

NAMIBIA QER Q1 2022

NAMIBIA QUARTERLY ECONOMIC REVIEW

JANUARY - MARCH 2022

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Attracting Investment: One Step Forward One Step Back

Introduction

Namibia's recent high-profile participation at the six-month long Dubai World Expo was the third major investment promotion event since President Hage Geingob took office in March 2015. In this short feature we look at the timeline of events that have had an important bearing on Namibia's investment climate, summarise how Namibia compares to other investment destinations in international comparisons, look at the available data on Namibia's investment performance and ask whether Namibia's current approach to promoting itself is working.

Table 1: Key Developments in Namibia's Investment Environment since 2015

| Date | Event |
|-------------------|---|
| Late 2015 | Ministry of Mines and Energy introduces requirement that mining companies seeking exploration licences be 5% owned and 20% managed by Previously Disadvantaged Namibians. |
| February 2016 | Prime Minister shares draft NEEEF Bill for public consultation which obliges companies to cede 25% to Racially Disadvantaged Persons |
| 2 June 2016 | Export Levy Act passed by Parliament |
| 12 August 2016 | Namibian Investment Promotion Act passed by Parliament |
| 22 September 2016 | Curtain raiser event on margins of 71st UNGA meeting in New York |
| 6 October 2016 | Launch of conference in Emperors Palace in Kempton Park, Johannesburg |
| 8-9 November 2016 | Government hosts investment conference at Safari Hotel in Windhoek under the theme "Promoting Investment for Inclusive Growth and Industrialisation" |
| 13 April 2017 | President Geingob confirms that businesses will have to cede 25% of their ownership to previously disadvantaged Namibians |

| | |
|--------------------------------|--|
| 9 June 2017 | Public Private Partnership Act passed by Parliament |
| 11 August 2017 | Moody's downgrades Namibia to junk status (Ba1) |
| 20 November 2017 | Fitch downgrades Namibia to junk status (BB+) |
| 7 March 2018 | Minister of Finance announces EPZ Act will be repealed and replaced by Special Economic Zones |
| 11 April 2018 | President Geingob states that the 25% ownership clause in the NEEEF Bill has been removed |
| 28 September 2018 | Ministry of Finance proposes changes to mineral royalties |
| 29 October 2018 | Minister of Mines and Energy removes the requirement that mining companies seeking exploration licences be 5% owned and 20% managed by previously disadvantaged Namibians. |
| 21 December 2018 | Minister of Finance quoted as saying Rand peg is being evaluated |
| 26 March 2019 | High Level Panel on the Namibian Economy (HLPNE) appointed |
| 8 April 2019 | President Geingob commits to Rand peg in interview |
| 7 May 2019 | Minister of Mines and Energy lifts uranium moratorium |
| 31 July – 1 August 2019 | Two-day Economic Growth Summit under the theme "Economic Revival for Inclusive Growth: Strengthening the Namibian House" takes place in Windhoek targeting US\$1 billion of investment |
| 1 August 2019 | Government provides responses to HLPNE recommendations and confirms mineral royalty tax change will not go ahead |
| 1 October 2019 | Fitch downgrades Namibia's credit rating to BB |
| 6 December 2019 | Moody's downgrades Namibia's credit rating to Ba2 |
| 21 February 2020 | Government publishes revised NEEEF Bill |
| 16 March 2020 | President announces creation of Namibia Investment Promotion and Development Board (NIPDB) |
| November 2020 | Government publishes revised NEEEF Bill |
| 4 December 2020 | Moody's downgrades Namibia's credit rating to Ba3 |
| 1 January 2021 | Nangula Uaandja appointed CEO of NIPDB |
| 16 December 2021 | Income Tax Amendment Act ends EPZ and Manufacturing Incentives |
| 17 March 2021 | NIPDB allocated N\$125 million in budget for FY 2021/22 |
| 1 April 2021 | Ministry of Mines and Energy announces Namibians will no longer be allowed to sell their 15% stakes in EPLs |
| 1 October 2021 – 31 March 2022 | Namibia participates in the Dubai World Expo culminating in Namibia's national day on 23 March 2022 |
| 13 January 2022 | Shell announces discovery of offshore light oil reserves |
| 24 February 2022 | TotalEnergies announces discovery of offshore light oil reserves |
| 24 February 2022 | NIPDB allocated N\$135 million in budget for FY 2022/23 |
| 10 March 2022 | NIPDB announces Namibia has secured N\$94 billion of investment with the potential to create 122,000 jobs |
| 5 April 2022 | Moody's downgrades Namibia's credit rating to B1 |

Investment Summit 2016

The first major investment summit took place on 8-9 November 2016 at the Safari Hotel in Windhoek under the theme "Promoting Investment for Inclusive Growth and Industrialisation". The summit had been preceded by three legislative events which had an important bearing on Namibia's investment environment: the sharing of a draft National Equitable Economic Empowerment Bill by the Prime Minister in February 2016, the passing of the long-awaited Export Levy Act in June 2016 (the idea of introducing an export levy had been first mooted in August 2011 by the Minister of Finance) and the passing of the Namibia Investment Promotion Act in August 2016 which was designed to replace the Foreign Investment Act of 1991. The Conference, which was organised by the Ministry of Industrialisation, Trade and SME Development in collaboration with key stakeholders, aimed to present attractive opportunities to local, regional and international investors in targeted sectors that had the potential to contribute towards economic growth and job creation.

The Invest in Namibia International Investment Conference 2016 showcased a pipeline of targeted investment projects in sectors such as housing, agriculture, energy, logistics and Infrastructure, manufacturing and tourism.

