INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/132

NAMIBIA

June 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NAMIBIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Namibia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its June 11, 2025, consideration of the staff report that concluded the Article IV consultation with Namibia.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 11, 2025, following discussions that ended on May 13, 2025, with the officials of Namibia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 28, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Namibia.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/198

IMF Executive Board Concludes 2025 Article IV Consultation with Namibia

FOR IMMEDIATE RELEASE

- Namibia's economy faces challenges from heightened global trade policy tensions, increased weather shocks, a structural shift in the global diamond market, and high structural unemployment.
- Ensuring macroeconomic stability requires maintaining fiscal prudence while creating space for growth-enhancing measures, managing the monetary policy to safeguard the peg, and enhancing the resilience of the financial sector.
- To generate employment through inclusive private sector-led growth that is weather-shock-resilient, bold structural reforms are essential. Additionally, a comprehensive strategy is needed to leverage the potential opportunities presented by recent oil discoveries.

Washington, DC – June 17, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Namibia.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Namibia's economic growth decelerated from 5.4 percent in 2022 to 3.7 percent in 2024 as a decline in production in response to lower diamond prices outweighed momentum stemming from rising gold and uranium prices. Oil exploration plateaued in 2024 following a spike in 2023, while agriculture contracted sharply due to the drought of 2023–24, the most severe in a century. Inflation has fallen, reflecting a drop in food and fuel prices in international markets.

Looking ahead, growth is projected to remain subdued in the near and medium term. The end of the drought is expected to boost growth in 2025; however, increased global trade policy uncertainty, particularly related to U.S. tariffs, and the weak diamond market will dampen momentum, with growth forecast at 3¾ percent for 2025 and 2026. Over the medium term, growth is projected to be about 3 percent, constrained by structural rigidities despite increased

---

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Namibia page.

public capital expenditure. Average CPI inflation is projected to ease to 4.1 percent in 2025 and remain around 4.5 percent in the medium term.

Risks to the outlook are tilted to the downside. Key external downside risks include commodity price fluctuations, further worsening of global trade tensions, a deepening of economic fragmentation, and tighter global financial conditions. Domestic downside risks include social discontent resulting from continued high unemployment and inequality and increased volatility associated with weather shocks. Upside risks include an easing of global trade policy tensions and faster development of oil, gas, and green hydrogen projects.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They took positive note of Namibia's economic resilience, with slowing inflation and improved external position, despite the challenging external environment and welcomed the new government's commitment to fostering inclusive growth and build resilience to climate shocks. Noting the subdued growth outlook reflecting global trade policy uncertainty and domestic structural rigidities, high unemployment, and inequality, Directors emphasized the need for further efforts to harness Namibia's economic potential and raise per capita income by promoting a private sector led, inclusive, weather resilient, and diversified economy.

Directors welcomed the authorities' commitment to maintaining fiscal discipline and creating space for growth enhancing measures. They called for sustained and larger fiscal consolidation over the medium term to entrench the favorable public debt dynamics and strengthen the external position. Directors stressed the need to accelerate fiscal reforms including enacting a comprehensive civil service reform to contain the wage bill, state owned enterprise reforms, strengthening public financial and investment management, and enhancing tax administration to solidify fiscal consolidation. At the same time, they recommended increasing public investment to enhance growth, expanding social protection, and building resilience to weather shocks. They encouraged the authorities to continue their efforts to establish, with Fund technical assistance, a strong governance framework for the sovereign wealth fund and a natural resource management framework to safeguard long term macroeconomic stability and support economic development.

In the absence of capital outflows, Directors recommended gradually aligning the policy rate with that of the South African Reserve Bank (SARB) to safeguard the currency peg, taking advantage of SARB's rate reductions. They stressed, however, that the Bank of Namibia should remain vigilant to economic conditions.

Directors welcomed the continued progress in enhancing financial sector resilience, notably through the introduction of the bank resolution policy. They encouraged the authorities to continue to monitor risks including from the sovereign bank nexus and household debt. Directors recommended finalizing additional policy measures, including counter cyclical capital

[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

buffers and strengthened cooperation on crisis resolution. Continued efforts to strengthen the AML/CFT framework are crucial to expedite removal from the FATF grey list.

Directors highlighted that bold structural reforms are essential to fostering sustainable, inclusive, and private sector led growth and improving external competitiveness. They recommended addressing key barriers, including by improving human capital and reducing skill mismatches, enhancing the business climate, strengthening governance, and fostering digitalization. Directors supported developing a set of policies aimed at harnessing prospective oil, gas, and green hydrogen for economic diversification and job creation.

It is expected that the next Article IV Consultation with Namibia will be held on the standard 12-month cycle.

Namibia: Selected Economic Indicators, 2022–30

Population (2024, million):	3.0	Per-capita GDP (2024, USD):	4471.8
Quota (current, millions of SDR, percent of total):	54.6	Poverty (2015, percent of national poverty line):	17.4
Main exports:	Diamonds, Fish, Gold, Uranium, Copper.		
Key export markets:	South Africa, Botswana, China, Zambia, and Belgium.		

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
	Percent change, unless otherwise specified								
Output									
Real GDP growth	5.4	4.4	3.7	3.8	3.7	2.9	3.0	3.0	3.0
Nominal GDP growth	12.2	11.3	7.1	8.8	9.3	7.4	7.6	7.6	7.6
Nominal GDP (billions of USD)	205.6	228.9	245.1	266.8	291.7	313.4	337.1	362.5	389.9
Nominal GDP per capita (USD)	4,407	4,236	4,472	4,673	4,898	5,037	5,192	5,346	5,513
GDP Deflator	6.4	6.6	3.3	4.9	5.5	4.4	4.4	4.4	4.4
Prices									
Consumer prices (average)	6.1	5.9	4.2	4.1	4.5	4.5	4.5	4.5	4.5
Consumer prices (end of period)	6.9	5.3	3.4	4.5	4.5	4.5	4.5	4.5	4.5
	Percent of GDP, unless otherwise specified								
Central Government Budget 1/									
Revenue and grants 2/	30.5	35.1	36.5	33.2	32.8	33.1	33.3	33.3	33.3
of which: SACU receipts	6.7	10.5	11.2	7.7	7.9	8.2	8.5	8.5	8.4
Expenditure	36.1	37.6	40.4	38.8	37.7	36.8	36.6	36.5	36.5
Of which: personnel expenditure	14.9	13.9	14.1	13.5	12.8	12.3	12.2	12.2	12.2
Of which: capital expenditure and net lending	3.1	2.9	3.9	4.0	3.9	3.5	3.5	3.5	3.5
Primary balance	-1.2	2.7	1.2	-0.5	0.2	1.4	1.7	1.7	1.7
Overall fiscal balance	-5.7	-2.4	-3.9	-5.7	-4.8	-3.7	-3.3	-3.3	-3.3
Overall fiscal balance ex. SACU	-12.4	-12.8	-15.1	-13.4	-12.8	-12.0	-11.8	-11.7	-11.7
Public debt, gross	67.5	66.0	66.2	62.3	62.2	62.0	61.1	60.1	59.3
Investment and Savings									
Investment	20.1	27.3	25.6	22.1	19.0	17.8	16.8	16.8	16.8
Public	2.6	2.4	2.4	2.6	2.5	2.3	2.3	2.3	2.3
Others (incl. SOEs)	14.1	23.7	21.3	19.5	16.5	15.5	14.5	14.5	14.5
Change inventories	3.4	1.2	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings	7.3	12.0	10.3	6.6	5.4	5.2	4.6	5.1	5.5
Public	-3.2	-0.2	0.1	-1.3	-1.1	-0.4	0.1	0.2	0.2
Others (incl. SOEs)	10.6	12.2	10.2	7.9	6.5	5.6	4.5	4.8	5.3
	Percent change, unless otherwise specified								
Money and Credit									
Broad money	0.0	10.7	9.7	9.1	8.6	7.9	8.4	7.7	7.6
Credit to the private sector	4.2	2.8	3.5	4.9	6.2	4.1	5.4	5.5	5.5
BoN repo rate (percent) 3/	6.75	7.75	7.00	6.75	…	…	…	…	…
	Percent of GDP, unless otherwise specified								
Balance of Payments									
Current account balance	-12.6	-15.3	-15.3	-15.5	-13.7	-12.6	-12.1	-11.7	-11.3
Financial account balance	-13.3	-15.9	-17.2	-9.3	-15.4	-13.6	-12.3	-11.8	-11.8
Gross official reserves	22.3	23.2	25.1	18.4	20.1	21.2	21.5	21.6	22.2
Reserves (in months of imports)	3.9	3.8	4.4	3.4	3.8	4.1	4.2	4.2	4.5
External debt	71.7	76.0	74.6	68.0	67.5	66.8	65.5	63.6	61.8
of which: public (incl. IMF) 4/	17.5	16.6	14.7	7.9	7.3	6.8	6.4	6.0	5.5
Exchange rate									
REER (percent, yoy)	-3.6	-6.3	2.7	…	…	…	…	…	…
Average exchange rate (Namibian dollar per USD)	16.4	18.5	18.3	…	…	…	…	…	…

Sources: Namibian authorities; and IMF staff calculations.

1/ Figures are for the fiscal year as a percent of GDP. The fiscal year runs from April 1 to March 31.

2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, and other items which are not classified as revenue according to the IMF's Government Finance Statistics Manual 2010.

3/ Figure for 2025 is as of April 16, 2025.

4/ The ratio is calculated by dividing the stock as March 31 by nominal GDP for the fiscal year.

INTERNATIONAL MONETARY FUND

NAMIBIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 28, 2025

KEY ISSUES

Context. Promoting job-rich growth is a key focus of the government, given high unemployment, particularly among the youth. Economic growth has been supported by the services sector and mining, including in oil exploration, although oil production prospects remain uncertain. The 2023/24 drought has depressed agricultural production, causing a widespread food security crisis. The ruling party retained an outright majority in the general elections in November 2024; the program of the new administration, which took office in March 2025, emphasizes job creation. High Southern African Customs Union (SACU) transfers helped improve the fiscal balances in FY23/24, but delays in fiscal reforms in the run-up to the elections and measures for food security contributed to a weaker fiscal balance in FY24/25. The Bank of Namibia's policy rate has been kept below that of the South African Reserve Bank (with the gap currently at 50 bps).

Outlook and Risks. Heightened global trade policy tensions will slow Namibia's growth, mainly through diamond exports. Growth is projected to remain at 3¾ percent in 2025 and moderate to about 3 percent over the medium term. A significant fiscal effort in FY25/26 is expected to partially offset a sharp drop in SACU receipts. Sustained efforts are essential to ensure primary surpluses over the medium term, which is necessary to achieve a steady reduction in the public debt-to-GDP ratio, currently exceeding 66 percent. The external current account deficit remained elevated and unchanged at 15.3 percent of GDP in 2023 and 2024, while oil-exploration-related FDI has contributed to the accumulation of foreign reserves (which are at an adequate level). The elevated current account deficit is likely to persist with ongoing oil exploration. Risks to the outlook are tilted to the downside, including further global trade policy shocks, geopolitical fragmentation, weather shocks, weak diamond market, and a rolling back of recent fiscal consolidation and state-owned enterprise reforms. Upside risks include a moderation in global trade policy tensions and faster development of oil, gas, and green hydrogen.

Policy Recommendations.

- **Fiscal Policy.** Exercise restraint over the public sector wage bill and calibrate the increase in capital spending to ensure a sustained primary surplus in FY25/26 and FY26/27. Advance civil service reform to reduce the public wage bill and create room for growth-enhancing spending, including public investment, and implement PIMA/C-PIMA recommendations to improve efficiency of public investment.

- **Monetary and Financial Sector Policy.** To safeguard the peg, gradually align the policy rate with that of the SARB (taking advantage of SARB rate cuts to reduce the rate gap). Modernize the liquidity management framework to strengthen the monetary policy transmission mechanism. Continue efforts to ensure exit from the Financial Action Task Force (FATF) Grey List.
- **Natural Resource Management.** Develop a framework to manage the potentially large oil wealth and the wind and solar power resources. Strike a balance between local beneficiation to foster job creation while ensuring an attractive investment climate.
- **Structural Policies.** Foster private sector-led growth to reduce unemployment and inequality by reducing skill mismatches, decreasing red tape, optimizing regulations, and promoting digitalization.

Approved By
Andrea Richter Hume (AFR) and Koshy Mathai (SPR)

An IMF team consisting of Mr. Wieczorek (head, AFR), Mses. Gu, Li, Muchimba, and Mr. Takizawa (all AFR) and Ms. Mukherjee (SPR) held discussions in Windhoek during February 25–March 10, 2025. Mr. Damane (OED) participated in the discussions. The team held discussions with Minister of Finance I. Shiimi, Central Bank Governor Mr. J. !Gawaxab, other senior government officials, as well as representatives from civil society, development partners, and the private sector. Ms. Li (head, AFR), Mses. Gu, Muchimba, and Mr. Takizawa (all AFR) held additional discussions in Washington D.C. during April 21–24, 2025, and virtually on May 13, 2025, with the authorities, including Minister of Finance E. Shafudah. Ms. Goel (AFR) provided research support. Ms. Paulaviciene and Mr. Trejo (both AFR) supported the preparation of the report.

CONTENTS

CONTEXT AND BACKGROUND 5

RECENT DEVELOPMENTS 6

OUTLOOK AND RISKS 9

POLICY DISCUSSIONS 12

A. Entrenching Debt Sustainability While Supporting Growth 12
B. Establishing a Comprehensive Natural Resource Management Framework 17
C. Safeguarding the Currency Peg 18
D. Managing Macro-Financial Risks 19
E. Structural Reform Agenda 21
F. Statistical Issues 23

STAFF APPRAISAL 23

BOX

1. Measurement of the Unemployment Rate in Namibia 6

FIGURES

1. Financial Sector Developments 26
2. Recent Economic Developments 27
3. Namibia Climate Indicators: Vulnerabilities and Developments 28

TABLES

1. Selected Economic Indicators, 2022–30 ___ 30
2. Fiscal Operations of the Central Government, 2022/23–2030/31 (Millions of Namibian Dollars) ___ 31
3. Fiscal Operations of the Central Government, 2022/23–2030/31 (Percent of GDP) ___ 32
4. Balance of Payments, 2022–30 ___ 33
5. Monetary Accounts, 2022–28 ___ 34
6. Financial Soundness Indicators, 2016–24 ___ 35
7. Indicators of Capacity to Repay the Fund, 2021–30 ___ 36

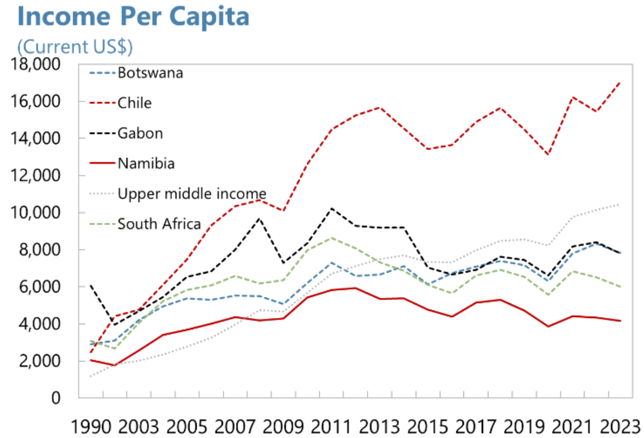
ANNEXES

I. Risk Assessment Matrix ___ 37
II. External Sector Assessment ___ 39
III. Sovereign Risk and Debt Sustainability Analysis ___ 43
IV. Past Fund Advice ___ 50
V. Interest Rate Structure and Monetary Operations ___ 53
VI. Capacity Development Strategy ___ 54
VII. Data Issues ___ 58
VIII. Impact of Drought and Government Policy Response ___ 60
IX. Key Recommendations from Combined PIMA and C-PIMA ___ 61
X. Progress in Implementation of 2018 FSSA ___ 62

CONTEXT AND BACKGROUND

1. **In its 35th year of independence, Namibia has much to celebrate but also faces steep challenges.** Poverty declined significantly from 58 percent in 1993 to 17.4 percent in 2015, and income inequality, as measured by the GINI coefficient, albeit still high, dropped from 0.70 to 0.59 during that period.[1] However, per-capita income growth has stagnated while unemployment has persisted, particularly among the youth (Box 1).[2] As in many sub-Saharan resource-rich countries, Namibia's mineral wealth has not translated into high per capita income, while other resource-rich countries have managed to achieve much better results (Text Figure 1). Aspiring to become a potentially significant oil producer, Namibia faces a renewed opportunity to exit the "middle-income trap". Active policies must be used to fend off the "resource curse", by creating conditions that enable inclusive, job-rich growth.

Text Figure 1. Income Per Capita in Selected Resource-Rich Countries



Source: World Bank.

2. **Heightened global trade policy tensions and increased weather shocks are weighing on the economy** (Selected Issues Paper (SIP) Climate). Specifically, the announced U.S. tariffs could further depress the global demand for natural diamonds, a key export of Namibia. Meanwhile, the 2023/24 drought depressed agricultural output and may have caused approximately 1.3 million people (41 percent of the population), primarily in rural areas, to face high levels of acute food insecurity.[3] The drought has also affected Namibia's hydroelectric capacity and urban water supply.

3. **The new government will need to tackle these challenges**. The South West Africa People's Organisation (SWAPO) party, in power since independence in 1990, prevailed in the general elections in November 2024, but its share of votes declined from 65 percent in 2019 to 53 percent. The government's National Development Plan 6 prioritizes revitalizing the economy and strengthening its resilience, improving social services and human capital, managing natural resources sustainably, and ensuring effective governance in public institutions. SWAPO has also promised to create a quarter million jobs (24 percent of the labor force) in the next five years.

---

[1] Data on poverty and GINI for 1993 are taken from Institute for Public Policy Research (Poverty and Inequality Research.pdf) and for 2015 taken from World Bank, World Development Indicators (Last update: April 11, 2025).

[2] Unemployment statistics for 2023 are taken from the labor module of 2023 Population and Housing Census released in January 2025.

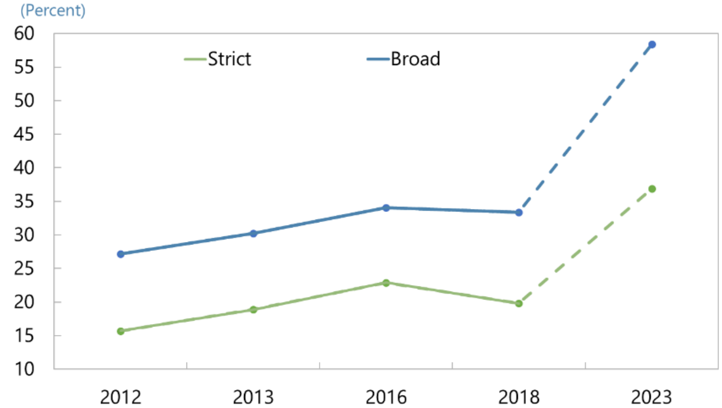
[3] Data taken from Integrated Food Security Phase Classification (Namibia: Acute Food Insecurity Analysis April – September 2024 (Published on 6 September 2024) - Namibia | ReliefWeb).

Box 1. Measurement of the Unemployment Rate in Namibia

The Namibia Statistics Agency (NSA) uses two definitions of unemployment: the "strict" and "broad". The "strict" definition considers workers unemployed only if they are actively seeking work and have taken specific steps in a recent period for paid employment or self-employment.[1] This definition excludes discouraged workers who want to work but have ceased their job search, while the broad definition includes them. While the strict definition is widely used for cross-country comparisons, the broad definition provides a more comprehensive view.

Under both definitions, the unemployment rate in Namibia rose sharply between 2018 and 2023. Under the strict definition, the unemployment rate rose by 17.1 percentage points to 36.9 (44.4 for youth) percent in 2023 (as per NSA data), while under the broad definition, unemployment grew by 21.4 percentage points to reach 54.8 (61.4 for youth) percent in 2023.[2]

Total Unemployment
(Percent)



Sources: National Labor Force Surveys; 2023 Population and Housing Census (labor module); and IMF staff calculations.
Note: The dotted line between 2018 and 2023 highlights that the numbers cannot be compared due to a change in the methodology.

The reported sharp rises in the unemployment rate are partly due to methodological improvements in 2023, making direct comparisons difficult. The key improvement in the methodology concerns the treatment of own-use producers of goods. In the 2018 Labor Force Survey (LFS), this group was entirely counted as employed. However, in the 2023 census, they were further classified as employed, unemployed, part of the potential labor force, or not in the labor force, resulting in a more detailed and refined dataset.[3] Since this group makes up 30.3 percent of the working age population, reclassifying part of the group as unemployed in 2023 may have significantly impacted the total unemployment figures compared with treating them all as employed under the 2018 methodology (SIP Labor).

---

[1] Namibia Labour Force Survey Final - 2018 - Namibia Statistics Agency.

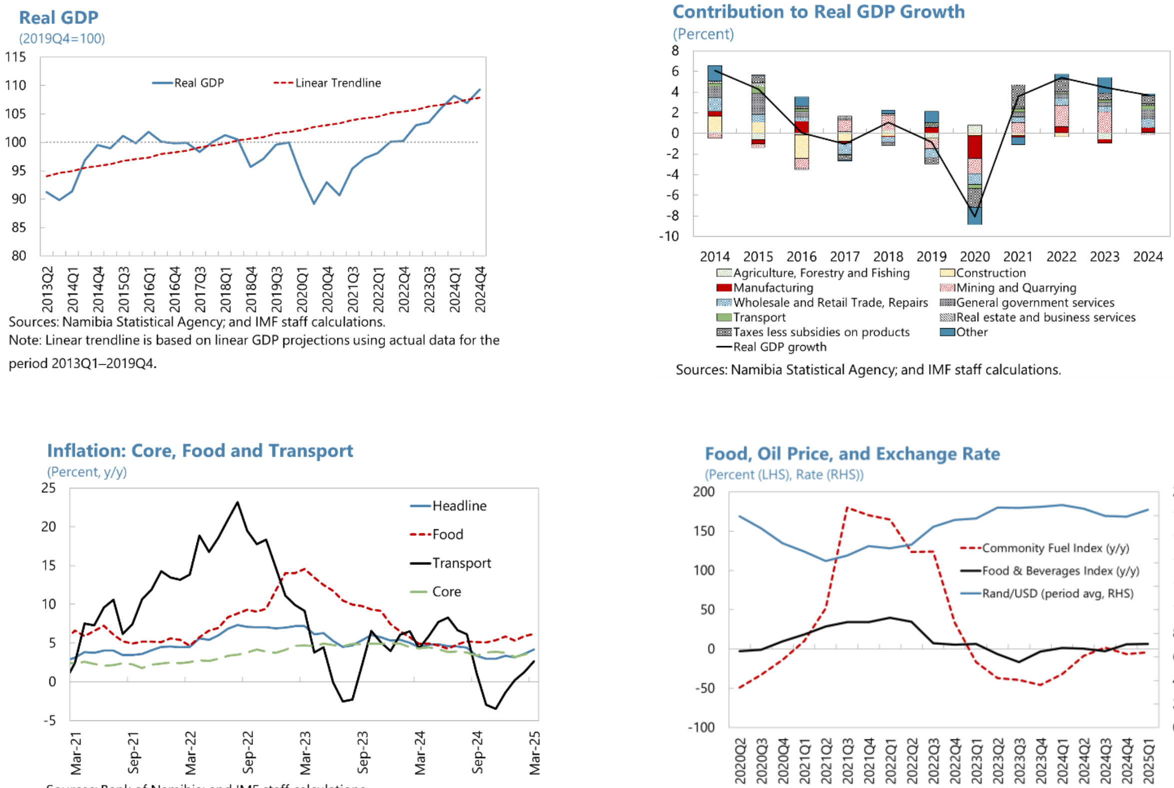
[2] In the 2023 NSA data, the "strict" definition is referred to as the "unemployment rate" and the "broad" definition is referred to as "Combined rate of unemployment and potential labor force". The "broad" definition also includes workers who are not employed, seeking a job, but not available to start working within two weeks.

[3] 2023 PHC Labour Force Report - Namibia Statistics Agency.

RECENT DEVELOPMENTS

4. **Real GDP regained its pre-pandemic level by 2023, with growth returning to its pre-COVID-19 trend** (Text Figure 2). Growth decelerated to 3.7 percent in 2024 from 5.4 percent in 2022 as a decline in production in response to lower diamond prices outweighed momentum stemming from rising gold and uranium prices, while oil exploration reached a plateau. Agriculture contracted sharply due to the most severe drought in a century (2023–24). The drought moderated in early 2025 but was followed by torrential rains, highlighting the challenges associated with the increased weather volatility. While offshore oil discoveries show promise, so far no company has committed to investment given the complex physical characteristics of the explored oil fields.

Text Figure 2. Real GDP Growth and Inflation



Real GDP — Sources: Namibia Statistical Agency; and IMF staff calculations.
Note: Linear trendline is based on linear GDP projections using actual data for the period 2013Q1–2019Q4.

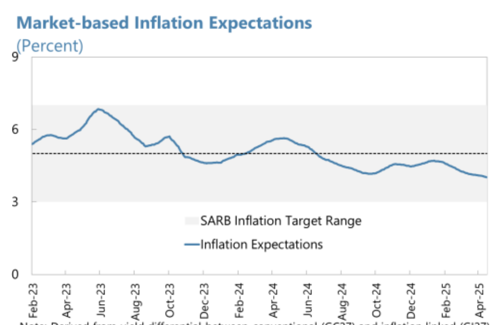
Contribution to Real GDP Growth — Sources: Namibia Statistical Agency; and IMF staff calculations.

Inflation: Core, Food and Transport — Sources: Bank of Namibia; and IMF staff calculations.
Note: Transport inflation mainly reflects movement in fuel prices.

Food, Oil Price, and Exchange Rate — Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

5. **Inflation has fallen below the midpoint of the central bank's target range.** Year-on-year (YoY) headline inflation declined to 3.6 percent in April 2025 from a recent peak of 6.0 percent in October 2023, principally reflecting a drop in food and transport components. It is now below the mid-point of the Bank of Namibia's (BoN) target range of 3–7 percent. Core CPI inflation was 4.0 percent (YoY) in April 2025. Inflation expectations remain well-anchored at below the mid-point of the target range (Text Figure 3).

Text Figure 3. Inflation Expectations

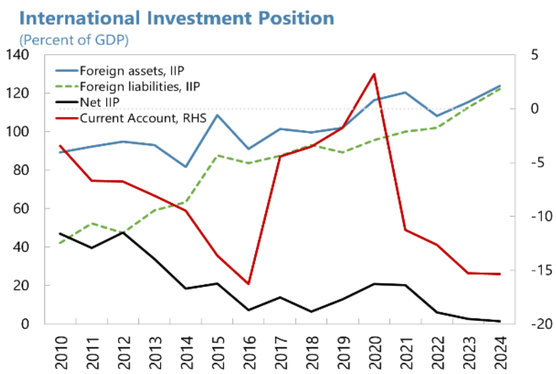


Note: Derived from yield differential between conventional (GC27) and inflation linked (GI27) bonds.
Sources: Bloomberg L.P.; and IMF staff calculations.

