-716	-1,117	-	-
Export Levy	522	560	605	668	639	689	709	731
Stamp Duties	**252**	**465**	**520**	**212**	**183**	**194**	**278**	**300**
NON - TAX REVENUE	**5,983**	**4,266**	**6,632**	**6,027**	**8,334**	**6,583**	**6,618**	**6,886**
Entrepreneurial and Property	**4,895**	**2,916**	**5,387**	**4,618**	**5,550**	**3,273**	**3,210**	**3,378**
Interest Receipts for Loans Extended to Public Enterprises	4	3	6	5	5	5	6	6
Interest on Investments	-	-	-	-	-	-	-	-
Dividends and Profit Share from Public Enterprises	2,574	577	3,120	2,477	2,890	1,077	1,053	1,168
Interest on State Account Balances with BoN	-	-15	-	-	-	-	-	-
Diamond Royalties	1,567	1,157	1,278	901	756	717	677	729
Other Mineral Royalties	656	1,033	825	1,036	1,699	1,274	1,274	1,274
Fishing Quota Auction	94	160	159	200	201	201	201	201
Fines and Forfeitures	**98**	**122**	**106**	**124**	**110**	**111**	**112**	**113**
Administrative Fees, charges and incidental sales	**990**	**1,214**	**1,139**	**1,285**	**2,674**	**3,194**	**3,290**	**3,388**
Lending and Equity Participation	**12**	**13**	**-**	**-**	**11**	**5**	**6**	**7**
External Grants	**-**	**-**	**-**	**6**		**-**	**-**	**-**

Annexure 2: Policy Scenario – Fiscal Stance for FY 2026/27 – 2028/29

N$ millions	2023/24 Actual	2024/25 Actual	2025/26 Mid-Year estimates	2025/26 Feb revised estimates	2026/27 Projection	2027/28 Projection	2028/29 Projection
GDP at market prices	**232,939**	**248,244**	**262,222**	**267,876**	**285,872**	**307,173**	**329,891**
Total Revenue and Grants	**81,488**	**89,058**	**89,423**	**87,408**	**89,558**	**96,258**	**99,375**
of which Legacy Tax Liabilities of Public Enterprises	-	*1,358*		-	-	-	-
Total Expenditure *(excl. Statutory Commitments) - adjusted*	**74,584**	**86,654**	**91,716**	**91,577**	**89,816**	**91,037**	**92,618**
Adjustments - current primary deficit							
Total Expenditure *(excl. Statutory Commitments)*			**91,716**		**89,816**	**91,037**	**92,618**
Operational Expenditure	67,873	77,719	80,603	80,603	81,349	83,283	84,116
of which Legacy Tax Liabilities of Public Enterprises	-	*1,358*	-	-	-	-	
Development Expenditure	6,711	8,935	11,113	10,974	8,467	7,754	8,502
State revenue funded	*5,821*	*7,629*	*8,812*	*8,812*	*6,579*	*7,039*	*7,743*
of which External Funded Projects[1]	1,291	1,879	3,162	2,162	2,585	846	859
Grant Funded	*401*	*574*	*861*	*861*	*696*	*130*	*100*
Loan Funded	*890*	*1,306*	*2,301*	*1,301*	*1,888*	*715*	*759*
Total Expenditure *(incl. Statutory Commitments)*	**87,068**	**99,754**	**106,086**	**105,919**	**106,034**	**108,160**	**110,417**
Domestic Interest Payments	9,332	10,405	11,669	11,869	14,446	15,328	15,805
Foreign Interest Payments	2,479	2,679	2,700	2,473	1,772	1,795	1,994
Total Interest Payments	**11,811**	**13,084**	**14,369**	**14,342**	**16,218**	**17,123**	**17,799**
Other Statutory Payments[2]	673	15	1	-	-	-	
Total Statutory Commitments	**12,484**	**13,100**	**14,370**	**14,342**	**16,218**	**17,123**	**17,799**
Primary Balance	**7,305**	**2,978**	**(1,431)**	**(3,308)**	**438**	**5,352**	**6,857**
Budget Balance	**(5,180)**	**(10,122)**	**(15,801)**	**(17,650)**	**(15,780)**	**(11,771)**	**(10,942)**
Total Financing Requirement	**(6,247)**	**(14,444)**	**(9,963)**	**(14,508)**	**(19,217)**	**(12,928)**	**(10,599)**
Cash Requirement	(1,273)	(1,600)	(4,000)	(4,000)	(1,500)	(1,000)	
Foreign Loan Principal Repayment	(1,394)	(2,722)	(3,838)	(3,838)	(3,137)	(2,557)	(2,057)
Bond Redemption (Sinking Fund)	1,600	-	13,675	10,979	1,200	2,400	2,400
Foreign Financing	**2,368**	**1,306**	**(12,375)**	**(11,970)**	**1,888**	**715**	**759**
African Development Bank	*608*	*794*	*1,015*	*715*	*1,479*	*340*	*270*
Kreditanstalt für Wiederaufbau	*1,760*	*512*	*286*	*286*	*409*	*375*	*489*
Eurobond	-	-	*(13,675)*	*(12,971)*	-	-	
Domestic Financing	**3,878**	**13,138**	**22,338**	**26,479**	**17,329**	**12,213**	**9,840**
Total Debt	**153,721**	**167,157**	**177,121**	**174,577**	**193,794**	**206,722**	**217,321**
Domestic Debt	115,007	129,193	151,531	155,015	172,344	184,557	194,397
Foreign Debt	38,714	37,964	25,590	19,562	21,450	22,166	22,925
Total Guarantees	**8,332**	**8,516**	**9,348**	**7,573**	**11,786**	**10,586**	**14,083**
Domestic Guarantees	1,202	2,016	1,821	1,490	2,803	2,003	2,500
Foreign Guarantees	7,131	6,499	7,527	6,083	8,983	8,583	11,583

