

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing July 2023

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#### Namibia Summary 14 July 2023

*Namibia's largest group of privately held companies Ohltaver & List Group (O&L) announces on 7 July that its subsidiary, Ohltaver & List Nextentury (Nextentury) will make a \$1 billion (\$53.6m) investment towards the development of a 100 megawatt (MW) solar power plant. The Nextentury contract is one of a few projects that reflect an increasing interest in Namibia's renewable energy space. Despite the positive news, the energy landscape should be analysed against the reality of a restrictive policy environment and the government's favouring of the ailing and financially struggling Namibia Power Corporation. Parliament passes a digital currency bill on 22 June intended to regulate digital assets, digital currencies, and virtual asset service providers (VASPs). The Namibia Chamber of Commerce and Industry (NCCI) hosts Namibia's first State of Business Address (SoBA) on 26 June. SoBA aims to formalise dialogue between the business sector and policymakers and increase public-private partnerships.*

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#### O&L increases solar power to national grid

Namibia's largest group of privately held companies **Ohltaver & List Group (O&L)** announced on 7 July that its subsidiary, **Ohltaver & List Nextentury (Nextentury)** will make a \$1 billion (\$53.6m) investment towards the development of a 100 megawatt (MW) solar power plant just outside of **Windhoek**. The announcement came after the **Electricity Control Board (ECB)** and energy ministry awarded Nextentury a generation license and an export license, each valid for 25 years.<sup>1</sup> The generated electricity from the plant will feed into one of the state-owned **Namibia Power Corporation's (NamPower)** largest sub-stations and be supplied to local mining companies, industrial energy users and regional electricity distributors and be exported to the **Southern African Power Pool (SAAP)**.<sup>2</sup>

Nextentury's managing director, **Bernd Walbaum**, commended the company for its contribution to renewable energy:

*"This project promises to be a positive contribution to the generation of renewable energy in the country and speaks of our commitment to expanding clean and sustainable energy solutions."<sup>3</sup>*

In addition to being Namibia's largest privately held group of companies, O&L is a vertically integrated developer of projects in the renewable energy sector with a footprint across Africa and **Europe**.<sup>4</sup> Namibia's choice of O&L as a development partner indicates how keenly it wishes to pursue becoming one of Africa's powerhouse and renewable energy hub to supply local and global markets.

The Nextentury contract is one of a few projects that reflect an increasing interest in Namibia's renewable energy space. NamPower and **CERIM Ludderitz Energy**, a joint venture between **Energy China** and Namibian-owned **Riminii Investments**, signed power purchase and

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<sup>1</sup> Ohltaver & List Group, 7 Jul 2023

<sup>2</sup> Ohltaver & List Group, 7 Jul 2023

<sup>3</sup> Namibia Economist, 7 Jul 2023

<sup>4</sup> Ohltaver & List Group, 7 Jul 2023

development agreements for a 50MW wind power plant in **Ludertiz** in April.<sup>5</sup> The project is expected to cost N\$1.4 billion (\$94.02m) and be completed in 2025. Following this, in May, the government approved licenses for the development of a solar plant project to the value of \$N181 billion (\$10 billion) on 26 May. The project is a joint venture between the government, local company **Hyphen Hydrogen Energy**, and German company **Enertrag**, which intends to export the energy produced from this plant.<sup>6</sup> In September 2022, ECB also approved that **Emesco Namibia** could develop the 125MW **Schonau Solar Energy** plant.<sup>7</sup>

**South Africa**-based investment platform **Energy Capital & Power** highlighted the rising sentiment in Namibia's energy sector, affirming on 5 July that Namibia's solar power market is booming and attracting investment. Energy Capital & Power noted that increased regulatory support, the diversification drive, increased demand for decentralised power systems and Namibia's abundance of resources is driving this.<sup>8</sup>

The country has been on a considerable drive to upscale renewable energy supply, investment and development for local and global customers since June 2022, when president **Hage Geingob** (2015-present) promoted Namibia as an African energy hub to the **World Economic Forum** (see *ARC Briefing Jun 2023*). On a local scale, NamPower indicated in 2022 that it foresees increased development and use of solar power, battery storage and wind power due to the lower cost when compared to traditional sources of power such as hydro-power, coal and diesel.<sup>9</sup> Namibia also intends to connect 80% of its population to a renewable energy grid by 2025, and by 2030, intends to have a total of 510MW of grid-renewable energy.<sup>10</sup>

### ... but energy supply concerns remain

Despite the positive news, Namibia's energy landscape should be analysed against the reality of a restrictive policy environment and the government's favouring of the ailing and financially struggling NamPower.<sup>11</sup> Namibia's electricity supply is considered risky, particularly in the face of NamPower's constrained generation capacity and a heavy reliance on importing 71% of its electricity supply through SAPP and other agreements with South Africa, **Zambia**, and **Zimbabwe**.<sup>12</sup>

The **Institute for Public Policy Research (IPRR)** released a report warning that electricity generation capacity must be drastically accelerated in Namibia and that while progress has been made in building new electricity-generation capacity, the progress is not fast enough due to the limits on the amount Independent Power Producers (IPP) can supply the national grid. This issue is also highlighted through Namibia's use of a Modified Single Buyer (MSB) market model. The MSB restricts private electricity supply to 30% of annual energy requirements.<sup>13</sup> The MSB model's implementation in 2019 shifted from a Single Buyer Model (SBM), where only NamPower was allowed to buy electricity for the national grid, but the MSB is not having the desired impact as the government has placed a threshold on private electricity supply.

