

AFRICA RISK CONSULTING

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Namibia Summary 18 April 2023

President Hage Geingob (2015-present) delivers his ninth State of the Nation Address (SONA) on 16 March. The SONA has a positive tone, despite the many challenges Namibia is facing, but Geingob also warns of the risks of unemployed youth resorting to violence. However, he announces no plans to create youth employment. The Electricity Control Board (ECB) confirms on 14 April that Namibia Power Corporation (NamPower) has requested a tariff increase of 16.87%. If approved, the announcement of the hike is to be made before end-April. An increase in rainfall during March and early April means the Ruacana hydroelectric power station is producing more electricity, but increased demand for electricity from household consumers and businesses may still push up electricity tariffs. The Namibia Revenue Agency (NamRa) announces on 4 April that it surpassed revenue collection targets for 2022/23, allowing more funding towards the national budget.

Geingob delivers State of the nation

President **Hage Geingob** (2015-present) delivered his ninth annual **State of the Nation Address (SONA)** on 16 March in parliament to a joint sitting of the national assembly and the national council. Analysts and members of the public were keen to see economic issues including high unemployment, inflation, increased lending rates, increased cost of living and a slow post-pandemic economic recovery, addressed in Geingob's speech.¹

Geingob expressed optimism about **Namibia's** economic recovery and highlighted various policies that will be introduced to promote economic recovery, including investing in infrastructure development, education, and entrepreneurship. Geingob emphasised that in 2022, Namibia registered better-than-expected economic growth of 4% and that growth is estimated at 3.2% in 2023. Geingob welcomed the positive growth trajectory:

"The return of the economy to a positive growth trajectory is welcome, as it brings much-needed growth in revenue collections as well as stemming the trench of declining per capita income."²

Namibia enjoyed increased Foreign Direct Investment (FDI) in 2022, with the country attracting N\$13.2 billion (\$727m) or 7.2% of Namibia's GDP in the first nine months of 2022. Geingob noted that FDI is the main contributor to financial inflows, which he believes are at a record high.³ High FDI inflows are anticipated to continue as a result of the country's oil and green hydrogen potential.⁴ Namibia's anticipated economic growth in the oil sector could double the country's GDP by 2040.⁵

On this note, Geingob also announced the commencement of a green hydrogen feasibility study worth N\$45.7 billion (\$2.5 billion).⁶ The government has been wooing investors since 2021 to

¹ New Era, 17 Mar 2023

² Namibia Economist, 17 Mar 2023

³ New Era, 17 Mar 2023

⁴ Namibia Economist, 17 Mar 2023

⁵ Bloomberg, 21 Jun 2022

⁶ New Era, 17 Mar 2023

fund the creation of hydrogen plants and production of green hydrogen, but the country has yet to produce green hydrogen. Like the oil industry, green hydrogen is regarded as having a high level of potential for Namibia as a source of green energy. Production of green hydrogen was anticipated by 2026, but the first full-scale operational plant is anticipated to be ready by 2030.⁷

Geingob emphasises that there remains a need to foster broad-based economic growth across the different sectors of the economy.⁸ However, Geingob also had to address the dire economic realities facing Namibia, particularly high unemployment and the risk that this poses. At the SONA, in response to a question after his speech, Geingob sounded the alarm on the dangerous impact that unemployment, warning that if the youth, which in this case he categorised from the ages 14 to 20, become frustrated with unemployment, could resort to crime or create social unrest.⁹ Youth unemployment stood at 40.15% in 2021.¹⁰

Financial exclusion, where people do not have access to mainstream financial services such as banking or insurance, was also indicated as a problem those in the informal sector, rural areas as well as micro, small, and medium enterprises face. To address this issue, Geingob announced that the government has been working with the **Bank of Namibia (BoN)** (central bank) to develop a new 'Financial Sector Transformation Strategy,' where policies would be created to improve access to financial services.¹¹ The strategy will be based on a reform agenda, to facilitate inclusion by allowing Namibians more ownership and management of Namibia's financial institutions.¹² The strategy will also include the modernisation and digital transformation of the BoN to facilitate financial inclusion.

Analysts and opposition parliamentarians expressed criticism towards Geingob for being out of touch with reality. Political analyst, **Rui Tiytende**, noted that Geingob has been discussing the same issues for eight years with no real progress or solutions to solve issues facing the country. Tiytende also said that Geingob promised the nation that poverty and informal settlements would be eradicated within five years from 2017:

*"The president has no clue of what to do with unemployment, poverty and inequality. The Namibian people are on their own, and no one is coming to their rescue."*¹³

Lecturer and political analyst, **Erika Thomas**, also expressed that there were not any tangible results regarding addressing unemployment, socio-economic challenges, health and education issues.¹⁴ Thomas said that Geingob needs to calculate the amount of funding needed to solve the issues Namibia is facing.¹⁵