Annexure 3: Policy Scenario – Fiscal Stance for FY 2026/27 – 2028/29 *(% of GDP)*

	2023/24 Actual	2024/25 Actual	2025/26 Mid-Year estimates	2025/26 Revised estimates	2026/27 Projection	2027/28 Projection	2028/29 Projection
As ratio of GDP							
Total Revenue and Grants	***35.0%***	***35.9%***	***34.1%***	***32.6%***	***31.3%***	***31.3%***	***30.1%***
Total Expenditure (excl. Statutory Commitments)	***32.0%***	***34.9%***	***35.0%***	***34.2%***	***31.4%***	***29.6%***	***28.1%***
Operational Expenditure	*29.1%*	*31.3%*	*30.7%*	*30.1%*	*28.5%*	*27.1%*	*25.5%*
Development Expenditure	*2.9%*	*3.6%*	*4.2%*	*4.1%*	*3.0%*	*2.5%*	*2.6%*
Total Expenditure (incl. Statutory Commitments)	***37.4%***	***40.2%***	***40.5%***	***39.5%***	***37.1%***	***35.2%***	***33.5%***
Domestic Interest Payments	*4.0%*	*4.2%*	*4.5%*	*4.4%*	*5.1%*	*5.0%*	*4.8%*
Foreign Interest Payments	*1.1%*	*1.1%*	*1.0%*	*0.9%*	*0.6%*	*0.6%*	*0.6%*
Total Interest payments	***5.1%***	***5.3%***	***5.5%***	***5.4%***	***5.7%***	***5.6%***	***5.4%***
as % of Revenues	*14.5%*	*14.7%*	*16.1%*	*16.4%*	*18.1%*	*17.8%*	*17.9%*
Primary Balance	***3.1%***	***1.2%***	***-0.5%***	***-1.2%***	***0.2%***	***1.7%***	***2.1%***
Budget Balance	***-2.2%***	***-4.1%***	***-6.0%***	***-6.6%***	***-5.5%***	***-3.8%***	***-3.3%***
Domestic Debt	*49.4%*	*52.0%*	*57.8%*	*57.9%*	*60.3%*	*60.1%*	*58.9%*
Foreign Debt	*16.6%*	*15.3%*	*7.3%*	*9.8%*	*7.5%*	*7.2%*	*6.9%*
Total Debt	***66.0%***	***67.3%***	***67.5%***	***65.2%***	***67.8%***	***67.3%***	***65.9%***
Domestic Guarantees	*0.5%*	*0.8%*	*0.7%*	*0.6%*	*1.0%*	*0.7%*	*0.8%*
Foreign Guarantees	*3.1%*	*2.6%*	*2.9%*	*2.3%*	*3.1%*	*2.8%*	*3.5%*
Total Guarantees	***3.6%***	***3.4%***	***3.6%***	***2.8%***	***4.1%***	***3.4%***	***4.3%***