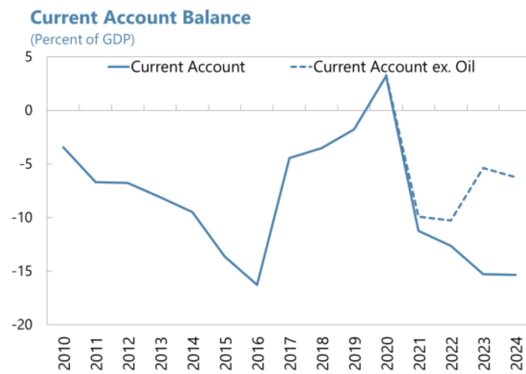
6. **Namibia's 2024 external position is assessed to be substantially weaker than implied by fundamentals and desirable policies** (Annex II). The current account (CA) deficit was 15.3 percent of GDP in both 2023 and 2024. An increase in primary income and SACU transfers was mostly balanced by exports contraction of 3.2 percent of GDP. Lower diamond exports outweighed the rise in other mineral exports. Oil and gas exploration-related imports (about

9.1 percent of GDP in 2024) contribute to but do not fully explain elevated CA deficits in recent years. Excluding such imports, the CA deficit would be 6.2 percent of GDP in 2024, slightly wider than 5.4 of GDP in 2023 (Text Figure 4). Meanwhile, gross foreign reserves increased, as exploration-related FDI inflows more than offset the large CA deficit.[4] Reserve coverage remained stable at 4.4 months of imports in 2024, or at 119.6 percent of the Assessing Reserve Adequacy (ARA) metric. The Namibian dollar appreciated by 2.7 percent (average YoY) in real effective terms, in line with the rand appreciation against the U.S. dollar.

Text Figure 4. External Position



Sources: Bank of Namibia; and IMF staff calculations.



Sources: Bank of Namibia; and IMF staff calculations.

7. The FY24/25 fiscal deficit is estimated to have widened despite higher revenues. Revenues increased by 1.4 percent of GDP, reflecting a one-off settlement of past tax liabilities of state-owned enterprises (SOEs) (0.5 percent of GDP), record-high SACU transfers, and improved VAT and corporate income tax collections. This strong revenue performance was tempered by lower collections from the diamond sector and tax policy changes.[5] On the expenditure side, the wage bill's share of GDP increased slightly as the wage bill controls (wage caps and the hiring freeze) in place since 2021 were lifted. Capital expenditure also increased to address growth bottlenecks (railroad upgrading) and strengthen weather-shock resilience (water projects). Subsidies and transfers rose, mostly for drought relief (0.6 percent of GDP) and supplementation of the Public Service Employees Medical Aid Scheme (PSEMAS). The estimated primary surplus of 1.2 percent of GDP has left the gross public debt-to-GDP ratio broadly unchanged at 66.3 percent. Part of SACU revenue transfers has been placed in a sinking fund, which is being built up to pre-finance the redemption of Namibia's $750 million (5.2 percent of GDP) Eurobond (which matures in October 2025).[6]

[4] BoN and NSA estimate that 80–90 percent of FDI is spent on imports and the rest on local inputs (namely services).
[5] Key measures in the FY24/25 budget, mostly intended to mitigate tax disadvantages for businesses relative to regional peers (notably, South Africa), included: (i) adjusting the nominal PIT brackets and increasing VAT registration threshold to correct for past inflation; (ii) reducing the non-mining CIT rate gradually from 32 percent to 28 percent (closer to the headline tax rate in South Africa) by FY 2026/2027; and (iii) broadening the tax base, including addressing the shortcomings in the tax regime that encourage thin capitalization practices.

[6] The local market was concurrently tapped. This smoothens out the large financing need.

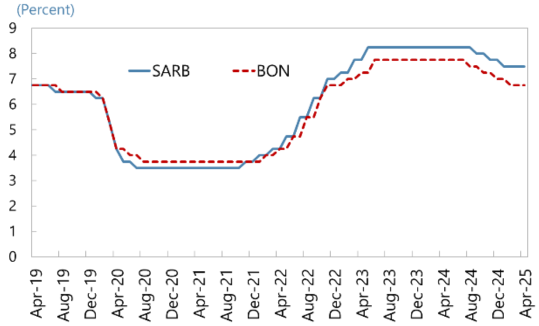
8. The BoN has lowered its policy rate by 100 basis points (bps) since mid-2024, maintaining a rate below the SARB (Text Figure 5) by 50–75 bps. This is to support the economy, including alleviating high mortgage rates on households. At the April 2025 Monetary Policy Committee (MPC) meeting, the BoN maintained the rate at 6.75 percent, leaving the gap with the SARB at 75 bps.

9. The banking system remains profitable, liquid, and well-capitalized, with asset quality risks, while still elevated, easing somewhat. Return on Assets (ROA) and Return on Equity (ROE) improved, the Liquid Assets to Total Assets Ratio (LAR) rose, and the Capital Adequacy Ratio (CAR) remained adequate. Non-performing loans (NPLs) have moderated to 5.6 percent. Household mortgages are the primary contributors to NPLs, and the mortgage servicing burden remains high despite substantial deleveraging in 2022–23 (Figure 1). Credit to the private sector remains subdued, with its ratio to GDP estimated to be well below trend (SIP Credit). The risks identified in the 2018 Financial Sector Assessment Program (FSAP) regarding banks' exposure to sovereign debt have increased (SIP Credit and Figure 1).

Text Figure 5. Interest Rate

Bank of Namibia and SARB Policy Rates

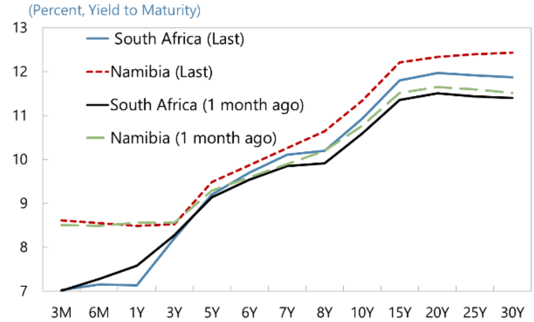
(Percent)



Sources: Haver Analytics; Bank of Namibia; and South Africa Reserve Bank (SARB).

South Africa and Namibia Yield Curves

(Percent, Yield to Maturity)



Source: Bloomberg L.P.
Last Updated: April 14, 2025.

OUTLOOK AND RISKS

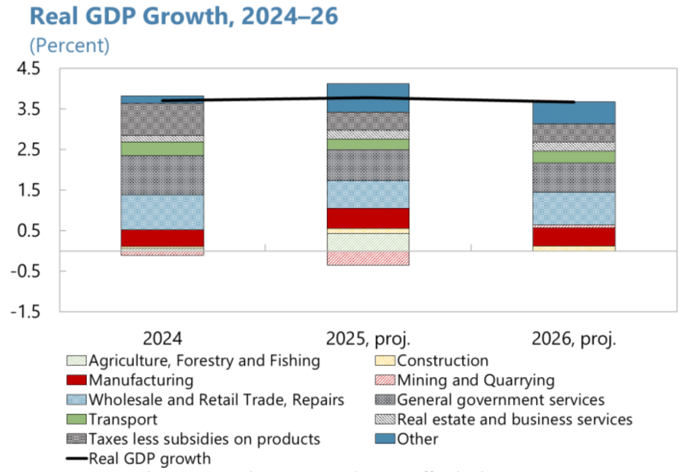
10. Growth is expected to remain subdued in the near and medium term (Text Figure 6). The end of the drought will boost growth in 2025 but increased global trade policy uncertainty, particularly the announced U.S. tariffs, and the weak diamond market will dampen momentum, causing growth to remain at 3¾ percent in 2025 and 2026[7]. Namibia's other main mineral exports are exempt from the announced U.S. tariffs (Text Figure 7 and Text Table 1). With limited external

[7] The announced U.S. tariffs are projected to reduce export revenue by 0.24 percent and lower GDP growth by 0.25 ppt in 2025 and around 0.1 ppt in 2027 and 2028. The primary channel is diamond exports. The baseline projection assumes that Namibia's diamond exports are subject to a 21 percent U.S. tariff rate. Although only 3 percent of Namibia's diamonds go directly to the United States, it consumes about half of the world's polished diamonds. Consequently, half of Namibia's unpolished diamond exports may enter the U.S. via third countries and therefore face the U.S. tariff rates applicable to these countries (similar to the rate for Namibia). Gold, uranium, and zinc are exempt from the announced tariffs. Slower global growth is also expected to dampen demand for diamonds and

(continued)

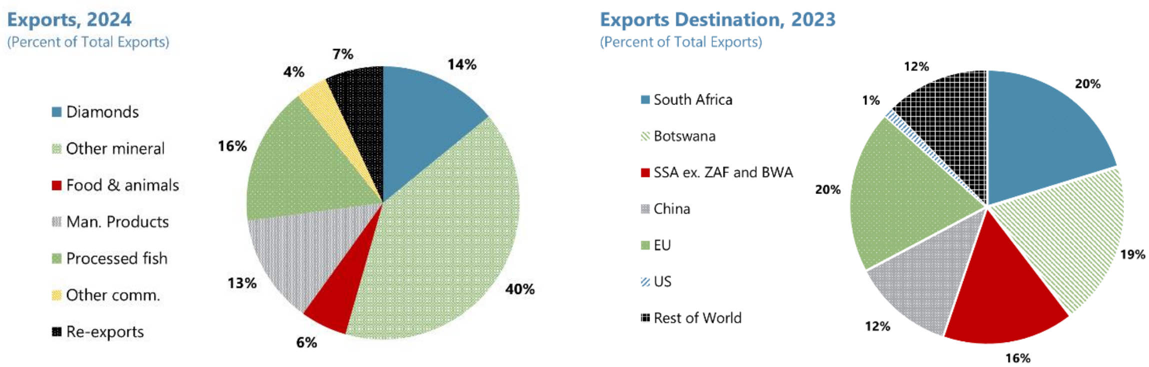
borrowing, the economy is relatively less exposed to global financing conditions than many emerging market economies but could be affected by reduced oil-exploration related FDI inflows. Beyond the near term, growth is projected to remain at about 3 percent, constrained by structural rigidities in the economy, even with increased public capital expenditure. Oil and other mega-projects (like green hydrogen) without firm investment decisions are excluded from the staff baseline. Annual average headline CPI inflation is projected to ease to 4.1 percent in 2025 and remain near 4.5 percent, the middle of the target range, in the medium term.

Text Figure 6. Growth Outlook



Sources: Namibia Statistical Agency; and IMF staff calculations.

Text Figure 7. Export Composition and Main Destinations



Sources: Bank of Namibia; and IMF staff calculations.

Sources: IMF; and IMF staff calculations.

11. The external position will continue to be shaped by FDI in oil and gas exploration. The current account deficit is projected to remain at 15.5 percent of GDP in 2025, with a medium-term range of 11–13 percent of GDP as oil exploration continues. Official reserves are projected to fall from 119.6 percent of the ARA threshold in 2024 to 88.6 percent of the threshold in 2025, as Namibia does not plan to issue a successor to its maturing $750 million Eurobond.[8] Nevertheless, reserves are projected to stay close to the threshold throughout the projection period.

minerals indirectly, with the effects estimated at half of the levels seen during COVID. Financial spillovers to Namibia's economy are relatively low, with limited external sovereign borrowing, weak corporate credit markets, and stable monetary policies.

[8] The Eurobond, carrying a coupon of 5.25 percent, was contracted in 2015 to cushion the impact of the commodity price shock causing a decline in mining revenues and a slowdown in growth.

Text Table 1. Namibia: Top Exports to the World and the United States, 2023

Exports to the World

	Millions USD	Share
Total Exports	5,488.0	100.0
Diamond	1,613.1	29.4
Other minerals	1,500.8	27.3
Uranium	787.2	14.3
Gold	627.6	11.4
Copper	37.3	0.7
Zinc	48.7	0.9
Fish	728.2	13.3
Other	1,645.9	30.0

Exports to the United States

	Millions USD	Share
Total Exports	58.7	100.0
Diamond	42.8	73.0
Fish	0.9	1.6
Other	14.9	25.4

Sources: UN Comtrade; and IMF staff calculations.

12. Risks to the outlook are tilted to the downside (Annex I). As a small economy and commodity exporter, Namibia is vulnerable to higher trade barriers and commodity price fluctuations, particularly the price of its main export, diamonds, which also faces serious competition from lab-grown diamonds.[9] A further worsening of global trade tensions and a deepening of economic fragmentation could negatively impact (1) external demand, particularly from Namibia's main trading partner, South Africa, and (2) SACU revenue, intensifying pressure on growth and the fiscal and external outlook. Growth could also slow if global financial conditions prove tighter than projected, particularly through lower FDI and slower growth in the SACU area. Domestically, continued high unemployment and inequality can cause social discontent and disruption, as well as pressure to roll back fiscal consolidation and SOE reforms. Furthermore, agriculture will likely face increasing volatility associated with weather shocks. Water supply shortages can negatively affect the mining of Namibia's other key minerals, such as uranium and gold. Upside risks include the easing of global trade policy tensions and faster development of oil, gas, critical minerals, and green hydrogen projects than expected.[10]

Authorities' Views

13. The authorities broadly share the staff's outlook. They project GDP growth of 3–4 percent in 2025 and expect growth to remain at this level over the medium term, supported by the mining and energy sectors, public capital expenditure and infrastructure investment, and agriculture, which is recovering from the recent drought. They highlighted, however, the downside

[9] A sensitivity analysis suggests that Namibia's export revenue will drop by 0.1 percent and GDP growth would be lower by around 0.1 percentage point in 2025 if the U.S. baseline tariff rate of 10 percent applies globally, compared with a counterfactual of no U.S. tariff adjustment this year. This reflects both the direct impact on diamond exports and a smaller indirect negative income effect from the global GDP growth. Namibia's exports are sensitive to commodity prices. Staff estimates that a 10 percent negative price shock to diamonds leads to a 1.6 percent decline in export revenues (0.5 percent of GDP), while a 10 percent negative price shock to three key exported commodities (diamond, uranium, and gold) leads to a 5.6 percent drop in export revenues (1.9 percent of GDP) in 2025.

[10] For a detailed discussion, see the 2023 Article IV report (Annex VI): "Harnessing Mineral Discoveries and Green Energy for Economic Diversification."

risks, including potential spillovers from intensified global trade policy shocks, further deterioration in the diamond market, and weather shocks.

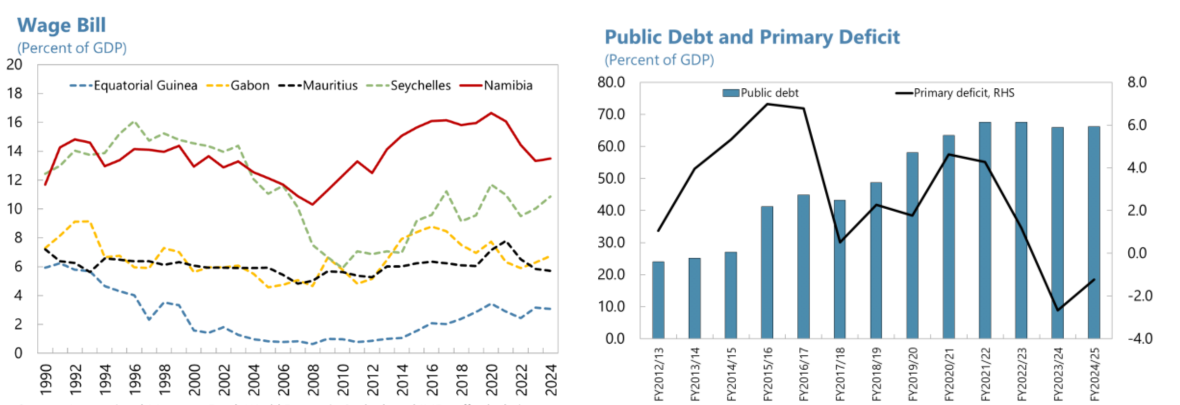
POLICY DISCUSSIONS

Policy priorities remain broadly unchanged since the 2023 Article Consultation (Annex IV). Discussions focused on: (i) activating fiscal reforms to lock in recent gains in public debt sustainability; (ii) setting up a natural resource management framework; (iii) strengthening the credibility of the currency peg; (iv) enhancing the resilience of the financial sector; and (v) promoting sustainable and inclusive private sector-led growth, with a strengthened emphasis on resilience to weather shocks and digitalization.

A. Entrenching Debt Sustainability While Supporting Growth

14. The authorities are implementing their medium-term fiscal strategy to entrench the improved public debt dynamics while supporting growth. As part of the fiscal consolidation strategy adopted in 2021, they reformed tax administration, restructured selected SOEs, and contained wage bill growth (Text Figure 8). These efforts, along with the rebound of SACU receipts, moved the primary balance into surpluses in FY23/24 and FY24/25 for the first time in over a decade. As a result, the gross public debt-to-GDP ratio, which peaked at 67.5 percent in FY22/23, is estimated to have dropped by 1½ percent of GDP in FY23/24 and remained broadly unchanged in FY24/25 (Text Figure 9).

Text Figure 8. Wage Bills and Fiscal Position

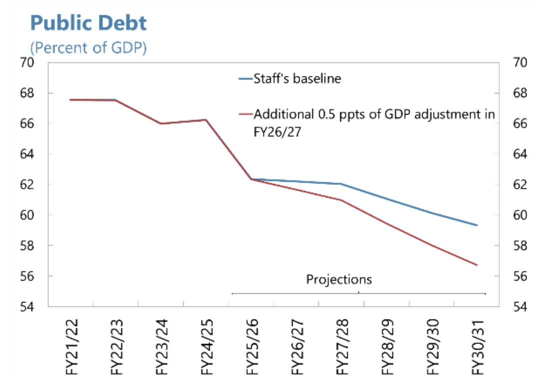


Sources: International Monetary Fund, *World Economic Outlook*; and IMF staff calculations.

Sources: Country authorities; and IMF staff calculations.

15. The authorities envisage a significant tightening of the fiscal stance in FY25/26. Casting the authorities' key measures in staff's growth outlook, the FY25/26 budget and the March 2025 MTEF project primary surpluses (including privatization receipts) in FY25/26–FY27/28 (Text Table 2). Additionally, the FY25/26 budget implies a structural tightening of 1.7 percent of GDP, as measured by the change in the primary balance excluding SACU revenues (Text Figure 10). This is to be achieved through eliminating the previous year's one-off spending and limiting salary adjustments (Text Table 3).[11] However, a 3½ percent of GDP drop in SACU revenues outweighs this effort, causing the primary balance to drop by 1.7 percent of GDP to -0.4 percent of GDP. One-off privatization receipts (0.8 percent of GDP) will help finance the deficit.[12]

Text Figure 9. Public Debt



Source: IMF staff projections.

16. The authorities are also making space for implementing measures to support growth. While the FY25/26 budget increases capital expenditure in nominal terms, its share of GDP is expected to remain unchanged, which will help contain the primary deficit. Separately, scaling up capital spending also remains constrained by weak execution capacity (as highlighted in the recent PIMA/C-PIMA) and cannot be expected to occur rapidly. Beyond FY25/26, a further 1.3 percent of GDP tightening in the structural deficit is expected, mainly through implementing the long-delayed PSEMAS reforms (savings of 0.2 ppts of GDP in FY26/27) and reducing the wage bill, while making space for the planned corporate income tax cut for non-mining companies by introducing a dividend tax.[13]

17. While the authorities' commitment to preserving a primary surplus is appropriate, a slightly larger fiscal adjustment over the medium term is recommended. The substantially weaker external position than implied by macroeconomic fundamentals and desirable policies, the sharp drop in SACU receipts, and reduced fiscal revenues from the diamond sector highlight the importance of rebuilding fiscal buffers against future shocks, particularly under a pegged exchange

---

[11] A salary freeze has been implemented in FY25/26. Additional hiring in areas including health and education is budgeted to add 0.2 percentage points of GDP to the wage bill in FY25/26.

[12] The budget shows privatization receipts as part of non-tax revenues, while international statistical norms (GFS) categorize them as financing.

[13] Staff's baseline incorporates a faster increase in the nominal wage bill starting FY26/27 than in the MTEF, partly reflecting the challenges of sustained tight control over the nominal wage growth. The nominal wage bill is assumed to grow by 3.9 percent per year in FY26/27 (excluding the effect of savings from PSEMAS reforms discussed below) and FY27/28, which is ½ percentage point above the average of FY21/22–FY23/24 and the budgeted increase in FY25/26. FY24/25 is excluded in calculating the average as it saw a large one-off increase. In comparison, the MTEF assumes wage bill increases of 2.5 percent (excluding the effect of savings from PSEMAS reforms) and 2.1 percent in FY26/27 and FY27/28, respectively.

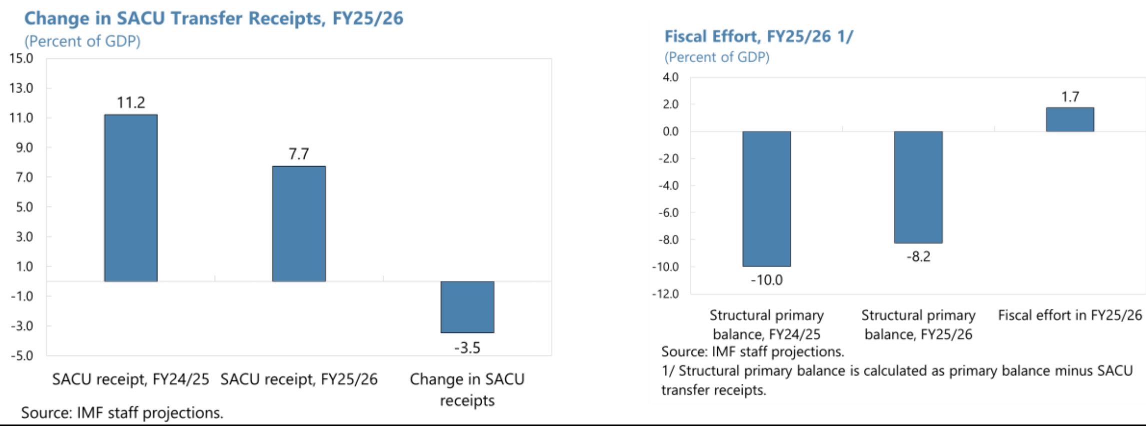
rate regime. These considerations also limit the scope for fiscal policy response when cyclical conditions deteriorate due to major external shocks. In this context, any temporary policy response that increases the fiscal deficit must be predicated on sustained debt affordability and concrete measures to ensure a strong commitment to medium-term fiscal consolidation. To this end, the planned structural fiscal tightening in FY25/26 is appropriate and consistent with the projected output gap turning positive in FY25/26. However, increasing the size of consolidation by 0.5 percent of GDP in FY26/27 is recommended to increase the margin for ensuring that the public debt declines to 61 percent of GDP by end-FY27/28 (Text Figure 9). Measures discussed in the next paragraph are essential in this regard.

Text Table 2. Namibia: FY25/26 Budget, MTEF, and Staff's Baseline Scenario 1/

	24/25	25/26	26/27	27/28
	Est.	Projections		
	(Percent of GDP)			
Total revenue and grants, of which:	36.5	33.2	32.8	33.1
SACU revenues	11.2	7.7	7.9	8.2
Total expenditure, of which:	40.4	38.8	37.7	36.8
Personnel	14.1	13.5	12.8	12.3
Interest payment	5.2	5.2	5.1	5.1
Capital expenditure	3.9	4.0	3.9	3.5
Primary balance	1.2	-0.5	0.2	1.4
Primary balance plus privatization receipts	1.2	0.3	0.2	1.4
Primary balance excluding SACU revenues	-10.0	-8.2	-7.7	-6.9
Overall balance	-3.9	-5.7	-4.8	-3.7
Public debt	66.2	62.3	62.2	62.0

1/ Includes development expenditure outside the budget.
Sources: Ministry of Finance; and IMF staff calculations.

Text Figure 10. Fiscal Adjustment in FY 25/26



Source: IMF staff projections.

Source: IMF staff projections.
1/ Structural primary balance is calculated as primary balance minus SACU transfer receipts.

18. Reactivating fiscal reforms is key to preserving consolidation gains, making the government more efficient, and creating room for growth-enhancing spending. These include better-targeted and more efficient spending to support fiscal consolidation without compromising service delivery, reforming the civil service, and creating a more conducive environment for private sector-led growth. The high unemployment rate, especially among the youth, underscores the urgency of these reforms. Therefore, staff recommend reactivating the following reforms:

- **Implement a civil service reform to support wage bill moderation while enabling efficiency gains**. Despite a considerable drop in the government wage bill as a share of GDP (from 16 percent in FY21/22 to 14 percent in FY24/25), Namibia continues to stand out in this respect compared with peers in the region (Text Figure 8, left panel). Nominal wage bill control is expected to continue; however, it may prove unsustainable and inconsistent with the need to attract a skilled workforce to ensure adequate quality of public service. A clear and comprehensive civil-service reform should accompany the ongoing technical work to develop a functional review modality for the civil service. Additionally, the long-delayed PSEMAS reforms should be implemented with a view to generating greater savings than currently envisaged.

- **Advance SOE reforms to reduce fiscal risks and generate savings**. Paid guarantees for SOEs totaled 0.4 percent of GDP in recent years. Additionally, 0.5 percent of GDP has been budgeted in FY24/25 to settle tax arrears of public entities (including universities), and the government plans to explore a public-private airline. In this context, the planned inaugural publication of the SOE fiscal risk report in 2025 is a welcome step toward identifying problem enterprises and implementing timely mitigation measures. Finalizing the Public Enterprises Ownership Policy is key to facilitating public enterprises reform.

- **Continue to improve tax administration**. So far, compliance efforts have mainly focused on administrative improvements and incentives (such as tax amnesty) to bring taxpayers who fell into arrears during the COVID-19 period back into the tax net. The Namibia Revenue Agency (NamRA) has recently stepped up its scrutiny of tax assessments by tapping into information sources available to law enforcement agencies.

- **Increase revenue from fishing licenses**. Namibia currently auctions only a small portion of commercial fishing licenses, yielding 0.1 percent of GDP. Increasing the proportion of licenses allocated competitively could boost revenues and help offset the drop in SOE dividends due to the weakness in the diamond sector.

