

AFRICA RISK CONSULTING Namibia Monthly Briefing March 2021

Namibia Summary 23 March 2021

Finance minister Ipumbu Shiimi delivers the 2021/2022 budget to parliament, highlighting the impact the Covid-19 pandemic has had on Namibia's economy. The budget allocates \$33m to acquire and distribute Covid-19 vaccines. Namibia receives its first shipment of Covid-19 vaccines from China and begins the first stage of its Covid-19 inoculation programme. The ministry of health call for bids from the private sector for vaccine procurement as the World Health Organisation (WHO) COVAX facility has yet to deliver a shipment of vaccines despite advance payment from the Namibian government. The Fishrot scandal, locust invasions and climate change continue to erode confidence in the ruling South West Africa People's Organisation (SWAPO Party of Namibia).

Budget looks to economic recovery...

Finance minister **Ipumbu Shiimi** presented the 2021/2022 budget statement to parliament on 17 March.¹ The budget highlights the impact that the **Covid-19** pandemic and measures to curb its spread have had on **Namibia's** economy. The 2021/2022 budget seeks to balance the need for economic stimulus measures against tackling rising debt. Shiimi noted that last year he had presented the budget amidst the onset of the pandemic, under the theme *"Together fighting COVID-19, Together thriving again"*:

*"Almost a year later, we bear testimony that the fight has not been easy, but it is being gloriously prosecuted on all fronts."*²

The 2021/2022 budget outlines a number of structure policy interventions to underpin the **Medium-Term Economic Framework (MTEF)**.³ Expenditure in the 2021/2022 financial year is set to increase by roughly N\$5 billion from N\$65.2 billion (\$4.41 billion) in 2020 to N\$67.9 billion (\$4.59 billion), representing 36.8% of gross domestic product (GDP). The budget will support scaled-up funding opportunities for small and medium-sized enterprises (SMEs) and youth entrepreneurs through financing instruments at the **Development Bank of Namibia** and ministry of sports, youth and national service.

The budget identifies the **Presidential Economic Recovery Plan (PERP)** as the cornerstone of strategic interventions to support Namibia's economic recovery. The PERP aims to attract foreign investment into priority sectors including agriculture, agro-processing, energy, tourism and both green and blue economies. The **Namibia Investment Promotion Bill** and **National Equitable Economic Empowerment Bill** will be reviewed and reformed to promote ease of business and investor confidence in 2021. Additional investment incentives will be added through the collaborative finalisation of the **Special Economic Zone (SEZ)** policy framework by the ministry of trade and industrialisation, ministry of finance and **Namibia Investment Promotion Development Board (NIPDB)**. Public-private partnership to pursue infrastructure development and service provision is also highlighted.

In order to pursue the government's economic stimulus policies, Shiimi has cut ministerial budgets, issued a reform agenda for public enterprises, and reformed tax collection to *"stabilise*

¹ Ministry of Finance, 17 Mar 2021

² Ministry of Finance, 17 Mar 2021

³ Ministry of Finance, 17 Mar 2021

growth in public debt by achieving a positive primary balance over the medium term".⁴ Ministries that have seen their budgets cut include the information ministry, led by **Peya Mushelenga**, which saw a reduction of 30% from N\$511m (\$34.5m) to N\$354m (\$23.9m) in its budget.⁵ Other ministries facing budget cuts are the ministry of public enterprises (budget reduced by 9.3%), the ministry of agriculture (25% reduction) and the defence ministry (budget cut by 12.8%).⁶

Namibia 2021/2022 Budget ⁷	
Budget revenue	N\$52.1 billion (\$3.52 billion)
Budgeted expenditure	N\$67.9 billion (\$4.59 billion) (36.8% of GDP)
Budget deficit	8.6% of GDP
Total debt	N\$140.8 billion (\$9.52 billion) (76.2% of GDP)
Debt service	N\$7.7 billion (\$520.9m) (16.3% of revenue)

Shimi anticipates the budget deficit to reduce in FY2021/2022 to 8.6% of GDP, from 9.7% in 2020.⁸ Reduction of the budget deficit will be aided by a moderate increase of growth, forecast to reach 2.1% in 2021, rising to 2.8% in 2022.⁹ Additional borrowing of \$1.06 billion (N\$15.8 billion) to manage the deficit in 2021 will push Namibia's total debt commitment to \$9.52 billion (N\$140.8 billion) (76.2% of GDP).¹⁰ Interest on government loans is the second highest state-expenditure:

*"Costs for debt servicing are projected to further increase from 13.8% of total revenue in 2020/2021, to about 16.3% in the 2021/2022 financial year. Given the increase in borrowing, the debt service is expected to reach 17.1% [of total revenue] by the end of the MTEF [2024/2025]."*¹¹