Annexure 4: Outstanding Debt by Creditor by the end of January 2026

Loans by Creditor	LOAN CURRENCY	GREEMEN DATE	TERMS YEARS	REDEMPTION DATE	INTEREST RATE	*OUTSTANDING DEBT IN NAMIBIA DOLLAR*
						31-Jan-26
African Development Fund						
Trans Kalahari road project loan 1	Eur	03/09/1992	50	01/04/2042	0.75	**17,575,300.91**
Trans Kalahari road project loan 2	Chf	03/09/1992	50	01/04/2042	0.75	**3,604,979.54**
Trans Kalahari road project loan 3	Usd	03/09/1992	50	01/04/2042	0.75	**12,235,076.34**
Trans Kalahari road project loan 4	Jpy	03/09/1992	50	01/04/2042	0.75	**5,457,803.19**
Basic Teacher Education 1	Usd	09/07/1993	50	01/07/2043	0.75	**23,024,924.34**
Basic Teacher Education 2	Chf	09/07/1993	50	01/07/2043	0.75	**36,363,865.95**
Basic Teacher Education 3	Eur	09/07/1993	50	01/07/2043	0.75	**47,506,195.71**
Basic Teacher Education 4	Jpy	09/07/1993	50	01/07/2043	0.75	**15,166,777.57**
Kreditanstalt fur Wiederaufbau						
Trans Caprivi Highway II	Eur	13/11/1996	20	30/06/2036	2	**94,554,264.12**
Trans Caprivi Highway III	Eur	01/02/2002	20	31/12/2028	2	**25,164,333.96**
Rural basic telecommunication Kaokoland	Eur	06/19/1996	30	30/06/2026	2	**9,052,311.50**
Upgrading commercial port Walvis Bay	Eur	01/30/1997	30	30/06/2027	2	**7,983,167.29**
Windhoek water recalmation	Eur	30/01/1997	30	31/12/2027	2	**13,218,505.56**
Road rehabilitation Oshivelo -Oshikati Tranch 1	Eur	13/11/1996	20	31/12/2026	3.25	**69,650,260.66**
NDP5 Road Maintenance and Rehabilitation	Zar	13/12/2022	15	15/05/2035	8.469	**372,600,000.00**
Water Sector Support Program 1	Zar	13/12/2022	20	15/11/2042	9.8095	**652,050,000.00**
Labour Based Roads (Construction II)	Eur	05/01/1999	20	12/30/2030	3	**28,924,902.62**
Road rehabilitation Mururani Gate Rundu	Eur	01/02/2002	20	06/30/2030	2	**31,759,499.79**
Road rehabilitation Ondangwa-Oshikango	Eur	21/03/2002	30	06/30/2032	2	**30,660,195.08**
Extension of payment services NAMPOST	Eur	05/25/2005	30	30/12/2044	2	**10,763,035.73**
Participation at Transport SWAP (Sector budget s	Eur	29/05/2008	30	31/12/2037	2	**79,746,887.35**
Policy - Based loan	Zar	15/02/2023	15	15/02/2038	10.73	**2,886,375,000.00**
Securing Windhuk Water Supply ll	Zar	13/12/2023	20	15/11/2043	9.59	**51,332,500.00**
DPR II	Zar	13/12/2022	20	15/11/2042	9.8095	**46,575,000.00**
People's Republic of China						
Loan Acc. No 1	Cny	09/02/1991	40	10/02/2031	Free	**211,462,811.77**
Loan Acc. No 2	Cny	09/08/1992	40	10/01/2032	Free	**110,645,034.57**
Loan Acc. No 3	Cny	12/18/1996	40	04/01/2036	Free	**46,734,336.08**