19. The authorities continue to pursue sound public debt management to meet the high gross financing need (GFN). With GFN projected to be 25–28 percent of GDP in FY25/26–FY26/27 and below 21 percent of GDP thereafter, the overall risk of sovereign debt distress is assessed as moderate (Annex III). The $750 million (5.2 percent of GDP) Eurobond repayment in October 2025 will significantly reduce the stock of foreign-currency debt. The large domestic investor base, with robust demand for long-term debt instruments, has provided a stable funding source. Meanwhile, foreign debt, especially from development institutions, could play a role in providing long-term financing for development projects.[14]

[14] The state-owned electricity utility NamPower contracted a World Bank loan (USD 138.5 million) in 2024 to support the integration of renewable energy sources into the network. The loan is guaranteed by the Namibian government.

Text Table 3. Namibia: Fiscal Adjustment, FY25/26
(Percent of GDP)

Expiration of the drought assistance (savings)	0.6
Elimination of other one-offs (savings)	0.3
Savings from wage moderation	0.5
Other	0.4
Total adjustment	1.7

Source: IMF staff projections.
Note: Numbers do not add up to total due to rounding off.

20. **Improving the legal and institutional framework would help strengthen fiscal management**. The planned draft amendment to the State Finance Bill would pave the way for improved public financial management and support fiscal consolidation. Implementing key recommendations from the recent PIMA/C-PIMA exercise (Annex IX) would alleviate capacity gaps in public investment management that continue to hamper the execution and efficiency of capital spending. The planned creation of a procurement court could help reduce inefficiency.

21. **Scaling up adaptation spending is key to enhancing Namibia's resilience to weather shocks**. As one of the most arid countries in Africa, Namibia faces increasingly frequent droughts and declining annual rainfall. The fiscal cost of drought relief over FY23/24–FY24/25 is estimated at about 1 percent of GDP (Annex VIII). Rising temperatures and shifting rainfall patterns will continue to increase Namibia's susceptibility to weather shocks and associated fiscal risks. Vulnerabilities in agriculture and water resources are key macro-relevant challenges, especially as a large share of the population relies on climate-dependent agriculture. The authorities have rightly prioritized adaptation to reduce vulnerabilities and build resilience in these sectors.[15] While some adaptation measures are being implemented, including investment in water infrastructure and efforts to raise food productivity, strengthening public investment management and reallocating budgetary expenditure toward resilience building will help further mitigate vulnerabilities.[16]

Authorities' Views

22. **The authorities are committed to building fiscal buffers while supporting the economy**. They emphasized their plan to preserve primary surpluses and ensure a reduction in the public debt-to-GDP ratio despite the anticipated drop in SACU revenues. After a large one-off upward salary adjustment last year in response to real wage erosion, the authorities have resumed

[15] National Climate Change Strategy and Action Plan 2013–2020 (2015), Namibia's Nationally Determined Contribution, Second Update (2023), and Republic of Namibia First Adaptation Communication (2021). Other vulnerabilities that authorities are trying to address are related to the sustainable resource base (biodiversity and fisheries), human health, and infrastructure.

[16] Estimates of adaptation financing needs vary. Namibia's Nationally Determined Contribution, Second Update (2023) estimates that priority measures will cost $6 billion through 2030 (of which $3.5 billion is for water resources and $1.5 billion for agriculture and food security), amounting to 48.5 percent of 2023 GDP.

tight wage bill control and plan to implement the delayed PSEMAS reforms beginning in FY26/27, which help generate space to improve the country's competitiveness through reducing corporate tax and increasing capital expenditures to support private sector-led growth, upgrade infrastructure, and build resilience against weather shocks. They also intend to implement a comprehensive civil-service reform supported by a functional review. They are exploring further expenditure reallocation toward growth-enhancing spending. To enhance public spending efficiency, the authorities plan to establish a dedicated public procurement court to handle disputes related to government contracts. They have also reaffirmed their plan to publish an inaugural risk report on state enterprises, finalize the repeal of the State Finance Act and present the Public Finance Management Bill to Parliament, and implement selected recommendations from PIMA in 2025. They acknowledged that the draft Public Enterprises Ownership Policy (PEOP) is being re-examined but assured that they remain committed to minimizing fiscal risks from public enterprises.

B. Establishing a Comprehensive Natural Resource Management Framework

23. Managing large oil revenues requires a rigorous monitoring framework that enables transparent revenue projection and tracking. Such a framework is crucial for assessing policy options based on accurate data about potential oil production, including the quantity, timeline, and duration. In the initial phase of oil revenues, the priority should be on safeguarding fiscal sustainability by reducing gross debt and avoiding premature asset accumulation. As debt levels decrease, development spending could then be gradually increased in line with implementation capacity.

24. Integrating Namibia's sovereign wealth fund into the budget framework should align with fiscal objectives. The draft Welwitschia Fund (WF) Act is planned for parliamentary submission this year. With dual objectives—saving for future generations and serving as a fiscal and official reserves buffer— the WF's rules should allow for a gradual adjustment of fiscal objectives to target the non-resource fiscal deficit, emphasizing the trade-off between development and the preservation of wealth from non-renewable resources.[17] The budget process remains critical, and the WF is not a substitute for prudent fiscal management. Building capacity to develop a macro-fiscal framework will be crucial for effectively tracking and managing oil reserves.

Authorities' Views

25. The authorities highlighted ongoing efforts to establish a framework for managing natural resources. A technical committee was constituted, represented by various government offices, ministries and agencies (OMAs) to review the existing Petroleum regime, including the fiscal regime so as to produce recommendations on changes to enhance the competitiveness of the fiscal regime and to get a fair share of the value from the hydrocarbon discoveries. This is in line with the

[17] Annex VII of 2022 Article IV Staff Report for Namibia. The Welwitschia Fund is already operational as a savings fund with the resources of N$460 billion (0.2 percent of GDP) reported in March 2025.

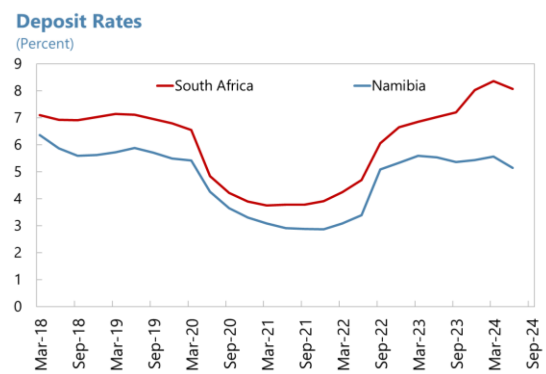
announced plans to expand the monitoring framework developed based on earlier IMF TA on Petroleum Taxation. They emphasized that the rules governing the WF would prioritize reducing gross public debt during the initial phase of oil revenues before transitioning to building financial wealth and financing development spending.

C. Safeguarding the Currency Peg

26. The peg to the rand has proven effective in containing inflation in Namibia. South Africa remains Namibia's primary trading partner and source and destination of financial flows. The peg to the rand has provided a nominal anchor, and Namibia's inflation has closely tracked inflation in South Africa.

27. With stable gross international reserves and muted capital flows, the BoN has reduced its policy rate more rapidly than the SARB, with a view to reducing the cost of credit and supporting growth. The policy rate of the BoN has remained 50–75 basis points below the SARB since February 2025. Monetary conditions in Namibia remained looser than in South Africa, as indicated also by a negative interest rate differential in deposit rates, which widened in tandem with the differential for the policy rate (Text Figure 11), and excess liquidity. However, weak monetary transmission due to financial frictions may have impeded capital flows in response to the interest rate differential, while FDI inflows supported the accumulation of reserves. Capital flow management measures (notably, the 45-percent minimum domestic asset requirement on NBFIs) also favored the retention of capital in the domestic market. Nevertheless, persistent weakness in the diamond market, declining SACU transfers, and the upcoming Eurobond amortization will put pressure on foreign reserves. The BoN has been closely monitoring capital outflows.

Text Figure 11. Deposit Rates in Namibia and South Africa



Source: International Financial Statistics.

28. The BoN should align its policy rate with the SARB in the near term to safeguard the peg, taking advantage of SARB rate reductions. This alignment will safeguard foreign exchange buffers against potential drains and thus strengthen the credibility of the peg, particularly at a time when the global environment is characterized by heightened policy uncertainty. The BoN should stand ready to foster the alignment, especially if the reserve cover comes under pressure, which needs to be anticipated in the current shock-prone environment. Strengthening liquidity management while capitalizing on payment system upgrades and harmonizing CFMs with best practices to improve resource allocation is also advisable.[18]

Authorities' Views

29. The authorities aim for policy-rate convergence over the medium-term but consider the current policy rate differential justifiable. They emphasized the importance of supporting growth to create economic opportunities and address the high unemployment rate. There are no signs of inflationary pressure or excessive capital outflows due to the interest rate differential, whilst reserve coverage remains adequate. They continue to monitor capital flows carefully and are ready to act when signs of pressure on reserves emerge, including using BoN bill issuance, whose rates are aligned with those of the SARB (Annex V). They have developed a daily liquidity forecasting model and plan to expand the forecasting horizon with further IMF technical assistance. Regarding CFMs, they noted the removal of outdated controls and administrative requirements for exporters.[19]

D. Managing Macro-Financial Risks

30. While the banking system in Namibia remains broadly stable, lingering vulnerabilities call for vigilance. Credit growth remains subdued, and NPLs have moderated recently, but households remain burdened by debt service. Given that half of bank credit goes to mortgages, implementing the loan-to-value ratio regulations, including downpayments, is important to reduce future NPLs.[20] The sovereign-bank nexus needs to be watched as a potential source of macroprudential risks.[21] Ongoing monitoring and stress testing are essential to mitigate these risks. Nevertheless, systemic risk in the financial sector is low as banks remain profitable, liquid, and well-capitalized. To prevent risk buildup, the authorities could consider implementing targeted measures such as a systemic risk buffer for sovereign exposures that exceed a certain threshold and conducting further analysis of the structure of exposures in banking and trading books to ensure appropriate weights.[22]

[18] Recommendations based on recent technical assistance on monetary operations include: (i) adoption of a mid-corridor; (ii) enhancing liquidity monitoring and forecasting; and (iii) reconfiguring the minimum reserve requirement by introducing averaging, calibrating it better to policy shocks, and remunerating at the policy rate.

[19] Before August 2024, exporters had to repatriate and convert their export proceeds to Namibian dollars within 180 days. Now, while they must still repatriate within 180 days, they can hold these proceeds in foreign currency accounts in Namibia. This lift of the surrender requirement is a relaxation of an existing capital flow management measure.

[20] A significant share of bank credit in Namibia is allocated to household mortgages; however, the housing sector is currently experiencing a downturn. Additionally, the recovery of credit to non-financial corporations has been slow since the COVID-19 pandemic. These factors lead to a negative credit-to-GDP gap below its long-term average.

[21] Namibian banks' asset exposure to the public sector is above the average of African countries of upper middle-income status (Figure 1). Banks in Namibia rely significantly on wholesale funding from non-bank financial institutions.

[22] Recommendations from the IMF's technical assistance on systemic risks and macroprudential policies.

31. Progress continued in implementing the 2018 FSSA recommendations (Annex X)**.** Reforms covered the bank supervision structure; crisis management and preparedness; and risk-based supervision and macroprudential policies. Staff encouraged the authorities to finalize the implementation of these recommendations, including work on countercyclical capital buffers (CCyB) as a macroprudential tool and to strengthen bilateral cross-border cooperation with supervisors of foreign parent banks on the application of bank resolution policy.

32. The authorities should continue to expedite Namibia's exit from the Financial Action Task Force (FATF) "grey list". Commendable progress has been made in addressing strategic deficiencies in the AML/CFT system since Namibia was placed on the "grey list" in February 2024. The Financial Intelligence Center (FIC) has received additional human and financial resources, implemented new supervisory tools, and received training to supervise and monitor financial institutions and designated non-financial businesses and professions, including through operational and strategic analysis. Other agencies involved have also gained additional resources and training to better identify, investigate, and prosecute terrorist financing. Key areas for further improvement include increasing the filing of the beneficial owners of legal persons and arrangements, expanding real-time access for relevant authorities, enhancing capacity to investigate and prosecute money laundering offenses, and establishing and operationalizing the National Counter Terrorism Center.

33. A first-time safeguards assessment of the BoN was completed in March 2023. It found relatively good safeguards and practices in some areas. Oversight and management of foreign reserves have strengthened. Yet, the BoN's autonomy could weaken further due to the continuation of the small-and-medium-enterprise loan facility and the inertia towards amending the BoN Act to align central bank autonomy with leading practices.

34. The BoN's Strategic Plan for 2025–27 identifies adopting advanced digital tools and fostering an inclusive and resilient financial system among its key priorities. The BoN is working on an Instant Payment Project, aiming to launch the platform by late 2025 or early 2026 to provide efficient and instantly accessible payment services that enhance financial inclusion. It is also participating in Project Sunbird, a cross-border payments initiative, under the Common Monetary Area (CMA).

Authorities' Views

35. The authorities assess the banking sector risks to be broadly contained. The capital conservation buffer of 2.5 percent was implemented in September 2024, providing additional cushioning. They are finalizing a framework to calibrate the CCyB and plan to ensure clear communication and time the implementation to avoid unintended procyclical tightening. They are also working with SARB to strengthen cooperation in implementing the crisis resolution framework. Bank holdings of Namibia's sovereign debt (mainly treasury bills), which are mostly held to maturity, are being monitored, and do not pose a major risk warranting targeted measures. The authorities highlighted their continuing efforts to address the effectiveness of the AML/CFT system. Other areas of focus include digitalizing payments through the Instant Payment System to promote financial inclusion. The authorities will continue to explore a Central Bank Digital Currency (CBDC) to ensure readiness should a use case be established.

E. Structural Reform Agenda

36. Bold structural reforms are essential for achieving the authorities' objectives in the following areas:

- **Harnessing natural resources**: To ensure efficient use and avoid increasing the economy's dependence on resources, investment should prioritize economic diversification and job creation (SIP Labor). In particular, energy investments (including green hydrogen) should focus on generating a value chain that supports job creation (World Bank CP, 2025). A comprehensive strategy with robust governance is essential. Recently, the cabinet approved a local content bill to promote sustainable economic diversification. However, flexible implementation is crucial to accommodate gaps in expertise and avoid creating obstacles to growth. Additionally, providing clarity on the government's approach to fiscal stability for the oil and mineral sectors, aligning with best practices, is essential for attracting foreign investment.

- **Driving private sector-led growth**: Reforming the dominance of the public sector, which enjoys a pay premium, could create space for private sector development.[23] Specifically, reforming public employment, including in SOEs, to improve efficiency is vital for an active labor market. Unequal access to land, finance, and product markets also hinders the dynamism of the private sector (World Bank, 2021). Additionally, increased access to quality public services such as affordable housing and associated municipal services, education, and health is vital to increasing human capital (World Bank, 2025). In this context, strengthening infrastructure is critical. Furthermore, finalizing the revisions to the Investment Promotion Act to streamline regulations and reduce red tape is essential for promoting private-sector growth. The African Continental Free Trade Agreement (AfCFTA), which Namibia ratified in 2019, could spur export-oriented growth and diversification, although its implementation may require adjustments to the regional trade policy under the SACU Agreement. Meanwhile, fostering non-resource-intensive sectors based on Namibia's comparative advantage, such as tourism and agriculture, could help mitigate the economy's dependency on exhaustible resources.

- **Developing resilience to weather shocks:** In light of the frequent and increasingly severe droughts, public investment in upgrading water infrastructure and research and development for agricultural products can build resilience and reduce impacts. Other measures include strengthening social assistance programs for food security, expanding access to effective crop insurance, and enhancing social services for those who migrate to urban areas. Additionally, enhancing self-reliance in electricity generation by diversifying beyond hydropower, including through prudent use of financing from multilateral development institutions, is also essential.

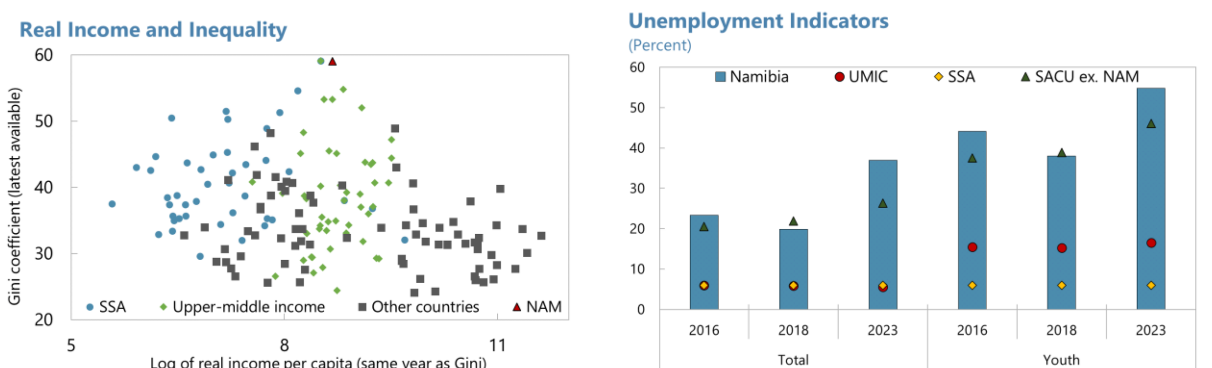
[23] The public sector wage premium compared to private sector employees amounted to 28 percent based on 2018 labor force data (Annex VII in IMF Country Report No. 2023/401).

37. In addition to ongoing reforms, appropriately sequenced medium-term reforms include:

- **Implementing active labor market policies:** It is essential to reduce skill mismatches by aligning education programs and support under the Technical and Vocational Education and Training (TVET) system with the skills needed in the labor market. This should include programs that train a skilled labor force for potential oil production, including the associated local supply chain. An occupational skills audit that identifies the skills gaps could serve as a foundation for such efforts.

- **Strengthening social protection:** Namibia ranks among the most unequal countries in the world, and the rate of social protection is low, with only about a third of vulnerable persons covered by social assistance as of 2022.[24] Recurrent weather shocks and elevated unemployment, especially among youth (Text Figure 12), underscore the importance of increasing coverage.

Text Figure 12. Income, Inequality, and Unemployment



Sources: World Bank, *World Development Indicators*; and IMF staff calculations.
Note: Real income per capita is calculated as a ratio of real income in 2017 PPP US$ and total population.

Sources: World Bank, *World Development Indicators*; and IMF staff calculations.
Note: All data are ILO modeled. Namibia data for 2023 is from the 2023 Population and Housing Census.

- **Promoting financial access and digitalization**: Micro, small, and medium enterprises (MSMEs) form a large share of private sector employment and face financing constraints. As noted previously, digitalizing the payments system is underway to support financial access. In this context, it is important to invest in digital connectivity and improve the digital business ecosystem to foster market competition. The authorities' Harambee Prosperity Plan noted the importance of digitalizing government services in 2021, but progress has been slow.

Authorities' Views

38. The authorities broadly agreed with staff on key challenges for growing the economy and creating jobs and highlighted ongoing efforts. They intend to mitigate reliance on natural resources (especially if oil comes on stream) and enhance job creation by developing related local

[24] Data from the ILO - Social Security Inquiry Database.

value chains and fostering other sectors. To this end, they are establishing a new oil and gas regulator and will implement the local content policy to maximize benefits while ensuring investment incentives. While re-examining the draft PEOP, they agree that strengthening the financial discipline of SOEs is key to creating space for private sector-led growth. They noted the success of a public-private sector task force in identifying and rectifying binding constraints for businesses, as well as efforts to improve market access for agricultural exports and programs to promote lending to MSMEs. They also underscored the need to improve infrastructure, including lowering energy costs, to support growth. Meanwhile, they noted the increased investment to improve the rail system. Efforts are underway to build resilience to weather shocks, including investment in water infrastructure, a seed improvement program, and the participation of private operators in large-scale government farms to raise food production.

39. The authorities agreed on the benefits of medium-term reforms. These include reorienting education spending, a significant share of the budget, to fill skill gaps, including by expanding TVET. While Namibia already offers protection for a wide range of needs, including food for the poor, coverage needs to be expanded, supported by savings from the digitalization of benefit delivery. The authorities highlighted that the forthcoming Instant Payment System will promote financial inclusion. The government is prioritizing the digitization of procurement and budgeting processes and plans to digitize other government services and requirements to ease the burden on businesses.

F. Statistical Issues

40. Data provision is broadly adequate for surveillance, with some shortcomings (Annex VII). The key areas for improvement include the coverage and granularity of national accounts, fiscal and financial statistics, and the coverage of prices data. The granularity of data on external sector statistics and reserve coverage could also be improved.

STAFF APPRAISAL

41. While Namibia's economy continues to expand, mainly thanks to foreign investment in its mineral wealth, job-rich private sector-led growth has remained elusive. Economic growth has remained resilient to terms-of-trade and weather shocks, inflation has slowed, and the external position has strengthened as FDI amply covered the import bill associated with oil exploration. However, unemployment, particularly among the youth, has increased sharply in recent years as the economy continues to be dominated by the public and mineral sectors, while a drought caused food insecurity across a large swath of the country. It is essential to develop a set of policies to foster private sector growth and job creation while avoiding further deepening resource dependency when the potentially significant oil resources materialize.

42. The growth outlook is subdued and faces predominantly downside risks. Increased global trade policy uncertainty and the weak diamond market will weigh on momentum in 2025. Structural rigidities are projected to constrain growth over the medium term. Key downside risks include the intensification of global trade tensions, further shocks to diamond prices, and spillovers from tightening global financial conditions. Lower-than-expected future SACU transfers and social pressure for greater government spending may lead to a rollback of fiscal consolidation and SOE reforms. Conversely, development and production of oil, gas, and green hydrogen, excluded from staff's conservative baseline, as well as a significant moderation of global trade policy tensions, represent considerable upside risks.

43. The disciplined fiscal stance adopted for this year is commendable, and additional efforts over the medium-term are needed to entrench the favorable public debt dynamics and support the external position. The planned large increase in the structural primary balance (excluding SACU transfers) through resuming wage bill control and PSEMAS reform this year is a crucial step to protect the hard-won gains in terms of containing public debt growth. Looking ahead, a consolidation greater than that outlined in the MTEF will be needed to ensure, as intended, a steady decline in the debt-to-GDP ratio while creating space for increasing growth-enhancing expenditure, expanding social protection, and building resilience to weather shocks. This is also essential to bolster Namibia's external position, which is assessed to be substantially weaker in 2024 than implied by fundamentals.

44. Implementing fiscal reforms is essential to support continued consolidation and private sector-led growth. The success of durably reducing the wage bill, a significant portion of the budget, will hinge on comprehensive civil service reform based on a functional job review. Finalizing the PEOP and outlining a roadmap for SOE reforms are critical to minimizing fiscal risks. These reforms can also help level the playing field and support private sector development. Additionally, submitting the amendment to the State Finance Bill to Parliament and implementing key PIMA/C-PIMA recommendations would enhance public financial management. The fiscal stance could also be strengthened by increasing revenues through both continued efforts on tax administration and boosting revenues from natural resources, such as fishing, via greater use of competitive licensing processes. Given active oil and gas exploration, passing the WF Act will be crucial for safeguarding long-term macroeconomic stability and supporting economic development.

45. The BoN should restore interest rate parity with the SARB to safeguard the peg in the near term, taking advantage of SARB rate reductions. While there is currently no evidence of destabilizing capital outflows, risks could materialize given the heightened global policy uncertainty, the drop in SACU transfers, and a possibly prolonged decline in the diamond market.

46. Efforts to promote a resilient financial system, digitization, and financial inclusion are welcome. Implementation of the CCyB, Instant Payment System, and strengthened cooperation on crisis resolution will bolster financial sector resilience and inclusion. While the financial system is stable, continued vigilance is critical. Targeted measures should be used if there is a further buildup of risks related to the sovereign-bank nexus. Efforts to exit from the FATF Grey List should continue**.**

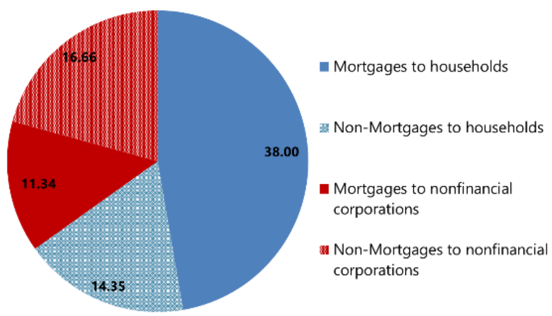
47. Structural reforms are crucial for fostering sustainable and inclusive private sector-led growth. The prospect of oil, gas, and green hydrogen industries in the country provides an opportunity to build related value chains and foster job creation. Tailoring technical education programs to align with the emerging needs of these industries, implementing a balanced approach to local beneficiation and fiscal rebalancing policies, and providing greater clarity on related policies will maximize these benefits. More broadly, efforts toward diversification and development should focus on addressing key barriers, including reducing skill mismatches, decreasing red tape, improving access to public services, upgrading infrastructure, and fostering digitalization.

48. Staff recommends that the next Article IV consultation with Namibia be held on the standard 12-month cycle.

Figure 1. Namibia: Financial Sector Developments

Household mortgages continue to account for close to half of private sector credit.

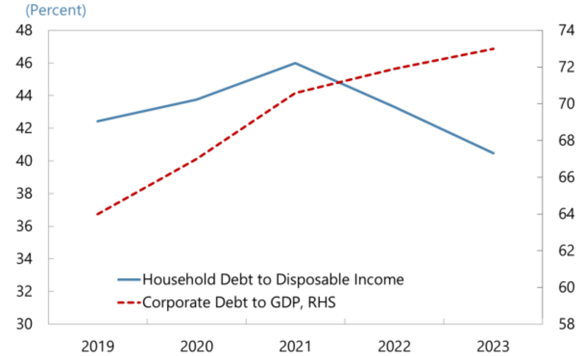
Compositions of Banks' Loans to the Private Sector
(Percent, July 2024)



Source: Bank of Namibia.

Debt to disposable income moderated amid lower credit intake by households.

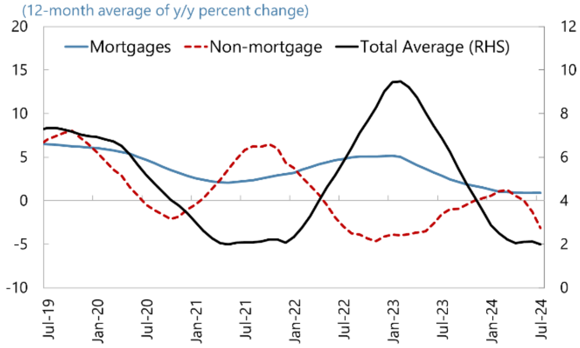
Household Debt and Corporate Debt
(Percent)



Source: Financial Stability Report, 2024.

Both Mortgages and non-mortgage credit growth remains subdued.