Namibia's economy contracted by 7.3% in 2020. The contraction of economic activity affected all economic sectors with significant negative impact on the hotel and restaurant sub-sector (70.2% contraction), diamond processing (39.4% contraction) and basic metals processing (42.8% contraction), beverages (24.9% contraction) and transport (17.1% contraction).¹² Budget revenue is anticipated to decline by 6.1% due to a contraction in **Southern African Customs Union (SACU)** receipts.¹³

Namibia 2020/2021 results ¹⁴	
Total revenue	N\$55.5 billion (\$3.75 billion)
Expenditure	N\$65.2 billion (\$4.41 billion) (Feb 2021)
Budget deficit	9.7% of GDP
Total debt	62.6% of GDP
Debt service	N\$7.7 billion (\$520.9m) (13.8% revenue)

⁴ Ministry of Finance, 17 Mar 2021

⁵ The Namibian, 19 Mar 2021

⁶ The Namibian, 19 Mar 2021

⁷ Ministry of Finance, 17 Mar 2021

⁸ Xinhua, 18 Mar 2021

⁹ Xinhua, 18 Mar 2021

¹⁰ The Namibian, 17 Mar 2021

¹¹ Ministry of Finance, 17 Mar 2021

¹² Ministry of Finance, 17 Mar 2021

¹³ Ministry of Finance, 17 Mar 2021, Xinhua, 18 Mar 2021

¹⁴ Ministry of Finance, 17 Mar 2021

The PERP falls under the umbrella of the **Harambee Prosperity Plan II (HPP-II)**, which President **Hage Geingob** (2015-present) officially launched on 18 March.¹⁵ Four of seven bills are due to be tabled in parliament linked to development plans under the HPP-II. These include:

- **Access to Information Bill**
- **Land Reform Bill**
- **National Equitable Economic Empowerment Framework Bill**
- **Namibia Investment Promotion Bill.**¹⁶

James Mnyupe economic advisor to **State House**, revealed that a sovereign wealth fund will be established under the second pillar (social progression) of the HPP-II plan.¹⁷ The HPP-II will establish a N\$400m (\$26.77m) **Project Preparation Fund** to boost economic recovery.¹⁸

The government has committed to reform public enterprises through review of the **Public Asset Ownership** policy. The budget commits the government to reform public enterprises noting the voluntary liquidation of the national airline **Air Namibia** in February (*see Namibia ARC Briefing February 2021*) and divestment of a 49% stake in Namibian telecommunications provider **Mobile Telecommunications Company (MTC)**.¹⁹

The government will implement the following tax reforms in FY2022/2023:

- The **Namibia Revenue Agency (NamRA)** will be launched on 7 April;
- A 10% withholding tax is to be introduced on dividends paid to Namibian citizens;
- A 15% **value-added-tax (VAT)** will be levied on management fees for listed asset managers bringing them into line with unlisted managers.²⁰

The October mid-year budget review will contain further details on government plans to reduce non-mining company tax.²¹

Success of the budget is pinned on Namibia's economic recovery, with economic growth anticipated to return to 2.1% in 2021 and 2.8% in 2022. Rising debt places pressure on stimulus measures, which are not sustainable in the long term. Economic recovery is therefore pinned to the progression and elimination of the Covid-19 pandemic in Namibia (see below). The 2021/2022 budget has allocated N\$484m (\$33m) to the **Public Service Medical Aid Scheme (PSEMAS)** for procurement and distribution of Covid-19 vaccines.²² Global vaccination programmes and the availability of vaccines will have significant bearing on the delivery of this FY2021/2022 budget.

... as vaccine rollout begins ...

The government began to roll out its Covid-19 vaccination plan on 19 March with a batch of **Sinopharm** vaccines delivered from **China** on 16 March (*see Namibia ARC Briefing February 2021*).²³ A further 30,000 doses of the **Covishield** vaccine arrived from a production facility in **India** on 20 March.²⁴ The health ministry issued a statement on 15 March that the government had made an advance payment of N\$26m (\$1.75m) to the **World Health Organisation (WHO) COVAX** vaccine access facility for 108,000 doses of Covid-19 vaccine but had yet to receive