Nordic Investment Bank						
Seaflower Fisheries	Eur	15/12/2002	40	15/12/2034	0.75	**12,698,406.70**
African Development Bank						
Economic Governance and Competitiveness Suppo	Zar	23/05/2017	15	05/01/2032	3-M-JIBAR	**1,562,500,000.00**
Education and Training Quality Improvement	Zar	28/03/2018	15	01/02/2037	3-M-JIBAR	**745,588,494.91**
Transport Infrastructure Improvement	Zar	28/03/2018	15	01/02/2038	3-M-JIBAR	**1,625,360,845.42**
Agricultural Mechanisation and Seed Improvement	Zar	28/03/2018	10	01/02/2031	3-M-JIBAR	**455,403,184.51**
Economic Governance and Competitiveness Suppo	Zar	14/08/2018	15	01/08/2033	3-M-JIBAR	**1,875,000,000.00**
Economic Governance and Competitiveness Support Programme(Supplemental Financing)	Zar	06/05/2020	12	01/05/2035	3-M-JIBAR	**1,550,145,833.37**
Governance and Economic Recovery Support Pro	Zar	31/03/2021	15	15/02/2039	3-M-JIBAR	**1,325,884,873.12**
Water Sector Support Program	Zar	30/06/2022	23	15/04/2045	3-M-JIBAR	**496,617,814.69**
Governance and Economic Recovery Support Pro	Zar	12/10/2020	18	15/11/2040	3-M-JIBAR	**2,261,666,666.67**
Transport Infrastructure Improvement II	Zar	23/01/2024	19	01/11/2043	3-M-JIBAR	**148,293,866.55**
Arab Bank for Economic Development in Africa						
Northern Railway Extension	Usd	02/01/2001	24	01/08/2027	3	**11,782,137.75**
Aus - Rosh Pinah road	Usd	06/04/2003	24	01/10/2030	3	**28,943,393.25**
Instituto De Credito Official						
Construction : Fisheries Surveillance Vessel	Eur	06/28/2002	20	19/09/2032	Euribor	**40,749,590.80**
Upgrading and refurbursing of five airports	Eur	12/15/2003	14	09/02/2034	4.27	**127,470,061.16**
Export-Import Bank of China						
Customs and Excise Scanners Procurement	Rmb	29/08/2008	15	21/03/2028	2	**115,788,106.79**
Northern Road DR3608	Rmb	26/03/2013	15	21/09/2033	2	**695,539,181.25**
Northern Road MR67	Rmb	26/03/2013	15	21/09/2033	2	**397,358,568.33**
BNP Paribas						
Vessels	Eur	01/20/2011	12	15/03/2027	free	**96,131,341.32**
Johannesburg Stock Exchange						
JSE Bond NAM04	Zar	01/08/2016	10	01/08/2026	10.51	**335,000,000.00**
International Monetary Fund						
Rapid Finance Instrument	Usd			01/11/2027		**713,813,740.18**
Total Foreign Debt						**19,561,923,076.38**
Domestic Debt						
Treasury Bills	Nad	<1 year				**47,208,410,000.00**
Bonds	Nad	1 year - 24 yrs				**91,777,280,000.00**
Inflations	Nad	2 year - 14 yrs				**10,029,220,000.00**
Commercial Loan	Nad	3 year - 5 yrs				**6,000,000,000.00**
Total Domestic Debt						**155,014,910,000.00**
Overal Total Debt Stock						**174,576,833,076.38**