NamPower made a bid to the **World Bank** in May for N\$2 billion (\$107m) loan and is undoubtedly seeking to strengthen its own capacity to supply electricity to the national grid, but based on these reports, it will likely not be enough to plug the gaps forming. However, the government remains adamant in its reliance on NamPower, a decision which does not bode well

<sup>5</sup> Xinhua News Agency, 18 Apr 2023

<sup>6</sup> Reuters, 25 May 2023

<sup>7</sup> ESI Africa, 22 Sep 2022

<sup>8</sup> Energy Capital & Power, 5 Jul 2023

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

<sup>10</sup> [www.giz.de](http://www.giz.de), 2022

<sup>11</sup> ARC Briefing Analyst, 13 Jun 2023

<sup>12</sup> New Era, 2 Nov 2022

<sup>13</sup> New Era, 2 Nov 2022

when considering that South Africa adopted a similar policy stance with its embattled state-owned power utility **Eskom**.<sup>14</sup>

### New digital currency bill passed

**National Assembly** passed a digital currency bill on 22 June intended to regulate digital assets, digital currencies and virtual asset service providers (VASPs). The bill paves the way for a new licensing framework to be created for VASPs and aims to appoint a regulatory authority to supervise the activities of VASPs. The bill gives power to the finance ministry to appoint an institution or several institutions to regulate digital currencies and services.<sup>15</sup>

The **International Monetary Fund (IMF)** has indicated that although digital assets have existed for over a decade, it is only in 2022 that countries increasingly started to regulate them.<sup>16</sup> Namibia now joins a group of African countries, such as **Kenya, Nigeria** and **Mauritius** that are doing so. Digital assets and digital currencies are moving from being niche products towards becoming mainstream products with an increased base of users, necessitating increased regulation.<sup>17</sup> Finance minister **Ipumbe Shiimi** noted that his ministry tabled this new law to combat market abuse, safeguard consumer interests, and mitigate against the risks of terrorist financing and money laundering associated with virtual asset markets.<sup>18</sup>

Despite this new bill, the **Bank of Namibia (BoN)** (central bank) is yet to acknowledge the acceptance and use of virtual assets as legal tender or electronic money, meaning that even though citizens can legally buy, sell or use digital currency, no entity or individual is obligated to accept it as a form of payment.<sup>19</sup> Namibians or people intending to use cryptocurrency in Namibia must exercise caution and understand how and when it can be used, and within which boundaries. Individuals who use, trade or own virtual currency must also assume full responsibility for their actions.

BoN spokesperson **Kazembire Zemburuka** says the central bank recognises that virtual assets can promote financial inclusion, enhance cross-border payments and improve the affordability and resilience of payment systems, but still has a pragmatic outlook towards digital currency:

*“When the associated risks that come with innovations such as virtual assets in the financial system are better managed, the bank will make the necessary assessments and pronounce itself on their acceptance.”<sup>20</sup>*

Global investment firm **RisCura Consulting’s** investment consultant, **Jesaya Hano-Oshike**, welcomed the legislation as an important move to safeguard against money laundering and fraud. However, Hano-Oshike indicated that the regulations should not impede on innovation from developing digital assets or operating businesses in Namibia:

*“The legislation should not stifle innovation in the space, but rather encourage and foster innovation when it is done in the scope of legislation.”<sup>21</sup>*

The adoption of legislation is an important step for the necessary safeguards to be regulated, but the new legislation is yet to be put in practice and grey areas regarding the use of the currency remain. Despite these grey areas, Namibia has witnessed a surge in digital currency

<sup>14</sup> ARC Briefing Analyst, 13 Jul 2023

<sup>15</sup> The Namibian, 27 Jun 2022

<sup>16</sup> [www.imf.org](http://www.imf.org), Sep 2022

<sup>17</sup> Forbes, 5 Jul 2023

<sup>18</sup> The Namibian, 27 Jun 2023

<sup>19</sup> Finbold, 6 Oct 2023

<sup>20</sup> The Namibian, 27 June 2023

<sup>21</sup> The Namibian, 27 Jun 2023

users, where the use of the Bitcoin cryptocurrency has been the most popular, with the first Bitcoin ATM opening in July 2022.<sup>22</sup>

### First Namibian State of Business Address commences

The **Namibia Chamber of Commerce and Industry (NCCI)** hosted the first **State of Business Address (SoBA)** in Windhoek on 26 June under the theme ‘Private Sector Ordeals and Triumphs – Paving a Way for Public-Private Partnerships.’<sup>23</sup> The start of the SoBA is a culmination of the government quest to reposition the economy and accelerate economic transformation through a strategy mandated by the presidency’s **Harambee Prosperity Plan II**.

