

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing November 2022

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#### Namibia Summary 18 November 2022

*President Hage Geingob (2015-present) addresses the Conference of Parties 27 (COP27) in Sharm El-Sheikh (Egypt), calling for more climate finance from developed nations to the Green Climate Fund to support developing countries in implementing climate-friendly policies to tackle climate change. Geingob announces that Namibia raised N\$9.4 billion (\$544m) in climate finance, largely for the development of green hydrogen resources and production capacity. The Development Bank of Namibia (DBN) announces that companies under business rescue are being considered for preferential loan agreements in order to provide a lifeline to struggling businesses and maintain jobs in Namibia. The government has been undertaking several initiatives to maintain jobs through averting business rescue in recent months. Namibia's fuel shortage and soaring energy prices are placing a strain on the fishing industry, which contributes towards 14% of Namibia's export earnings.*

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#### Namibia pockets more climate finance

President **Hage Geingob** (2015-present) addressed the global community on 8 November at the **United Nations (UN) Climate Change Conference (COP27)** on the **UN Framework Convention on Climate Change (UNFCCC)**, calling for developed countries to provide more support to developing countries by financing the **Green Climate Fund**.<sup>1</sup> The fund was established in 2010 within the UNFCCC policy framework to serve as an operational body, based in **South Korea**, that manages a financial mechanism to assist developing countries to fund the implementation of their climate change policies and practices.

Geingob said so far only N\$399.5 billion (\$23 billion) has been committed to the fund and stressed the need for developed nations to increase support:

*"The climate emergency remains one of the key challenges facing humanity. It is a test of the multilateral system. However, it offers an opportunity to justify the unique purpose of the multilateral system."<sup>2</sup>*

**Namibia's** position paper submitted to the UNFCCC, outlining national climate action plans in the lead-up to COP27, calls on countries to make stronger national contributions towards tackling climate change.<sup>3</sup> At COP27, Geingob also called on countries to increase their national commitments to tackle climate change:

*"Namibia joins the rest of the developing world and a broader community of nations in appealing for sustained efforts towards meeting the global target of warming by 1.5C."<sup>4</sup>*

Although Geingob pointed to the need to support the green climate fund, Namibia announced at COP27 that it had raised N\$9.4 billion (\$544m) for climate finance, largely for developing its green hydrogen natural resources and production capacity.<sup>5</sup> This includes N\$712m (\$41m) raised as seed capital from **The Netherlands'** government climate envoy, which was awarded

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<sup>1</sup> New Era, 9 Nov 2022

<sup>2</sup> New Era, 9 Nov 2022

<sup>3</sup> <https://sites-herbertsmithfreehills.vuturvevx.com/>, Oct 2022

<sup>4</sup> New Era, 9 Nov 2022

<sup>5</sup> Reuters, 9 Nov 2022

in **Sharm-El-Sheikh (Egypt)** on the side-lines of COP27. The funds obtained by Namibia are also partly from the **European Investment Bank (EIB)**.

COP27 served as another opportunity to position Namibia to attract international investors into its hydrogen economy after Geingob appeared for his first visit at the **World Economic Forum's (WEF)** annual conference in **Davos (Switzerland)** in May this year (*see ARC Briefing Namibia June 2022*). Namibia attracted an overwhelming audience at Davos when Geingob presented opportunities for investment in green hydrogen. As countries try to steer away from reliance on **Russian** oil and gas and seek renewable energy resources, Namibia strategically positioned itself as a renewable energy hub in Davos.

Geingob outlined Namibia's efforts to date and further plans towards tackling climate change, namely greening the economy through harnessing and financing Namibia's green hydrogen natural resources and production capacity. Geingob mentioned that he would continue to support Namibia's efforts to become a major supplier of clean energy:

*"Our green hydrogen agenda, which is premised on harnessing cleaner sources of energy, has now set sail."*<sup>6</sup>

Geingob and other leaders referred to the COP27 meeting as the "**African COP**", not merely due to the location, but also based on the increasing pressure from African countries on developed countries to create an environment conducive for Africa to have the funds and capacity to increase use of green technologies and adopt climate-friendly policies. Although African countries are some of the least responsible for climate change, however, the continent is being hit the hardest by the increase in global temperatures.<sup>7</sup> **UN Food and Agricultural Organisation (FAO)** deputy director **Zitouni Ould-Dada** warned that if worsening climate trends continue, a 30% reduction in food production by 2050 is anticipated, which would see African countries, already under the pressure of food security, suffer severely.<sup>8</sup>

