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Namibia Monthly Briefing March 2022

Namibia Summary 15 March 2022

Bank of Namibia (BoN) (central bank) deputy governor Ebson Uanguta cautions that the Russia-Ukraine conflict may threaten Namibia's economic growth and mining industry. Finance minister Iipumbu Shiimi delivers the 2022/23 budget to the national assembly. The International Monetary Fund warns that it may cut the global growth forecast for 2022 due to the Russia-Ukraine conflict. BoN governor Johannes !Gawaxab approaches United Kingdom-headquartered diamond mining and retail company DeBeers to voice fears that the Russia-Ukraine conflict may damage perceptions of the diamond industry and demand for its products. President Hage Geingob (2015-present) leads the annual cabinet retreat and urges ministers to complete their national development projects. France-based oil and gas major TotalEnergies SE announces a "significant" oil discovery off the coast of Namibia. New case numbers of Covid-19 remain low despite failure to reach government targets to vaccinate 60% of the population against Covid-19 by the end of March.

Russia-Ukraine conflict threatens economic recovery...

Russia's invasion of **Ukraine** on 24 February threatens global economic recovery and raises significant concern regarding **Namibia's** recently released budget for 2022/2023. **Bank of Namibia (BoN)** (central bank) deputy governor **Ebson Uanguta** cautioned on 9 March that the conflict threatens Namibia's mining industry and economic growth.¹ Russia contributes 12% of global products, amongst which are commodity exports of oil, gas, diamonds and food produce including 11% of global wheat product.² Uanguta forecasts a significant impact on Namibian consumers:

*"Some of these key products, like oil, and in our case, wheat, have a direct bearing on the livelihoods of our people. It is really a situation we need to monitor."*³

Finance minister **Iipumbu Shiimi** delivered the 2022/2023 budget statement (appropriation bill) to the **National Assembly** on 24 February, the same day that Russia launched military operations in Ukraine.⁴ The budget, titled "*Reimagining, a better future for the youth*",⁵ has pledged N\$72.2m (\$4.7m) in loans from the **Development Bank of Namibia (DBN)** to youth-owned businesses and a N\$86m (\$5.7m) green hydrogen scholarship programme in partnership with the **German** ministry of education and research.⁶ More than a third of Namibia's population is aged 15-34.

The budget anticipates economic growth of 2.9% in 2022, accelerating to 3.7% in 2023, based on forecasts made by the finance ministry after the **International Monetary Fund (IMF)** cut its predictions for global growth in 2022 from 5.9% to 4.4% in January.⁷ The IMF cited "*higher than expected*" inflation and the highly transmissible Omicron variant of **Covid-19** as reasons for its

¹ [The Namibian](#), 10 Mar 2022

² [The Namibian](#), 10 Mar 2022

³ [The Namibian](#), 10 Mar 2022

⁴ [Deloitte](#), 24 Feb 2022

⁵ [Ministry of Finance](#), 24 Feb 2022

⁶ [Deloitte](#), 24 Feb 2022

⁷ [International Monetary Fund](#), 25 Jan 2022

revision of global growth forecasts.⁸ The IMF cautioned on 14 March that it is likely to cut its growth forecast for 2022 again after appraising the economic consequences of Russia's invasion of Ukraine.⁹ IMF managing director **Kristalina Georgieva** said the IMF nevertheless expected the world to be in positive growth territory in 2022.¹⁰

Local newspaper **The Namibian** described the budget as “*nothing new or exciting*” and contradicting its theme of reimagining a better future for the youth.¹¹ The finance ministry's budget highlights, published on 1 March, reveal that only 7.1% of 2022/2023 expenditure is earmarked for development.¹² The remaining 92.9% of Namibia's N\$70.8 billion (\$4.69 billion) expenditure is allotted to operational expenditure. The cost of maintaining state operations is high, reducing the government's capacity to develop the economy and provide opportunities for Namibia's youth.¹³ Labour expert **Herbert Jauch** highlighted that the cost of debt service payments is higher than development funds, consuming 15% of the budget.¹⁴

Namibia's budget deficit is estimated to be 5.6% in 2022/23, lower than the 8.7% estimated for 2021/22.¹⁵ However, the Russia-Ukraine conflict poses a significant threat to Namibia's balance of payments, as global economists predict that the price of food and energy products will continue to rise considerably.¹⁶ Greater global economic turbulence also threatens several tax measures in the 2022/2023 budget, including:

- Reduction of non-mining company taxes;
- Writing off interest and penalties for tax-arrears as 12-month electronic tax filing relief.¹⁷

South Africa-based newspaper **The Daily Maverick** notes that oil price increases are a significant driver of cost-push inflation.¹⁸ Developing nations' arsenal of policy responses, including interest rate hikes and liquidity measures are ineffective against cost-push pressures.¹⁹ However, Namibia has yet to experience the sharp rise in inflation experienced in neighbouring South Africa, despite inflation reaching a three-year high of 4.6% in January (see *ARC Briefing Namibia Feb 2022*).²⁰ The BoN reported on 16 February that average annual inflation in Namibia increased to 3.6% in 2021, compared to 2.2% in 2020, driven by higher prices of food, transport and housing.²¹ The BoN **Monetary Policy Committee (MPC)** hiked the key interest rate from 3.75% to 4%, the first rise in six years.

... and could also impact the diamond industry

BoN governor **Johannes !Gawaxab** has voiced fears that the Russia-Ukraine conflict could damage perceptions of the diamond industry and demand for Namibia's diamond products.²² The **United States (US) Department of the Treasury** announced on 24 February a long list of “*expansive sanctions*” against individuals and Russian companies to combat the invasion of

⁸ [The Guardian](#), 25 Jan 2022

⁹ [Hellenic Shipping News](#), 14 Mar 2022

¹⁰ [Hellenic Shipping News](#), 14 Mar 2022

¹¹ [The Namibian](#), 1 Mar 2022

¹² [Ministry of Finance](#), 1 Mar 2022

¹³ [Ministry of Finance](#), 1 Mar 2022

¹⁴ [The Namibian](#), 1 Mar 2022

¹⁵ [Ministry of Finance](#), 1 Mar 2022

¹⁶ [Ministry of Finance](#), 1 Mar 2022

¹⁷ [Bloomberg Tax](#), 15 Mar 2022

¹⁸ [Daily Maverick](#), 11 Mar 2022

¹⁹ [Daily Maverick](#), 11 Mar 2022

²⁰ [Bank of Namibia](#), 16 Feb 2022

²¹ [Bank of Namibia](#), 16 Feb 2022

²² [The Namibian](#), 10 Mar 2022

Ukraine by Russia.²³ Amongst the Russian companies sanctioned was **Alrosa**, the world's largest diamond mining company, responsible for 90% of Russia's diamond mining industry and 28% of global diamond mining.²⁴ Alrosa CEO **Sergei Sergeevich Ivanov** is reported to be "*one of Putin's closest allies*".²⁵

!Gawaxab reportedly approached **United Kingdom**-headquartered diamond mining and retail company **DeBeers** to voice fears that negative perceptions of diamond mining could affect Namibia's diamond industry. DeBeers operates a joint-venture with the Namibian government, **Namdeb Holdings**, and is a significant contributor to government revenue.²⁶ Mining and exploration is a key driver of Namibia's economic growth, contributing approximately 10% to gross domestic product (GDP).²⁷ Namibia is also the world's largest supplier of marine diamonds, which make up 90% of Namibia's diamond resources.

BoN deputy governor Ebson Uanguta also voiced concerns that diamond sales may fall victim to historical "*blood diamond*" fears:

"If those sentiments of classifying diamonds as blood diamonds kick in, that may have serious implications on the demand of diamonds overall."

DeBeers reportedly responded to !Gawaxab with reassurances that DeBeers has a distinctive method of identifying Namibian diamonds, using blockchain technology, to reduce the risk of a broad-based boycott of diamond products by concerned consumers.²⁸ If the global diamond industry succumbs to consumer boycotts, Namibia's economic recovery from the Covid-19 pandemic may suffer. As a result of the pandemic, the diamond and basic metals processing industry has contracted by 39.4%.²⁹ Days prior to the invasion of Ukraine, De Beers Group CEO **Bruce Cleaver** informed news agency **Reuters** on 21 February that the company anticipated good medium-to long term growth.³⁰

Geingob leads cabinet retreat

President **Hage Geingob** (2015-present) led the annual cabinet retreat on 11 March, during which he urged cabinet ministers to prioritise projects under the **National Development Plan V (NDP-V)** and the **Harambee Prosperity Plan II**.³¹ Geingob accused ministerial departments of "*sitting*" on projects in order to create opportunities for kickbacks and bribes.³² However, Geingob asserted that corruption was neither endemic nor systemic in Namibia, highlighting the role of the tender system, which removes powers from ministers and facilitates a competitive tender process.³³