¹⁵ [The Namibian](#), 18 Mar 2021

¹⁶ [The Namibian](#), 18 Mar 2021

¹⁷ [The Namibian](#), 18 Mar 2021

¹⁸ [The Namibian](#), 18 Mar 2021

¹⁹ [Ministry of Finance](#), 17 Mar 2021

²⁰ [The Namibian](#), 17 Mar 2021

²¹ [The Namibian](#), 17 Mar 2021

²² [Ministry of Finance](#), 17 Mar 2021, [Reuters](#), 17 Mar 2021

²³ [Xinhua](#), 20 Mar 2021

²⁴ [The Namibian](#), 23 Mar 2021

them.²⁵ Global production bottlenecks are delaying delivery of vaccines to Namibia and other countries, protracting the fight to balance healthcare and economic security in Namibia. The ministry for health and social services has called upon the private sector to assist in the procurement of Covid-19 vaccines, issuing a bidding process.²⁶ The ministry revealed that early bids show interest in **Russian** and Indian vaccine providers.²⁷

Stage one of Namibia's Covid-19 inoculation programme seeks to vaccinate frontline healthcare workers, community healthcare workers and border officials and is due to be completed by 19 April. Deputy health minister **Utjiua Muinjangu** was the first to be inoculated.²⁸ Vaccine distribution will focus on the **Khomas** and **Erongo** regions, which currently have the highest case numbers of Covid-19.²⁹ Stage two seeks to immunise 95,000 Namibians over the age of 60.³⁰ An immunity rate of 60-80% is required to achieve herd immunity.³¹

The WHO cautioned on 28 January that Covid-19 variants, including the **South African** variant, are fuelling a rising number of infections in **Africa**.³² The WHO released figures on 11 February showing a 40% rise in Covid-19 deaths on the continent through January 2021.³³ As of 23 March, Covid-19 infections in Namibia are as follows:

Namibia Covid-19 data, 23 March ³⁴		
Total cases	Recoveries	Deaths
42,771	39,694	498

Namibia Covid-19 Data ³⁵		
	New Cases	Deaths
1 Jan 2021	604	3 (7-day average 3)
1 Feb 2021	224	1 (7-day average 5)
1 Mar 2021	152	4 (7-day average 3)
23 Mar 2021	118	4 (7-day average 3)

The government on 24 February extended Covid-19 restrictions countrywide until 31 March.³⁶ The following measures are in place:

- A curfew is in operation from 10pm-4am;
- All gatherings are limited to 50 people including faith-based meetings, funerals, sporting and entertainment events;
- The sale of alcohol is permitted between 9am-8pm Monday-Saturday;
- The use of facemasks is compulsory in public spaces;
- Public transport is operational but journeys must be completed by 9pm.³⁷

²⁵ [New Era](#), 17 Mar 2021

²⁶ [CGTN Africa](#), 16 Mar 2021

²⁷ [CGTN Africa](#), 16 Mar 2021

²⁸ [Xinhua](#), 20 Mar 2021

²⁹ [Xinhua](#), 20 Mar 2021

³⁰ [The Namibian](#), 23 Mar 2021

³¹ [New Era](#), 17 Mar 2021, [COVAX](#), 2 Mar 2021

³² [World Health Organisation](#), 28 Jan 2021

³³ [World Health Organisation](#), 11 Feb 2021

³⁴ Johns Hopkins University, Accessed 23 Mar 2021

³⁵ Johns Hopkins University, Accessed 23 Mar 2021

³⁶ [Crisis 24](#), 24 Feb 2021

... amid other challenges

The FY2021/2022 budget made reference to challenges other than Covid-19 facing the Namibian economy including *"lingering drought, the persistent outbreak of the Foot and Mouth Disease and swarms of locusts in some parts of the country"*.³⁸ These challenges place pressure on business (see *ARC Briefing Namibia February 2021*) and local communities. The ministry of labour, industrial relations and employment published unemployment statistics in January noting the retrenchment of 12,000 workers in 2020 with further layoffs anticipated.³⁹ Increasing unemployment coupled with environmental pressures on alternative subsistence methods are likely to erode support for the ruling **South West Africa People's Organisation (SWAPO)** party, which is already struggling with reputational damage from the **Fishrot scandal** (see *ARC Briefing Namibia February 2021*).⁴⁰

The ministry of fisheries and ministry of finance issued an invitation on 15 March to domestic and foreign entities to bid for 16,000 metric tonnes of hake, formerly allocated to state-owned fishing company **Fishcor**.⁴¹ This is the second auction held by the government following its decision to auction Fishcor's share of Namibian fishing quotas after the company was implicated in the Fishrot Scandal.⁴² The scandal first made headlines in November 2019 when a former manager of **Icelandic** seafood company **Samherji** alleged the firm had paid substantial bribes to secure access to Namibia's rich sea-fishing grounds (see *ARC Briefing Namibia November 2019*). The first round of bidding closed in October 2020 and attracted sales of 1.3% of the full \$38m offering.⁴³ The finance ministry accepted \$37.74m in bids, but only \$8.4m was paid to government. Finance minister Shiimi warned that *"punitive measures will be introduced including requirements for payment guarantees or bid securities before participation in [future] auctions"*.⁴⁴ Bidding in the second auction will close at 10am on 16 April.