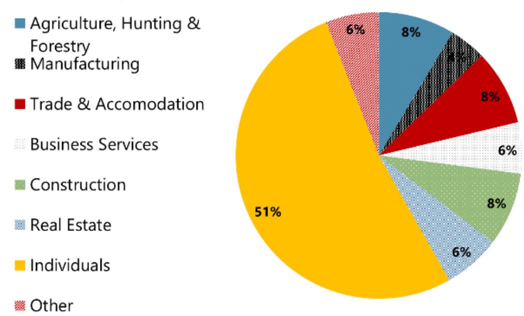
Mortgages Growth in Private Sector
(12-month average of y/y percent change)



Sources: Bank of Namibia; and IMF staff calculations.
Note: Mortgages growth refers to growth in the stock of outstanding mortgages.

Household mortgages are primary contributors to the NPL.

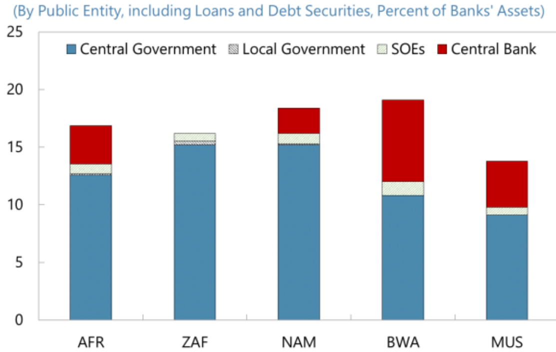
Non-performing Loans by Sectors
(Percent, March 2024)



Sources: Bank of Namibia; and IMF staff calculations.

Namibian banks' assets exposure to the public sector is comparable to South Africa but higher than Botswana and Mauritius.

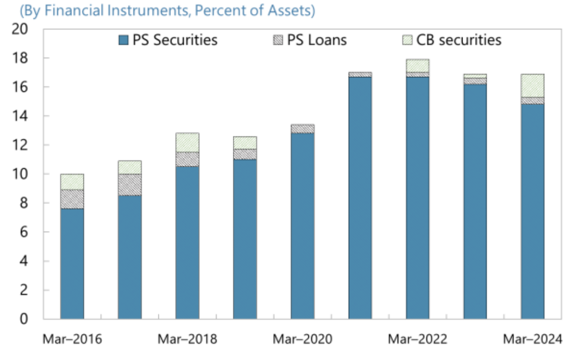
Public Sector Bank Nexus, 2024–25
(By Public Entity, including Loans and Debt Securities, Percent of Banks' Assets)



Sources: International Monetary Fund, MFS Database; and IMF staff calculations.
Note: Central bank excludes deposits. Last Update: August 14, 2024.

Banks' assets exposure to sovereign debt has risen since the previous 2018 FSAP.

Banks Exposure to Public Sector
(By Financial Instruments, Percent of Assets)



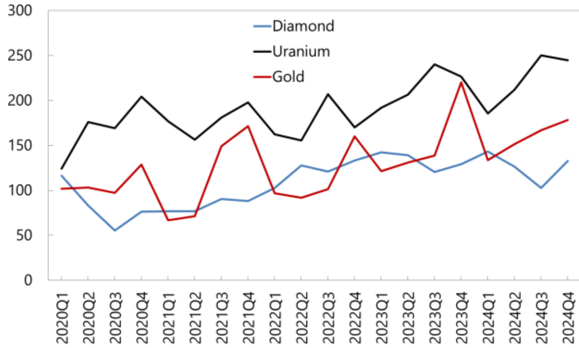
Sources: International Monetary Fund, MFS Database; and IMF staff calculations.
Last Update: August 14, 2024.

Figure 2. Namibia: Recent Economic Developments

Diamond production shows sign of slowing down, while gold and uranium production continues its upward trend.

Primary Minerals Production

(Index, 2015=100)

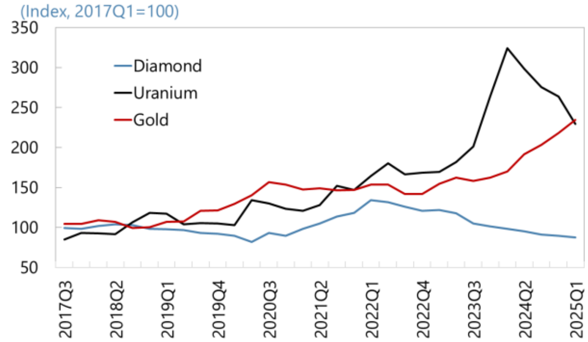


Sources: Namibia Statistics Agency; and IMF staff calculations.

Global diamond price declines, uranium price declined from the peak, while gold price continues to rise.

Global Prices: Diamond, Uranium, and Gold

(Index, 2017Q1=100)

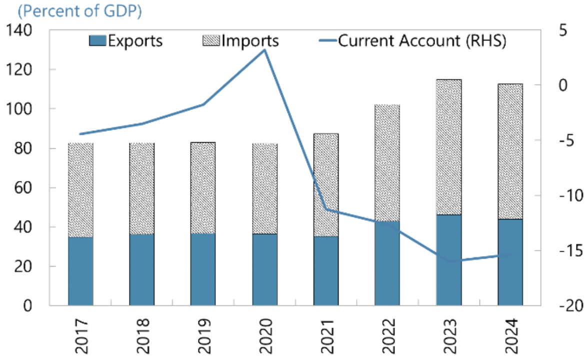


Sources: The Zimnisky Global Rough Diamond Price Index; International Monetary Fund; and IMF staff calculations.

External current account has been shaped by the surge in oil and gas exploration.

External Balance

(Percent of GDP)

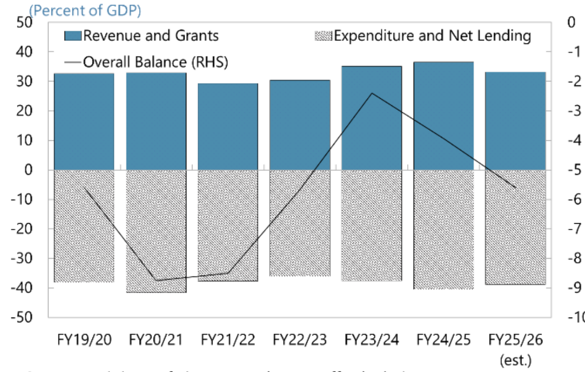


Sources: Bank of Namibia; and IMF staff calculations.

The fiscal balance largely tracked SACU transfers; spending fell in FY21/22 and rose markedly in FY24/25.

Fiscal Balance

(Percent of GDP)

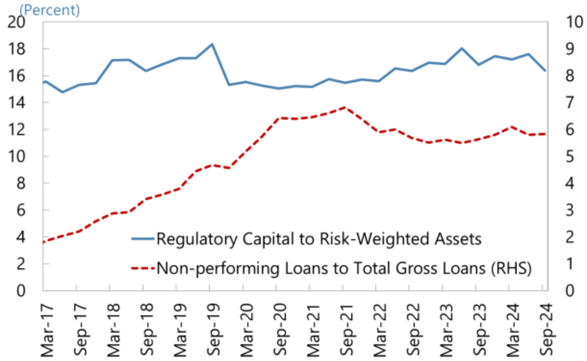


Sources: Ministry of Finance; and IMF staff calculations.

Banks are adequately capitalized and asset quality moderated.

Bank Capitalization and NPLs

(Percent)

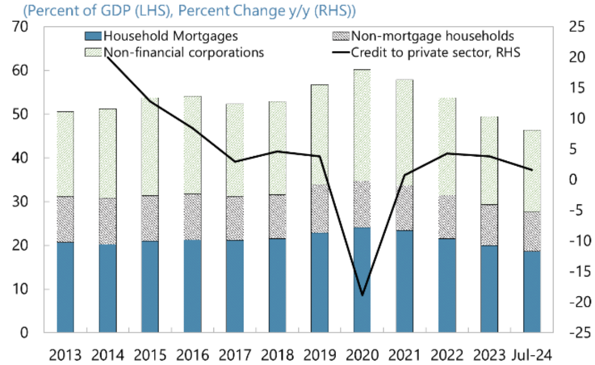


Sources: Bank of Namibia; and IMF staff calculations.

Credit growth to the private sector remains subdued.

Composition of Bank Loans to Private Sector

(Percent of GDP (LHS), Percent Change y/y (RHS))

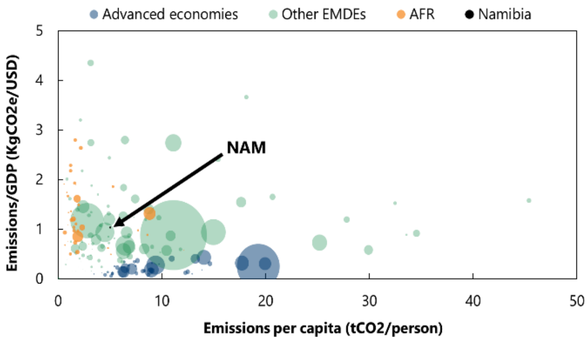


Sources: Bank of Namibia; and IMF staff calculations.

Figure 3. Namibia: Climate Indicators: Vulnerabilities and Developments

Namibia contributes minimally to global GHG emissions, with its carbon intensity low within AFR.

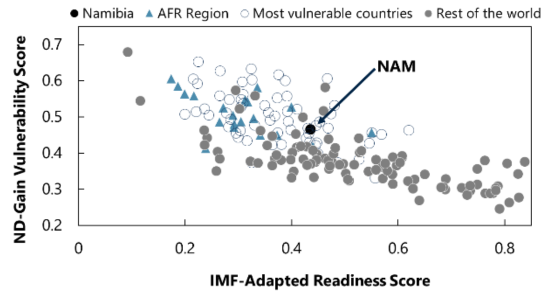
GHG Emissions Intensity vs. Total Emissions, 2022



Sources: IMF, Climate Change Dashboard (2022); and IMF, World Economic Outlook.
Note: Bubble size indicates total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

It ranks 85th in vulnerability on the IMF-Adapted NDGAIN Index and has ample potential to enhance readiness.

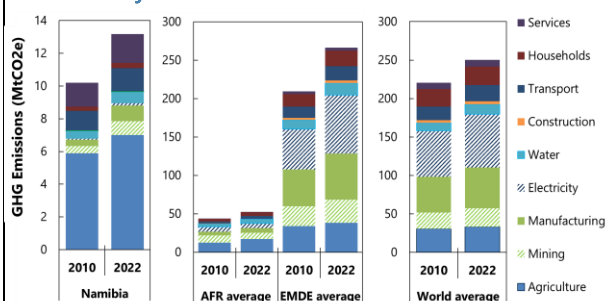
Climate Risks and Readiness
(ND-GAIN, 2021)



Sources: IMF-Adapted ND-GAIN (2021) from IMF Climate Change Indicators Dashboard.
Note: The Vulnerability Score assesses a country's current vulnerability to climate reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses a country's readiness to leverage public and private sector investment for adaptative actions.

Its emissions have increased in tandem with the rising trends in other AFR countries.

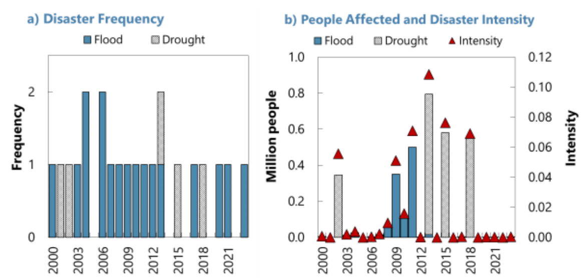
Emissions by Sector



Sources: OECD, Air Emission Accounts; UNFCCC; EDGAR; and IMF staff calculations.
Note: GHG emissions excluding land-use and land-use change and forestry are shown.

It faces susceptibility to floods and droughts, with some indications of heightened intensity.

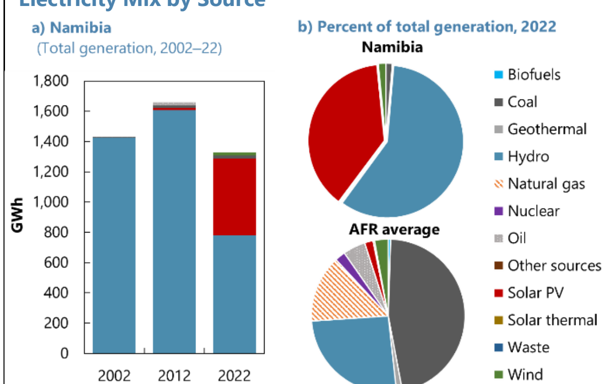
Key Natural Hazard Statistics



Sources: EM-DAT; and IMF staff calculations using Pondi and others (2022).
Note: Following Pondi and others (2022), intensity is defined as (Total death+30% Total Affected)/Total population.

Its electricity matrix is cleaner than regional peers but relies heavily on carbon-intensive imports and its dependance on hydro increases vulnerability to droughts.

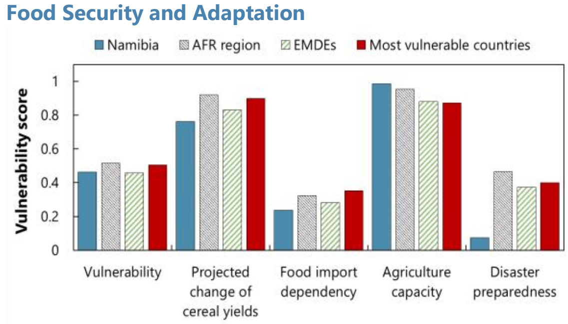
Electricity Mix by Source



Sources: IEA Data Services; and IMF staff calculations.

Its high vulnerability to changes in agricultural yields poses food security challenges, despite stronger disaster preparedness[1/] than most other AFR countries.

Food Security and Adaptation

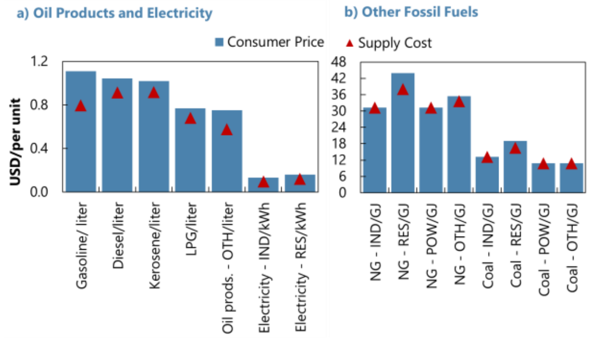


Sources: ND-GAIN Vulnerability Index; and subcomponents.
1/ Disaster preparedness is one element f the ND-GAIN Vulnerability Score. Specifically, disaster preparedness is an adaptive capacity indicator within the Vulnerability Score. Disaster preparedness is thus distinct from the ND-GAIN Readiness Score, which incorporates economic, governance, and social indicators.

Figure 3. Namibia Climate Indicators: Vulnerabilities and Developments (concluded)

Fuel pricing is above the supply costs for most fuels, i.e., there are no explicit consumer fuel subsidies.

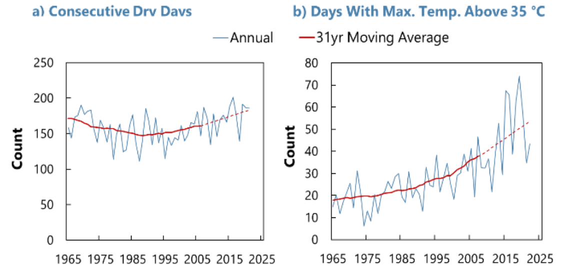
Explicit Consumer Fuel Subsidies



Sources: IMF Climate Change Dashboard (2021); and IMF Fossil Fuel Subsidies database.
Note: IND: Industry, OTH: Other, POW: Power, RES: Residential, NG: Natural Gas, LPG: Liquified Petroleum Gas.

Over the past 20 years, average heat days per year has significantly increased, showing increased volatility.

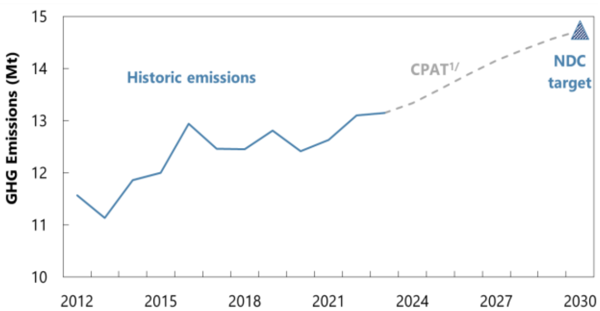
Number of Hot and Consecutive Dry Days



Sources: FADCP Climate Dataset (Massetti and Tagklis, 2024), using CMIP6 data (Copernicus Climate Change Service, Climate Data Store, 2021).

Namibia can achieve its NDC targets without additional mitigation efforts, as the target exceeds historical peak.

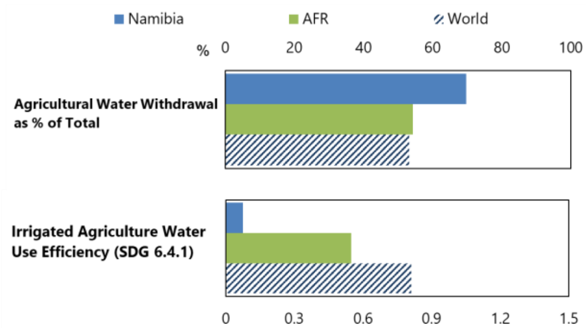
GHG Emissions vs. NDC Target



Sources: IMF Climate Change Dashboard with data from the UNFCCC, EDGAR & FAO.
Note: LULUCF stands for Land Use, Land-Use Change and Forestry.
1/ CPAT estimations are indicative as they are based on uniform assumptions across all countries (i.e., no new mitigation policies, 50% reduction in explicit subsidies if applicable, energy prices based on average IMF-WB forecasts, and macroeconomic projections from the latest WEO).

Relatively high agricultural water use, and low water use efficiency can be further exacerbated by climate change.

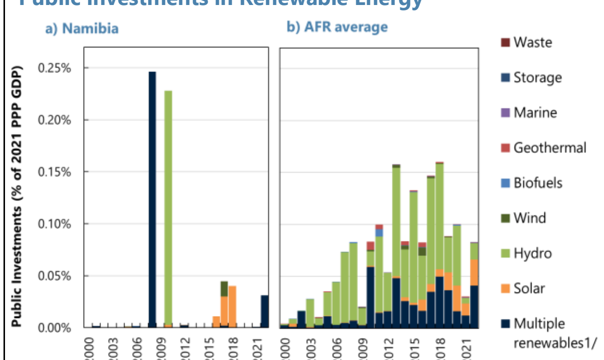
Water Use Efficiency



Source: IMF staff estimates using FAO Aquastat.

Public investment in renewable energy has fluctuated, focusing on solar, hydro, and biofuels.

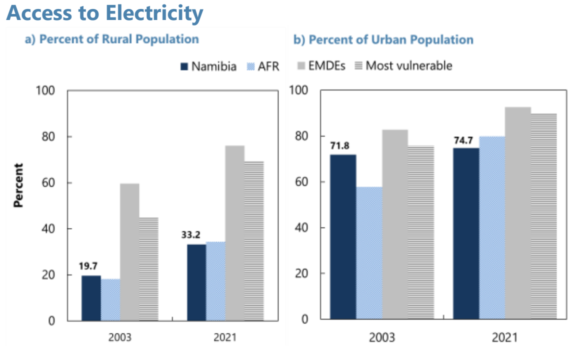
Public Investments in Renewable Energy



Sources: IRENA statistics; and IMF staff calculations.
1/ Multiple renewables refer to commitments that target more than one renewable energy technology.

Rural electrification rates are comparable with the regional average, but highly uneven.

Access to Electricity



Source: World Bank, World Development Indicators.

Table 1. Namibia: Selected Economic Indicators, 2022–30

Population (2024, millions):	3.0	Per-capita GDP (2024, USD):	4471.8
Quota (current, millions of SDR, percent of total):	54.6	Poverty (2015, percent, below national poverty line):	17.4
Main exports:	Diamonds, Fish, Gold, Uranium, Copper.		
Key export markets:	South Africa, Botswana, China, Zambia, Belgium.		

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
Output			Percent change, unless otherwise specified						
Real GDP growth	5.4	4.4	3.7	3.8	3.7	2.9	3.0	3.0	3.0
Nominal GDP growth	12.2	11.3	7.1	8.8	9.3	7.4	7.6	7.6	7.6
Nominal GDP (billions of N$)	205.6	228.9	245.1	266.8	291.7	313.4	337.1	362.5	389.9
Nominal GDP per capita (USD)	4,407	4,236	4,472	4,673	4,898	5,037	5,192	5,346	5,513
GDP Deflator	6.4	6.6	3.3	4.9	5.5	4.4	4.4	4.4	4.4
Prices			Percent change, unless otherwise specified						
CPI Inflation, average	6.1	5.9	4.2	4.1	4.5	4.5	4.5	4.5	4.5
CPI Inflation, end of period	6.9	5.3	3.4	4.5	4.5	4.5	4.5	4.5	4.5
Central Government Budget 1/			Percent of GDP, unless otherwise specified						
Revenue and grants 2/	30.5	35.1	36.5	33.2	32.8	33.1	33.3	33.3	33.3
of which: SACU receipts	6.7	10.5	11.2	7.7	7.9	8.2	8.5	8.5	8.4
Expenditure	36.1	37.6	40.4	38.8	37.7	36.8	36.6	36.5	36.5
of which: personnel expenditure	14.9	13.9	14.1	13.5	12.8	12.3	12.2	12.2	12.2
of which: capital expenditure and net lending	3.1	2.9	3.9	4.0	3.9	3.5	3.5	3.5	3.5
Primary balance	-1.2	2.7	1.2	-0.5	0.2	1.4	1.7	1.7	1.7
Overall fiscal balance	-5.7	-2.4	-3.9	-5.7	-4.8	-3.7	-3.3	-3.3	-3.3
Overall fiscal balance ex. SACU	-12.4	-12.8	-15.1	-13.4	-12.8	-12.0	-11.8	-11.7	-11.7
Public debt, gross	67.5	66.0	66.2	62.3	62.2	62.0	61.1	60.1	59.3
Investment and Savings									
Investment	20.1	27.3	25.6	22.1	19.0	17.8	16.8	16.8	16.8
Public	2.6	2.4	2.4	2.6	2.5	2.3	2.3	2.3	2.3
Others (incl. SOEs)	14.1	23.7	21.3	19.5	16.5	15.5	14.5	14.5	14.5
Change Inventories	3.4	1.2	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings	7.3	12.0	10.3	6.6	5.4	5.2	4.6	5.1	5.5
Public	-3.2	-0.2	0.1	-1.3	-1.1	-0.4	0.1	0.2	0.2
Others (incl. SOEs)	10.6	12.2	10.2	7.9	6.5	5.6	4.5	4.8	5.3
Money and Credit			Percent change, unless otherwise specified						
Broad money	0.0	10.7	9.7	9.1	8.6	7.9	8.4	7.7	7.6
Credit to the private sector	4.2	2.8	3.5	4.9	6.2	4.1	5.4	5.5	5.5
BoN repo rate (percent) 3/	6.75	7.75	7.00	6.75	...	...	...	...	...
Balance of Payments			Percent of GDP, unless otherwise specified						
Current account balance	-12.6	-15.3	-15.3	-15.5	-13.7	-12.6	-12.1	-11.7	-11.3
Financial account balance	-13.3	-15.9	-17.2	-9.3	-15.4	-13.6	-12.3	-11.8	-11.8
Gross official reserves	22.3	23.2	25.1	18.4	20.1	21.2	21.5	21.6	22.2
Reserves (in months of imports)	3.9	3.8	4.4	3.4	3.8	4.1	4.2	4.2	4.5
External debt	71.7	76.0	74.6	68.0	67.5	66.8	65.5	63.6	61.8
of which: public (incl. IMF) 4/	17.5	16.6	14.7	7.9	7.3	6.8	6.4	6.0	5.5
Exchange Rate									
REER (percent, yoy)	-3.6	-6.3	2.7	...	...	...	...	...	...
Average exchange rate (Namibian dollar per USD)	16.4	18.5	18.3	...	...	...	...	...	...

Sources: Namibian authorities; and IMF staff calculations.

1/ Figures are for the fiscal year as a percent of GDP. The fiscal year runs from April 1 to March 31.

2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, and other items which are not classified as revenue according to the IMFs Government Finance Statistics Manual 2010.

3/ Figure for 2025 is as of April 16, 2025.

4/ The ratio is calculated by dividing the stock as of March 31 by nominal GDP for the fiscal year.