Annexure 5: Gross Domestic Product by activity (production)

Industries/sectors	Actual	Actual	Estimate	Projections	Projections	Projections	Projections
	2023	2024	2025	2026	2027	2028	2029
Agriculture, forestry and fishing	-3.2	-2.7	-0.2	2.0	2.8	3.6	2.3
Livestock farming	9.1	7.6	-16.1	0.1	4.6	6.3	2.3
Crop farming and forestry	-31.7	-6.6	35.7	6.5	4.0	4.2	3.9
Fishing and fish processing on board	11.4	-7.9	-5.6	-2.2	1.5	1.2	1.1
Mining and quarrying	19.3	-1.2	4.4	-0.8	1.2	4.6	2.9
Diamond mining	10.9	-3.7	-3.7	-3.5	-2.4	3.1	0.4
Uranium	29.6	1.8	30.1	2.0	5.5	6.4	7.1
Metal Ores	27.8	5.2	6.6	-9.0	3.5	6.7	5.6
Other mining and quarrying	35.4	0.4	3.1	6.7	2.6	3.1	2.1
Primary industries	**10.0**	**-1.8**	**2.8**	**0.2**	**1.8**	**2.9**	**2.7**
Manufacturing	-2.1	2.8	-0.8	-0.3	2.7	2.6	2.7
Meat processing	17.4	2.8	-14.1	-0.9	4.2	3.0	3.0
Grain Mill products	4.3	6.0	6.9	4.7	4.8	3.3	3.2
Other food products	9.1	-0.1	2.5	3.0	3.7	3.5	3.9
Beverages	-26.1	13.8	1.4	3.9	3.5	4.7	2.3
Textile and wearing apparel	3.3	4.9	0.0	1.9	1.2	0.8	0.7
Leather and related products	-10.9	4.8	-3.9	-1.2	-1.4	3.8	3.2
Wood and wood products	2.8	0.3	-0.1	1.9	1.1	0.8	0.7
Publishing and Printing	-3.6	-0.5	-4.0	-4.9	-4.6	-4.1	-4.3
Chemical and related products	0.4	4.5	-2.7	-0.9	-1.1	1.1	1.7
Rubber and Plastics products	8.6	8.7	7.4	4.4	4.6	4.2	2.9
Non-metallic minerals products	-6.2	2.6	1.6	5.5	4.9	4.5	4.0
Basic non-ferrous metals	-4.8	40.2	-30.6	-15.0	-6.9	-4.1	-5.0
Fabricated Metals	4.8	5.7	4.1	3.5	3.9	2.6	4.3
Diamond processing	-12.4	-26.5	-16.4	-6.9	-2.3	-2.4	2.7
Other manufacturing	8.3	12.4	4.6	4.3	2.5	2.9	2.4
Electricity and water	26.4	2.3	4.9	6.9	6.7	7.0	6.6
Construction	-2.4	6.4	4.6	10.5	8.5	6.1	5.6
Secondary industries	**2.4**	**3.0**	**0.8**	**2.8**	**3.9**	**3.8**	**3.6**
Wholesale and retail trade, repairs	5.8	9.1	5.8	6.0	6.5	6.7	5.6
Hotels and restaurants	4.4	3.7	3.2	4.3	4.1	5.0	5.7
Transport	8.5	11.4	7.1	7.0	6.7	6.8	5.7
Transport	8.2	8.2	7.8	6.9	7.0	7.2	6.1
Storage	9.4	20.1	5.5	5.6	5.8	5.3	4.6
Information Communication	0.4	1.6	1.5	3.3	2.1	1.7	1.6
Financial and insurance service activitie	3.7	5.9	3.7	3.7	2.9	3.0	2.1
Real estate activities	1.2	1.0	0.8	1.8	1.6	1.4	1.1
Professional, scientific and techical serv	5.7	8.3	5.8	4.7	5.4	2.9	3.1
Administrative and support services	7.7	4.0	2.2	4.4	5.2	5.4	2.2
Arts, Entertainment & Other Service ac	1.0	1.8	0.9	1.1	2.1	2.8	2.3
Public administration and defence	-0.6	4.2	2.3	3.4	2.4	2.1	2.2
Education	4.6	1.6	2.9	4.0	2.6	2.3	2.7
Health	0.6	8.3	3.6	4.7	2.6	2.2	2.2
Private household with employed perso	8.0	2.5	-0.9	-2.8	3.0	3.4	3.2
Tertiary industries	**3.0**	**4.9**	**3.3**	**3.8**	**3.5**	**3.5**	**3.1**
All industries at basic prices	**4.3**	**3.2**	**2.8**	**3.3**	**3.6**	**3.8**	**3.1**
Taxes less subsidies on products	5.6	9.5	3.8	4.7	4.3	4.3	4.3
GDP at market prices	**4.4**	**3.7**	**2.9**	**3.1**	**3.3**	**3.4**	**3.2**

Annexure 6: Assumptions Underlying Revenue Projections

The current revenue projections for the 2026/27 – 2028/29 MTEF period are anchored on moderate GDP growth, cautious optimism in mining, stable but moderate SACU receipts, and continuous improvements in tax administration. However, major risks lie in external shocks and commodity price volatility, which could undermine the current assumption

Anchors of revenue projections

Macroeconomic Growth

- GDP growth estimated at about 2.9 percent in 2025 and 3.4 percent in 2026, revised downward from earlier projections due to weaker performance in agriculture, diamond mining, and manufacturing.
- Revenue projections on VAT and Income result from the assumption that growth in tertiary industries (services, retail, transport) will remain moderate, limiting VAT and income tax expansion.