According to media accounts, the summit was a success attracting more than 1,700 participants, of which approximately 400 were from various destinations in Africa and across the world. Countries represented included Australia, Japan, Chile, France, Germany, Ireland, Mozambique, Spain, Belarus, Serbia, China, UK, Turkey, Brazil, Finland, Sweden, Canada, Angola, Israel, Portugal, Nigeria, Hungary, United States of America, Korea, South Africa and Zimbabwe. The largest business delegations to the Conference were from South Africa and Germany with more than 80 from South Africa and over 40 from Germany led by David Makhura, Premier of the Gauteng Province of South Africa and Wolfgang Tiefensee, Minister of Economy, Science and Digital Society of the Federal German Free State of Thüringen respectively. The Conference consisted of four important components namely the Conference, Made in Namibia Expo, a Project Centre presenting 13 investment projects by Namibian project promoters, and a Business to Business (B2B) meeting platform. The Conference Programme covered seven plenary and six breakaway sessions over the two days, addressed by 67 local and 21 international speakers including ministers, industry experts, senior government officials and private sector representatives.

According to the 2020 State of the Nation Address, the 2016 International Invest in Namibia Conference secured 34 investment projects with a total value of N\$2.65 billion. We are only able to track down two specific ventures and it is not clear what role the investment conference played in them.

It was reported that German company Polycare, which developed an innovative, low-cost, strong, durable and environmentally friendly building system which produces building blocks made out of desert sand and polyster resin allowing a house to be built in two days, planned to establish a production facility in Okahandja. Polycare ended up investing in a factory in Brakwater outside Windhoek and delivered its first house in December 2021 (<https://polycare.co.na>).

South Korean company MK International and Otavi Rebar Manufacturing, a Public Private Partnership (PPP) between private investors and the Otavi Town Council, signed a Joint Venture Agreement in order to set up a US\$250 million reinforcing steel manufacturing plant. The plant was to be strategically located on the SADC Walvis Bay Corridor Network in Otavi and be known as Namibia Steel Manufacturing. It is hard to assess what progress has been made with this N\$2.6 billion venture but an article appeared in New Era in November 2020 (<https://neweralive.na/posts/multi-billion-steel-plant-to-tackle-unemployment>) suggesting further market studies had to be conducted before financial closure was to be obtained in the first quarter of 2021. Andre Neethling is named as the venture's MD and 20% shareholder. The article made no mention of MK International but the company website states that it established MK Namibia in 2017 (<https://www.mkintl.co.kr/history>).

As far as one can tell, the conference led to a number of other initiatives. The Head of the Economic Development Agency of Cuxhaven, one of the most important fishing regions in Germany, committed itself to leading a business delegation to Namibia in the first quarter of 2017. Cuxhaven is the home of more than 30 innovative companies of the fishing industry who employ more than 1,000 qualified staff that work in fish production, processing and logistics. The delegation was to include the company Biocervel, which expressed interest in setting up a production facility for fish meal and fish oil in Walvis Bay.

The Rundu Town Council met with three investors from China, Portugal and Angola who want to construct a factory for building materials, a shoe factory and shoe retail outlets for the domestic and regional market, and a hotel in Rundu.

The Premier of Gauteng, David Makhura, undertook a site visit to the informal settlements and one of the mass housing project currently under the construction in Windhoek as well as the shack-dwellers association in Otjomuise. He also visited the local markets such as Soweto market and engaged in discussions to put up modalities for assistance re township economic development which will include low-cost housing interventions.

A Chinese group facilitated by Mr Wang of Sungroup, agreed with the City of Windhoek and Rundu to explore opportunities of land servicing and low- and middle-income housing development.

Land Rover Experience Germany was reported to be in the process of finalising an agreement with Air Namibia, which would cement the national airline's position as Land Rover Experience Germany's preferred partner. Land Rover Experience is in the process of setting up a centre in Namibia which would service an exclusive clientele who would be flown into the country with Air Namibia.

Investment Summit 2019

The second major investment summit took place on 31 July-1 August 2019 under the theme "Economic Revival for Inclusive Growth: Strengthening the Namibian House" reportedly attracting some 880 international and local participants. The summit was led by Johannes Gawaxab as part of his role in leading the 22-member High-Level Panel on the Namibian Economy which had been appointed in March 2019. The N\$4 million cost of hosting the summit was reportedly paid entirely by Namibia's private sector.

According to the 2020 State of the Nation Address, the 2019 Investment Summit mobilised N\$14 billion in investment and financial commitments. Other sources suggest N\$20 billion of validated projects including N\$9.5 billion from foreign investors. Another N\$30 billion were still to be verified. The following investments were announced but it is not clear what role the investment conference played in them.

| Validated Projects | Value |
|--|------------------|
| NamPower transmission and generation projects over 5 years | N\$8.545 billion |
| NamPower IPPs | N\$1.6 billion |
| Ongos Valley housing development | N\$4.3 billion |
| Komsberg Farming projects | N\$0.945 billion |
| O&L Group projects | N\$0.750 billion |
| Gondwana projects | N\$0.220 billion |
| Financing Commitments | |
| DBSA/DBN across energy, water, housing and transport | N\$8.5 billion |
| GIPF across various sectors | N\$5.0 billion |
| Africa Import Export Bank | N\$4.5 billion |
| AIM | N\$4.0 billion |
| Africa Finance Corporation (AFC) | N\$3.0 billion |

The validated projects consisted of the following:

N\$4.3 billion - Ongos Valley Development housing project secured N\$4.3 billion from a variety of financing partners to kick start the construction of 30,000 houses over 15-20 years (<https://www.ongosvalley.com.na/n4-billion-ongos-housing-project-to-kick-off/>)

N\$945 million - Komsberg Grape Farm (owned by Dubai-based company Albwardy Investment) along Namibia's Orange River to upgrade housing for its workers and expand the vineyards by 100 hectares, develop 125 hectares of citrus fruits and develop 100 hectares of lucerne production. A cold-storage facility, a packing plant, farm equipment and solar plants for electricity generation are included. (<https://www.albwardy.com/business-portfolio/agri-buisness/komsberg-farms>)

N\$750 million - Ohlthaver & List Group for various projects across the diversified conglomerate.