Like other African countries, Namibia is dependent on fossil fuels and is not shying away from investments in its nascent oil industry. On 28 September, **France**-headquartered **TotalEnergies** CEO **Patrick Pouyanné** presented to investors in **New York (United States)**, elaborating on Namibia's oil investment potential, claiming that the discovery of oil in Namibia since 2021 proves to be a "*giant one*" and that the petroleum industry could double Namibia's gross domestic product (GDP) by 2040.<sup>9</sup>

As awareness of Namibia's oil discoveries spreads across the globe, petroleum commissioner **Maggy Shino** is considering joining the **Organisation of Petroleum Exporting Countries (OPEC)**, an intergovernmental organisation, currently comprised of 13 countries that are among the world's largest oil producing and exporting nations.<sup>10</sup>

### **Companies under business rescue potentially have a lifeline ...**

The **Development Bank of Namibia (DBN)** announced on 9 November that it may launch an initiative to provide fragile companies, under business rescue, with a lifeline through provisioning various financial instruments to maintain and steer businesses towards profitability. The government has been undertaking several initiatives to maintain jobs through averting business rescue in recent months.<sup>11</sup>

<sup>6</sup> New Era, 9 Nov 2022

<sup>7</sup> New Era, 9 Nov 2022

<sup>8</sup> The National, 18 Nov 2022

<sup>9</sup> News24, 28 Sep 2022

<sup>10</sup> [www.oilprice.com](http://www.oilprice.com), 26 Oct 2022

<sup>11</sup> The Namibian, 30 Aug 2022

Outgoing DBN CEO **Martin Inkumbi** said that in the coming weeks, independent financial and business advisers will review businesses that may be eligible for support. Advisers will set out a turnaround strategy which will make recommendations based on assessing the extent of distress on businesses governance and capital structure in different companies.<sup>12</sup>

If the capital structure is inappropriate, DBN will consider converting part of the business debt to alternative patent financing instruments such as preference shares. Preference shares will allow the bank to relax repayment requirements for a portion of the loan, in anticipation of yields and growth in share values. While the DBN holds the preference shares, the businesses will be contractually obligated to reach a set of milestones that the DBN has identified. The DBN would have priority over the preference shares until the business recovers, which will allow original business owners to have the first right to repurchase the shares once the business is back on its feet. The DBN may advise and appoint skilled managerial expertise to intervene in businesses, where certain skills identified are in shortage.

Inkumbi said the DBN regards employment, business owners' income, preservation of owners' assets and capital, contributions to regional, national and local economies as well as continued economic growth as primary reasons to preserve businesses. DBN support aims to serve as a win-win for businesses and the bank. Inkumbi, who has served the bank over the last ten years, has grown the capital base and balance sheet to N\$9.47 billion (\$64m).<sup>13</sup>

To qualify for support, businesses must meet certain business rescue criteria. Priority will be given to businesses that have some level of revenue generation and business activity. Inkumbi said the initiative requires a baseline foundation from businesses and ideally, they should be able to meet their loan repayment obligation to the bank, at least partially:

*"The bank will not convert full debt into a preference share instrument. The owners must also be committed and willing to make further capital investment and meet the bank halfway."<sup>14</sup>*

In August, cabinet approved recommendations from Namibia's business rescue task force, including a recommendation to finance a business rescue fund through public-private partnerships (PPP). The recommendations suggested a blended financing structure, to include the private sector and international investors, to take the burden off the government, already constrained by limited revenue availability.<sup>15</sup>

### ... as high fuel prices threaten fishing industry

Namibia is experiencing a fuel shortage, adding stress to already increasing fuel prices following **Russia's** invasion of **Ukraine** in March, affecting consumption and economic growth.<sup>16</sup> Marine and fisheries minister **Derek Klazen** announced on 11 November that increasing fuel prices have placed strain on Namibia's fishing industry as operational costs rise, causing the sector to struggle to maintain its current prices.<sup>17</sup> Fuel prices have increased fixed costs, such as salaries and depreciation, and is the second-highest expenditure item for most companies in the fishing industry, after salaries.