Geingob's criticism of cabinet ministers suggests that delayed national development programmes are the result of corrupt actors undermining Namibia's progress. However, The Namibian claims Namibia's economy has been weak for several years,

*"... as drought and the pandemic deeply affected the country [...] ministries are still trying to fill critical positions as some vacancies have been frozen."*³⁴

²³ [US Department of the Treasury](#), 24 Feb 2022

²⁴ [US Department of the Treasury](#), 24 Feb 2022

²⁵ [US Department of the Treasury](#), 24 Feb 2022

²⁶ [RBM](#), Sep 2021

²⁷ [RBM](#), Sep 2021

²⁸ [The Namibian](#), 10 Mar 2022

²⁹ [Ministry of Finance](#), 17 Mar 2021

³⁰ [Reuters](#), 21 Feb 2022

³¹ [The Namibian](#), 14 Mar 2022

³² [The Namibian](#), 14 Mar 2022

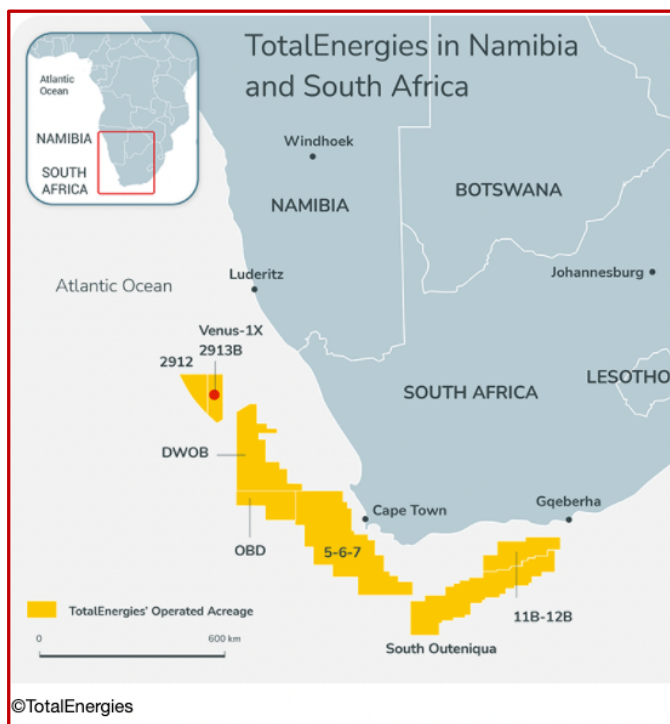
³³ [The Namibian](#), 14 Mar 2022

³⁴ [The Namibian](#), 11 Mar 2022

Despite Geingob's negative assessment of progress in development programmes, Namibia's economy has begun a slow recovery from the Covid-19 pandemic, mainly driven by an increase in productivity in the mining, hotels and restaurants and financial services sectors.³⁵ A review of Namibia's 2021 growth, included in the 2022/2023 budget statement, cites "moderate growth" in the previous year, projected to be 1.2% of gross domestic product (GDP), lower than the 1.9% forecasted in the mid-year budget review released on 3 November.^{36, 37} The underperformance of Namibia's economic growth in 2021 has been attributed to a resurgence of Covid-19 cases due to the Omicron variant in December.³⁸ The budget also notes slow vaccination rollout and uptake in Namibia as threats to sustained economic recovery.³⁹

TotalEnergies announces large find offshore Namibia...

France-based oil and gas major **TotalEnergies SE** announced on 24 February a "significant" oil discovery off the coast of Namibia, just three weeks after the announcement of another sizable find by Netherlands-based oil major **Shell Plc** earlier in February (see *ARC Briefing Namibia Feb 2022*).⁴⁰ TotalEnergies announced the discovery of light oil and associated gas at the **Venus Prospect (Venus 1-X)** well located in **Block 2913B** in the **Orange Basin** in offshore southern Namibia.⁴¹ Block 2913B is a shared operations venture, jointly held by TotalEnergies (40%), Qatar-based **Qatar Energy** (30%), UK-based **Impact Oil and Gas** (20%) and Namibia's state-owned **National Petroleum Corporation of Namibia (Namcor)** (10%).⁴²



The well was drilled using Denmark-based shipping company **Maersk's** drilling subsidiary technology, the **Maersk Voyager** drillship, which has been stationed offshore Namibia since December.⁴³ The rig is contracted to Total's operation until March 2022, at a \$200,000 per day rate.