N\$220 million - Gondwana Collection for the King Nehale Lodge near Etosha and an environmental tourism project near Hosea Kutako International Airport as well as the development of the car rental business.

N\$8.5 billion - Development Bank of Southern Africa and Development Bank of Namibia commitment towards energy, housing, water and transport projects including N\$3 billion for NamWater to develop water projects, N\$2.5 billion for NamPower for electricity generation and transmission projects, and N\$2.5 billion for TransNamib to acquire rolling stock, to perform railway network upgrades and to operationalise its new business plan focussing on rail transport.

N\$5 billion - GIPF commitments to invest mainly in housing and renewable energy projects.

Furthermore, the COMSAR Energy Group, owned by Russian billionaire Rashid Sardarov, pledged **N\$1.5 billion** for the construction of a 250 or 600MW power plant, a desalination plant and an oil refinery due to start operating by 2024.

Government Response to Policy Recommendations by HLPNE

Furthermore, following the summit, clarification was provided on a number of critical investment-related issues which had arisen in the years leading up to the investment summit. These were summarised in a “Statement on the Government Position on the Policy Recommendations Made by the HLPNE for the 2019 Economic Summit, 1 August 2019.”

- Finalisation of the NEEEB – a commitment was made to table the Bill in Parliament within six months.
- Equity pillar – the compulsory 25 percent equity requirement was removed.
- The NEEEB will refer to the need for Sector Charters. The equity threshold will be determined in the Sector Charters which will become binding for companies wanting to do business with Government.
- Clarification was provided on the definition of the term “Previously Disadvantaged Namibians”.
- The NEEEF will only apply to enterprises doing business with Government and applying for natural resource licences.
- Government stated that it had finalised revisions of NIPA and the Bill was to be tabled to the Cabinet Committee on Legislation and thereafter Cabinet before proceeding to Parliament. The Act could be operational by the end of this financial year (FY2019/20).
- Cabinet agreed to review and amend the Public Procurement Act 2015.
- The Ministry of Finance was directed to identify bottlenecks and concrete measures to address them on the issue of loan to value regulations.
- Close Corporations were to be allowed to participate as unlisted investments.
- Cabinet directed the Ministry of Home Affairs and Immigration to ensure improved business and residence visa regulations to boost local economic growth by introducing e-visas at a low nominal fee, providing easy access for work visas for highly-skilled professionals and potential investors, providing easy access for residence visas for foreign pensioners, offering residence visas on the back of capital investment, and providing business people with established businesses in Namibia with multiple entry visas for five years.
- Cabinet directed the Ministry of Works and Transport to introduce the National Construction Council.
- Cabinet agreed to the provision of invader bush harvesting licences in communal areas.

- Cabinet directed the Ministry of Agriculture, Water and Forestry to ensure that bush-based feed should be registered as an emergency and supplementary animal feed and adopted as a commercial product.
- Cabinet directed that the Small-Stock Marketing Scheme be suspended for one year to allow the Ministry of Agriculture, Water and Forestry to review the Scheme.
- Cabinet directs the Ministries of Works and Transport and Finance to expedite the development of the Policy on Public Assets Management.
- Cabinet agreed on Public Private Partnerships according to general principles of PPP rather than specific projects.
- Cabinet directed the Ministry of Finance to consider suspending the non-deductibility of mineral royalties for a period of one year while undertaking a study on the matter.
- Cabinet agreed that a Brand Namibia Strategy should be adopted by the Namibian Government.
- Government should empower local construction companies to enable them to compete with foreign companies by establishing a fidelity guarantee fund and reserving specific projects for certain categories of Namibian companies.

Towards the end of the six-month Dubai World Expo on 10 March, the NIPDB announced that Namibia has secured N\$94 billion of investment with the potential to create 122,000 jobs. This excluded the investment in green hydrogen by preferred bidder Hyphen.

International Comparisons

How have international comparisons changed over the period since 2016? As a matter of course, we track changes in the international comparisons below not all of which are strictly relevant in an assessment of Namibia's investment climate. The World Bank's widely used Ease of Doing Business comparison was scrapped in 2021. No clear picture emerges from the remaining comparisons and Namibia appears to have remained fairly constant on most measures. There is no significant or steady improvement but neither is there evidence of a clear deterioration.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|---------|---------|----------|
| Global Competitiveness Index Ranking | 84/135 | 99/135 | 100/140 | 94/141 | n/a | n/a |
| Global Competitiveness Index | 4.0 | 4.0 | 4.0 | 54.5 | n/a | n/a |
| Energy Transition Index | 57.6 | 56.9 | 57.4 | 58.1 | 57.7 | 58.2 |
| Energy Transition Index Ranking | 53/114 | 56/114 | 59/114 | 58/115 | 63/115 | 59/115 |
| Ease of Doing Business Ranking | 104/189 | 108/190 | 106/190 | 107/190 | 104/190 | scrapped |
| Ease of Doing Business Index | 59.61 | 59.57 | 60.29 | 60.53 | 61.4 | scrapped |
| Corruption Perceptions Index Ranking | n/a | 53/180 | 52/180 | 56/180 | 57/180 | 58/180 |
| Corruption Perceptions Index | 52 | 51 | 53 | 52 | 51 | 49 |
| Ibrahim Index of African Governance | 69.3 | 71.2 | 68.6 | n/a | 65.1 | n/a |
| Ibrahim Index of African Governance Ranking | 5/54 | 5/54 | 4/54 | n/a | 7/54 | n/a |
| Investment Attractiveness Index | 66.11 | 60.67 | 56.66 | 58.22 | 59.72 | 52.59 |
| Investment Attractiveness Index Ranking | 53/104 | 54/91 | 60/83 | 55/76 | 52/77 | 59/84 |
| Open Budget Index (out of 100) | n/a | 50 | n/a | n/a | 51 | n/a |
| World Press Freedom Index - Ranking | 17/180 | 24/180 | 26/180 | 23/180 | 23/180 | 24/181 |