Electricity price hikes loom

The **Electricity Control Board (ECB)** confirmed on 14 April that the **Namibia Power Corporation (NamPower)** requested a tariff increase of 16.87%. ECB's spokesperson, **Ferdinand Molale**, explained that ECB-approved tariffs will be announced before the close of April 2023 and, if approved, that the hikes will commence in July for 2023/24.¹⁶

A report by the Namibian wealth-management company **Simonis Storm (SS)**, published in March 2023, indicated that there has been an increase in local demand for electricity,

⁷ Engineering News, 9 Mar 2023

⁸ Namibia Economist, 17 Mar 2023

⁹ All Africa, 20 Mar 2023

¹⁰ www.statista.com, Mar 2023

¹¹ Namibia Economist, 17 Mar 2023

¹² Namibia Economist, 12 Apr 2023

¹³ All Africa, 20 Mar 2023

¹⁴ All Africa, 20 Mar 2023

¹⁵ All Africa, 20 Mar 2023

¹⁶ New Era, 17 Apr 2023

particularly during the spring and winter seasons. Electricity demand has also increased significantly post the **Covid-19** pandemic as business and mining activity have increased, with **Namibian Statistics Agency (NSA)** indicating that the composite mining production index, which tracks zinc, diamond, gold bullion and uranium mining, recorded a 32.2% year-on-year growth in February 2023. The SS report stated that due to businesses' increased demand for electricity, tariff hikes are likely, noting that housing and utilities have also contributed to increased consumption:

*"Depending on what the ECB approves, we do see higher electricity tariffs, which would be effective July 2023, as a risk to inflation. This is because the housing and utilities category has the largest weight in the consumer price basket (28.36%)."*¹⁷

Adding to the pressure, statistics from the **International Research Institute for Climate Society (IRICS)** show a 40% chance that Namibia will experience below-average rainfall which could affect the production of electricity at the **Ruacana** hydro-electric power station, located along the **Kunene River**. The Ruacana power station, run by NamPower, supplies 95% of Namibia's electricity and has a capacity of 347 megawatts (MW).¹⁸ However, local media outlet **The Namibia** reported on 17 April that the power station has been operating with a full load over the past week, which is anticipated to continue throughout April, as dam levels have remained high due to significant rainfall in the central and upper parts of Kunene River.¹⁹ The last time the power station operated at this high level was in April 2022.

The ECB announced a 7.3% hike in bulk electricity tariffs in 2022 from N\$1,69 (\$0,093) to N\$1,82 (\$0.1) per kilowatt (kWh) in the 2022/23 period. A 2.29% tariff increase in electricity was implemented in 2021/22.²⁰

The increase in electricity will further strain consumers' pockets who are already under financial distress as businesses factor electricity costs into the cost of goods and services. Local authorities, large power users such as mines and regional electricity distributors (REDs) who purchase electricity from NamPower will all have to pay higher electric bills, and this will have a knock-on effect on consumers.²¹

NamRa exceeds revenue collection target

The **Namibia Revenue Agency's (NamRa)** spokesperson **Yarukeekuro Ndorokaze** announced on 4 April that NamRa had surpassed its revenue collection target of N\$53 billion (\$2.9 billion) by N\$2 billion (\$110m), collecting N\$55 billion (\$3.03 billion) by the end of February, a month before the government's fiscal year end on 31 March.²² N\$74.7 billion (\$4.09 billion) is estimated to be the total collection amount for the 2023/24 financial year.²³

The tax collected was from business and individual taxpayers. In finance minister **lipumbu Shiimi's** national budget speech delivered on 22 February, he indicated that over the tax collection period, there was a 103% collection rate for Value-Added Tax (VAT).²⁴ In addition to increased domestic revenue, there was an increase in receipts from the **Southern African Customs Union (SACU)**.²⁵

¹⁷ New Era, 17 Apr 2023

¹⁸ The Namibian, 16 Apr 2023

¹⁹ The Namibian, 17 Apr 2023

²⁰ New Era, 17 Apr 2023

²¹ New Era, 17 Apr 2023

²² New Era, 24 March 2023

²³ New Era, 27 Feb 2023

²⁴ New Era, 27 Feb 2023

²⁵ New Era, 24 Mar 2023

NamRa is also continuing to roll out tax relief measures and a tax amnesty. NamRa is seeking to collect approximately N\$15 billion (\$825m) owed to the state as the capital amount but may write off N\$55 billion (\$3.03 billion) owed in penalties and interest. The amnesty programme started on 1 April and Ndorokaze has described it as:

*"[...]a window of opportunity for those defaulting to pay their taxes."*²⁶

NamRa aims to award tax-compliant individuals as a means to encourage Namibians to pay their taxes. A similar tax relief programme was announced last year and was implemented in June 2022, where if outstanding tax was paid between June and November 2022, a 70% waiver on interest fees would be granted and all penalties would be waived. Alternatively, if outstanding tax is paid between December 2022 and May 2023, 60% of the interest would be written off as well as all penalties.²⁷

