

AFRICA RISK CONSULTING

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Namibia Summary 14 March 2024

Finance minister Iipumbu Shiimi on 28 February announces a N\$100.1 billion (\$5.2 billion) budget for the 2024/2025 financial year. France-based Financial Action Task Force (FATF) announces on 23 February it has grey listed Namibia. Chief Information Officer at the trade and industrialisation ministry Elijah Mukubonda on 5 March endorses the draft National Trade Policy, which aims to develop both the goods and services export-oriented trade sectors.

Finance minister announces 2024/2025 budget

Finance minister **Iipumbu Shiimi** on 28 February presented a substantial budget of N\$100.1 billion (\$5.2 billion) for the 2024/2025 financial year, a 12% increase compared to the 2023/2024 budget.¹ Shiimi also revised growth projections for 2024 upwards to 4% from 2.9% projected in October 2023. The increased budget can be attributed to robust economic growth in gross domestic product (GDP), forecast at 5.6% in 2023, and the **Namibia Revenue Authority's (NRA)** increased tax collection.²

The overarching goals of the fiscal plan for 2024/2025 are to stimulate domestic demand, boost public infrastructure, as well as uphold fiscal responsibility, to ensure that Namibia can efficiently meet its debt obligations within the **Medium-Term Expenditure Framework (MTEF)** to be released later in the year.³ Shiimi added that the next MTEF will also aim to reduce the burden on taxpayers.

Shiimi also emphasised the challenges associated with the impending repayment of a substantial portion of the government's debt portfolio. The budget deficit stands at 3.2% of GDP and amounts to N\$8.9 billion (\$476m). The largest debt maturity is the N\$14 billion (\$750m) **Eurobond** due in October 2025, signifying the largest single-day debt maturity in Namibia's history.⁴ To alleviate this burden, the government intends to redirect part of the increase in revenues towards a sinking fund to deal with the rollover risk and contain future debt service obligations. The debt strategy aims to minimise future resource drains that are necessary for infrastructure development, poverty reduction, as well as combating climate change, among other priorities.

Another key highlight is that sin taxes, effective from 22 February 2024, will be increased, including cigars and spirits which will undergo the highest increase, respectively by N\$5.47 (\$0.29) and N\$3.90 (\$0.21).⁵ The sin tax is in alignment with provisions under the **Southern African Customs Union (SACU)** but it is not obligatory. This increase aims to discourage people from buying these products.⁶

¹ The Namibian, 28 Feb 2024; Republic of Namibia, n.d.

² Namibia Economist, 29 Feb 2024

³ KPMG, 6 Feb 2024

⁴ Xinhua, 29 Feb 2024

⁵ KPMG, 6 Feb 2024

⁶ KPMG, 6 Feb 2024

The operational budget for the fiscal year is projected at N\$74.6 billion (\$3.9 billion), reflecting an 8.8% increase from the 2023/2024 budget.⁷ A notable portion of this rise comes from a 5% adjustment in the civil service wage bill, amounting to N\$1.7 billion (\$91m). This adjustment is intended to safeguard against the erosion of purchasing power, a measure deemed necessary amid persistent inflationary pressures. Commenting in November 2023, cabinet member **Goerge Simataa** indicated that the budget allocation for public servants is necessary:

“We cannot sacrifice the civil servants; they are the machinery of the wellbeing of citizens.”⁸

In the 2023/2024 financial year, \$N30 billion (\$1.6 billion) was allocated to the wage bill, amounting to around 40% of the total budget. This prompted the **International Monetary Fund (IMF)** to recommend that Namibia reconsider allocations made to the bloated wage bill to allocate more to social spending. For 2024/2025, N\$8 billion (\$430m) has been allocated to social spending, showing the disparity between the two allocations.

FATF places Namibia on grey list

The **France-based Financial Action Task Force (FATF)** added Namibia to its grey list on 23 February due to concerns over its ability to effectively implement compliance with international Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT), and Combatting Proliferation Financing (CPF) standards. The FATF and global financial institutions subject grey listed countries to increased monitoring until they have addressed and rectified the identified deficiencies.⁹

The FATF warned Namibia in 2023 of its deficiencies and hosted an emergency consultative process in June 2023. Before this, in 2022, Namibia underwent its second mutual evaluation by the FATF, which pointed out the shortcomings in both technical compliance with laws and effective compliance in implementing existing laws. Effectiveness in this context refers to a country's ability to demonstrate that its legal and regulatory framework is not only in place but is also effectively protecting the financial system from abuse related to money laundering, terrorist financing, and proliferation financing. The FATF has highlighted several bills that needed amending including:

URGENT BILLS

- Police amendment bill
- Criminal procedure amendment bill
- Prevention of organised crime bill
- Extradition amendment bill
- International cooperation in criminal matters amendment bill.
- Companies amendment bill
- Close corporation amendment bill
- Virtual assets bill
- Prevention and combatting of terrorist and proliferation activities amendment bill
- Financial intelligence amendment bill

The Namibian – 25 Jun 2023

Despite making strides in amending nine existing laws, repealing and replacing two, and introducing two new laws to strengthen its AML/CFT/CPF regime, the FATF found that Namibia was lacking in the effective implementation of these laws in six out of the 11 immediate outcomes assessed around effectiveness.¹⁰ One of the bills that raised a red flag with the FATF was the **Investment Promotion and Facilitation Bill**. In September 2023, the trade ministry called for consultations on the bill but did not provide an effective consultation process, limiting public engagement on the bill's provisions.¹¹

⁷ Xinhua, 29 Feb 2024

⁸ New Era, 17 Nov 2023

⁹ Future Media News, n.d.

¹⁰ Future Media News, n.d.

¹¹ IPPR, 1 Sep 2023

Karis Schmidt, an insurance compliance officer, says that the grey listing could have various implications for Namibians and highlighted concerns regarding how it may impact remittances:

"For those who rely on remittances from relatives overseas, or entrepreneurs striving to build their businesses beyond Namibia's borders, these limitations are nothing short of a financial straitjacket, squeezing budgets and stifling aspirations."¹²

Schmidt also mentioned how the working class will face the brunt of the implications due to increased compliance costs that will be imposed by financial institutions to meet the stringent regulations of the FATF. The grey listing could also have several other implications for Namibia, including negative impacts on foreign direct investment, trade, and financial transactions, as entities doing business with Namibia may be required to conduct enhanced due diligence, leading to increased costs and scrutiny.¹³

However, the Namibian authorities have expressed their commitment to addressing the remaining action items urgently to restore international confidence in Namibia's financial system and facilitate the country's removal from the FATF grey list. The FATF has also prescribed an action plan for Namibia that will help it address deficiencies within a specific timeframe to ensure timely remediation of the identified shortcomings.¹⁴

Bank of Namibia's (BoN) (central bank) governor, **Johannes !Gawaxab** said on 23 February,

"Moving forward, we are resolute in our commitment to closing the identified gaps swiftly, taking cues from neighbouring countries that have effectively managed similar situations. We remain positive and enthusiastic about the future of Namibia's financial system."¹⁵

Namibia has been given 12 months from October 2023 to reform relevant legislation and regulations before another evaluation will take place.

Cabinet approves draft National Trade Policy

Elijah Mukubonda, the Chief Information Officer (CIO) at the trade and industrialisation ministry on 5 March provided an in-depth endorsement of the recently approved draft **National Trade Policy**.¹⁶ The draft policy was proposed in 2023 and aims to develop Namibia's trade industry beyond the exchange of goods, mainly commodities.¹⁷ In 2023, 73.2% of Namibia's total export bill was from diamonds, gold, fishing, uranium, petroleum, copper, oil and live animals.¹⁸ The draft policy advocates for an export-oriented strategy to foster economic activity diversification and market expansion, prioritising areas such as production diversification, export enhancement, and investment attraction.¹⁹

Mukubonda also noted that there is a particular focus on digital trade, which:

"[...] involves products ordered digitally but delivered physically through online marketplaces [...] as well as products that are wholly electronically delivered."²⁰

Mukubonda indicated that digital trade is rapidly expanding in Namibia. In 2019, former president **Hage Geingob** (2015-2024) passed the **Electronic Transactions Act** which enhanced the conduct of business online and opened up more online payment systems, for example, **PayPal**, to Namibians. However, consulting firm **International Economics** assessed

¹² The Namibian, 11 Feb 2024

¹³ Future Media News, n.d.

¹⁴ Future Media News, n.d.