Commodity Sector Performance

- Diamond mining, major revenue source from mining sector is projected to remain subdued due to weaker demand and lower output, reducing royalties and corporate tax inflows.
- Uranium and other minerals are expected to be stable, but moderate with no rapidly growing revenues, but depending on global energy demand.

Southern African Customs Union (SACU) Receipts

- SACU receipts remain one of main tax revenue source accounting of about 28 percent of total tax revenue. A relatively moderate but stable receipts is estimated for the MTEF, while acknowledging risks from weaker regional trade and fiscal pressures in South Africa.

Tax Policy and Administration

- Corporate tax is projected to remain subdued considering the current economic uncertainty and taking into account a gradual reduction in non-mining corporate tax rates, we expect slow improvements in compliance and limited activities to broaden the tax base.

• Personal income tax & VAT, projections assume no major rate changes and rely on stronger enforcement and digitalization of tax collection systems in the medium term.

Assumptions on External Economic environment

• Assumptions on external economic environment include subdued global demand, due to unpopular US policies on tariff, continuous geo-political tensions, unstable commodity prices among others.

• Exchange rate stability (NAD pegged to the South African Rand) is assumed, limiting volatility in import-related VAT and excise collections.

Table 1: Summary Assumptions on Specific Revenue Category

Revenue Category	Key Assumptions
Income Tax (Personal & Corporate)	GDP growth supports modest wage increases; corporate tax rate reduction may be offset by compliance gains in the medium term.
Value Added Tax (VAT)	Stable consumption growth: digital tax systems improve collection efficiency.
SACU Receipts	Regional trade flows remain steady; South Africa's fiscal position does not sharply reduce transfers.
Mining Royalties & Corporate Tax	Diamond sector remains weak; commodity prices assumed not to collapse further.
Excise Duties	Consumption of fuel, alcohol, and tobacco grows slowly; no major policy shifts.
Grants & Other Revenue	Development partners continue support at current levels; no significant increase in grants.

Risks to the Outlook

- **Commodity dependence**: A downturn in diamond or gold markets could sharply reduce revenues.
- **SACU volatility**: Transfers are highly sensitive to South Africa's customs collections and fiscal position.
- **Global shocks**: Lower demand from key trading partners (EU, China) could weaken VAT and trade taxes.
- **Domestic constraints**: Weak agricultural output and manufacturing limit diversification of revenue sources.

Annexure 7: Assumptions Underlying Macroeconomic (GDP) Projections

DEMAND SIDE ASSUMPTIONS

The Namibian economy is estimated to slowdown in 2025 compared to a high growth in 2024. The slow growth expected in 2025 is due to the slowdown in general government and private consumption. The marginally higher growth expected in 2026 is mainly attributed to the expected increase in gross fixed capital formation in the mining and quarrying sectors.

GDP growth estimates – Demand/Expenditure approach

	2024	2025	2026	2027	2028	2029
Final consumption expenditure	10.8	3.0	3.4	4.7	4.9	4.2
Private	10.4	3.3	3.8	5.4	5.7	4.7
General government	3.2	2.2	2.1	2.1	2.2	2.4
Gross fixed capital formation	-7.9	3.4	8.1	6.3	6.2	5.6
Changes in inventories 1)	30.3	0.0	0.0	0.0	0.0	0.0
Gross domestic expenditure	5.6	3.8	3.5	4.7	5.2	4.5
Exports of goods and services	0.1	7.2	1.2	4.7	6.3	5.0
Imports of goods and services	7.9	4.9	3.5	5.9	6.8	5.8
Gross domestic product at market prices	3.7	2.9	3.1	3.3	3.4	3.2

Source: NSA and MEWG projections, 2026

Final consumption is expected to decelerate significantly in 2025 compared to 2024. The anticipated slow growth is significantly driven by general government. Additionally, private consumption is expected to decelerate in 2025 on account of lower consumer's purchasing power and from a higher base effect before picking up in 2026 and moderate over the medium term between 2027 to 2029. Going forward, private consumption is expected to increase in 2026 and maintain momentum over the medium term.

Government consumption is anticipated to decelerate marginally in 2025 compared to 2024 yet on a high base supported by increased expenditure of vehicle purchases as well as by an increase in construction activities of road and railway and other capital projects. Growth is expected to be slow and steady from 2026 going forward, due to anticipated limited fiscal space.