The Four Charts

Our Q1 2020 QER presented a number of charts which we argued should have alerted policymakers to Namibia's weak and deteriorating investment performance. We update them here.

Chart 1

Fixed Investment in 2015 prices 2013-2020

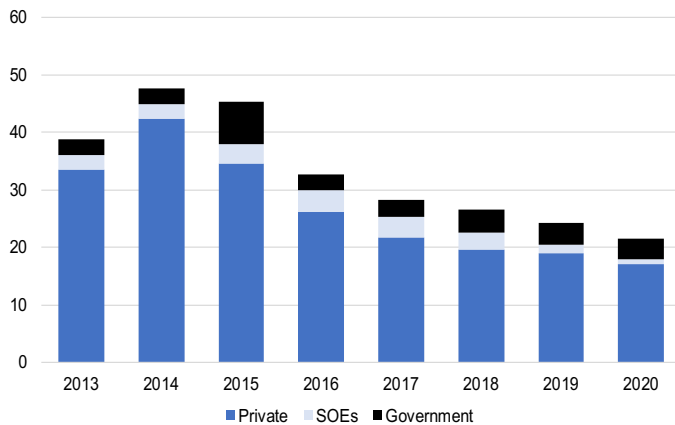


Chart 2

Private and Private Non-Mining Investment as % of GDP 2007-2020

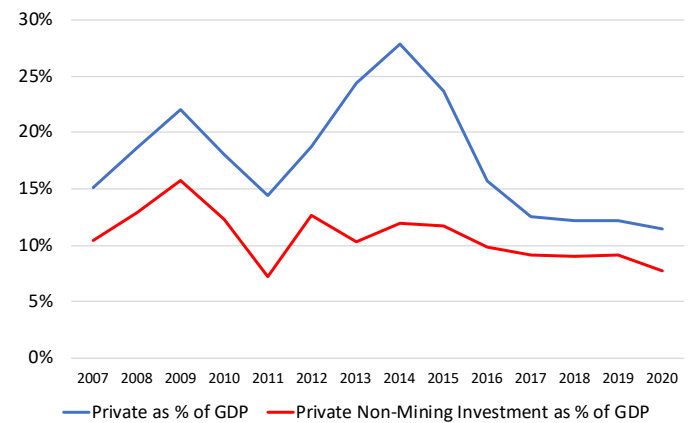


Chart 3

Foreign Direct Investment Net Inflows 1990-2020 (USDm)

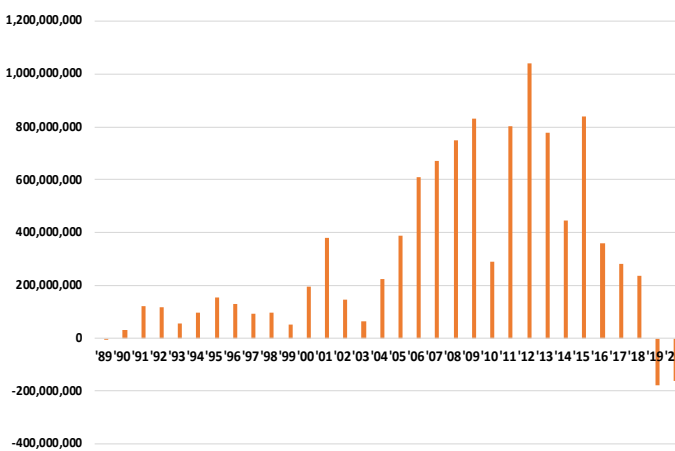
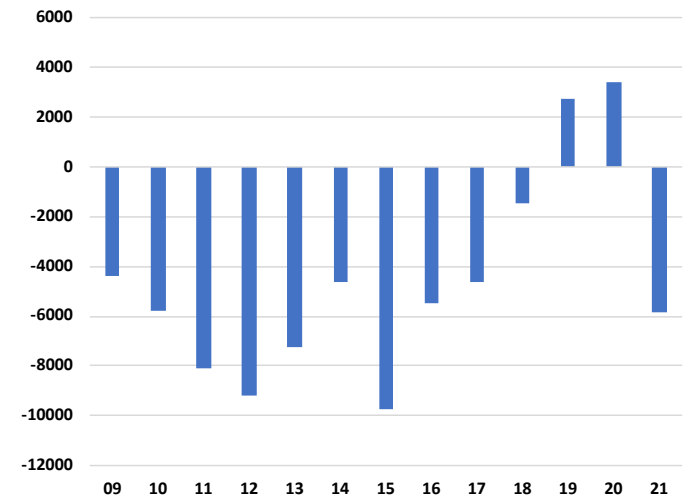


Chart 4

Net Direct Investment 2009-2021 (N\$m)



Conclusions

This short feature has looked at Namibia's recent investment summits and summarised what they have yielded. The following four conclusions can be drawn from this brief analysis.