Namibia's fishing sector competes with foreign markets but is battling to maintain its competitiveness as fuel prices have a knock-on effect, which may lead to buyers turning to cheaper suppliers. The input costs for production as well as end products for markets have

<sup>12</sup> The Namibian, 10 Nov 2022

<sup>13</sup> The Namibian, 10 Nov 2022

<sup>14</sup> The Namibian, 10 Nov 2022

<sup>15</sup> The Namibian, 10 Nov 2022

<sup>16</sup> The Namibian, 3 Nov 2022

<sup>17</sup> The Namibian, 15 Nov 2022

contributed to the hike in fuel costs.<sup>18</sup> The sector is a significant contributor to the Namibian economy and employment. In the 2021/22 financial year, the industry generated N\$10 billion (\$671m) in export earnings, amounting to 14% of total export earnings and 4.5% of the country's GDP.

Despite the establishment of local oil refineries, Namibia still lacks cheap fuel for domestic consumption.<sup>19</sup> **Engen Namibia** commercial sales executive **Brandon Kotze** stated on social media that fuel companies are prioritising local retail and commercial markets in the midst of the fuel shortages. In a report published by **The Namibian** on 3 November, the **National Petroleum Corporation of Namibia (Namcor)** denied that there is fuel crisis but confirmed that there is a fuel shortage. Namcor acting executive of supply and logistics **Cedric Willemse** stated that while the company is rationing its supplies after experiencing a significant price increase on 2 November, there is no need for panic:

*“Everybody stocked up, which obviously resulted in pressure [...] We are sorted, because we pre-empted the crisis in the world market.”<sup>20</sup>*

Willemse acknowledged that there is global diesel shortage, but said Namibia has been prepared for the shortage:

*“Diesel is currently in short supply, but we have already placed orders. I am receiving one of the biggest vessels now on the 12<sup>th</sup>, and then I have another at the end of November, and another vessel already booked for December [...]”*

However, the current fuel shortage is reportedly the worst since the 2008 financial crisis.<sup>21</sup> In addition to fuel shortages, ministry of mines and energy regulations came into effect on 2 November, increasing the price of diesel by N\$1.98 (\$0.13) per litre, to N\$22.7 per litre (\$1.52), while petrol prices remain at N\$20,08 (\$1.35) per litre.

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<sup>18</sup> The Namibian, 15 Nov 2022

<sup>19</sup> All Africa, 9 Sep 2021

<sup>20</sup> The Namibian, 3 Nov 2022

<sup>21</sup> The Namibian, 3 Nov 2022

## Planner

Nov 2022 **Windhoek (Namibia) South West Africa People's Organisation (SWAPO)** holds internal party elections for vice president;

7 Dec 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;

2024 **(Namibia)** General elections;

## Chronology

16 Nov 2022 **Windhoek (Namibia) The Namibian**. President **Hage Geingob**, current chairperson of the **Southern African Development Community's (SADC)** organ on politics, defence and security, informs **Lesotho's** newly elected prime minister, **Samuel Matekane**, during a state visit that if he maintains peace, Lesotho will no longer be on SADC's list of troubled countries;

15 Nov 2022 **Windhoek (Namibia) The Namibian**. Parliamentary members criticise **Namibian Broadcasting Corporation (NBC)** management after it emerges that NBC awarded senior staff bonuses in December 2020 amounting to N\$5.4m (\$3.1m);

14 Nov 2022 **Windhoek (Namibia) The Namibian**. **Institute of Public Policy Research (IPRR)** launches a procurement tracker in **Namibia**, indicating that 15 ministries and the office of the president did not comply with procurement laws as annual procurement plans were merely submitted seven months into the current financial year;

9 Nov 2022 **Vancouver (Canada) News Wire**. **Canada-based Reconnaissance Energy Africa Ltd.** announces drilling results in **Makandina** and in the **Karoo-Rift Basin (Namibia)**, stating that **Makandina** did not provide promise of petroleum, but assessments are ongoing;

1 Nov 2022 **Windhoek (Namibia) Mining Weekly**. **Namibian** government issues **Canada-based Osino Resources** a 20-year mining licence for its **Twin Hills** gold project, subject to the fulfilment of some remaining conditions that are customary under the country's regulatory regime;

26 Oct 2022 **Windhoek (Namibia) Namib Times**. **Bank of Namibia** (central bank) raises main lending rate by 75 basis points to 6.25%, tightening policy further to try to curb inflation;

24 Oct 2022 **Windhoek (Namibia) Namib Times**. **Namibia's** rough diamond marketing and sales company, **Namib Desert Diamonds**, posts a sales revenue increase of 78.7% to \$128m during the 2021/22 financial year;

20 Oct 2022 **Windhoek (Namibia) Mining Weekly**. **Namibia** provisionally agrees on a deal with the **European Union** to sell its rare earth minerals, critical to the renewable energy sectors;

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

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