A multitude of factors influenced the decision to host such a forum, including the need for improved business-to-state communication and relations, a means to track the impact of state policies on the business sector, a need to increase the private sector’s engagement in the economic development agenda, and as a way to collectively liaise on and navigate geopolitical factors.<sup>24</sup> The NCCI regards the absence of such a forum where the implementation of state policies, processes and interventions affecting business are not tracked as counterintuitive to economic growth.

NCCI president **Bisey Uirab**, while speaking at the event, highlighted not only the need for improved state-to-business relations but also the geopolitical risks the state and business sector are facing. Uirab emphasised that the growing trend of promoting protectionism as particularly concerning for smaller open economies such as Namibia, and the need for a collective approach to navigate turbulent waters:

*“So, it is not surprising that countries, regions and economic groupings and trade blocks are closing ranks to stimulate production [...] This is being done in various ways that [...] include policy changes, fiscal assistance, and concluding of bilateral to multilateral agreements.”<sup>25</sup>*

Uirab also mentioned that the only way that Namibia can triple its economic growth indicators is through adopting the necessary technology and skills development and strengthening its partnerships with other **Sub-Saharan African** economies.<sup>26</sup>

SoBA will become an important annual conference where businesses and the state can deliberate on these cross-cutting issues in a world of increasing trade wars, ailing economies, geopolitical conflict and reactions towards global multipolarity.<sup>27</sup>

### Planner

2024 **(Namibia)** General elections

### Chronology

11-14 Jul 2023 **Gaborone (Botswana)** *All Africa*. Cice-president **Nangolo Mbumba** leads a delegation to participate in the **United States (US) – Africa Business Summit 2023**;

<sup>22</sup> Tech In Africa, 2023

<sup>23</sup> Namibia Economist, 4 Jul 2023

<sup>24</sup> Namibia Economist, 4 Jul 2023

<sup>25</sup> Windhoek Observer, 28 Jun 2023

<sup>26</sup> Windhoek Observer, 28 Jun 2023

<sup>27</sup> ARC Briefing Analyst, 13 Jul 2023

11 Jul 2023 **Windhoek (Namibia)** *Upstream*. **United Kingdom**-based energy and petrochemical company, **Shell**, makes its fourth oil discovery offshore Namibia;

11 Jul 2023 **Vancouver (Canada)** *Mining.com*. **Deep-South Resources**, a **Canadian** mineral exploration and development company, resumes operations its **Haib** copper project after a winning a court battle to renew its mining license;

11 Jul 2023 **Windhoek (Namibia)** *The Namibian*. The **Anti-Corruption Commission (ACC)** director general **Paulus Noa** says that ACC is pursuing allegations of financial misconduct against higher education minister **Itah Kandjii-Murangi**;

11 Jul 2023 **Windhoek (Namibia)** *The Namibian*. Auditor general **Junias Kandjeke** criticises the agriculture, water and land reform ministry faces for under-expenditure of N\$98m (\$5.2m);

8 Jul 2023 **Swakopmund (Namibia)** *Namibian Broadcasting Corporation*. **Erongo Region** governor **Andre Nevil** shares that dryland areas in the region are under threat from recurrent drought, climate change and deforestation;

7 Jul 2023 **Windhoek (Namibia)** *The Namibian*. **Electoral Commission of Namibia (ECN)** announces **Petrus Shaama**, the ECN's director of operations, as the ECN's new chief electoral and referenda officer;

7 Jul 2023 **Rome (Italy)** *Food and Agricultural Organisation*. **Food and Agricultural Organisation (FAO)** of the **United Nations (UN)** releases its second 2023 global quarterly report indicating that an estimated 390,000 people Namibians faced acute food insecurity in the period of January to March 2023 and are identified as a Phase 3 (Serious) crisis;

6 Jul 2023 **Windhoek (Namibia)** *The Namibian*. **Daniel Motinga**, an economist for the **Namibia Power Corporation (NamPower)**, threatens to resign due to allegations of political interference in the state-owned company;

4 Jul 2023 **Windhoek (Namibia)** *CH-Aviation*. High court hearing postpones a ruling from a court bid by the **Namibia Airports Company (NAC)** where **Menzies Aviation** is requested to vacate the **Windhoek Hosea Kutako International Airport**. Menzies Aviation continues to provide ground-handling services pending the ruling;

4 Jul 2023 **Windhoek (Namibia)** *The Namibian*. A motion is unanimously passed for parliament to investigate overcharging by Namibia's commercial banks;

16 Jun 2023 **Abidjan (Ivory Coast)** *African Development Bank*. The **African Development Bank** approves a grant amounting to N\$8.9m (\$485 000) for solar electricity projects to supply informal settlements in Windhoek;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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