Namibia has put considerable effort into high profile investment summits in recent years but it is very difficult to assess what these have yielded in terms of concrete investments. These events are invariably labelled great successes and large financial sums are bandied about (which appear to get larger with every occasion) but there seems to be no way for outsiders to gauge what is spin and what is substance. Furthermore, it is hard to believe that many or most of the investment projects announced were not already in the pipeline in one form or another. What real difference did the hosting of the summit make apart from as a signal to the voting public?

There seems to be little coordination between the hosting of such events and the satisfactory passing of key investment legislation or the introduction of new policies. Poorly conceived legislation is passed into law and other measures are announced which then have to be reconsidered when they hit the hard reality of investor concerns. As a result, investors cannot be certain what they are signing up for when they invest in Namibia. Government wisely announced a raft of clarifications after the 2019 Investment Summit but surely these should be made before approaching investors? Investment is generally a risky activity and Government's role should be to reduce risk as far as possible rather than add to it. Furthermore, careless talk about delinking from the Rand hardly helps engender confidence.

Namibia should be steadily building an ever-improving investment climate rather like building the house the President is so fond of mentioning. Instead progress is unsteady and uncertain and sequencing questionable. For example, surely to attract manufacturing investment it would have been better to end the EPZ by announcing their replacement with Special Economic Zones at the same time rather than leaving a vacuum of several years?

While investor summits may look good to politicians, one has to wonder about their effectiveness, especially in the age of the Internet. Do capable business people really wander about the globe attending such events when there are so many other ways to collect information and find out what is really going on? By now Namibia should have established a core group of satisfied foreign investors who are happy to tell the world about what the country has to offer. Getting heads of public or semi-public institutions to speak on the country's behalf does not cut it. When it comes to making profits, word quickly gets around of good places to do business. The fact that these appear not to exist tells its own story. The truth about a country's investment climate is not told in summit speeches but in private where businesses can tell other investors the unvarnished truths about a particular country's investment environment. Furthermore, Namibia does not conduct regular anonymous (and therefore honest) investor surveys.

As pointed out by the head of the NIPDB, the recent announcements by Shell and TotalEnergies will probably do more to put Namibia on the international investor map than anything else. If these discoveries are exploited, they will involve vast sums of money that will swamp everything else going on in the economy and make aggregate macroeconomic numbers look more healthy than they are now. One must hope that the arrival of oil does not herald the neglect of building an internationally competitive investment environment that serves other parts of the economy.

News Highlights: January-March 2022

| Date | Highlight | Commentary |
|-------------|--|--|
| 28 March | Namdia announces new client list (<i>Informanté</i>) | Namibia Desert Diamonds announced its new client list for the next three years which includes 36 companies: nine each from Belgium and UAE, eight from India, five from Israel, three from the US and two from Namibia. |
| 26 March | Almost 40,000 SMEs registered in Namibia (<i>Informanté</i>) | At the launch of the Opuwo Annual Trade Fair, Prime Minister Saara Kuugongelwa-Amadhila reported there were almost 40,000 registered SMEs in Namibia. |
| 25 March | South African Reserve Bank raises repo to 4.25% (SARB) | The South African Reserve Bank raised its repo rate from 4.0% to 4.25% to counter inflationary pressures emanating from the global environment. |
| 18 March | Debmarine Namibia launches Benguela Gem (<i>Mining Review Africa</i>) | Debmarine Namibia commissioned the N\$7 billion Benguela Gem diamond mining vessel on time and below budget at Walvis Bay. The ship is the larger marine diamond mining vessel and is designed to mine 500,000 carats a year. |
| 15 March | Covid regulations lifted (<i>Reuters</i>) | The wearing of masks in public and negative PCR tests for vaccinated visitors are no longer required. |
| 11 March | Paratus builds data centre (<i>IT News Africa.com</i>) | Paratus is building a new US\$8.2 million carrier-neutral data centre on its Brakwater campus which will be launched in August. |
| 11 March | Namibia has N\$94 billion project pipeline (<i>New Era</i>) | Namibian Investment Promotion and Development Board CEO Nangula Uaandja reported that Namibia had secured about N\$94 billion of investment opportunities – or “active investments” – with the potential to create 122,000 jobs. These figures exclude the Hyphen green hydrogen project. |
| 8 March | South African GDP grows 1.2% in Q4 2021 (<i>StatsSA</i>) | The South African economy grew quarter-on-quarter by a seasonally adjusted 1.2% in Q4 of 2021 yielding growth for the year of 4.9% compared to the 6.4% contraction experienced in 2020. |
| 7 March | Namibia exported 22 elephants to the UAE (<i>The Namibian</i>) | The Ministry of Environment and Tourism supplied 22 elephants from the Kamanjab commercial farming area to a private buyer GH Odendaal who exported them to a zoo in the United Arab Emirates. |
| 4 March | Namibia Wildlife Resorts launches virtual tourism platform (<i>IOL</i>) | Namibia Wildlife Resorts (NWR) launched its first virtual-tourism platform that will allow viewers an immersive experience of the variety of tourist features Namibia has to offer. |
| 2 March | Namibia abstains in UN vote (<i>The Namibian</i>) | Namibia abstained in a critical vote at the UN on the war in the Ukraine. |
| 28 February | Fuel prices to increase (<i>Namibia Economist</i>) | The Ministry of Mines and Energy announced that petrol and diesel prices would rise by N\$1.20 and N\$1.30 respectively from 2 March. |
| 28 February | Namibian Local Business Association launched (<i>The Namibian</i>) | At the launch of the Namibian Local Business Association (NALOBA) in Ongwediva, Vice President Peter Amadhila said people in the country wanted fair competition between local and foreign-owned businesses and said the new organisation, which has broken away from the Namibian Chamber of Commerce and Industry, has around 2,000 members. |
| 24 February | 2022/23 Budget tabled in Parliament (<i>IPPR</i>) | Finance Minister Iipumbu Shiimi tabled the 2022/23 national budget in Parliament which envisages total spending of N\$70.8 billion and a budget deficit of 5.6% of GDP. See our budget analysis here. (https://ippr.org.na/publication/2022-23-national-budget-review/) |
| 24 February | TotalEnergies makes significant oil discovery (<i>Bloomberg</i>) | TotalEnergies announced it had made a significant discovery of light oil at its Venus well off the coast of Southern Namibia not far from Shell's Graff well. TotalEnergies has a 40% interest in Block 2913B and is the operator. Qatar Petroleum holds 30%, Impact Oil & Gas 20% and Namcor 10%. |
| 23 February | Ohlthaver & List launches first green hydrogen project (<i>Informanté</i>) | Cleanergy, a joint venture between Ohlthaver & List and CMB.Tech of Belgium, launched Namibia's first green hydrogen plant in an investment worth N\$270 million. The demonstration plant will be built at Walvis Bay and should be operational by 2023. Depending on the results a larger plant producing ammonia for use as a transport fuel may be constructed. |