Gross fixed capital formation is anticipated to achieve an upward growth in 2025 from a contraction recorded in 2024. In 2025, the accelerated growth is anticipated to be driven by increased investment into capital projects from sectors such as water and electricity, transport and storage and mining and quarrying. This trajectory is expected to continue until 2026 as

major investments and projects come to completion. Subsequently, due to high base effects and the absence of major capital projects anticipated, growth is expected to trend downwards from 2027 to 2029.

Exports are expected to increase significantly in 2025 compared to weaker growth recorded in 2024, this is attributable to an increase in global commodity prices, notably gold and uranium prices. While high uranium output will be exported, owing to additional production from a rehabilitated uranium mine which resumed production, gold is also expected to continue driving the export due to favorable prices. Diamond exports will continue to dwindle, due to a decline in diamond production on account of weaker prices and weak global demand for diamonds. Growth in exports is expected to slow down in 2026, owing to stabilized output from uranium mining and to a decline in gold earnings due to lower-quality ores. Furthermore, a reduction in the export of live animals as the farmers continue with restocking is expected to further dampen total exports. However, from 2027 to 2029, exports are projected to improve supported by increased mining activities and a resumption of live animal exports.

Imports are projected to slowdown in 2025 and 2026 compared to a strong growth in 2024, this is mainly due to high base effects coupled with the winding down in the oil and gas exploration activities. Going forward, significant growth is expected in the importation of goods and services as investment is expected to increase and thus the anticipated expansion in the demand for construction inputs in the water, transport and storage as well as mining sectors.

SUPPLY SIDE ASSUMPTIONS

The Namibian economy is estimated to record slower growth in 2025 compared to the growth registered in 2024. The slowdown is mainly attributed to lower output from the secondary industry on account of reduced mineral output, and depressed production from manufacturing sector, while primary and tertiary industry are expected to trend higher.

PRIMARY INDUSTRIES

Growth in the primary industries is estimated to increase in 2025 compared to a contraction recorded in 2024. The anticipated upward growth in 2025 is attributed to the improvement in agriculture, forestry, as well as to an increase in uranium mining, metal ores and other mining activities. Growth is anticipated to continue the upward trajectory from 2026 and 2028 because of anticipated growth in all categories.

Agriculture, forestry, and fishing is estimated to contract in 2025, due to the expected low output from farming and fishing subsectors.

The livestock subsector is estimated to register a contraction in 2025 due to reduction in animal marketed and livestock exports as farmers start to restock, on the back of drought experienced in the previous year. The subsector is expected to recover moderately in 2026 and over the remainder of the MTEF period as restocking efforts eases.

Crop farming is estimated to increase in 2025 on the back good rain received, which is expected to increase the yield from the rainfed crops. The subsector is expected to moderately recover in 2026 and over the MTEF period, mainly due to the erratic rainfall patterns.

The fishing subsector is expected to record an improved contraction in 2025 and in 2026 before recording marginal growth in 2027 and moderate over the MTEF. The negative growth anticipated in 2025 is resulting from lower Total Allowable Catches (TACs), landings as well as smaller sizes of the fish landed in some species which is anticipated to worsen.

The mining and quarrying sector is anticipated to record an improved growth in 2025 from a contraction growth recorded in 2024. The improved growth in 2025 is attributed to sustained investments in mineral exploration and increase in uranium production, as well as strong outputs from metal ore production. Going forward the sector is projected to contract in 2026 owing to poor performance expected in gold and diamond mining. A recovery is anticipated in 2027 and 2028 as new uranium and gold mines opening commence with production and over the MTEF.

Diamond mining is expected to continue contracting between 2025-2027. The contraction is attributed to a decline in production, due to low global demand and low diamond prices. Production is expected to improve marginally in 2028 due to expected slight recovery in diamond prices and an improvement in global demand.

Uranium mining is estimated to record a strong growth 2025 compared to 2024. This growth is expected to be driven by increased output from innovative production methods, despite ongoing water challenges. Going forward in 2026 and over the MTEF period, growth is expected to remain stable supported by additional production from a rehabilitated uranium

mine which resumed production, coupled with anticipated favourable uranium prices and other two new prospect uranium mines that are expected to start with the mining activities over the MTEF.