Senior vice president of exploration at TotalEnergies, **Kevin McLachlan**, said the preliminary coring and logging programme had been completed. The results of that programme will now be used to commercially appraise the potential of the discovery.⁴⁴ **Keith Hill**, CEO of **Africa Oil**, shareholders in Impact Oil & Gas, anticipates positive results from further exploration

planned in **Block 3B/4B** in the Orange Basin and the Orange Basin Deep Block located in the South Africa-owned section of the oil basin.⁴⁵

³⁵ Ministry of Finance, 24 Feb 2022

³⁶ Ministry of Finance, 24 Feb 2022

³⁷ Ministry of Finance, 3 Nov 2021

³⁸ Deloitte, 24 Feb 2022

³⁹ Ministry of Finance, 24 Feb 2022

⁴⁰ Bloomberg Quint, 24 Feb 2022

⁴¹ Offshore Engineer, 24 Feb 2022

⁴² Bloomberg Quint, 24 Feb 2022

⁴³ Offshore Engineer, 24 Feb 2022

⁴⁴ Offshore Engineer, 24 Feb 2022

⁴⁵ Offshore Engineer, 24 Feb 2022

Mines and energy ministry petroleum commissioner **Maggy Shino** announced on 7 February that the government would seek to fast-track production of oil from the **Graff-1** well spudded by Shell.⁴⁶ The government aims for Namibia to become an oil producer by 2026.⁴⁷ It is likely that TotalEnergies' discovery, if it proves to be commercially viable, will receive similar treatment.

While Namibia own 10% of the oil that will be produced from the recent finds in the Orange Basin, the real benefit of oil production will be the resulting royalties and taxes, which finance minister Iipumbu Shiimi described as “60% of the cake”.⁴⁸ **National Planning Commission (NPC)** head **Obeth Kandjoze** confirmed that Namibia would respect the 25-year production licences held by the Orange Basin operators:

“One of the clauses reads that each of the shareholders can elect a destination of their choice to leave their share of the produce.”⁴⁹

Addressing parliament on 8 March, President Geingob noted that the recent oil find was not solely a Namibian asset:

“Legally, it is not ours. Legally it is owned by the investors, with 90%, but we are going to get it [income] through taxes and royalties.”⁵⁰

Geingob suggested that the discovery of oil is unlikely to significantly impact the domestic economy, other than through royalties, unless the oil and gas industry commits to refining products in Namibia:

“It still goes outside in raw form, its value is added outside, jobs are created outside, and technology transferred [...] we hope there would be some kind of value addition in country. That is the only way you can say there will be more jobs created, and money stays in the country.”⁵¹

In light of the global energy transition and commitments made to significantly reduce the use of fossil fuels by 2050, it is unlikely that the development of infrastructure and skill base in petroleum refinery will lead to long-term benefits or job security. Instead, President Geingob would do well to focus on Namibia's **Green Hydrogen** projects launched in November (see *ARC Briefing Namibia Nov 2021*).⁵²

New cases of Covid-19 remain low...

President Geingob announced on 14 March an end to regulations requiring the wearing of masks in public.⁵³ New cases of Covid-19 in Namibia have remained low in March. Deaths associated with the January spike in Covid-19 infections have also remained low.⁵⁴ As of 15 March, Namibia had recorded 157,410 cases of Covid-19 in its population of 2.5 million, with 4,014 Covid-19-related deaths.⁵⁵