News Highlights: January-March 2022

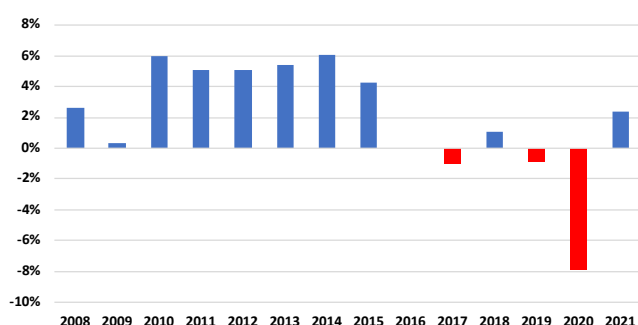
| | | |
|-------------|--|--|
| 22 February | Black Business Leadership of Namibia Network backs NEEEB (<i>The Namibian</i>) | The Black Business Leadership Network of Namibia (BBLNN) made a special plea for financial institutions to be lenient on defaulters due to the Covid pandemic. |
| 16 February | The Bank of Namibia raises repo rate by 25bp (<i>Bank of Namibia</i>) | The Bank of Namibia's Monetary Policy Committee raised the repo rate by 25 basis points to 4.0%, the first time rates have risen in six years. The next MPC meeting is on 13 April 2022. The Bank forecasts the Namibian economy growing by 3% this year. |
| 9 February | Marine phosphate mining due to move ahead (<i>New Era</i>) | Namibian Marine Phosphate (NMP) released a statement saying its Sandpiper marine phosphate mining project would commence following the completion of a new Environmental Impact Assessment of its offshore mining area ML170. This follows last year's ruling by the High Court which confirmed the validity of the mining licence originally issued in 2011. |
| 9 February | Equiano landing station ready (<i>Namibia Economist</i>) | Paratus announced that the landing station for the Google-funded Equiano subsea cable is ready to accommodate the cable which is due to land in Q2 of this year. The cable will run from Portugal to South Africa providing 20 times more network capacity than the previous cable. |
| 8 February | Namibia aims to fast-track oil production (<i>Engineering News</i>) | Petroleum Commissioner Maggy Shino told Reuters that Namibia aims to fast track the development of its first oilfield to have production by 2026 following a significant offshore discovery by Shell. Shino expects to have sufficient data by May or June to be able to determine the size of the resource. |
| 3 February | Namibia falls to 58th in corruption rankings (<i>The Namibian</i>) | Namibia fell from 57th to 58th out of 180 countries in the recently released Transparency International's Corruption Perceptions Index. |
| 2 February | More than 3,200 retrenchments in 2021 (<i>New Era</i>) | More than 380 Namibian employers provided notice to the Labour Commissioner of their intention to retrench 3,244 employees from 1 January 2021 to 31 December 2021. |
| 31 January | SADC Trade Protocol on Services enters into force (<i>Namibia Economist</i>) | The SADC Trade Protocol on Services entered into force on 13 January for Namibia and ten other SADC member states although Angola, DRC, Madagascar, Tanzania and Comoros have yet to ratify the Protocol. |
| 31 January | Black Business Leadership Network of Namibia urges leniency on repossessions (<i>The Namibian</i>) | The Black Business Leadership Network of Namibia (BBLNN) has urged the Ministry of Finance to direct the state-owned Development Bank of Namibia (DBN) to halt all legal processes aimed at liquidating and repossessing the properties and assets of black-owned businesses. This was contained in a letter of demands submitted to the Office of the Prime Minister, the Ministry of Finance, the Bank of Namibia and the DBN. |
| 28 January | Fuel prices to increase in February (<i>Namibia Economist</i>) | The Ministry of Mines and Energy announced that fuel prices would increase from 2 February by 30 cents for petrol and 40 cents for diesel. |
| 27 January | Namdeb produces 392,000 carats in Q4 2021 (AA) | Anglo American reported that Namdeb Holdings produced 392,000 carats in Q4 2021 compared to 399,000 carats in Q3 2021 and 337,000 carats in the same quarter of 2020. Out of this total 62,000 carats came from land-based operations. |
| 20 January | BDS makes offer for liquidated Air Namibia (<i>The Namibian</i>) | South African airline BDS Airways made an offer for Air Namibia of N\$1.4 billion for the assets of the liquidated airline. Public Enterprises Minister Leon Jooste clarified that Government has no role to play in such a sale but expects due diligence to be followed. |
| 19 January | Otjikoto mine produces 78,681 ounces of gold in Q4 2021 (<i>B2Gold</i>) | B2Gold reported that its Otjikoto mine produced a quarterly record of 78,681 ounces of gold in Q4 2021 and ended up producing a record 197,573 ounces for the year 2021. |
| 18 January | Tourism due a slow but steady recovery (<i>Xinhua</i>) | Tourism Minister Pohamba Shifeta reported that country arrivals were 354,508 in 2021 as compared to 192,026 in 2020. Gitta Paetzold, CEO of the Hospitality Association of Namibia, said the recovery of the tourism sector would be slow but steady and hope that arrivals would pick up from mid-2022. The industry believes Namibia's low vaccination rate is discouraging foreign tourists. |

