Republic of Namibia
Ministry of Finance & Public Enterprises

Bank of Namibia

FY2024/25 BORROWING STRATEGY SUMMARY

This document outlines the plan for sourcing the funds required to meet the FY2024/25 Government financing gap as outlined in the current Medium-Term Expenditure Framework. The FY2024/2025 National Budget estimated a deficit of N$8.9 billion, representing 3.2 percent of GDP. After accounting for foreign loan principal re-payments of N$2.7 billion as well as additional financing requirements amounting to N$3.6 billion, net financing needs for the FY2024/25 are estimated at N$15.3 billion. Consequently, N$12.8 billion of this will be financed domestically, while the remainder, N$2.4 billion will be financed externally (Please see Table 2 for a detailed breakdown).

Table 1: FY2024/25 Financing Requirements (N$ million)

	FY2024/25
Total Revenue	90,427
Total Expenditure	-100,101
Grant funded Expenditure	730
Budget deficit	**-8,944**
Foreign Loan Principal Repayment	-2,722
Other Financing requirements	-3,601
Net borrowing requirement	**-15,267**
Foreign Financing	**2,434**
African Development Bank	1,751
Kreditanstalt für Wiederaufbau	683
Net Domestic Borrowing	**-12,833**

Source: MFPE

a) Domestic Market Borrowing

As highlighted above, a total of N$12.8 billion will be sourced from the domestic market. This has been distributed amongst the three local classes of instruments: Treasury Bills, Fixed-rate bonds, and Inflation-linked bonds. Net treasury bill issuance amounts to N$2.9 billion, N$8.8 billion on Fixed-rate bonds, and N$1.1 billion on inflation-linked bonds, as shown in Table 2 below.

Table 2: Domestic Borrowing Strategy FY2024/25 (N$ million)

Debt Securities	FY2024/25
Treasury Bills	2,897
Fixed-rate Bonds	8,845
Inflation-linked Bonds	1,100
TOTAL DOMESTIC BORROWING	**12,842**

Source: MFPE

i. Treasury Bills

Of the domestic borrowing requirement, 23 percent will be sourced through Treasury Bill issuance during the FY2024/25. The plan will continue with smaller weekly Treasury Bill auctions, as introduced in the preceding fiscal year. As shown in Table 3 below, the largest share has been allocated to the 6-month tenor, although the plan may be agile enough to shift the allocations around in alignment with demand dynamics.

Table 3: Treasury Bills planned issuance distribution FY2024/25 (% split)

Debt Securities	Distribution
DOMESTIC BORROWING	
T-Bills	
GT-91	4%
GT-182	45%
GT-273	24%
GT-365	27%
Total	**100%**

Source: MFPE

ii. Fixed-rate Bonds

As indicated above, a total of N$8.8 billion will be raised on fixed-rate bonds, representing 69 per cent of the domestic financing requirement. The strategy also re-opens the GC27 that has been off-the-run to increase offerings on the shorter- end of the curve while simultaneously ending offerings of the GC26 at regular primary auctions. To enhance the offerings of financial instruments in the market, the FY2024/25 Fiscal strategy is currently investigating an option to introduce a new fixed-rate bond in the second half of the fiscal year. Furthermore, the strategy will gauge the feasibility of issuing a JSE-listed bond should any domestic borrowing shortfalls warrant it.

Table 3: Fixed-rate Bonds planned issuance FY2024/25 (% split)

Debt Securities	Distribution
GC24	-
GC25	-
GC26	2%
GC27	9%
GC28	11%
GC30	0%
GC32	11%
GC35	11%
GC37	11%
GC40	11%
GC43	8%
GC45	8%
GC48	10%
GC50	7%
Total	**100%**

Source: MFPE

As customary, the borrowing calendar makes provision for switch auctions, where bondholders are afforded the opportunity to switch into longer dated bonds. This is also one of the measures employed by governments to manage roll-over risk and ensure smooth redemptions. The GC24 bond matures on 15 October 2024, during the FY2024/25. Consequently, two more switch auctions are scheduled for the GC24, as indicated in the updated issuance calendar. Meanwhile, switches on the GC25 will also commence later in this fiscal year. Also, depending on the performance of the switch auctions, a residual amount may be rolled around the maturity of the GC24. In this regard, gross issuance amounts may be adjusted, without moving the dial on the quantum of net debt issuance planned. The details of the plan presented here thus represent the net financing requirement, with gross financing being dependent on GC24 switch auctions.

iii. Inflation-linked Bonds

The allocation to inflation linked bonds reflects the Government's commitment to develop the financial markets considering various dynamics. These include balancing between the provision of diversified instruments in the local market and containing the cost of borrowing to the Government. Like the GC25, the GI25 has been taken off-the-run. As such, a total of N$1.1 billion has been allocated to the inflation-linked instruments (Table 2 above) and spread evenly among the active instruments, as shown in Table 4 below.

Table 4: Inflation-Linked-bonds planned issuance FY2024/25 (% split)

Inflation-linked bonds	Distribution
GI25	
GI27	25%
GI29	25%
GI33	25%
GI36	25%
Total	**100%**

Source: MFPE

Annexure A: FY2024/25 Borrowing Plan Summary (1st half of FY24/25)

Borrowing Plan FY2024/25 (N$ million)							
Net Issues		**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
GT-91		-8	20	81	-20	-	-
GT-182		111	152	702	30	61	200
GT-273		21	-140	-71	44	113	458
GT-364		287	175	195	100	63	-16
Net Issuance of T-Bills		**411**	**207**	**908**	**154**	**237**	**642**
Fixed-rate Bonds		**840**	**605**	**665**	**1,005**	**665**	**665**
GC26		40	-	-	50	-	-
GC27		69	80	65	95	65	65
GC28		90	68	80	105	80	80
GC30		-	-	-	-	-	-
GC32		80	46	75	110	75	75
GC35		85	55	75	110	75	75
GC37		95	61	75	110	75	75
GC40		95	75	75	110	75	75
GC43		70	55	55	75	55	55
GC45		75	55	55	80	55	55
GC48		85	65	65	95	65	65
GC50		55	45	45	65	45	45
Inflation-linked Bonds		**142**	**100**	**80**	**120**	**80**	**80**
GI25		-	-	-	-	-	-
GI27		35	25	20	30	20	20
GI29		37	25	20	30	20	20
GI33		35	25	20	30	20	20
GI36		35	25	20	30	20	20
Net Issuance of Bonds		**982**	**705**	**745**	**1,125**	**745**	**745**
TOTAL		**1,393**	**912**	**1,653**	**1,279**	**982**	**1,387**