⁴⁶ [Reuters](#), 7 Feb 2022

⁴⁷ [Reuters](#), 7 Feb 2022

⁴⁸ [The Namibian](#), 9 Mar 2022

⁴⁹ [The Namibian](#), 9 Mar 2022

⁵⁰ [The Namibian](#), 9 Mar 2022

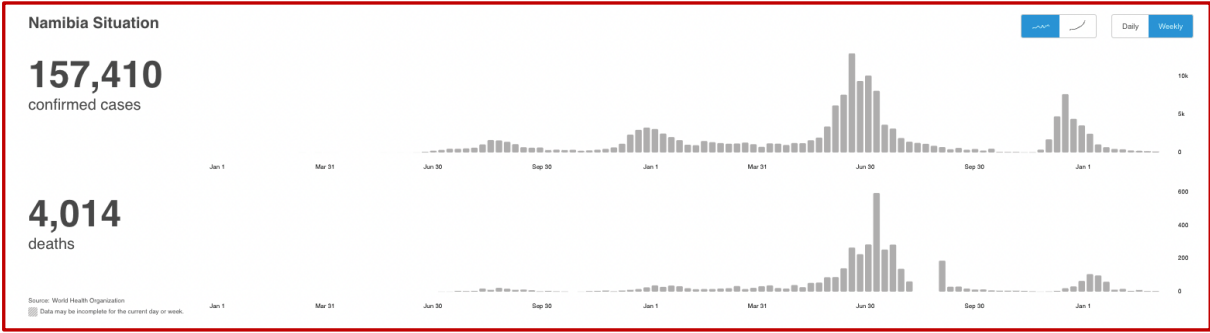
⁵¹ [The Namibian](#), 9 Mar 2022

⁵² [New Era](#), 11 Mar 2022

⁵³ [KFGO](#), 15 Mar 2022

⁵⁴ [World Health Organisation](#), accessed 15 Mar 2022

⁵⁵ [World Health Organisation](#), accessed 15 Mar 2022



1 - World Health Organisation (WHO) Namibia Covid-19 data⁵⁶

Fully vaccinated travellers arriving in Namibia are no longer required to present a negative PCR test but are still required to provide proof of full vaccination at points of entry to the country.⁵⁷ Citizens and visitors in enclosed spaces, including public transport and indoor spaces, are encouraged to wear masks.⁵⁸

Namibia has faced significant “*vaccine hesitancy*” and failed to meet the government’s target of vaccinating 60% of the population by March 2022.^{59, 60} As of 15 March, Namibia has administered 814,463 doses of Covid-19 vaccine; 444,529 individuals had received at least one dose (17.5% of the population) while 378,399 are fully vaccinated (14.87% of the population).⁶¹

⁵⁶ [World Health Organisation](#), accessed 15 Mar 2022
⁵⁷ [KFGO](#), 15 Mar 2022
⁵⁸ [KFGO](#), 15 Mar 2022
⁵⁹ [World Health Organisation](#), accessed 15 Mar 2022
⁶⁰ [World Health Organisation](#), accessed 15 Mar 2022
⁶¹ [World Health Organisation](#), accessed 15 Mar 2022

Planner

13 Apr 2022 **Windhoek (Namibia) Bank of Namibia (BoN)** (central bank) releases monetary policy statement;

15 Jun 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;

17 Aug 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;

19 Oct 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;

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

2024 **(Namibia)** General elections;

Chronology

14 Mar 2022 **Windhoek (Namibia) KFGO**. President **Hage Geingob** ends **Covid-19** restrictions requiring the use of masks in public spaces; travelers arriving in Namibia who are fully vaccinated against Covid-19 are no longer required to provide proof of a negative PCR test upon arrival;

14 Mar 2022 **Global Hellenic Shipping News**. **International Monetary Fund (IMF)** managing director **Kristalina Georgieva** cautions that the IMF global growth forecast may be cut to account for the economic consequences of **Russia's** invasion of the **Ukraine**;

11 Mar 2022 **Windhoek (Namibia) The Namibian**. President **Hage Geingob** leads the annual cabinet retreat, urging ministers to complete projects planned under the **National Development Plan V** and the **Harambee Prosperity Plan II** and attributing slow progress to corrupt actors;

10 Mar 2022 **Windhoek (Namibia) The Namibian**. **Bank of Namibia (BoN)** (central bank) deputy governor **Ebson Uanguta** voices concern that the **Russia-Ukraine** conflict may undo economic recovery efforts in Namibia and result in higher fuel prices and inflation;

9 Mar 2022 **Windhoek (Namibia) The Namibian**. The **Namibian Competition Commission (NCC)** is conducting an investigation into the sale of shares in **Eos Capital Namibia** by central bank governor **Johannes !Gawaxab**;

24 Feb 2022 **Windhoek (Namibia) Bloomberg Tax**. The finance ministry presents the 2022-2023 budget statement themed “*reimagining a better future for the youth*”;

23 Feb 2022 **Windhoek (Namibia) Upstream**. Sources at **France**-headquartered oil major **TotalEnergies** says a recent oil discovery off **Namibia** is “*massive*” and “*an elephant*” find;

21 Feb 2022 **Global Reuters**. **Bruce Cleaver**, CEO of **United Kingdom**-headquartered diamond mining and retail company **DeBeers** announces a forecast for “*decent*” medium-to long-term growth;

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