Table 2. Namibia: Fiscal Operations of the Central Government, 2022/23–2030/31 1/

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
				Est.			Proj.			
					Millions of Namibian dollars, unless otherwise specified					
Revenue										
Revenue and grants	55,365	64,402	81,873	91,465	90,570	97,447	105,675	114,490	122,916	132,113
Domestic revenue	55,360	64,343	81,472	90,892	89,708	96,751	105,545	114,350	122,765	131,951
Tax revenue	51,248	55,459	74,967	86,407	84,514	91,039	98,918	107,232	115,089	123,639
Personal income tax	14,629	16,137	18,560	20,075	22,134	23,700	25,154	27,124	29,152	31,322
Corporate income tax	7,485	8,161	11,038	12,545	12,467	12,851	14,178	15,161	16,193	17,424
of which: diamond mining	933	1,579	2,329	239	200	788	1,580	1,678	1,782	1,910
VAT and sales tax	13,174	15,523	18,860	22,557	25,066	26,896	28,904	31,088	33,437	35,963
SACU receipts	14,751	14,190	24,348	28,047	21,127	23,544	26,332	29,180	31,274	33,518
Other taxes	1,208	1,449	2,161	3,184	3,719	4,048	4,350	4,679	5,032	5,413
Non-tax revenue	4,112	8,884	6,505	4,484	5,195	5,713	6,627	7,118	7,676	8,311
Diamond and other mineral royalties	1,390	2,158	2,223	2,065	2,102	2,466	2,642	2,831	3,066	3,352
Other	2,722	6,725	4,282	2,419	3,092	3,246	3,986	4,287	4,611	4,959
Grants	5	59	401	574	861	696	130	140	151	162
Expense										
Total expense	71,431	76,399	87,469	101,327	106,059	111,867	117,526	125,746	134,947	145,143
Current expenditure	65,730	69,810	80,704	91,647	95,063	100,308	106,413	113,793	122,091	131,317
Personnel	30,210	31,472	32,393	35,262	36,992	37,935	39,414	42,012	45,186	48,600
Goods and services	8,782	9,261	11,622	14,115	15,382	16,741	17,991	19,350	20,812	22,385
Interest payments and borrowing charges	7,975	9,466	11,832	12,919	14,110	15,074	16,168	17,110	18,403	19,793
of which: Domestic	5,853	7,576	9,332	10,414	11,711	13,256	14,520	15,291	16,446	17,688
of which: Foreign	2,056	1,853	2,479	2,505	2,399	1,817	1,648	1,820	1,957	2,105
Subsidies, transfers and guarantees	18,764	19,610	24,858	29,351	28,579	30,559	32,840	35,321	37,690	40,538
Capital expenditure	5,701	6,590	6,765	9,680	10,996	11,559	11,113	11,952	12,856	13,827
Acquisition of capital assets	3,322	4,029	2,314	4,055	4,581	4,526	5,971	6,422	6,907	7,429
Project Financed (extrabudgetary)	1,129	1,866	1,291	1,632	3,162	3,284	1,310	1,409	1,516	1,630
Capital transfers	1,250	694	3,159	3,993	3,252	3,749	3,831	4,121	4,432	4,767
Net lending	-18	-12	-12	-13	-14	-15	-16	-18	-19	-20
Balances										
Primary balance	-8,073	-2,519	6,247	3,070	-1,365	669	4,334	5,872	6,391	6,783
Overall balance 2/	-16,048	-11,985	-5,585	-9,849	-15,476	-14,405	-11,834	-11,238	-12,012	-13,010
Financing	16,173	11,985	5,585	9,849	15,476	14,405	11,834	11,238	12,012	13,010
Domestic financing (net)	21,215	8,594	4,328	11,265	31,055	14,954	13,211	11,493	12,416	13,587
External financing (net)	-5,042	3,391	1,256	-1,416	-15,579	-549	-1,377	-254	-404	-577
Disbursements	2,629	5,609	2,650	1,306	2,301	2,588	1,180	1,409	1,516	1,630
Amortization	-7,671	-2,218	-1,394	-2,722	-17,880	-3,137	-2,557	-1,664	-1,920	-2,207
Memorandum										
Primary balance (ex. SACU)	-22,866	-18,115	-20,308	-24,200	-21,403	-23,405	-22,937	-23,717	-25,039	-26,861
Overall fiscal balance (ex. SACU)	-30,799	-26,175	-29,932	-37,896	-36,603	-37,949	-38,166	-40,418	-43,286	-46,528
Structural balance 3/	-4507.6	117	-3,641	-11,605	-10,311	-11,657	-11,875	-14,127	-16,995	-20,237
Public and publicly guaranteed debt	137,716	155,428	167,697	180,968	186,588	202,643	217,282	230,336	244,344	259,550
Public debt	127,578	142,744	153,721	165,936	170,208	184,816	198,124	209,730	222,181	235,713
Domestic 4/	96,864	105,806	115,007	129,193	148,531	163,067	176,279	187,772	200,188	213,776
External	30,714	36,938	38,714	36,744	21,677	21,749	21,845	21,958	21,993	21,936
GDP at market prices	188,865	211,410	232,939	250,518	273,010	297,122	319,304	343,430	369,380	397,290

Sources: Namibian authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31.

2/ Includes externally financed project spending not channeled through the state account.

3/ Overall balance excluding deviations of SACU receipts from the projected medium-term baseline (FY25/26–FY29/30).

4/ Includes short-term loans from the BoN.

Table 3. Namibia: Fiscal Operations of the Central Government, 2022/23–2030/31 1/

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
			Est.			Proj.			
			Percent of GDP, unless otherwise specified						
Revenue									
Revenue and grants	30.5	35.1	36.5	33.2	32.8	33.1	33.3	33.3	33.3
Domestic revenue	30.4	35.0	36.3	32.9	32.6	33.1	33.3	33.2	33.2
Tax revenue	26.2	32.2	34.5	31.0	30.6	31.0	31.2	31.2	31.1
Personal income tax	7.6	8.0	8.0	8.1	8.0	7.9	7.9	7.9	7.9
Corporate income tax	3.9	4.7	5.0	4.6	4.3	4.4	4.4	4.4	4.4
of which: diamond mining	0.7	1.0	0.1	0.1	0.3	0.5	0.5	0.5	0.5
VAT and sales tax	7.3	8.1	9.0	9.2	9.1	9.1	9.1	9.1	9.1
SACU receipts	6.7	10.5	11.2	7.7	7.9	8.2	8.5	8.5	8.4
Other taxes	0.7	0.9	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Non-tax revenue	4.2	2.8	1.8	1.9	1.9	2.1	2.1	2.1	2.1
Diamond and other mineral royalties	1.0	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other	3.2	1.8	1.0	1.1	1.1	1.2	1.2	1.2	1.2
Grants	0.0	0.2	0.2	0.3	0.2	0.0	0.0	0.0	0.0
Expense									
Total expense	36.1	37.6	40.4	38.8	37.7	36.8	36.6	36.5	36.5
Current expenditure	33.0	34.6	36.6	34.8	33.8	33.3	33.1	33.1	33.1
Personnel	14.9	13.9	14.1	13.5	12.8	12.3	12.2	12.2	12.2
Goods and services	4.4	5.0	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Interest payments and borrowing charges	4.5	5.1	5.2	5.2	5.1	5.1	5.0	5.0	5.0
of which: Domestic	3.6	4.0	4.2	4.3	4.5	4.5	4.5	4.5	4.5
of which: Foreign	0.9	1.1	1.0	0.9	0.6	0.5	0.5	0.5	0.5
Subsidies, transfers and guarantees	9.3	10.7	11.7	10.5	10.3	10.3	10.3	10.2	10.2
Capital expenditure	3.1	2.9	3.9	4.0	3.9	3.5	3.5	3.5	3.5
Acquisition of capital assets	1.9	1.0	1.6	1.7	1.5	1.9	1.9	1.9	1.9
Project Financed (extrabudgetary)	0.9	0.6	0.7	1.2	1.1	0.4	0.4	0.4	0.4
Capital transfers	0.3	1.4	1.6	1.2	1.3	1.2	1.2	1.2	1.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances									
Primary balance	-1.2	2.7	1.2	-0.5	0.2	1.4	1.7	1.7	1.7
Overall balance 2/	-5.7	-2.4	-3.9	-5.7	-4.8	-3.7	-3.3	-3.3	-3.3
Financing	5.7	2.4	3.9	5.7	4.8	3.7	3.3	3.3	3.3
Domestic financing (net)	4.1	1.9	4.5	11.4	5.0	4.1	3.3	3.4	3.4
External financing (net)	1.6	0.5	-0.6	-5.7	-0.2	-0.4	-0.1	-0.1	-0.1
Disbursements	2.7	1.1	0.5	0.8	0.9	0.4	0.4	0.4	0.4
Amortization	-1.0	-0.6	-1.1	-6.5	-1.1	-0.8	-0.5	-0.5	-0.6
Memorandum									
Primary balance (ex. SACU)	-8.6	-8.7	-9.7	-7.8	-7.9	-7.2	-6.9	-6.8	-6.8
Overall fiscal balance (ex. SACU)	-12.4	-12.8	-15.1	-13.4	-12.8	-12.0	-11.8	-11.7	-11.7
Structural balance 3/	-4.2	-4.6	-6.9	-5.2	-4.6	-3.7	-3.6	-3.5	-3.5
Structural primary balance	0.3	0.4	-1.8	0.0	0.5	1.3	1.4	1.5	1.5
Public and publicly guaranteed debt	73.5	72.0	72.2	68.3	68.2	68.0	67.1	66.1	65.3
Public debt	67.5	66.0	66.2	62.3	62.2	62.0	61.1	60.1	59.3
Domestic 4/	50.0	49.4	51.6	54.4	54.9	55.2	54.7	54.2	53.8
External	17.5	16.6	14.7	7.9	7.3	6.8	6.4	6.0	5.5

Sources: Namibian authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31.

2/ Includes externally financed project spending not channeled through the state account.

3/ Overall balance excluding deviations of SACU receipts from the projected medium-term baseline (FY25/26–FY29/30).

4/ Includes short-term loans from the BoN.

Table 4. Namibia: Balance of Payments, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.	Proj.					
				Millions of USD, unless otherwise specified					
Current Account									
Current account balance	-1,588	-1,892	-2,052	-2,204	-2,081	-2,016	-2,027	-2,050	-2,075
Goods trade balance	-1,923	-1,547	-2,165	-2,121	-1,983	-2,095	-2,281	-2,471	-2,649
Exports, f.o.b.	4,418	4,659	4,588	4,728	5,089	5,222	5,386	5,608	5,846
Diamonds	840	957	646	528	591	638	671	705	740
Other minerals	1,310	1,633	1,851	2,057	2,253	2,296	2,388	2,531	2,688
Other	2,268	2,069	2,090	2,144	2,245	2,288	2,327	2,372	2,417
Imports, f.o.b.	-6,341	-6,206	-6,753	-6,849	-7,072	-7,317	-7,667	-8,078	-8,495
of which: non-petroleum products	-4,779	-4,731	-5,423	-5,682	-5,945	-6,150	-6,450	-6,809	-7,176
of which: food	746	728	781	800	824	851	894	941	990
of which: petroleum products	-1,562	-1,475	-1,330	-1,167	-1,127	-1,166	-1,217	-1,269	-1,319
Services trade, net	-124	-1,170	-1,145	-955	-912	-870	-817	-765	-704
Transportation	75	-58	7	19	15	7	-4	-17	-30
Travel	186	268	322	475	492	515	541	567	595
Other services	-386	-1,380	-1,474	-1,449	-1,418	-1,392	-1,354	-1,315	-1,269
Primary income, net	-555	-580	-439	-558	-611	-589	-579	-548	-532
of which: investment income	-555	-599	-454	-569	-623	-602	-592	-561	-545
Secondary income, net	1,014	1,405	1,697	1,430	1,424	1,537	1,651	1,734	1,810
of which: SACU revenue transfers	876	1,182	1,479	1,221	1,197	1,304	1,413	1,486	1,554
Capital and Financial Account									
Capital account	-141	-134	-162	-139	-158	-171	-172	-184	-193
Financial account	-1,677	-1,974	-2,296	-1,331	-2,349	-2,176	-2,067	-2,062	-2,174
Foreign direct investment, net	-1,059	-2,612	-2,022	-2,177	-2,369	-2,269	-2,397	-2,524	-2,612
Portfolio investment, net	-159	843	153	1,393	520	381	517	540	554
Financial derivatives	-6	-7	3	-3	-3	-1	-2	-2	-2
Other investment, net	-453	-199	-429	-543	-497	-287	-184	-76	-115
of which: government net borrowing	-135	-67	22	82	11	70	13	20	27
Errors and omissions	-191	-143	84	0	0	0	0	0	0
Overall balance	40	74	489	-734	426	331	212	196	292
Financing									
Gross international reserves (+ = increase)	40	74	489	-734	426	331	212	196	292
				Percent of GDP, unless otherwise specified					
Current Account									
Current account balance	-12.6	-15.3	-15.3	-15.5	-13.7	-12.6	-12.1	-11.7	-11.3
Goods trade balance	-15.3	-12.5	-16.2	-14.9	-13.0	-13.1	-13.6	-14.1	-14.4
Exports, f.o.b.	35.2	37.6	34.3	33.2	33.4	32.8	32.2	32.0	31.8
Diamonds	6.7	7.7	4.8	3.7	3.9	4.0	4.0	4.0	4.0
Other minerals	10.4	13.2	13.8	14.4	14.8	14.4	14.3	14.4	14.6
Other	18.0	16.7	15.6	15.0	14.8	14.4	13.9	13.5	13.1
Imports, f.o.b.	-50.5	-50.0	-50.5	-48.1	-46.5	-45.9	-45.8	-46.1	-46.2
of which: non-petroleum products	-38.0	-38.1	-40.6	-39.9	-39.1	-38.6	-38.6	-38.9	-39.0
of which: food	5.9	5.9	5.8	5.6	5.4	5.3	5.3	5.4	5.4
of which: petroleum products	-12.4	-11.9	-9.9	-8.2	-7.4	-7.3	-7.3	-7.2	-7.2
Services trade, net	-1.0	-9.4	-8.6	-6.7	-6.0	-5.5	-4.9	-4.4	-3.8
Transportation	0.6	-0.5	0.1	0.1	0.1	0.0	0.0	-0.1	-0.2
Travel	1.5	2.2	2.4	3.3	3.2	3.2	3.2	3.2	3.2
Other services	-3.1	-11.1	-11.0	-10.2	-9.3	-8.7	-8.1	-7.5	-6.9
Primary income, net	-4.4	-4.7	-3.3	-3.9	-4.0	-3.7	-3.5	-3.1	-2.9
of which: interest on public debt	-4.4	-4.8	-3.4	-4.0	-4.1	-3.8	-3.5	-3.2	-3.0
Secondary income, net	8.1	11.3	12.7	10.0	9.4	9.6	9.9	9.9	9.8
of which: SACU revenue transfers	7.0	9.5	11.1	8.6	7.9	8.2	8.4	8.5	8.5
Capital and Financial Account									
Capital account	-1.1	-1.1	-1.2	-1.0	-1.0	-1.1	-1.0	-1.0	-1.1
Financial account	-13.3	-15.9	-17.2	-9.3	-15.4	-13.7	-12.4	-11.8	-11.8
Foreign direct investment, net	-8.4	-21.1	-15.1	-15.3	-15.6	-14.2	-14.3	-14.4	-14.2
Portfolio investment, net	-1.3	6.8	1.1	9.8	3.4	2.4	3.1	3.1	3.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	-3.6	-1.6	-3.2	-3.8	-3.3	-1.8	-1.1	-0.4	-0.6
of which: government net borrowing	-1.1	-0.5	0.2	0.6	0.1	0.4	0.1	0.1	0.1
Errors and omissions	-1.5	-1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.3	0.6	3.7	-5.1	2.8	2.1	1.3	1.1	1.6
Memorandum									
Total imports of goods and services (millions of USD)	-7,441	-8,446	-9,181	-9,157	-9,386	-9,622	-9,959	-10,361	-10,763
Gross international reserves (millions of USD)	2,799	2,873	3,362	2,629	3,055	3,386	3,597	3,793	4,085
in months of imports	4.0	3.8	4.4	3.4	3.8	4.1	4.2	4.2	4.5
in percent of ARA metric	106.6	104.5	119.6	88.6	96.5	103.2	105.4	113.6	110.5
percent of GDP	22.3	23.2	25.1	18.4	20.1	21.2	21.5	21.6	22.2
External debt (millions of USD)	9,004	9,315	9,702	9,695	10,266	10,646	10,959	11,139	11,362
Short-term debt (millions of USD)	3480.6	2931.2	2978.1	3085.3	3118.8	3028.4	3052.7	3071.3	3067.8
National currency per USD (average)	16.4	18.5	18.3	18.7	19.2	19.7	20.2	20.7	21.2
National currency per USD (eop)	17.0	18.5	18.7	19.0	19.3	19.9	20.4	21.0	22.0
GDP at market prices (millions of USD)	12,564	12,402	13,370	14,248	15,217	15,939	16,724	17,525	18,388

Sources: Namibian authorities; and IMF staff calculations.

Table 5. Namibia: Monetary Accounts, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
	Millions of Namibian dollars, unless otherwise specified								
Depository Corporation Survey									
Net foreign assets	52,204	67,021	81,308	68,009	77,168	85,356	91,033	96,852	93,566
Net domestic assets	77,754	76,618	79,814	104,106	109,713	116,327	127,545	138,558	159,632
Claims on central government, net	31,077	28,451	28,907	36,312	38,714	45,575	44,927	45,746	48,685
Claims on other sectors	113,879	118,262	124,576	131,024	139,364	145,366	153,509	162,091	171,136
of which: claims on private sector	111,235	114,309	118,322	124,134	131,786	137,152	144,627	152,510	160,824
Broad money	129,958	143,800	157,721	172,116	186,881	201,684	218,578	235,410	253,197
Currency in circulation	3,332	3,539	3,879	4,272	4,661	5,080	5,565	6,040	6,544
Deposits	126,626	140,261	153,843	167,844	182,219	196,604	213,013	229,370	246,654
Central Bank									
Net foreign assets 1/	36,893	42,782	55,305	41,712	50,356	57,723	62,733	67,738	62,999
Gross reserves	47,558	53,199	63,009	49,816	59,027	67,430	73,370	79,584	89,987
Net domestic assets	-27,289	-33,365	-43,877	-29,241	-36,815	-43,109	-46,895	-50,680	-44,652
Reserve money	9,605	9,445	11,428	12,471	13,541	14,614	15,838	17,058	18,347
	Percent of GDP, unless otherwise specified								
Depository Corporation Survey									
Net foreign assets	25.4	29.3	33.2	25.5	26.5	27.2	27.0	26.7	24.0
Net domestic assets	37.8	33.5	32.6	39.0	37.6	37.1	37.8	38.2	40.9
Claims on central government, net	15.1	12.4	11.8	13.6	13.3	14.5	13.3	12.6	12.5
Claims on other sectors	55.4	51.7	50.8	49.1	47.8	46.4	45.5	44.7	43.9
of which: claims on private sector	54.1	49.9	48.3	46.5	45.2	43.8	42.9	42.1	41.2
Broad money	63.2	62.8	64.4	64.5	64.1	64.4	64.8	64.9	64.9
Currency in circulation	1.6	1.5	1.6	1.6	1.6	1.6	1.7	1.7	1.7
Deposits	61.6	61.3	62.8	62.9	62.5	62.7	63.2	63.3	63.3
Central Bank									
Net foreign assets 1/	17.9	18.7	22.6	15.6	17.3	18.4	18.6	18.7	16.2
Gross reserves	23.1	23.2	25.7	18.7	20.2	21.5	21.8	22.0	23.1
Net domestic assets	-13.3	-14.6	-17.9	-11.0	-12.6	-13.8	-13.9	-14.0	-11.5
Reserve money	4.7	4.1	4.7	4.7	4.6	4.7	4.7	4.7	4.7
	12–month percent change, unless otherwise specified								
Memorandum									
Reserve money	16.6	-1.7	21.0	9.1	8.6	7.9	8.4	7.7	7.6
M2	0.0	10.7	9.7	9.1	8.6	7.9	8.4	7.7	7.6
Credit to the private sector	4.2	2.8	3.5	4.9	6.2	4.1	5.4	5.5	5.5
Money multiplier (broad money/reserve money)	13.5	15.2	13.8	13.8	13.8	13.8	13.8	13.8	13.8
Velocity (GDP/broad money)	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5

Sources: Namibian authorities; and IMF staff calculations.

Table 6. Namibia: Financial Soundness Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
					Ratios, in percent				
Capital Adequacy									
Capital to assets	9.3	9.5	10.6	9.3	9.6	9.3	9.7	10.7	10.2
Regulatory capital to risk-weighted assets	15.1	15.5	16.8	15.3	15.2	15.7	17.0	17.4	17.3
Regulatory Tier 1 capital to risk-weighted assets	12.4	12.6	13.9	13.0	13.1	13.7	14.7	15.9	15.4
Nonperforming loans net of provisions to capital	7.0	11.5	13.9	20.4	24.3	23.0	18.3	16.0	14.2
Asset Quality									
Large exposure to capital	147.5	164.0	146.7	211.9	181.6	146.7	86.1	84.4	109.6
Nonperforming loans to total gross loans	1.5	2.6	3.6	4.6	6.4	6.4	5.5	5.8	5.6
Provisioning ratio	7.0	11.5	13.9	20.4	24.3	23.0	18.3	16.0	14.2
Earnings and Profitability									
Return on assets	3.5	3.0	2.9	2.8	1.8	2.2	2.7	3.0	3.4
Return on equity	22.5	19.3	17.7	17.6	10.8	12.8	15.8	18.3	20.2
Interest margin to gross income	57.4	57.6	56.4	56.8	54.0	56.3	56.7	58.5	57.7
Noninterest expenses to gross income	53.2	55.8	57.2	56.1	61.0	60.0	57.4	56.3	54.8
Personnel expenses to noninterest expenses	52.2	53.8	52.6	54.1	52.3	51.6	50.4	49.5	49.1
Liquidity									
Liquid assets to total assets	11.3	13.1	13.6	13.3	13.8	14.8	15.3	14.7	16.7
Liquid assets to short-term liabilities	23.5	26.5	27.9	27.5	24.4	17.9	17.6	17.0	19.3
Customer deposits to total (non-interbank) loans	95.4	100.7	96.8	98.8	99.6	103.0	103.1	107.7	109.5
Exposure to Foreign Exchange Risk									
Net open position in foreign exchange to capital	2.6	2.5	6.8	5.3	2.3	4.5	4.4	1.7	0.0
Foreign currency liabilities to total liabilities	2.8	4.7	3.7	3.8	4.7	4.6	4.4	6.2	7.5

Sources: Namibian authorities; and IMF staff calculations.

Table 7. Namibia: Indicators of Capacity to Repay the Fund, 2021–30
(In millions of SDRs, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Existing and prospective Fund credit (SDR million)										
Disbursements	191.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	191.1	191.1	191.1	143.3	47.8	0.0	0.0	0.0	0.0	0.0
Obligations	1.2	3.4	13.8	62.4	104.0	52.9	4.5	4.5	4.5	4.5
Principal (repayments/repurchases)	0.0	0.0	0.0	47.8	95.6	47.8	0.0	0.0	0.0	0.0
Charges and interest	1.2	3.4	13.8	14.6	8.4	5.1	4.5	4.5	4.5	4.5
Fund obligations (repurchases and charges) in percent of:										
Quota	0.6	1.8	7.2	32.6	54.4	27.7	2.4	2.4	2.4	2.4
GDP	0.0	0.0	0.1	0.5	0.7	0.3	0.0	0.0	0.0	0.0
Exports of goods and services	0.0	0.1	0.2	1.0	1.6	0.8	0.1	0.1	0.1	0.1
Gross international reserves	0.0	0.1	0.5	1.9	3.6	1.9	0.2	0.1	0.1	0.1
Government revenue	0.0	0.1	0.3	1.2	2.2	1.0	0.1	0.1	0.1	0.1
External debt service, public	0.2	1.4	6.9	23.3	9.7	19.8	2.7	2.4	2.4	2.4
Fund credit outstanding in percent of:										
Quota	100.0	100.0	100.0	75.0	25.0	0.0	0.0	0.0	0.0	0.0
GDP	1.5	1.5	1.5	1.1	0.3	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	4.4	3.5	3.4	2.4	0.7	0.0	0.0	0.0	0.0	0.0
Gross international reserves	6.9	6.8	6.7	4.3	1.7	0.0	0.0	0.0	0.0	0.0
Government revenue	5.1	4.9	4.3	2.9	1.0	0.0	0.0	0.0	0.0	0.0
External debt, public	27.8	76.8	96.0	53.6	4.4	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Quota (SDR million)	191.1	191.1	191.1	191.1	191.1	191.1	191.1	191.1	191.1	191.1
Gross domestic product (USD million)	12,399	12,562	12,345	13,323	14,312	15,163	15,946	16,699	17,489	17,933
Exports of goods and services (USD million)	4,363	5,394	5,689	6,079	6,502	6,610	6,945	7,131	7,335	7,587
Gross international reserves (USD million)	2,760	2,799	2,873	3,369	2,859	2,781	3,013	3,244	3,552	3,735
Government revenue (USD million)	3,745	3,932	4,415	5,020	4,714	5,160	5,448	5,690	5,936	6,067
External debt service, public (USD million)	687	249	199	267	1,074	267	171	190	187	189
Total external debt, public (USD million)	2,078	2,257	2,098	2,127	1,673	1,655	1,707	1,744	1,788	1,795

Source: IMF staff calculations.

Annex I. Risk Assessment Matrix[1]

Source of Main Risks	Likelihood	Expected Impact on the Economy	Recommended Policy Response
Conjunctural Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	**High.** Reduced external trade and disruption of supply chains and FDI would adversely affect external demand and growth. Spillovers from South Africa could emerge as SACU revenues decline and inflation picks up, resulting in worsening fiscal position and higher interest rates.	• Policy response to cyclic shocks be predicated on sustained debt and concrete measures to ensure a strong commitment to medium-term fiscal consolidation to preserve debt sustainability. • Expedite the alignment of the policy rate with South Africa to ensure anchoring of inflation expectations. • Prioritize structural reforms aimed at facilitating reallocation of productive resources and investment.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	**Medium.** If interest rates are higher for longer, this can increase financing costs. Increasing uncertainty can also lead to capital outflows, an increase in risk premia and a worsening fiscal and external position.	• Fiscal response same above. • Expedite the alignment of the policy rate with South Africa to ensure anchoring of inflation expectations.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	**High.** Trade disruptions and conflicts could lead to higher food and energy prices, increasing inflation and de-anchoring inflation expectations. The external position could deteriorate, and reserves could come under pressure. Spillovers through the supply chains could lead to sluggish economic growth and worsen poverty and inequality.	• Fiscal response same as above. • Expand well targeted social protection to households and firms while maintaining fiscal discipline. • Expedite the alignment of the policy rate with South Africa to ensure anchoring of inflation expectations. • Prioritize bold structural reforms to support private sector led growth and foster economic diversification.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	**High.** Lower commodity prices may worsen the terms of trade given the importance of mineral exports. However, higher commodity prices could adversely impact imports of food and fuel, increasing core inflation and further worsening the cost of living for households.	• Fiscal response same as above. • Expand well targeted social protection to cushion vulnerable households. • Expedite the alignment of the policy rate with South Africa to ensure anchoring of inflation expectations. • Prioritize bold structural reforms to support private sector led growth and foster economic diversification.

[1] Based on the latest G-RAM (February 20, 2025). The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Main Risks	Likelihood	Expected Impact on the Economy	Recommended Policy Response
		Structural Risks	
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High**	**High**. Geo-economic fragmentation would negatively impact growth and external demand, through its impact on South Africa and key markets. As Namibia is heavily reliant on imports (e.g. fuel, food, and fertilizers), higher input costs could lead to heightened inflation, a worsened external position, sluggish economic growth, depleted reserves, and heightened inequality.	• Expand well-targeted support to vulnerable households to mitigate the impact of higher fuel and food prices, while maintaining fiscal discipline. • Prioritize diversification efforts. • Implement bold structural reforms to enhance competitiveness and resilience.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium**	**High.** A state of emergency related to food security has been declared in Namibia, primarily due to the ongoing drought. Extreme weather events could worsen the situation, resulting in more food and water shortages. This can strain fiscal position.	• Step up provision of targeted support to vulnerable households to mitigate the impact. • Enhance climate change adaptation policies and implement fiscal reforms to create room for adaptation investment. • Strengthened cooperation with international relief agencies on monitoring and support delivery.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**Medium**	**High.** Social tension can disrupt institutions, key infrastructure and supply channels leading to negative effects on employment, economic growth, risk premia and financing costs.	• Implement bold structural reforms to enhance competitiveness and resilience, with requisite consultation with key stakeholders. • Frontload fiscal adjustment to preserve debt sustainability.
		Domestic Risks	
Development of the Oil Sector. There is a risk that investments do not benefit the local economy.	**Medium**	**Medium.** Without effective management, the country may not benefit from potential oil revenues and could remain in the middle-income trap, facing high levels of inequality.	• Concentrate on strategies to avoid the resource curse, ensuring sustainable economic development. • Address skill mismatches and skill gaps to benefit from potential oil revenues.
Diamonds. Weak demand conditions in the market may be structural and not recover to previous trend. This may be exacerbated by pressure from lab grown diamond.	**Medium**	**Medium.** Prolonged weak global demand and competition from lab-grown diamonds continues to adversely affect the sector. This will adversely affect growth, exports and fiscal revenues.	• Deeper fiscal consolidation to offset losses in revenue. • Accelerate structural reforms to support private sector led growth and foster economic diversification.
Lower than anticipated SACU revenues. SACU revenue transfers have been volatile and there is a risk of lower SACU receipts in the medium term.	**Medium**	**Medium.** Prolonged lower SACU revenue transfers in the medium term will worsen the fiscal position and put pressure on foreign reserves.	• Deeper fiscal consolidation to offset losses in revenue. • Expedite the alignment of the policy rate with South Africa.