The metal ores sub-sector is estimated to register an upward growth in 2025 compared to the growth recorded in 2024, before contracting in 2026 on account of the winding down of production from open-pit mining operations from two of the gold producing mines. In the outer years the sector is expected to record improved growth attributable to an increase in production from a new gold mine, which is anticipated to offset lost output from zinc and copper from 2027 onward.

SECONDARY INDUSTRIES

Secondary industries are expected to record a slow growth in 2025 compared to an upward growth recorded in 2024. The slow growth in Secondary industries is mainly attributed to the expected decline in *meat processing* and *diamond polishing and cutting*. Growth in secondary industries is projected to remain strong in 2026 and 2027, largely driven by anticipated recovery in *construction* (railway construction, upgrade and construction of water canal, housing activities) and *electricity & water* as well as *beverage* and *manufacturing* during the same period. Going forward, the secondary industries is anticipated to continue the growth trajectory over the MTEF period.

The manufacturing sector is estimated to contract in 2025 compared to a growth recorded in 2024. The contraction in 2025 is due to expected poor performance in *meat processing* and *diamond polishing and cutting* that are anticipated to decline in growth in 2025. Going forward, growth in the sector is expected to improve in 2027 and 2028, supported by grain mill products, beverage, and rubber and plastic products.

Electricity and water sector is estimated to record an upward growth in 2025 on the back of high electricity output from the Ruacana hydro-power station due to strong rainfall in southern Angola. The growth in this period will also be supported by renewable energy power project expected to come on stream by the end of 2025 with a combined power supply of around 110MW. The sector is set to register a strong growth in 2026. The growth is supported by planned water projects namely Rundu canal, Oshakati canal, Ohangwena water aquifer and Ondangwa-Omutsegonime pipe expansion. These are expected to boost output in the sector and support growth over the reminder of the MTEF period.

The construction sector is anticipated to record an upward growth in 2025 compared to the growth recorded in 2024. The expected growth is supported by increase in government expenditure on capital projects including the construction of mainly railway projects. As the economy normalises, the construction sector is expected to expand further and grow in 2026 and 2027. The expectation is that the sector will benefit from increased investments in construction of new uranium and gold mines. Going forward, the sector is expected to continue the high growth trajectory over the MTEF period.

TERTIARY INDUSTRIES

Tertiary industries are estimated to record a slow growth during 2025 and 2026, from a strong growth recorded in 2024. The growth in these industries is mainly on the back of continuous recovery in the *Wholesaler and retailer*, *hotel and restaurant and transport sectors.* Meanwhile, the industry is expected to grow marginally in 2027 before slowing down in 2028 as interest rate subsides, and this continues in the outer years.

The wholesale and retail trade sector is expected to register slow growth in 2025, compared to the higher growth registered in 2024. The growth momentum in 2025 is attributed to increases in demand from construction sectors and expected higher demand for vehicles sales. The sector is expected to remain strong in 2026 on the back of improvement in demand as inflation moderates downwards and the anticipated interest rates stabilization over the MTEF period.

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

The transport and storage sector is projected to register a slow growth in 2025, compared to a higher growth in 2024. The growth in the sector is attributed by improved economic activities, moderating international fuel prices, increased port cargo handling for exploration, mines and regional trade activities. The sector is expected to remain stable over the MTEF ascribed to anticipated increase in twenty-foot equivalent unit (TEU) to be handled.

The financial sector is estimated to moderate in 2025 and through the remainder of the MTEF. The slow performance of the sector is supported by the prevailing interest rate cuts and strengthened regulations of financial institutions.

Growth in **real estate activities** is expected to slow down in 2025 and pick up onwards. The growth for 2026 and 2027 is expected to be driven by the upgrading of informal settlement, completion of ongoing construction private property and increase in demand of property in the high-income segment supported by the upgrade of the subsidies package and the ongoing activities in the oil and gas exploration sector.

Growth in the **public administration and defence** sector as well as health sector is anticipated to slow down in 2025, before picking up in 2026 wing to low number of recruitments especially in the health sector. Growth from the education sector is expected to grow in 2025 and maintain momentum, on the back of increased recruitment as well as subsidized tertiary education activities. Going forward the sectors are anticipated to trend for the remainder of the MTEF.

Ministry of Finance

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