¹⁵ Namibia Economist, 23 Feb 2024

¹⁶ New Era, 5 Mar 2023

¹⁷ The Villager, 12 Apr 2023

¹⁸ Namibian Sun, 8 Feb 2024

¹⁹ New Era, 5 Mar 2024

²⁰ Overseas Development Institute, April 2021

Namibia's "*e-commerce readiness*" in 2021 which found that there are various improvements needed for the full potential of Namibia's e-commerce industry to be realised.²¹

Other key focuses, include improving trade facilitation, enhancing logistics to solidify Namibia's position as a regional hub, and making trade finance more accessible. This draft policy signifies a strategic advance in Namibia's economic diversification efforts. Via the lens of **Vision 2030**, Namibia's long-term development policy framework, the draft policy ambitiously aims to elevate Namibia to a developed country status by creating a dynamic trade environment both locally and internationally.²²

Mukubonda added that the draft policy adheres to key international and regional trade agreements from organisations such as the **World Trade Organisation (WTO)**, the **Southern African Development Community (SADC)**, the **Southern African Customs Union (SACU)** and the **African Continental Free Trade Agreement (AfCFTA)**.²³ The draft policy will be subject to periodic reviews to adapt to emerging priorities and global market developments.²⁴

Planner

14 Mar 2024 **(Namibia)** President **Nangola Mbumba** to deliver the **State of the Nation Address (SONA)**

2024 **(Namibia)** General elections

Chronology

13 Mar 2024 **Windhoek (Namibia)** *The Namibian*. Presidency announces that President **Nangolo Mbumba** will deliver a **State of the Nation (SONA)** address on 14 March;

12 Mar 2024 **Windhoek (Namibia)** *CNBC Africa*. Namibia and **South Africa** confirm they are in talks to launch infrastructure projects worth \$377m over the next three years to address rail and port inefficiencies;

12 Mar 2024 **Windhoek (Namibia)** *The Namibian*. Court documents are issued by **Charles Mubita**, central committee member of the **South West Africa People's Organisation (SWAPO)**, to take legal action against **Erong**-based party member, **Reinhold Shipwiikineni**, over a WhatsApp audio which suggests Mubita violated SWAPO's constitution;

10 Mar 2024 **Windhoek (Namibia)** *The Namibian*. The ruling **South West Africa People's Organisation (SWAPO)** discuss whether **Netumbo Nandi-Ndaitwah** will be the sole presidential candidate for SWAPO's next internal party elections;

8 Mar 2024 **Windhoek (Namibia)** *Namibia Economist*. Government condemns the **United States (US)** increased sanctions imposed on **Zimbabwe**;

7 Mar 2024 **Windhoek (Namibia)** *New Era*. **Namibia Revenue Agency (NamRa)** reports it has thus far paid over \$N100m (\$5.4m) to more than 46,000 individual taxpayers;

7 Mar 2024 **Windhoek (Namibia)** *Namibia Economist*. President **Nangolo Mbumba** launches the first **African Peer Review Mechanism (APRM)** country review report for Namibia;

²¹ International Economics, 2021

²² New Era, 5 Mar 2024

²³ New Era, 5 Mar 2024

²⁴ New Era, 5 Mar 2024

5 Mar 2024 **Windhoek (Namibia)** *Namibia Economist*. **United States Agency for International Development (USAID)** pledges N\$19m (\$1m) to **Namibia Hydrogen Fund Managers**;

6 Mar 2024 **Johannesburg (South Africa)** *Moneyweb*. **France-**headquartered **TotalEnergies** and **QatarEnergy** confirm they have agreed to buy a stake in a licence to explore for oil and gas off South Africa as part of their plan to develop the **Orange Basin in Namibia**;

4 Mar 2024 **Windhoek (Namibia)** *Lusa*. President **Nangolo Mbumba** travels to **Angola** to meet with his counterpart, **João Lourenço**, marking his first visit abroad since being appointed president;

25 Feb 2024 **Windhoek (Namibia)** *eNCA*. **South Africa's** President **Cyril Ramaphosa** concludes a working visit to Namibia and to bid farewell to late president **Hage Geingob**;

23 Feb 2024 **Windhoek (Namibia)** *Oberserv24*. Finance minister **Iipumbu Shiiimi** says Namibia has made considerable progress in its efforts to align with international anti-money laundering standards, addressing 59 out of 72 action items;

18 Feb 2024 **Windhoek (Namibia)** *Oberserver24*. **Environmental Investment Fund of Namibia** CEO **Benedict Libanda** says climate change and drought impacts an average of 700,000 Namibians per annum;

14 Feb 2024 **Windhoek (Namibia)** *Namib Times*. **Bank of Namibia** (central bank) keep its main interest rate unchanged at 7.75%, projecting that inflation will average 4.8% in 2024 and that the economy will grow 3.4.% this year;

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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