Annex II. External Sector Assessment

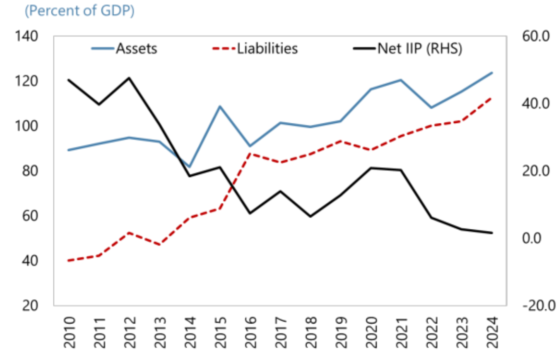
Overall Assessment: The external position of Namibia in 2024 was substantially weaker than implied by macroeconomic fundamentals and desirable policies. The current account balance remained unchanged from 2023. Record-high revenue transfers from the Southern African Customs Union (SACU) help to offset a deterioration in the trade balance resulting from decreased export levels, where lower export earnings from diamonds were only partially offset by higher export receipts from other minerals. The financial account posted a large surplus reflecting FDI inflows to finance the oil and gas-related imports. International reserves increased in 2024, remaining above 4 months of import coverage and about 19.6 percent above the lower bound of the IMF composite Assessing Reserve Adequacy (ARA) metric. The current account deficit is projected to be 15.5 percent of GDP in 2025 driven by ongoing oil exploration activities and a continued decline in export performance, and narrow gradually in the medium term, as oil exploration is assumed to decrease. International reserves are projected to stay around 4.5 months of imports over the medium term and about 10.5 percent of GDP above the lower bound of the ARA metric.

Potential Policy Responses: Going forward, fiscal space can be channeled toward improving efficiency of growth-oriented infrastructure spending (in line with recommendations from the recent PIMA) and reinvigorating fiscal reforms, while keeping the debt-to-GDP ratio on a downward sloping path. Improving prospects for private sector growth and undertaking structural reforms in favor of external competitiveness would help support the external position and strengthen international reserve buffers. Monetary policy alignment with the South African Reserve Bank (SARB) can help limit the risk of capital outflows.

Foreign Assets and Liabilities: Position and Trajectory

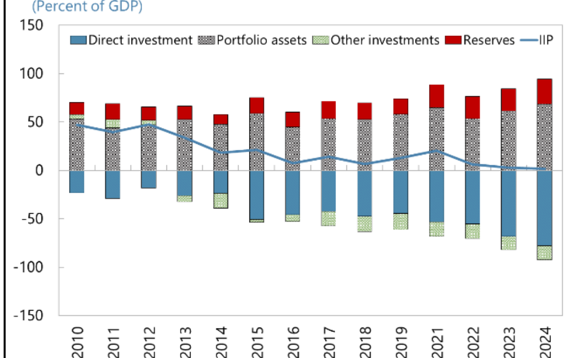
Background. In 2024, the net international investment position (NIIP) experienced a slight decrease relative to 2023. Namibia maintained its status as a net creditor, with an NIIP falling from 2.7 percent of GDP in 2023 to 1.6 percent of GDP in 2024.

International Investment Position
(Percent of GDP)



Sources: Bank of Namibia; and IMF staff calculations.

Net International Investment Position
(Percent of GDP)

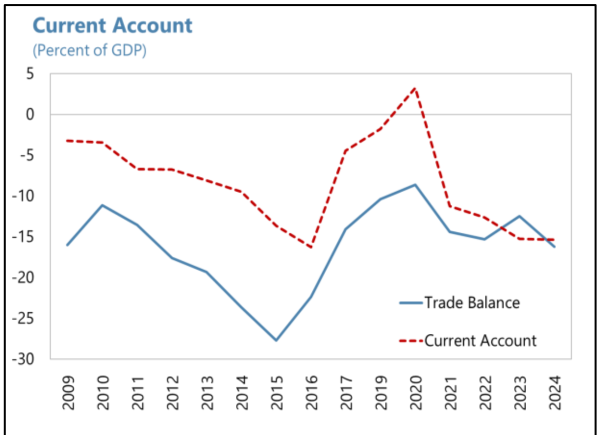


Sources: Bank of Namibia; and IMF staff calculations.

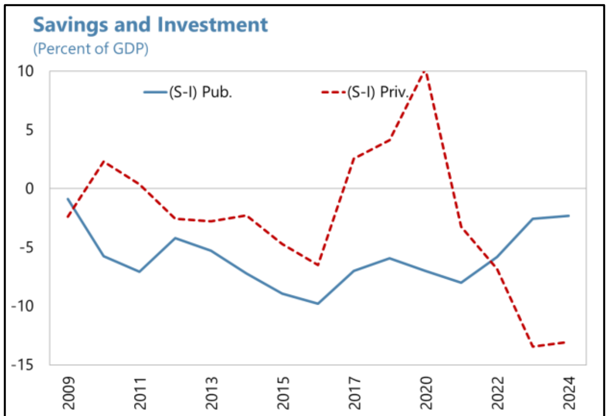
Assessment. **Namibia's NIIP is assessed as broadly sustainable.** It is expected to decrease and stabilize at around –61.7 percent of GDP over the medium term. The principal drivers of the projected decrease in NIIP will continue to be net foreign direct investment (FDI) inflows (cumulating to –122.4 percent of GDP in the medium term) and lower net portfolio investment outflows (62.8 percent of GDP in the medium term), primarily driven by ongoing explorations in the oil and gas sector, as well as other mineral activities. The accumulation of significant FDI liabilities associated with oil and gas exploration does not present a risk to external sustainability. Any costs incurred from potentially unsuccessful exploration efforts will be fully borne by the prospectors. Conversely, costs related to successful exploration that would result in a favorable investment decision will be recouped during the production phase.

2024 (% GDP)	NIIP: 1.6	Gross Assets: 123.8	Debt Assets: -	Gross Liab.: 122.2	Debt Liab.: -

Current Account



Sources: Bank of Namibia; and IMF staff calculations.



Sources: Bank of Namibia; and IMF staff calculations.

Background. The current account balance remained unchanged in 2024. Higher revenue transfers from SACU (from 9.5 to 11.1 percent of GDP) helped offset a deterioration of the goods trade balance from -13.2 to -16.2 percent of GDP. Exports decreased as the fall in diamond exports was partially offset by the improved performance of other mineral exports. Although volatile and trending downward, Namibia's external current account posted an average deficit of 9.2 percent of GDP over the period 2015–24.

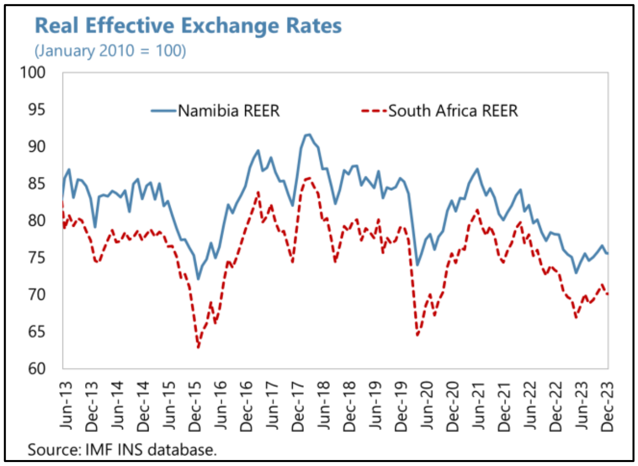
Assessment. The external position in 2024 is estimated to have been substantially weaker than the level implied by macroeconomic fundamentals and desirable policies. The Fund's revised EBA-Lite CA methodology estimated a current account gap of -4.6 percent of GDP and a real effective exchange rate gap of 14.7 percent of GDP. Adjustments have been applied to the CA balance to cyclically adjust for (i) a one-off correction to the imports pertaining to oil and gas explorations that amounted to 9.1 percent of the GDP for 2024 and (ii) a one-off correction to the SACU transfers (1.5 percentage points of GDP higher than the 5-year historical average). The 2024 cyclically adjusted CA (-8.2 percent of GDP) was below the model's CA norm of -3.5 percent of GDP. The CA gap includes a positive policy gap of 3.6 percent of GDP, mainly reflecting a tighter fiscal stance than the rest of the world, and higher reserves as a percent of GDP than optimal for Namibia and the rest of the world. Ongoing fiscal consolidation and structural reforms to improve competitiveness and attract FDI would help better align the external position with fundamentals.

Table 1. Namibia: EBA-lite Model Results

	2024	
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-15.3	
Cyclical contributions (from model) (-)	0.5	
Additional temporary/statistical factors (-) 2/	-7.7	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	-8.2	
CA Norm (from model) 3/	-3.5	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-3.5	
CA Gap	-4.6	8.4
o/w Relative policy gap	3.6	
Elasticity	-0.3	
REER Gap (in percent)	14.7	-26.6

1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for the temporary impact of imports related to (i) oil and gas explorations on CA and (ii) a one-time correction to SACU receipts.
3/ Cyclically adjusted, including multilateral consistency adjustments.

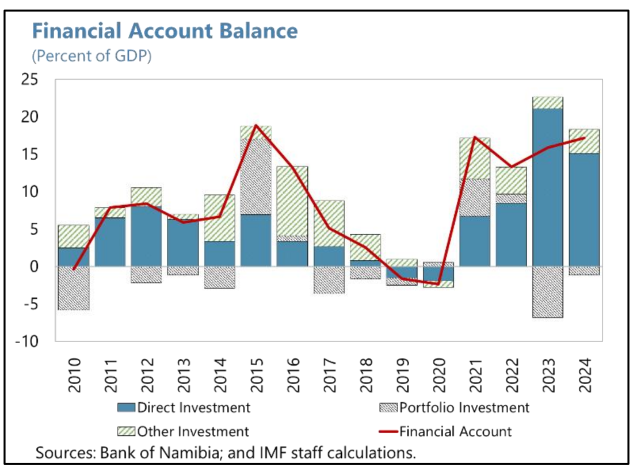
Real Exchange Rate



Background. The real effective exchange rate (REER) appreciated in 2024 by 2.7 percent. The Namibian dollar is firmly pegged to the South African rand, which has appreciated against the USD by 0.7 percent over the same period. The REER depreciated by 3.6 percent in 2022 and 6.3 percent in 2023.

Assessment. The REER approach suggests a large undervaluation of 26.6 percent. The REER gap as calculated using the Fund's revised EBA-Lite CA methodology indicates Namibia's having acquired a slight competitive edge against trading partners; however, this appears not to have translated into a commensurately stronger export performance (exports are dominated by the mining sector which, while responsive to price signals, is subject to idiosyncratic investment cycles). This conclusion sharply contrasts with the overvaluation suggested by the CA model (Table 1). Considering the caveats to the REER models, the CA model should be preferred in Namibia, in light of the large discrepancy in the conclusions drawn from the two approaches. The REER model assesses the current value of the REER in relation to its historical values, whereas the CA model compares the current account to the desirable policies and fundamentals of peer countries, offering a cross-country perspective on the factors influencing current account balances. Therefore, inconsistencies between the results of the REER and CA models are likely to emerge due to the different questions each model is intended to address. The inclusion of fixed effects also makes the REER model less robust to structural breaks, a situation currently observed in Namibia with its oil and gas exploration activities. Furthermore, the overall fit of the REER models is generally weaker, further supporting the preference for the CA model in external sector evaluations.

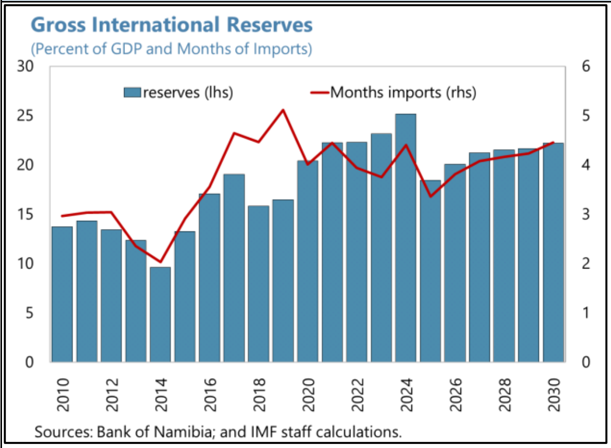
Capital and Financial Accounts: Flows and Policy Measures



Background. The capital and financial account recorded inflows of 18.4 percent of GDP in 2024, slightly higher than those seen in 2023 but in line with the average inflows of 11.0 percent of GDP during 2015–24. In 2024, the inflows in the financial account of 17.2 percent of GDP were driven by foreign direct investment to finance oil and gas related imports. In the medium term, the capital and financial account is expected to normalize at inflows of about 12.9 percent of GDP, as oil exploration intensity decreases once the assessment of key discoveries is completed.

Assessment. Realignment of the policy rate with the SARB is needed to limit the risk of capital outflows. While there is currently no evidence of capital outflows, maintaining a differential may not be sustainable in the medium term, and staff recommend gradually aligning the BoN policy rate with SARB. This should be complemented by improving the liquidity management framework, structural policies to raise domestic competitiveness, and fostering growth in the private sector, with a view to improving economy-wide productivity and diversifying its export base beyond the mineral sector.

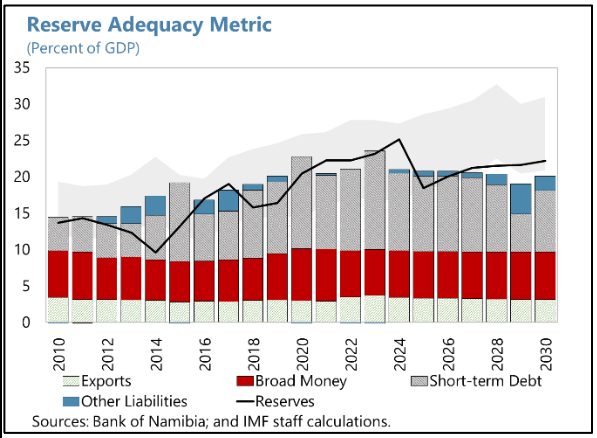
FX Intervention and Reserves Level



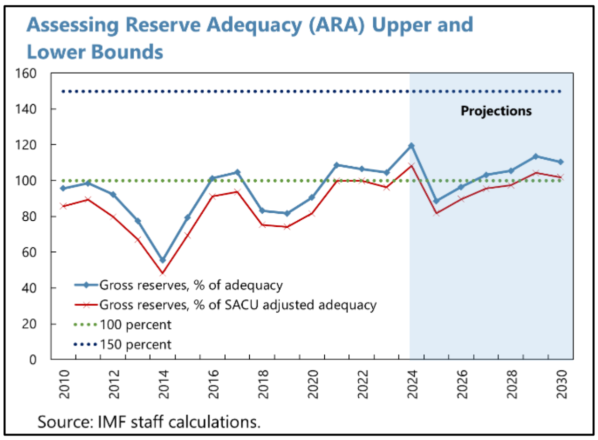
Sources: Bank of Namibia; and IMF staff calculations.

Background. Namibia's international reserves increased in 2024. At the end of 2024, official reserves stood at $3,362 million, about 4.4 months of imports, and 25.1 percent of GDP, higher than the $2,873 million, about 3.8 months of imports, and 23.2 percent of GDP in 2023. This increase was largely due to a record-high SACU transfer. Imports of goods and services remained relatively stable as a percentage of GDP from 2023 to 2024, in contrast to the 9.5 percent increase observed from 2022 to 2023 due to FDI-financed oil and gas-related explorations. FDI more than covered the related imports and contributed to the accumulation of reserves.

Assessment. Namibia's international reserves are adequate. The IMF ARA metrics capture vulnerabilities from multiple sources, measuring reserves as a percent of exports, broad money, short-term debt, and other liabilities. At end-2024, the reserves reached 4.4 months of imports, or 119.6 percent of the ARA floor, driven by a record-high SACU transfer. This is in comparison with 3.8 months of imports or 104.5 percent of the ARA floor at end-2023. The import coverage is projected to decline to 88.6 percent of the ARA floor in 2025, reflecting the amortization of the Eurobond. Nevertheless, the coverage is expected to gradually reach 110.5 percent of the ARA floor by 2030. Note once ARA adequacy metric is adjusted for SACU revenue, the reserve coverage is projected to be 81.9 percent of the ARA floor in 2025 and 101.9 percent by 2030. Given that the current reserve adequacy is largely achieved on account of the high SACU revenue, its volatility is a significant risk to the reserve adequacy. In this context, it is important to safeguard reserve adequacy by implementing structural reforms to reduce dependence on SACU transfers for foreign exchange. This requires strengthening export performance by promoting private-sector-led growth and attracting FDI inflows in non-resource-based sectors, in light of the large uncertainty and volatility of the oil and mining sector.



Sources: Bank of Namibia; and IMF staff calculations.



Source: IMF staff calculations.

Annex III. Sovereign Risk and Debt Sustainability Analysis

Figure 1. Namibia: Summary of the Sovereign Risk and Debt Sustainability Assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The sovereign stress risk is moderate. Despite progress in fiscal consolidation, further actions are required, especially considering the sharp drop in SACU revenues, which exacerbates the already significant financing needs. However, the risk is mitigated by a robust domestic investor base, a strong market appetite for long-term debt instruments, and a low level of foreign debt, primarily owed to development institutions.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate, consistent with elevated GFN. Mitigating factors include large domestic investor base, market appetite for long-term debt instruments, and low foreign debt.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Bank. Crisis Cont. Liabty.	...	
Long term	...	n.a.	
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Country teams must input comments on the module in this section.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Namibia is at a moderate overall risk of sovereign stress. While debt is expected to decline, significant risks remain, including a sharp drop of SACU revenues in FY25/26. The GFN Financeability Module indicates that the medium-term liquidity risks are high, primarily because of the persistent high gross financing needs, which are projected to spike in 2025/26, coinciding with the repayment of the 2015 Eurobond. To address this, the authorities have been accumulating a sinking fund for the payment to mitigate the associated spike in GFN. Additionally, the large domestic institutional investor base, the market's appetite for long-maturity debt instruments, and the low share of foreign currency debt are other risk mitigating factors. To effectively manage the medium-term risks of sovereign stress, it is crucial to implement medium-term fiscal consolidation and structural reforms to boost growth.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Namibia: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG (green)	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					No (red)	
2. Subsectors included in the chosen coverage in (1) above:						

	Subsectors captured in the baseline	Inclusion	Comments
1	Budgetary central government	Yes (green)	
2	Extra budgetary funds (EBFs)	No (red)	Not applicable
3	Social security funds (SSFs)	No (red)	
4	State governments	No (red)	
5	Local governments	No (red)	
6	Public nonfinancial corporations	No (grey)	
7	Central bank	No (grey)	
8	Other public financial corporations	No (grey)	

3. Instrument coverage:	Currency & deposits (green)	Loans (green)	Debt securities (green)	Oth acct. payable 2/ (red)	IPSGSs 3/ (red)

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis (green)	Nominal value 5/ (green)	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated (green)

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

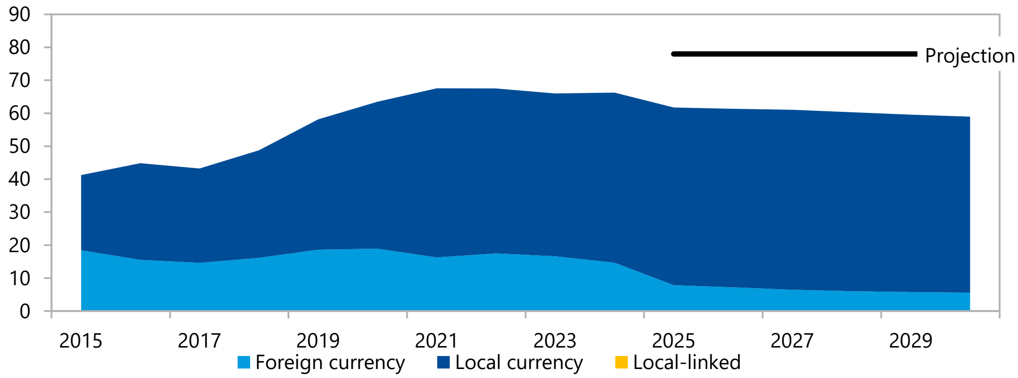
	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Coverage in this SRDSA is of the budgetary central government, consistent with the debt coverage data provided by the authorities. Consolidated general government debt figures are not yet available. While provisions exist for Regional Councils and Local Governments to borrow for capital projects, Regional Councils have not used this option. Moreover, the borrowing by Local Governments remains minimal. In December 2022, Namibia joined the Special Data Dissemination Standard (SDDS) and is working with the IMF's Statistics Department to compile and disseminate data on General Government operations.

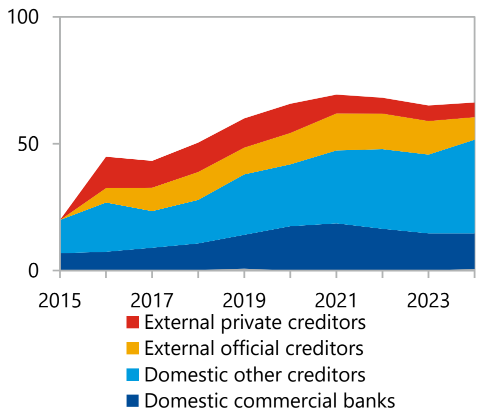
Figure 3. Namibia: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



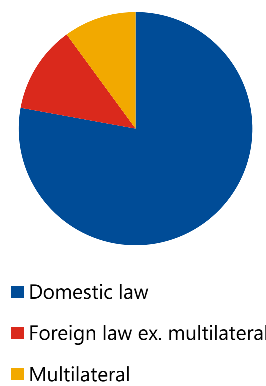
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



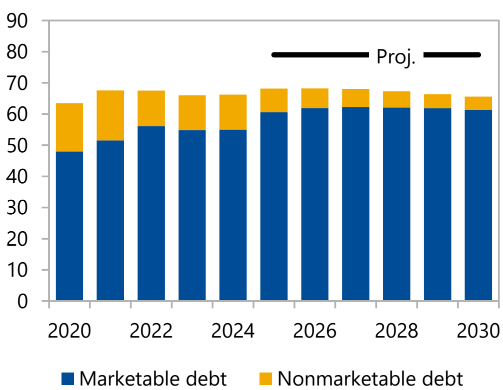
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



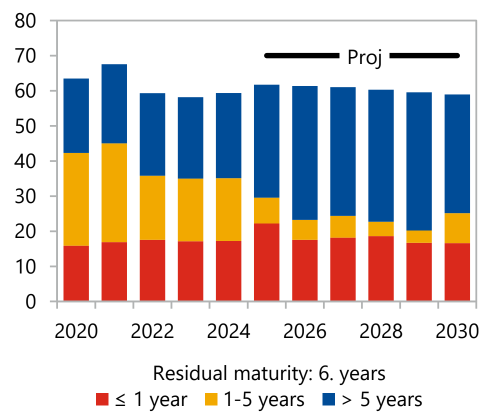
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



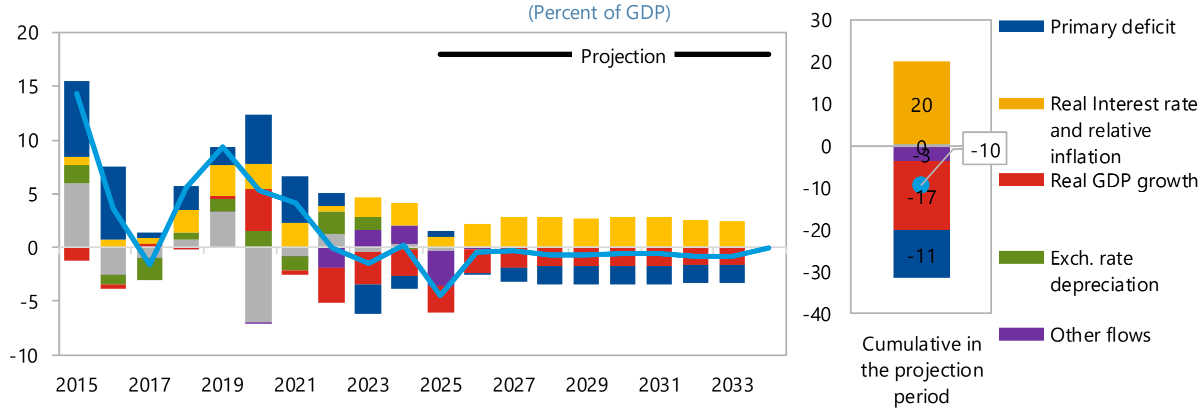
Note: The perimeter shown is general government.

Commentary: Domestic creditors held about 78 percent of public debt in FY 2024/25. 43 percent of the external debt is issued in rand, reducing the currency risk given the peg. A large proportion of debt is issued at longer maturities as part of the government's debt strategy to mitigate rollover risks and diversify the maturity profile.