News Highlights: January-March 2022

| | | |
|------------|---|---|
| 17 January | World Bank estimates 1.6 million Namibians live in poverty (<i>The Namibian</i>) | A new World Bank report estimates that 1.6 million people live in poverty defined by the upper middle income poverty line of N\$84.43 per person per day using the 2011 purchasing power parity. It said 12,000 people were retrenched in 2020 due to Covid. |
| 13 January | Namibian vaccination target reduced to 1.47 million (<i>The Namibian</i>) | In its daily Covid report, the Ministry of Health announced that it had reduced its Covid vaccination target to 1.47 million people from 1.50 million people over 18. Namibia's vaccination rate is 23.7%. According to the WHO, Namibia is one of only four SADC countries with vaccination rates below 40%. |
| 13 January | Shell strikes oil offshore (<i>New Era</i>) | Shell announced it had discovered light oil at its Graff-1 exploration well in Block 2913A offshore in southern Namibia within the Orange Basin. |
| 11 January | Namibia ranked "moderately free" (<i>The Namibian</i>) | The Heritage Foundation 2021 Index of Economic Freedom ranked Namibia in the top five countries in Sub-Saharan Africa and 83rd out of 178 countries. |
| 6 January | Osino acquires gold property from B2Gold (<i>Yahoo! Finance</i>) | Osino (TSVX:OSI) announced it had acquired the Ondundu gold property EPL3915 from B2Gold Corp for US\$15.2 million in cash, deferred cash and shares. |
| 6 January | The Ministry of Finance rules out default on IMF loan (<i>New Era</i>) | Ministry of Finance spokesperson Wilson Shikoto assured the public that the chances of defaulting on Namibia's N\$3.9 billion RFI IMF loan are minuscule. The once-off loan is due for repayment, after an initial grace period, over five years at an interest rate of 1.1%. |
| 5 January | Fuel prices to remain unchanged in January (<i>Namibia Economist</i>) | The Ministry of Mines and Energy announced that fuel prices would remain unchanged at N\$16.65 per litre for petrol and N\$15.58 per litre for diesel during January. |
| 5 January | Kombat mine produces first copper concentrate (<i>Yahoo! Finance</i>) | Trigon Metals (TSXV:TM) announced that Kombat mine had produced its first copper concentrates on 30 December 2021 on schedule for a first concentrates shipment in January. |
| 1 January | President declares 2022 "the Year of Reimaging" (<i>Office of the President and The Namibian</i>) | In his New Year's message, President Geingob emphasised the challenges presented by Covid during the past year and expressed concern at Namibia's low vaccination rate. He declared the year 2022 "the Year of Reimaging" encouraging Namibians "to think anew as a nation and move forward with renewed enthusiasm and vision". Green Hydrogen received a special mention and the President went on to say that Namibia would receive N\$100 million in concession fees from the preferred bidder in 2022. |

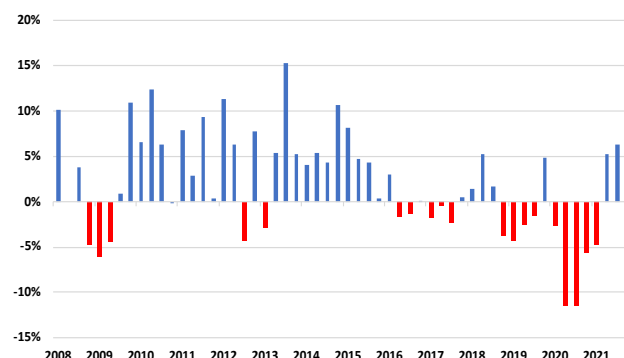
Key Economic Variables

GDP Growth (%)



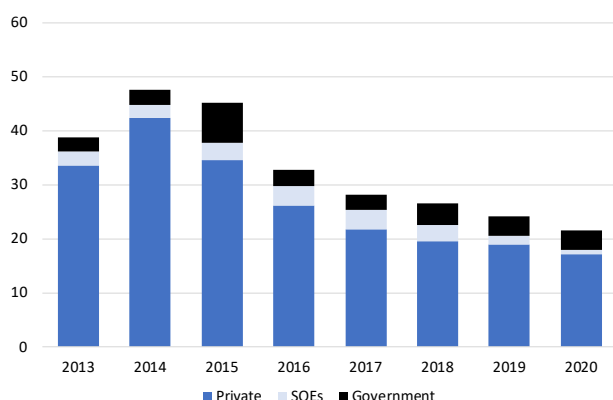
The preliminary national accounts have been released for 2021. The NSA has revised the contraction in GDP in 2020 from -8.5% to -7.9% for 2020 and estimates that GDP grew by 2.4% in 2021.