The Fishrot scandal has rocked confidence in SWAPO but appears not to have benefitted the official parliamentary opposition, the **Popular Democratic Movement (PDM)**.⁴⁵ Declining confidence has instead increased support for minority opposition parties, the **Landless People's Movement (LPM)** and **Independent Patriots for Change (IPC)**.⁴⁶ The LPM party secured the **Stampriet, Koës** local authority seats and **Mariental Rural** constituency seat in an electoral re-run on 26 February.⁴⁷

Rising tensions between marginalised communities and incumbent government authorities may also become problematic. Residents of **Dordabis**, a settlement in the **Khomas** region, have participated in popular protests to draw attention to landlessness and poor living conditions including insufficient grazing for their livestock and overcrowding.⁴⁸ Political activist **Albertus Rooi** delivered a petition to the government demanding greater land allocation from the government, warning that the communication was the last before the community resorts to *"extreme measures"*.⁴⁹ Land minister **Calle Schlettwein** could not confirm receipt of the petition.⁵⁰

³⁷ [Crisis 24](#), 24 Feb 2021

³⁸ [Ministry of Finance](#), 17 Mar 2021

³⁹ [The Namibian](#), 15 Jan 2021

⁴⁰ [Quartz Africa](#), 21 Mar 2021

⁴¹ [The Namibian](#), 19 Mar 2021, [Reuters](#), 30 Sep 2020

⁴² [The Namibian](#), 12 Nov 2020

⁴³ [Seafood Source](#), 12 Oct 2020

⁴⁴ [Reuters](#), 30 Sep 2020

⁴⁵ [Quartz Africa](#), 21 Mar 2021

⁴⁶ [Quartz Africa](#), 21 Mar 2021

⁴⁷ [New Era](#), 1 Mar 2021

⁴⁸ [The Namibian](#), 19 Mar 2021

⁴⁹ [The Namibian](#), 19 Mar 2021

⁵⁰ [The Namibian](#), 19 Mar 2021

Planner

13 Apr 2021 **(Namibia)** Bank of Namibia Monetary Policy Committee (MPC) meeting

16 Jun 2021 **(Namibia)** Bank of Namibia Monetary Policy Committee (MPC) meeting

18 Aug 2021 **(Namibia)** Bank of Namibia Monetary Policy Committee (MPC) meeting

Chronology

20 Mar 2021 **Windhoek (Namibia)** *The Namibian*. 30,000 doses of the **Covishield** Covid-19 vaccine manufactured at the **Serum Institute of India** arrive;

19 Mar 2021 **Windhoek (Namibia)** *Xinhua*. Namibia begins stage one of its **Covid-19** inoculation programme targeting healthcare and community healthcare workers in **Windhoek, Walvis Bay** and **Swakopmund**;

17 Mar 2021 **Windhoek (Namibia)** *The Namibian*. Finance minister **Iipumbu Shiimi** presents the 2021/2022 national budget to parliament, outlining resource allocation for economic recovery, **Covid-19** vaccine acquisition and public services including drought shielding;

16 Mar 2021 **Windhoek (Namibia)** *Xinhua*. 100,000 doses of the **China**-produced **Sinopharm Covid-19** vaccine arrive at the **Hosea Kutako International Airport**;

8 Mar 2021 **Windhoek (Namibia)** *Moneyweb*. **United Kingdom**-based diamond miner **De Beers'** subsidiary **Debmarine Namibia** reports a 13% drop in production to 1.125 million carats last year as demand slumped during the **Covid-19** pandemic;

3 Mar 2021 **Windhoek (Namibia)** *Reuters*. Mines and energy minister **Tom Alweendo** says effective 1 April, **Namibian** mining exploration licence holders will be required by law to retain at least a 15% stake and that locals who own mineral exploration licences will no longer be able to sell out to foreigners, in a move aimed at curtailing speculation in the sector;

24 Feb 2021 **Windhoek (Namibia)** *ESI Africa*. An infrastructure investment fund managed by **South Africa**-based **Old Mutual Investment Group (Namibia)** acquires a majority stake in a 5MW solar photovoltaic plant at **Rosh Pinah** in the **Karas Region** named **Aloe Investments Number Twenty-Seven**;

23 Feb 2021 **Kharas (Namibia)** *The Namibian*. **South Africa**-based **Old Mutual Investment Group** acquires a majority stake in a 5MW solar PV plant from **Spain**-based **AEE Power Ventures SL** in **Rosh Pinah (Kharas region)** as **Sturdee Energy Namibia (Pty) Ltd** acquires a minority holding in the same transaction;

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