Figure 4. Namibia: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public Debt	66.2	61.7	61.4	61.0	60.3	59.5	59.0	58.4	57.6	56.7	n.a.
Change in Public Debt	0.2	-4.5	-0.4	-0.3	-0.7	-0.8	-0.6	-0.6	-0.8	-0.9	n.a.
Contribution of identified flows	-0.1	-4.2	-0.4	-0.5	-0.7	-0.8	-0.7	-0.7	-0.9	-0.9	n.a.
Primary deficit	-1.2	0.5	-0.2	-1.4	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	n.a.
Noninterest revenues	36.5	33.2	32.8	33.1	33.3	33.3	33.3	33.3	33.3	33.3	n.a.
Noninterest expenditures	35.3	33.7	32.6	31.7	31.6	31.5	31.5	31.5	31.5	31.5	n.a.
Automatic debt dynamics	-0.6	-1.4	-0.1	0.9	1.0	0.9	1.0	1.0	0.8	0.8	n.a.
Real interest rate and relative inflation	2.1	1.0	2.1	2.7	2.8	2.7	2.7	2.7	2.5	2.4	n.a.
Real interest rate	1.9	0.6	1.9	2.6	2.6	2.5	2.6	2.6	2.3	2.2	n.a.
Relative inflation	0.2	0.4	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	n.a.
Real growth rate	-2.5	-2.4	-2.2	-1.8	-1.8	-1.8	-1.7	-1.7	-1.6	-1.6	n.a.
Real exchange rate	-0.2	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.7	-3.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Other transactions	1.7	-3.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Contribution of Residual	0.3	-0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	n.a.
Gross Financing Needs	20.6	27.3	25.0	20.0	20.2	20.5	18.8	19.6	22.2	20.8	n.a.
of which: debt service	21.9	26.8	25.3	21.4	21.9	22.2	20.5	21.4	23.9	22.5	n.a.
Local currency	20.8	19.4	23.6	20.0	20.8	21.2	19.5	20.4	22.9	21.6	n.a.
Foreign currency	1.1	7.4	1.7	1.4	1.1	1.0	1.0	1.0	1.0	1.0	n.a.
Memo:											
Real GDP growth (percent)	3.9	3.8	3.7	3.1	3.0	3.0	3.0	3.0	2.8	2.8	n.a.
Inflation (GDP deflator; percent)	3.7	5.0	5.2	4.4	4.4	4.4	4.4	4.5	4.6	4.6	n.a.
Nominal GDP growth (percent)	7.5	9.0	8.8	7.5	7.6	7.6	7.6	7.6	7.6	7.6	n.a.
Effective interest rate (percent)	6.8	6.0	8.5	8.9	9.0	8.9	9.1	9.2	8.9	8.8	n.a.

Contribution to Change in Public Debt
(Percent of GDP)

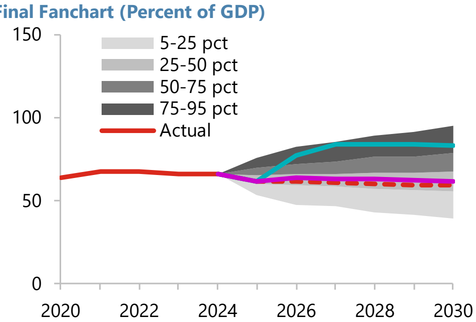


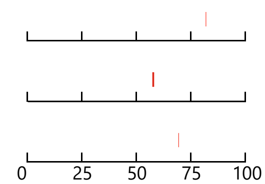
Commentary: Over the medium term, the authorities' fiscal strategy of keeping primary surpluses, coupled with continued economic growth, is anticipated to maintain the public debt-to-GDP ratio on a declining path.

Figure 5. Namibia: Medium-Term Risk Assessment

	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	56.1	0.8	
Probability of debt non-stabilizaiton *(percent)*	33.4	0.3	
Terminal debt-to-GDP x institutions index	40.3	0.9	
Debt fanchart index (DFI)		2.0	
Risk signal: 3/		**Moderate**	

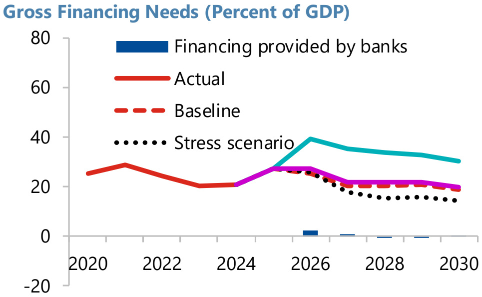
Final Fanchart (Percent of GDP)

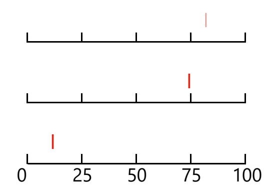




	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	22.0	7.5	
Initial Banks' claims on the gen. govt *(pct bank assets)*	15.8	5.1	
Chg. In banks' claims in stress *(pct banks' assets)*	2.7	0.9	
GFN financeability index (GFI)		13.5	
Risk signal: 4/		**Moderate**	

Gross Financing Needs (Percent of GDP)

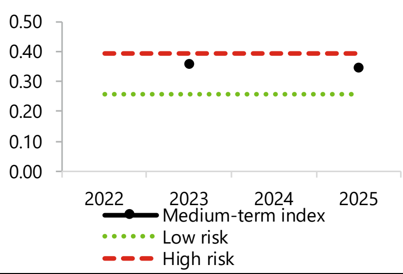




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	2.0	0.4	0.5	0.2
GFN finaceability index	13.5	0.3	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

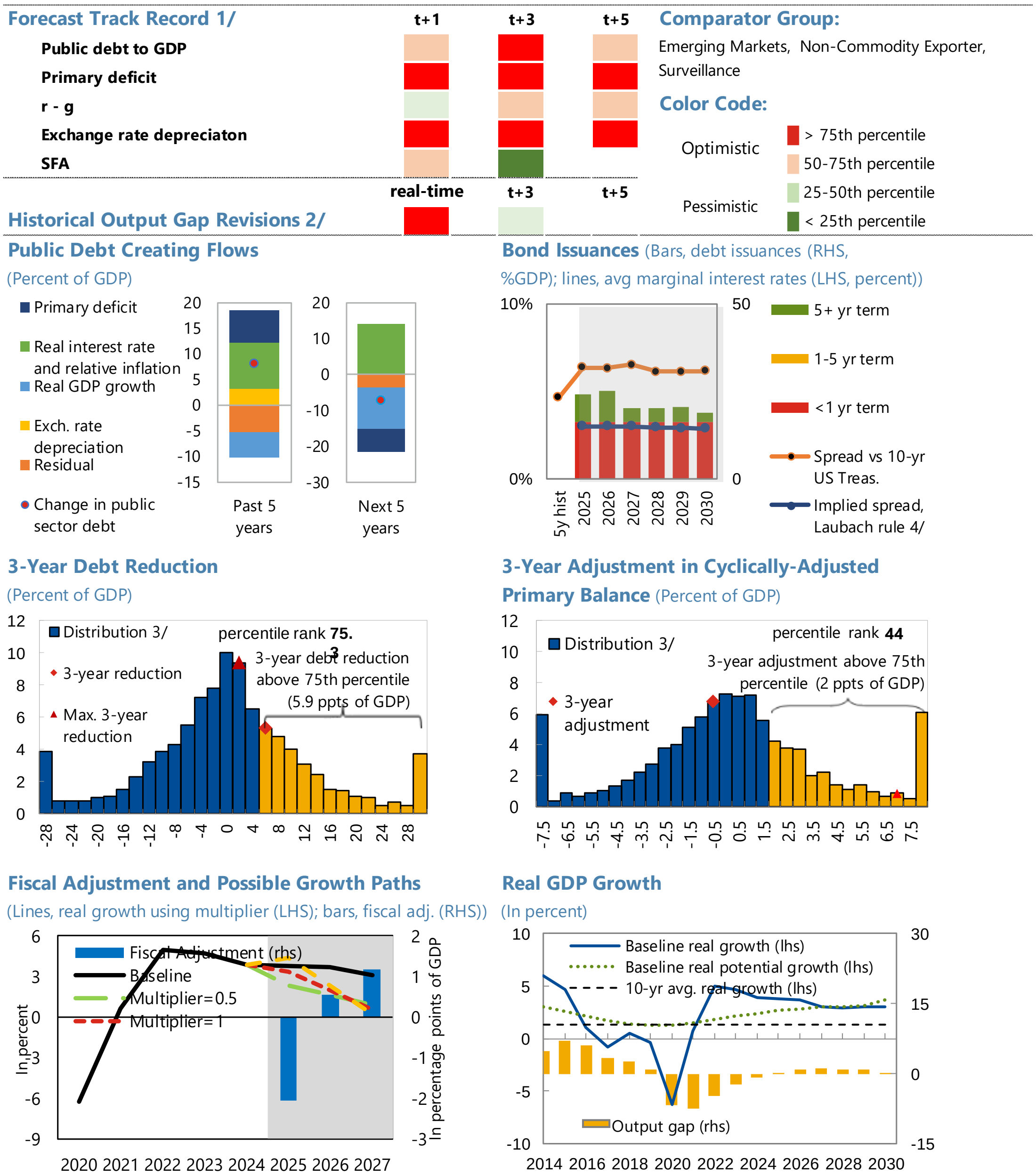
Prob. of missed crisis, 2025-2030, if stress not predicted: 27.3 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 20.5 pct.

Commentary: The Debt Fanchart and the GFN Financeability Modules suggest moderate levels of risk. Nonetheless, the elevated risk could be offset by factors such as the sizable domestic institutional investor base, the strong market preference for long-term debt instruments, and the small proportion of foreign currency debt. To test the robustness of the baseline, the contingent liability and banking crisis stress tests are activated. The contingent liability test indicates that the debt and GFN levels will maintain their downward path over the medium term, while the banking crisis test indicates that the debt and GFN levels will rise substantially and will remain elevated over the medium term.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Namibia: Realism of Baseline Assumptions



Commentary: Forecast track record flags optimism for the primary deficit and exchange rate depreciation compared with non-commodity exporters. However, Namibia is subject to volatile SACU transfer receipts, unlike comparator economies. The 3-year adjustment in cyclically adjusted primary balance is below the 75th percentile rank and is well below the maximum 3-year adjustment. The 3-year debt reduction exceeds the 75th percentile rank, but it is due to the planned repayment of the Eurobonds in FY25/26. A significant portion of the repayment is already accumulated in a sinking fund and mitigates the risk to debt reduction. The projected change in the cyclically adjusted primary balance is negative for FY25/26. However, fiscal adjustment is projected to be positive once a large SACU revenue shortfall is taken into account.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. Namibia: Triggered Modules

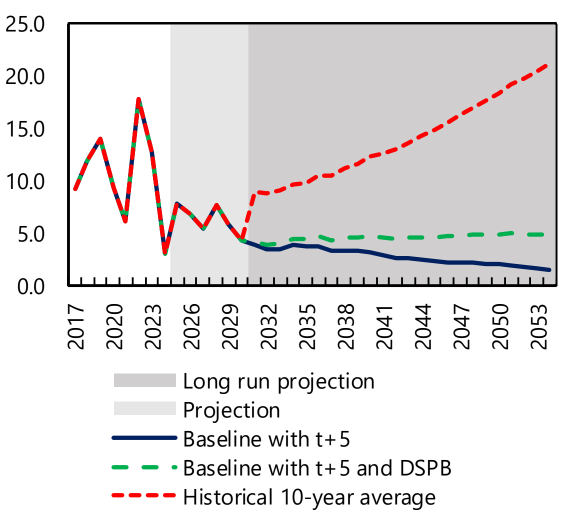
Triggered Modules

Large amortizations	Pensions	Climate change: Adaptation	Natural Resources
	Health	Climate change: Mitigation	

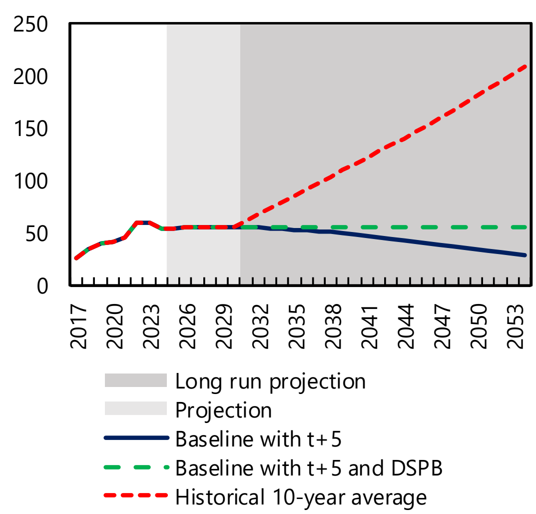
Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Under the baseline, the GFN-to-GDP ratio will decline gradually over the long term. Recent issuances are calibrated to avoid bunching, and the overall debt management strategy is tuned to this objective.

Annex IV. Past Fund Advice

	Recommendation	Status
Fiscal Policy	Contain the wage bill by implementing a comprehensive civil service reform, accompanied by a functional review and an early retirement program.	While technical work on a functional review modality is in progress, the civil service reform has yet to be designed and implemented. Public sector wages freeze has been reintroduced in FY25/26 following an easing in the previous year.
	Finalize the Public Enterprises Ownership Policy (PAOP) to guide the ongoing SOE reforms.	The new government is re-examining a draft Public Enterprises Ownership Policy.
	Mobilize additional revenues, including by strengthening compliance and enforcement	Enhanced efficiency in collection and improved administration, including compliance, contributed to increases in tax revenues in FY23/24–24/25.
	Raise additional revenues from natural resources by allocating fishing license competitively and reviewing the fiscal regime for the mining sector.	Competitive allocation of fishing licenses remains limited. Thin capitalization and unlimited loss carryforward rules were tightened through an amendment of the tax law.
	Adopt the PFM Bill (Amended State Finance Act).	Amended State Finance Bill (PFM Bill) is planned to be presented to Parliament in 2025.
	Develop a comprehensive fiscal risk management framework.	An inaugural SOE risk report will be published in 2025. The development of a comprehensive risk management framework is at an early stage.
	Operationalize the newly established SWF, the Welwitschia Fund, (WF).	A law to operationalize rules governing deposits and withdrawals is being drafted and is planned to be presented to Parliament in 2025.
Monetary and Financial Sector Policy	Ensure broad alignment of monetary policy rate with SARB	The BoN has maintained a negative differential and lowered its policy rate by 100 basis points since mid-2024 to support economic activity and address the challenges of high mortgage rates.
	Review daily liquidity management operations and CFMs to ensure an optimal policy transmission mechanism.	The BoN has hired staff to assist with the operationalization of the Liquidity Management and Forecasting Framework.
	Monitor financial sector vulnerabilities related to elevated interest rates, broader financial stability, and high banking exposure to NBFI deposits.	The BoN continued to monitor these risks. NPLs have been provisioned for, with the provisioning ratio rising to 16.3 in September 2024 from 16.0 in December 2023.
	Improve SME's access to credit to support private sector -led growth	By September 2024, the Namibian government disbursed N$ 398.8 million (0.2 percent of estimated GDP in 2024) to 360 eligible businesses under its SME recovery scheme established in 2023. Additionally, in October 2024, the BoN issued policy changes to provide relief to economic agents in the agriculture sector facing financial challenges related to drought. The policy allows banks in Namibia to grant moratoriums on loan repayments, restructure loans, and provide emergency funding to their clients in the agriculture sector.

	Recommendation	Status
	Continue with on-going money laundering and terrorist financing investigations and prosecutions, implement AML/CFT preventive measures, and strengthen AML/CFT supervision.	Progress in addressing strategic deficiencies in the AML/CFT system has been made. Specifically, the supervision capacity of FIC and other competent authorities has been strengthened via increased human and financial resources and training.
Product Market Reforms	Address bottlenecks caused by the sizeable public sector wage premium and SOE presence in several economic sectors.	The inaugural SOE fiscal risk report improves monitoring to help identify problem enterprises and implement mitigation measures. Broader civil service and SOE reforms have not progressed.
	Reform SOEs providing network services (water, electricity, transport) to improve commercial feasibility of projects and foster private entrepreneurship.	same as above
	Reduce cost of inputs such as energy and data.	No notable progress yet.
	Upgrade key infrastructure gaps, including by upgrading and expanding the railway network, and investing in sustainable energy production and gridlines, including in remote areas.	The government increased capital spending for the railway network in FY24/25. Trans Namib, the national rail services operator, secured an N$2.6 billion loan to boost its haulage capacity and address operational challenges. NamPower, a state-owned utility, initiated a long-awaited investment in a hydroelectric dam as well as in investments needed to integrate renewable energy into the transmission network. In September 2024, NamPower finalized a N$1.3 billion loan agreement to fund the construction of a 100 MW solar power plant in southern Namibia. A Public Investment Management Assessment was undertaken by the IMF in May 2024.
Labor Market Reforms	Reduce skill mismatches, including through skill audits and easing regulatory restrictions to hire skilled foreign workers.	The labor module from the 2023 Population and Housing Census, which became publicly available in January 2025 is expected to help tailor training efforts to emerging private sector opportunities.
Regulatory and Governance Reforms	Strengthen the PPP framework to help the Namibian economy benefit from mineral discoveries and potential new investments in green hydrogen.	Efforts are underway to secure offtake and financing for green hydrogen through discussions with the EU and the World Bank Group. The required renewable energy production over the medium term is expected to increase energy availability and reduce high energy input costs that are constraining diversification. The cabinet has recently approved a local content policy bill that aims to foster sustainable economic diversification.
	Streamline burdensome regulatory environment and policy uncertainty fueled by delays in passing key pieces of legislation, including the Investment Promotion Bill.	The signing of the Namibia Investment Promotion and Facilitation Bill, which is expected to strengthen the investment framework, is still pending.
	Continue to strengthen governance and the anti-corruption framework to support private investment, including by subscribing to the EITI.	Joining the Extractive Industries Transparency Initiative (EITI) is under consideration.

	Recommendation	Status
Climate Mitigation	Address food insecurity, including through structural measures to increase the productivity and the resilience of the agriculture sector.	The drought relief program in FY23/24 and FY24/25 includes food aid and support for farmers. Capital spending for the water sector has been significantly scaled up and includes several projects financed by external loans. The seed improvement program is being implemented and significant improvements in productivity has been made in large government-owned farms, including through leasing to the private sector.

Annex V. Interest Rate Structure and Monetary Operations

1. **Namibia's monetary policy is underpinned by the currency peg of the Namibian dollar to the South African Rand**. In addition to the 45 percent domestic asset requirement for non-bank financial institutions (NBFIs) to invest in Namibia, the Bank of Namibia (BoN) employs various interest rates and instruments to manage liquidity and mitigate capital flows to South Africa, the anchor country.

2. **The BoN's policy rate is the 7-day repo rate, which currently stands at 6.75 percent and is determined by the Monetary Policy Committee**. The policy rate is directly linked to the prime rate used by banks as a benchmark to price lending products, including mortgages. The BoN also sets the prime rate by setting a premium, currently at 375 basis points above the policy rate. Currently at 10.5 percent, the prime rate is below South Africa's prime rate (which is 11 percent, and 350 basis points above the SARB repo rate). Namibian banks have the flexibility to apply an additional margin to offset the negative interest rate differential.

3. **The BoN also has a call rate, currently at 7.25 percent and 50 basis points above the BoN repo rate.** The call rate serves to remunerate overnight commercial bank balances (held in settlement accounts) at the BON to help keep the large amount of excess liquidity in Namibia.

4. **To manage liquidity, the BoN issues 7, 14, and 28-day bills on a weekly basis, with pricing linked to the SARB rates.** Specifically, the BoN bill rates are based on SARB's Corporations for Public Deposits (CPDs) rates, which tend to be more attractive, keeping liquidity in Namibia even when there is a negative differential between the SARB and the BoN policy rates.

5. **Structural constraints, such as a limited set of instruments, make asset substitutability a challenge in Namibia.** Market participants mainly invest in government securities in Namibia. Banks prefer to invest in treasury bills for liquidity management purposes, as these are accepted as collateral for operations with the BoN. Conversely, NBFIs, including pension funds, prefer to invest in government bonds, holding them to maturity to match their long-term liabilities. The illiquid secondary government securities market hampers market participants' ability to transition easily between Namibian and South African instruments, thus restricting capital flows from Namibia to South Africa. There have also been instances where the yields on Namibian government securities have exceeded those in South Africa, even in situations where there exists a negative interest rate differential between the BoN and the SARB policy rates.

6. **Additionally, despite higher returns on assets in South Africa, Namibian banks are subject to regulatory restrictions on their investments in South Africa and the liquidity they must maintain domestically, which helps to curb excessive capital outflows.**

Annex VI. Capacity Development Strategy

1. **This annex reviews recent capacity development (CD) activities and highlights near-term priorities**. The CD strategy in Namibia aims to support economic policy formulation and implementation for macroeconomic stability and economic development. The country is engaged with all IMF providers, including AFRITAC South, Monetary and Capital Markets (MCM) Department, Fiscal Affairs Department (FAD), Statistics Department (STA), and the Legal Department (LEG). The authorities develop well-thought-through requests that match their needs and absorptive capacity. In addition, they are very organized in receiving the assistance and implementing the recommendations.

2. **CD areas cover a wide range**. In the fiscal area, the focus is on improving fiscal sustainability, public financial management, petroleum taxation and revenue forecasting. In the statistics area, the emphasis is on improving the quality of statistics and enhancing the macroeconomic framework. In the monetary and financial area, support has covered monetary policy operations framework, implementing the lender of last resort, supervisory structures, risk-based frameworks, macroprudential measures, stress testing, cybersecurity and regulation, and CBDC exploration. In the statistics area, the focus has been on ensuring consistent recording of both the national accounts and the balance of payments, particularly FDI and imports associated with oil and gas exploration and assisting in the preparation for rebasing national accounts. Tracking exploration-related activities' potential impact is crucial for informed policy decisions. Additionally, in light of the impacts of drought in Namibia, it is important to prioritize capacity building for assessing drought-related risks, analyzing policy response costs, and developing climate adaptation measures.

Recent CD Activities

3. **On the fiscal front,** the CD continued to focus on revenue mobilization, customs operations, strengthening the Public Financial Management (PFM) framework, and costing for Sustainable Development Goals (SDGs).

- **Supporting the newly established revenue authority and administrative reforms**: This work covered CD on strategy and operational plans; enhancing leadership effectiveness of the executive team; conducting business process reviews; building audit capacity; and establishing a compliance risk management unit.

- **Providing support to customs**: This work included assistance in the development of operational unit plans and key performance indicators. AFRITAC South (AFS) has facilitated a series of technical workshops focused on the drafting of standard operating procedures. The cargo processing manual has also been reviewed and updated for the customs induction training program.

- **Strengthening the Public Financial Management (PFM) framework**: This support covered budget preparation and business processes focused on strengthening the existing information and communications technology. It also included recommendations for a roadmap for digitalization in budget preparation and management. AFS missions delivered TA on the revision of the PFM legal framework, supporting the drafting of the amended State Finance Act and developing a plan of action to obtain parliamentary approval. TA also supported the review of the finance ministry organization.

- **SDG costing**: TA was provided to assess the spending associated with making substantial progress on the SDGs for human and physical capital development, involving a two-day mission workshop to inform the Namibian authorities of the international experience and methodologies supporting the implementation of the SDGs in: (i) assessing the spending needs to achieve high performance on selected SDGs, and (ii) budgeting in support of SDGs.

- **The petroleum tax policy:** It helped identify gaps in the current petroleum tax policy and offered recommendations for reform to optimize revenue generation from the oil sector, ensuring alignment with international best practices.

- **PIMA/C-PIMA**: PIMA identified key impediments to efficient implementation of public investment projects and offered recommendations, including standardizing the methodology for appraisal and project management processes and improving reporting requirements. C-PIMA recommended aligning climate change objectives and the 6th NDP and developing a methodology for climate tagging in public investment.

- **Fiscal risk management**: TA assisted preparation of an inaugural SOE fiscal risk report.

4. In the Monetary and Financial Sector, the CD focused on strengthening the macroeconomic framework, enhancing monetary policy operations, implementing the Lender of Last Resort (LOLR) Framework, enhancing risk-based supervision, modernizing financial market infrastructure, addressing cyber risks and exploring CBDCs.

- **Enhancing the Macroeconomic Framework:** This CD was centered on the Forecasting and Policy Analysis (FPAS) project with the Bank of Namibia (BoN). It covers the introduction of a core model for medium-term forecasting and alternative scenario analysis. Recommendations include improving policy coordination and economic forecasting to create a comprehensive macroeconomic framework that aids in informed decision-making.

- **Improving the Monetary Policy Operations Framework:** Key issues include enhancing the BoN's capacity for effective monetary policy implementation, improving interest rate setting, and operationalizing the LOLR framework and the collateral framework.

- **Modernizing financial market infrastructure:** The CD supported the BoN in operationalizing a Central Securities Depository (CSD) to enhance the skills of teams from the BoN and the Namibia Stock Exchange (NSX) through targeted training. This is vital for shifting Namibia's financial landscape from manual to automated operations, thereby boosting market liquidity and trust.

- **Risk-Based Supervision (RBS):** Enhancing the RBS framework to improve supervisory practices and risk assessment methodologies within Namibia's financial sector to ensure resilience against potential risks.

- **Banking Supervision Structure**: The review stresses the optimization of the banking supervision structure and resource allocation to enhance supervisory capacity and effectiveness.

- **Bank resolution issues:** The CD supported the operationalization of the BoN Resolution regime.

5. The legal capacity development (CD) continued with strengthening the AML/CFT legal foundations.

6. In the statistics domain, the CD focuses on enhancing National Accounts and Producer Price Index (PPI) and reinforcing external sector statistics (ESS) and monetary and financial statistics (MFS) to improve the accuracy and comprehensiveness of economic indicators. The CD focused on the consistency between ESS and MFS, strengthening conformity to the Special Data Dissemination Standard (SDSS) for which Namibia qualified in 2022. ESS topics included strengthening data management on the coverage of reserve assets; IMF loan liability and quota recording; coverage of portfolio assets of the state-run pension fund; metadata on ESS; and FDI survey.

7. The implementation of CD recommendations has been generally satisfactory, but there is a need for streamlining to achieve optimal impact. Progress has been made on digitalizing budget processes and strengthening the revenue authority. The BoN has also made progress in strengthening the functionality of its macroprudential mandate by enhancing risk monitoring and data reporting. Although a public-private partnership (PPP) framework had been approved by parliament in 2018, greater effort is needed to advance capacity in cost-benefit analysis and integrate it into SOE projects. On the financial sector side, enhancing cooperation between the BoN and the NAMFISA in overseeing non-bank financial institutions (NBFIs) needs a more frequent and systematic data-sharing mechanism. Future TA requests should be rigorously monitored to ensure they are demand-driven and absorbed with tracked progress before any further TA commitments are made.

Moving Ahead: Priorities in Capacity Building

8. In the fiscal area, support aims to assist the institutional strengthening of the Namibia Revenue Agency (NamRA) and the PFM framework.

- **Further institutional support to NamRA** will focus on: coaching the executive leadership to enhance leadership effectiveness and reform implementation; continue to strengthen core tax functions (registration, timely filing and payment, and accuracy of returns); further entrenching compliance risk management in NamRA’s operations; continuing to build audit capacity with a focus on transfer pricing in tourism, mining, and fisheries areas; and building capacity in audit of oil and gas operations.

- **On PFM and expenditure quality**, planned support includes continued assistance on the preparation of PFM regulations and a follow-up on the digitalization of budget preparation. Support could also help strengthen the PFM framework for managing oil and gas revenues to increase transparency, accountability, and sustainability, with a focus on revenue forecasting, budgeting, and expenditure management.