Despite outstanding tax challenges, the exceeded collection targets play a significant role in the national budget and will help the state towards tackling the country's pressing needs.²⁸ The 2023/24 national budget was tabled on 22 February under the theme 'Economic Revival and Caring for the Poor'.²⁹ Expenditure for 2023/24 is estimated at a total of N\$84.6 billion (\$4.6 billion) and includes N\$10 billion (\$550m) for debt-servicing costs. The speech highlighted that projected revenues for Namibia are more than enough to cover operational expenditures.³⁰

Previous budgets were impacted negatively by Covid-19, resulting in the restructuring strategies and methods within the budget for an economy already under strain prior to the pandemic.³¹ These recovery methods included servicing social sectors and aligning spending to growth. The 2023/24 financial year is significant as it marks the close of a ten-year financial cycle under the Geingob administration and will allow analysts to trace what was prioritised over a decade and how the country should scenario plan for the future.

Planner

2024 **(Namibia)** General elections;

Chronology

18 Apr 2023 **Windhoek (Namibia)** *Mining Weekly*. *Mining Weekly reports, on 18 April, that B2Gold, a Canadian gold mining company announces its phased closure due to start in 2024;*

17 Apr 2023 **Windhoek (Namibia)** *The Namibian*. President **Hage Geingob** will arrive for an official state visit to **South Africa** on 20 April to meet South Africa's president **Cyril Ramaphosa**;

17 April 2023 **Windhoek (Namibia)** *The Namibian*. Namibia witnesses its highest number of vehicle sales in March;

13 Apr 2023 **Windhoek (Namibia)** *Namibia Economist*. **Namibia Statistics Agency** indicates annual inflation rose to 7.% in March;

²⁶ New Era, 24 Mar 2023

²⁷ New Era, 24 Mar 2023

²⁸ New Era, 21 Feb 2023

²⁹ www.ippr.org.na, Mar 2023

³⁰ www.ippr.org.na, Mar 2023

³¹ New Era, 23 Feb 2023

13 Apr 2023 **Windhoek (Namibia)** *The Namibian*. **Canada**-headquartered **B2Gold's** Namibian subsidiary, **B2Gold Namibia**, begins its mine closure phase process because of low reserves;

12 Apr 2023 **Windhoek (Namibia)** *Namibia Economist*. The **Development Bank of Namibia (DBN)** launches its inaugural sustainable finance framework (SFF) which aims to tackle environmental objectives through sustainable finance and push DBN to be the go-to Environmental, Social and Governance (ESG) bank in Namibia;

10-14 Apr 2023 **Windhoek (Namibia)** *Namibia Economist*. The **Namibian Agronomic Board (NAB)** announces that the **Namibian Standards Institution's (NSI)** technical committee on food safety management systems have drafted four standards for identifying crop-specific commercial quality control and marketing parameters, including for pumpkins, sweet corn, sweet melons, and gem squashes;

3-7 Apr 2023 **Windhoek (Namibia)** *New Era*. **Namibia Investment Promotion and Development Board's (NIPBD)** CEO, **Nangula Uaandja**, announces that Namibia has secured N\$161 billion (\$8.9 billion) as of March 2023. The top three sectors for investment include renewables (39%), agriculture and food processing (24%) as well as oil and gas (19%);

8 Apr 2023 **Windhoek (Namibia)** *The Namibian*. **Bank of Namibia** (central bank) extends measures instituted to stimulate economic recovery, cushioning households and businesses from the impacts of the **Covid-19** pandemic and related restrictions on economic activities to 2024;

7 Apr 2023 **Windhoek (Namibia)** *Energy Capital & Power*. Mines and energy minister **Tom Alweendo** meets with **Angola's** mineral resources minister **Diamantino Azevedo** as part of an official state visit and to discuss future cooperation in their extractive industries;

29 Mar 2023 **Windhoek (Namibia)** *Farmer's Weekly*. **Thinus Pretorius**, chairperson of **Namibia's Livestock Producers' Organisation**, indicates that areas south of Windhoek, as well as western and central parts of Namibia, are in desperate need of rain, warning farmers to prepare drought-coping strategies;

29 Mar 2023 **Windhoek (Namibia)** *The Namibian*. **United States (US)** ambassador to Namibia, **Randy Barry**, says the relationships of the US, **China** and **Russia** with **African** countries are complex and rejects the notion of a tug of war for Africa and its resources;

27 Mar 2023 **Windhoek (Namibia)** *The Namibian*. Prime minister **Saara Kuugongelwa-Amadhila** reappoints **Ben Namgombe** as executive director of the health and social services ministry for another four-and-a-half years.

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