9. In the monetary area, planned TA include:

- **Banking supervision:** TA plans to support RBS Enhancement Framework and Supervisory Review and Evaluation Process implementation.
- **CBDCs, digital assets and cyber risk:** Support will focus on implementation, regulation, and cross-payments capacity.
- **Payment systems:** TA plans to focus on fintech regulation and payments system oversight.
- **Monetary operations:** TA plans to assist the authorities in further developing the emergency liquidity assistance framework, with a follow-up on past capacity building and an overview of the implementation of the liquidity forecasting model.
- **AML/CFT:** LEG will continue to support the authorities on strengthening AML/CFT framework.

10. In the statistics area, TA plans to focus on the rebasing of National Accounts, which is essential for economic analysis and policy making.

Annex VII. Data Issues

Table 1. Namibia: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	B	B		
Granularity 3/	C		C	C	B		
			B		B		
Consistency			B	B		B	
Frequency and Timeliness	B	B	B	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Rationale for staff assessment. Data are generally shared with the country team in a timely manner, sometimes with issues around coverage. The shortcomings are primarily in the more granular data. National accounts have weaknesses in tracking oil and gas exploration activity, but progress is being made with the ongoing TA from the statistics department. Supply-use table remains unavailable. Comprehensive economic survey is planned in the context of the rebasing of the national accounts and should lead to improvements. Price data are generally good, but the weights, item basket, and the reference period are severely outdated. The Government Finance Statistics (GFS) currently is compiled on a cash basis for the budgetary central government only and weakness in economic classifications of certain transactions, in particular intra-government grants, poses some challenges for fiscal analysis. More granular data on government's external debt could be made available. External sector statistics have large residuals and the BOP and IIP are not fully aligned. More granular data on external statistics by institutional sector, currency, maturity structure of financing instruments could be made available on a regular basis. Information on net international reserves could be more detailed, including pledged or encumbered assets and foreign exchange swap lines.

Changes since the last Article IV consultation. A national accounts TA from the Statistics department reviewed estimates of petroleum exploration and evaluation services in official GDP estimates, and identified double counting of imports of these services in domestic production. Levels and growth of of domestic production were revised from 2021 Q1 onwards. There is an ongoing STA TA to help the authorities expand the coverage and improve the granularity of the government finance statistics, including by rolling out new Charts of Accounts based on the GFS Mannual 2014. BoN has made progress on collecting disaggregated data on the oil and gas exploration activity. Net IIP and current account have been revised to more acurately reflect the exploration activity.

Corrective actions and capacity development priorities. Priorities include further improvement in data collection on and incorporation of oil and gas exploration activities for National accounts and BOP statistics, introducing new Chart of Accounts to facilitate compilation of consolidated GG GFS, increasing resources and capacities needed for the planned rebasing of GDP, and implementing household expenditure and labor surveys.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Social indicators (for example on poverty, food insecurity, and inequality) are very sparse and out of date. They are expected to be updated when the next economic census and household income and expenditure survey is conducted in FY25/26. Data on the labor force is available only every few years. More frequent labor and skills data is important given the high unemployment in the country. It would also be good to collect information on the informal sector. Improvement in data on social and labor indicators is also important to monitor poverty, food insecurity, and inequality in the country (which are stark).

Table 2. Namibia: Data Standards Initiatives

Namibia subscribes to the Special Data Dissemination Standard (SDDS) since December 2022 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Namibia: Table of Common Indicators Required for Surveillance

(As of May 9, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Namibia[8]	Expected Timeliness[6,7]	Namibia[8]
Exchange Rates	Apr-25	Apr-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Mar-25	Apr-25	M	M	M	30	1W	30
Reserve/Base Money	Mar-25	Apr-25	M	M	M	30	2W	30
Broad Money	Mar-25	May-25	M	M	M	30	1M	30
Central Bank Balance Sheet	Mar-25	Apr-25	M	M	M	30	2W	30
Consolidated Balance Sheet of the Banking System	Mar-25	May-25	M	M	M	30	1M	30
Interest Rates[2]	Mar-25	Apr-25	M	M	D	...	...	...
Consumer Price Index	Mar-25	Apr-25	M	M	M	30	1M	14
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	FY23/24	Aug-24	A	A	A	365	2Q	180
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	FY23/24	Aug-24	A	A	M	30	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-24	Apr-25	Q	A	Q	90	1Q	90
External Current Account Balance	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Feb-25	Apr-25	M	M	M	30	8W	30
GDP/GNP	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Gross External Debt	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
International Investment Position	Dec-24	Mar-25	Q	Q	Q	90	1Q	90

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VIII. Impact of Drought and Government Policy Response

1. **The 2023–24 drought has caused a food security crisis in Namibia, prompting the Prime Minister to declare a state of emergency.** With agriculture supporting 70 percent of Namibia's population, most of the impact has been felt in rural areas dependent on agriculture for income and food. Water supply and food security issues have also affected urban areas.

- Cereal production fell by 53 percent, with a 68-percent drop in the commercial farming sector.
- 40 percent of Namibians faced acute food insecurity, with 84 percent of the country's food reserves depleted as of September 2024.
- Urban areas faced worsening water accessibility, with dam levels down by 70 percent and reduced water levels in the Kunene River impacting domestic use and agriculture.
- The drought curtailed output at the Ruacana hydropower plant, which accounts for over 50 percent of the country's generation capacity.
- The drought increased risks for women, who travel longer distances for water and food, leading to a rise in gender-based violence; special provisions are being made to support them.
- The government has allocated 0.6 percent of GDP in FY24/25 to the disaster relief fund (in addition to 0.3 percent of GDP in the previous fiscal year, partly carried over to FY24/25) to finance the drought relief program. The program targets over half the country, providing food items and food vouchers, agricultural supplies, livestock support, and improved water access.

2. **The UN (including WFP) and several countries supplemented the government's response.**

Annex IX. Key Recommendations from Combined PIMA and C-PIMA

- Establish a standard methodology for capital project appraisal, mandating its use for investment proposals, unifying the twin-track project preparation process, bolstering project selection, and creating capacity for project appraisal and assurance in the NPC and OMAs.

- Require more comprehensive and detailed reporting requirements on the MTEF in the forthcoming PFM Bill, including the reconciliation of changes from one year to the next, identification of resources available for new vs. ongoing projects, total project costs, and EBE capital spending.

- Improve project and portfolio management by issuing standard project management procedures, consolidating portfolio reporting, and establishing active portfolio monitoring processes.

- Ensure full alignment with climate change objectives in the 6th National Development Plan.

- Develop a standard methodology to classify, tag, and track climate-relevant public investment and produce a report as an annex to budget documentation.

Annex X. Progress in Implementation of 2018 FSSA

Recommendation	Actions taken	Remaining actions
Establish and expand the macroprudential framework	The Financial and Oversight Macroprudential Framework was developed and disseminated to the public in July 2023. The Macroprudential Oversight Committee approved the implementation framework of the CCyB, an additional macroprudential tool, and industry consultations are at an advanced stage.	Implementation of the CCyB
Enhance the supervision of NBFIs and introduce electronic Central Securities Depository (CSD), repo operations, and reporting of government bond OTC trades.	The risk-based supervision for NBFIs was developed. The implementation of Financial Institutions Markets Act (FIMA) is undergoing review. The CSD has been introduced following the approval by NAMFISA in March 2024.	Implementation of FIMA
Crisis Preparedness and Management	BoN introduced the Bank of Namibia resolution policy in April 2024.	Establishment of avenues for bilateral cross border co-operation to complement generic memoranda of understanding.

INTERNATIONAL MONETARY FUND

NAMIBIA

May 28, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By
The African Department in collaboration with other departments

CONTENTS

RELATIONS WITH THE FUND ____ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS ____ 7

RELATIONS WITH THE FUND

As of April 30, 2025

Membership Status:
Joined: September 1990, Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	191.10	100.00
IMF holdings of currency	286.55	149.95
Reserve position in Fund	0.15	0.08

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	313.55	100.00
Holdings	171.20	54.60

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
Emergency Assistance (RFI 2021)	95.55	50.00

Latest Financial Commitments:

***Outright Loans*:**

Type	**Date of Commitment**	**Date Drawn/Expired**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
RFI	3/31/2021	4/6/2021	191.10	191.10

Projected Payments to the IMF:
(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2025	2026	2027	2028	2029
Principal	47.78	47.78			
Charges/Interest	5.63	4.79	4.27	4.27	4.27
Total	**53.41**	**52.57**	**4.27**	**4.27**	**4.27**

Implementation of HIPC Initiative Not Applicable

Exchange Rate Arrangement. The currency of Namibia is the Namibian dollar. The de facto and de jure exchange rate arrangement is classified as "conventional peg", vis-à-vis the South African rand. The Namibian dollar is pegged at par with the rand. Namibia is a member of the Common Monetary Area (CMA) and the CMA agreement establishes the fixed exchange rate arrangement.

Namibia has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the Fund's Articles of Agreement, as of September 20, 1996. It maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for restrictions in place for security reasons notified to the Fund pursuant to Decision No. 144-(52/51).

Article IV Consultation. Namibia is on a standard 12-month consultation cycle. The last Article IV consultation was concluded by the Executive Board on December 7, 2023.

Safeguards Assessments. The safeguards assessment of the BoN, conducted in relation to the Rapid Financing Instrument (RFI) approved on April 12, 2021, revealed relatively strong safeguards, including audit mechanisms and financial reporting aligned with international standards. The central bank has a strong control and risk culture, underpinned by a sound risk management function. Following the assessment, the BoN improved foreign reserves management oversight, with more comprehensive reporting to the Board, and revised FX swap agreements for unconditional access to the FX assets derived from those agreements. However, the continuance of the SME loan facility, classified as a quasi-fiscal activity, could further weaken autonomy, which is currently in need of legal strengthening to align with leading practices.

Capacity Development

The Fund has been providing Namibia with technical assistance (TA) and training in the following key areas: public financial management (PFM), tax and customs administration, monetary operations and Lender of Last Resort (LOLR), liquidity management, financial supervision and regulation, macroprudential policies, Central Bank Digital Currency (CBDC) exploration, payment systems development, cyber risk regulation and supervision, AML/CFT legal drafting and FATF Action Plan implementation, macroeconomic modelling capacity, and macroeconomic statistics. Specific capacity development projects since 2019 include:

Fiscal Affairs Department (FAD)

FAD TA has focused on strengthening public financial management, notably the budgetary process, project selection and management of fiscal risks; tax and customs administration, including the establishment of a national revenue agency; and tax policy; and public investment management.

Year	Purpose	Department
2024	PIMA and C-PIMA	FAD
2024	Petroleum fiscal regime and revenue forecasting	FAD
2023	Revenue Administration Mission	FAD
2023	Review of organizational structure of MoF	FAD
2023	Customs Administration - Customs induction training	FAD
2023	Tax administration - Audit	FAD
2023	PFM - Budget preparation & management	FAD
2023	Customs Administration - Customs procedures	FAD
2023	Tax administration - Compliance Risk Management	FAD
2023	SDG costing	FAD
2023	Customs Administration Performance Management	FAD
2023	Customs Administration - Risk management and training & development	FAD
2022	Customs Administration - Customs procedures	FAD
2022	Tax administration - Business process review	FAD
2022	Tax revenue administration - Executive development	FAD
2022	Customs Administration - BCP	FAD
2022	Customs Administration Performance Management	FAD
2022	PFM-PIM	FAD
2022	Governance of extrabudgetary entities	FAD
2022	FADPFM - SDG budgeting	FAD
2022	FADEP - SDG costing	FAD
2022	SDG Costing	FAD
2022	Mid-term Budget Review	FAD
2021	PFM-Budget Preparation	FAD
2021	PFM legal framework reform	FAD
2021	SOEs fiscal risks	FAD
2021	Tax administration: interactive learning and workshops	FAD
2020	Exemptions	FAD
2019	Macro-fiscal forecasting	FAD
2019	Risk management	FAD
2019	Customs Post Clearance Audit	FAD
2019	PFM-Fiscal Risk Management	FAD

Monetary and Capital Markets Department (MCM)

MCM TA has focused on enhancing monetary operations and the LOLR, banking supervision and regulation, banks and non-banks financial institution stress testing capacity, financial crisis management, macroprudential policies, CBDC exploration, payment systems development, and cyber risk management.

Year	Purpose	Department
2024	Monetary Operations and Lender of Last Resort	MCM
2024	Namibia CBDC Exploration, Phase 2	MCM
2023	Central Bank Digital Currency	MCM
2023	Cyber Risk Regulation and Supervision	MCM
2023	Financial crisis management - bank resolution framework	MCM
2022	Banking Regulation and Supervision - Risk-based Supervision (RBS) framework	MCM
2022	Macroprudential Policies	MCM
2022	Cybersecurity	MCM
2022	Debt management strategy	MCM
2019	Banking regulation and supervision	MCM
2019	Stress test	MCM
2019	Cyber Risk Regulation and Supervision Capacity Development	MCM
2019	Risk-based Supervision (RBS) system	MCM
2018	Payment Systems Development	MCM
2018	Training and capacity building for ACH Assessment	MCM

Institute for Capacity Development (ICD)

ICD launched in 2021 a multi-year macroeconomic frameworks TA project with the Bank of Namibia to improve economic analysis and forecasting capabilities, streamline the decision-making process, and strengthen the monetary policy communication strategy. So far, TA delivery has focused on macroeconomic forecasting capacity, including nowcasting.

Year	Purpose	Department
2023	Mission on Enhancing the Macroeconomic Framework at the Bank of Namibia	ICD
2023	Macroeconomic Frameworks TA – Building a Quarterly Projection Model (QPM)	ICD
2022	Macroeconomic Frameworks TA – Near-term Forecasting of Inflation and Nowcasting of GDP	ICD
2021	Macroeconomic Frameworks TA – Scoping and Action Plan	ICD

Statistics Department (STA)

STA TA has focused on enhancing the quality of sectoral macroeconomic statistics as well as updating the consumer price index (CPI), rebasing the National Accounts statistics, developing the producer price index (PPI), Financial Soundness Indicators (FSI), and supporting Namibia's progress in the implementation of the international statistical standards.

Year	Purpose	Department
2024	Development of Monthly Indicators of Economic Growth (MIEG)	STA
2024	Producer Price Index (PPI) Mission	STA
2024	National Accounts Statistics Mission	STA
2023	Government Finance Statistics	STA
2023	Balance of Payments Statistics	STA
2023	National Accounts Real Sector	STA
2022	Development of PPI	STA
2022	National Accounts Real Sector	STA
2022	Government Finance Statistics	STA
2022	Balance of Payments Statistics	STA
2021	National Accounts Real Sector	STA
2021	Development of PPI	STA
2020	Real Sector - Prices	STA
2019	National Accounts	STA
2019	Government Finance Statistics	STA
2019	Consumer Prices/Producer Price	STA
2019	Rebasing CPI and developing PPI	STA
2019	Financial Soundness Indicators	STA

Legal Department (LEG)

LEG has provided TA in 2023–24, focusing on strengthening of the legal framework for the AML/CFT architecture and implementing FATF Action Plan, and operationalization of the bank resolution framework to strengthen financial crisis management.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/namibia
- African Development Bank: https://www.afdb.org/en/countries/southern-africa/namibia
- Regional Technical Assistance Center for Southern Africa: https://www.southafritac.org

Statement by Mr. Adriano Isaias Ubisse, Executive Director for Namibia, and Mr. Moeti Godfrey Damane, Senior Advisor to the Executive Director
June 11, 2025

Introduction

1. **We thank Ms. Li and her team for their insightful report.** Our authorities deeply value the candid and constructive policy dialogue during the recent Article IV consultation with IMF staff and appreciate the spirit of cooperation that characterized the engagement.

2. **The 2025 Article IV Consultation with Namibia provided a comprehensive assessment of the country's economic performance and policy direction.** Discussions focused on fiscal consolidation, the trajectory of monetary policy, and the implementation of structural reforms. The staff's recommendations—ranging from enhancing public investment efficiency to strengthening social protection and financial sector stability—were well received and align with the authorities' reform agenda.

3. In this context, **our authorities have expressed a preference for maintaining a 12-month cycle for Article IV consultations, reflecting their commitment to regular engagement and timely policy dialogue with the Fund.** They expressed appreciation for the IMF's technical support, particularly in fiscal and financial sector reforms. The authorities further acknowledge the important contributions of development partners, including AFRITAC South, in supporting these efforts and welcome continued collaboration to strengthen institutional capacity.

4. Namibia remains committed to recovery and inclusive growth through fiscal discipline, sound monetary policy, and structural transformation. In light of these efforts, **we seek the Executive Directors' support in concluding the 2025 Article IV Consultation.**

Recent Economic Developments and Outlook

5. **While Namibia's economy has faced challenges in recent periods, the overall economic outlook remains positive underpinned by strong domestic prospects.** Real GDP growth slowed to 3.7 percent in 2024 due to weak global demand for diamonds and a drought-induced contraction in agriculture. Going forward, growth is projected to accelerate to 3.8 percent in 2025 and 4.0 percent in 2026 as agriculture recovers following above average rainfall, supported by private consumption, drilling and exploration activities related to the development of the hydrocarbons sector coupled with an uptick in uranium exports. Inflation has eased below the central bank's target range (3–6 percent), reflecting moderated food and transport prices. The external current account deficit is expected to decrease to 14.2 percent of GDP in 2025, down from 15.3 percent in 2024, expected to be largely financed by foreign direct investment (FDI) and debt inflows.

6. **Our authorities recognize the significant downside risks and remain committed to mitigating prevailing challenges and cushioning the most vulnerable segments.** These risks include diminished diamond export earnings due to price pressures coupled with the rise of lab-grown alternatives, potential trade disruptions from protectionist policies, and inflationary pressures from ongoing global conflicts. To this end, the authorities will ensure that fiscal policies are adjusted to address the strain from declining Southern African Customs Union (SACU) and diamond revenues, including through a strong drive to enhance domestic revenue streams and curtailing spending overruns. Additionally, our authorities are committed to implementing measures to mitigate potential infrastructure damage and flooding from adverse weather conditions as demonstrated in the increased allocation for the disaster fund.

Fiscal and Debt Policies

7. **Our authorities prioritize macroeconomic stability, emphasizing prudent fiscal management to support growth and debt sustainability.** They anticipate the fiscal deficit will widen from 3.9 percent of GDP in FY24/25 to 4.6 percent of GDP in FY25/26. Total revenue is projected to grow steadily over the Medium-Term Expenditure Framework (MTEF) period, driven by non-mining tax revenue, individual income tax, and Value Added Tax (VAT), thanks to economic recovery. However, the authorities recognize the downside risks that could hinder these expectations. In FY25/26, total revenue and grants are expected to increase marginally due to lower receipts from the diamond industry and a sharp decrease

in SACU revenue. From FY26/27 onwards, total revenue is projected to grow steadily, mainly supported by individual income tax, non-mining company tax, and VAT. Expenditure pressures are mounting, but our authorities are committed to containing them. This is to ensure a low budget deficit and a positive primary balance, which is crucial for debt containment and fiscal prudence. Key fiscal measures include exercising restraint over the wage bill and calibrating capital spending to ensure a primary surplus in FY25/26, as envisaged in the recent MTEF.

8. **The authorities are implementing cost-effective strategies to finance the budget deficit and reduce borrowing costs.** While debt financing is sourced from both domestic and external sources, the domestic market has constituted over 80 percent of total financing in recent years. Going forward, domestic financing is projected to remain strong relative to external financing, reflecting a strategic policy stance aimed at fostering the development of the domestic financial market, localizing sovereign debt, and supporting broader economic growth.

9. **Central government debt is projected to improve over the MTEF period.** The growth in nominal public debt has stabilized, although as a ratio of GDP, the metrics have deteriorated due to lower nominal GDP outcomes. Over the MTEF period, public debt as a percentage of GDP is expected to improve from 66.0 percent in FY24/25 to 62.0 percent in FY25/26 and average 61.8 percent. Debt levels are being closely monitored, with efforts underway to enhance revenue mobilization and improve expenditure management. The authorities are implementing debt sustainability measures to ensure long-term fiscal health. Additionally, the government has made necessary preparations to meet its Eurobond redemption obligation of USD 750 million due in October 2025, by setting aside funds from SACU receipts and planning further contributions from both SACU receipts and the domestic market.

10. **To enhance economic growth and regional competitiveness, our authorities are committed to comprehensive tax reforms.** These include reducing the non-mining company tax rate from 30 percent to 28 percent starting April 1, 2026, introducing a 10 percent dividend tax with exemptions for government, pension, and medical aid funds, and enhancing anti-avoidance measures to regulate hybrid equity instruments. Mining investments will be supported by allowing deductions for rehabilitation costs, tax brackets will be reviewed for inflation creep, and the retirement commutation threshold will increase from N$50,000 to N$375,000. Housing fringe benefit tax will be limited to N$400,000, VAT will be applied to imported digital services by non-resident suppliers and import VAT

exemptions will be reviewed to support green industrialization. VAT zero rating on government-acquired commercial properties will improve tax administration, and an annual 10 percent improvement allowance on building costs will stimulate construction and support net zero carbon emissions reduction.

Monetary and Financial Sector Policies

11. **Our authorities are unwavering in their dedication to controlling inflation and enhancing foreign reserves through deliberate monetary policy actions.** The pegged-exchange rate regime continues to be appropriate, with inflation decelerating below the central bank's target range and projected to stabilize around 4 percent in 2025, barring external price fluctuations. Between July 2024 and February 2025, the Bank of Namibia (BoN) cut its policy rate by 100 basis points, maintaining it at 6.75 percent as of April 202. This policy approach will continue to bolster domestic economic activity amid global policy uncertainties and preserve the fixed exchange rate between the Namibia Dollar and the South African Rand. By the end of December 2024, the Bank's foreign reserves saw an 18.4 percent increase from the previous year, driven mainly by foreign government borrowing and higher SACU receipts. The reserves were sufficient to cover 4.2 months of imports, an improvement from 3.9 months the previous year. Looking forward, the reserves are expected to cover 3.4 months of imports by the end of 2025.

12. **The banking sector in Namibia remained well-capitalized, profitable, and liquid in 2024.** There were notable improvements in asset quality driven by an increase in short-term negotiable securities and net loans. Profitability was bolstered by higher net income, and liquid asset holdings were sufficient to meet near-term obligations. The sector's stability was further confirmed by stress tests, indicating its ability to absorb shocks.

13. **Ensuring the Non-Bank Financial Institutions (NBFI) sector grows safely and securely is a key focus for our authorities.** The sector exhibited significant growth with assets increasing by 14.3 percent in 2024, supported by favourable financial market conditions and declining interest rates. Despite interconnected risks such as geopolitical tensions and demographic shifts, our authorities are confident that the NBFI sector will maintain its resilience in 2025.

14. **The Bank of Namibia implemented key interventions to strengthen financial stability.** These included establishing a regulatory framework for microfinance banks, implementing drought relief measures, and advancing preparations for the countercyclical

capital buffer. The Bank also approved the growth-at-risk model to enhance macroprudential surveillance. Our authorities are committed to these proactive regulatory measures to ensure the sector's resilience and stability.

15. **While the financial sector in Namibia remains stable, our authorities recognize potential vulnerabilities.** These include global uncertainties and intensifying cyber-related risks. They are committed to ensuring that the sector continues to support the real economy through proactive measures and vigilant oversight.

Growth and Climate Resilience Reforms

16. **To foster sustainable growth, the authorities are prioritizing private sector development, infrastructure investment, and regulatory improvements to stimulate job creation.** Recognizing the limitations of public sector employment, they are focused on creating an enabling environment for business and investment, particularly in emerging sectors such as oil and gas, while addressing skill gaps and infrastructure needs.

17. **Complementary reforms target social protection, youth empowerment, and food security.** Despite progress in infrastructure, recurring climate shocks and limited electricity generation—exacerbated by low water inflows at the Ruacana hydro plant—continue to pose risks to economic output and energy reliability.

18. Building on these efforts, **the new administration has introduced a forward-looking agenda aligned with the 6th National Development Plan and the SWAPO Manifesto Implementation Plan.** This agenda emphasizes food and water security, sustainable energy development, and institutional efficiency. Recent structural changes, including ministry mergers, aim to streamline governance and reinforce macroeconomic and climate resilience reforms.

Structural Reforms

19. **The government is advancing a comprehensive structural reform agenda to enhance economic resilience and inclusion.** In response to population growth and unemployment, efforts are focused on expanding access to land and housing, improving labour market alignment, and reducing regulatory barriers. Key initiatives include visa process simplification, land use liberalization, and targeted support for youth employment and skills development.

20. Alongside these economic reforms, **the government is intensifying efforts to strengthen social protection and address skills mismatches in the labour market.** Continued budget allocations are supporting youth-focused programs that promote skills development and capacity building. Active labour market policies are being implemented to reduce unemployment and inequality, while enhancements to the macroprudential policy toolkit are underway to improve the monitoring of macro-financial risks and ensure economic stability.

21. **Enhancing efficiency in public service delivery is a commitment our authorities uphold.** They are exploring solutions for Social Safety Nets, addressing procurement bottlenecks, and enhancing oversight of government schemes. These initiatives aim to ensure effective resource management. Overall, they are focused on implementing fiscal and administrative strategies to promote long-term fiscal health, improve business competitiveness, and support broader economic growth.

22. **The government remains committed to implementing comprehensive civil service reform accompanied by digitalization.** This will facilitate fiscal consolidation and enhance service delivery. Raising the efficiency of public investment and focusing it on addressing key infrastructure gaps (energy, transport, water) will improve growth prospects and foster resilience and job creation.

23. **Recognizing the significant progress achieved in relation to the grey listing by the Financial Action Task Force (FATF) during 2024, our authorities are committed to sustaining this momentum.** Following the adoption of the national action plan in February 2024, a voluntary progress report was submitted in July 2024, followed by a compulsory report in November 2024, which was discussed in a face-to-face review in January 2025. These efforts have resulted in substantial improvements in Namibia’s AML/CFT regime, including full technical compliance on nearly all recommendations. The authorities have also significantly enhanced risk-based supervision, increased the filing of beneficial ownership information, and improved inter-agency cooperation. A national focal committee has been established to ensure sustainability, and investments have been made in staffing, training, and technology. Importantly, the authorities have set an internal target to exit increased monitoring by FATF within 19 months from July 2024. Given the progress to date and the strong political commitment underpinning these reforms, our authorities are confident that the probability of this target being missed is low.

Conclusion

24. **Our authorities remain committed to inclusive growth and acknowledge the IMF's continued partnership in this effort.** They will continue to focus efforts aimed at improving the business environment, increasing productivity and strengthening social safety nets while addressing existing imbalances to foster a resilient and inclusive economy for all Namibians.