GDP Quarterly Growth (%)



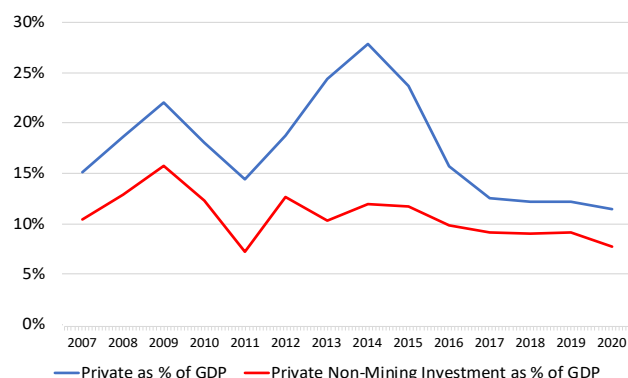
After five consecutive quarters of contraction, GDP grew in Q2, Q3 and Q4 of 2021 by 5.2%, 6.3% and 3.3% respectively.

Fixed Investment (N\$bn in 2015 prices)



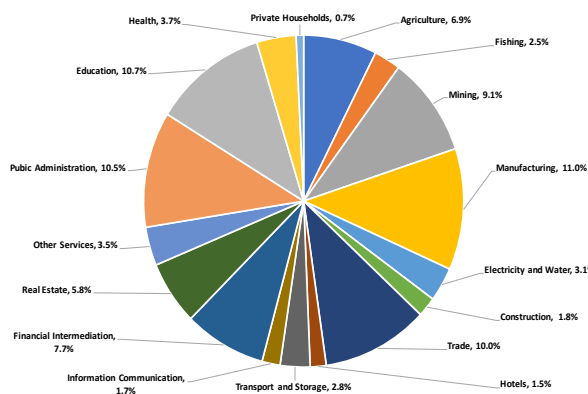
Investment by the private sector, SOEs, and government measured in 2015 prices declined further in 2020 continuing a trend seen since 2014.

Private Fixed Investment (% of GDP)



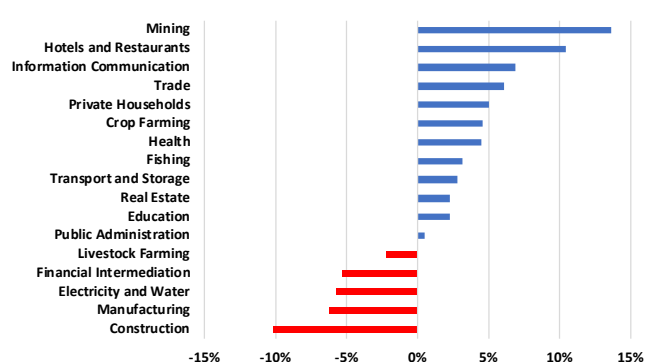
Total private fixed investment has reached its lowest level since at least 2007 whilst non-mining private fixed investment has reached the lowest level since just after the Global Financial Crisis.

Sectoral Breakdown of GDP in 2021 (%)



The chart shows the contributions made to overall economic activity in 2021 by the different sectors of the economy according to the preliminary national accounts. Service sectors contributed 57.9% while primary and secondary sectors contributed 18.5% and 15.9% respectively.

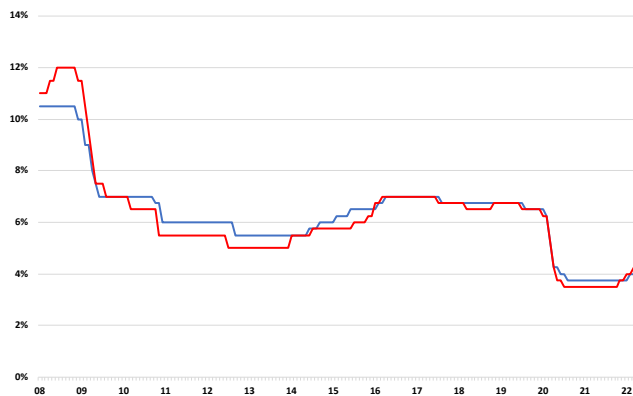
Sectoral Growth in 2021 (%)



After a hugely challenging 2020, most sectors of the economy experienced some degree of positive growth lead by the mining, tourism and IT sectors. However, the construction sector continued to suffer a contraction.

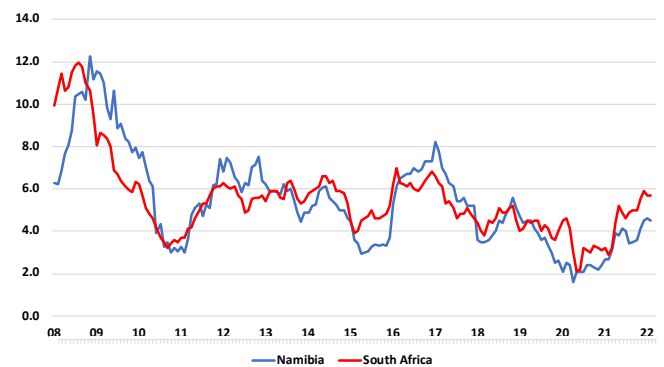
Key Economic Variables

Namibian and SA Repo Rates (%)



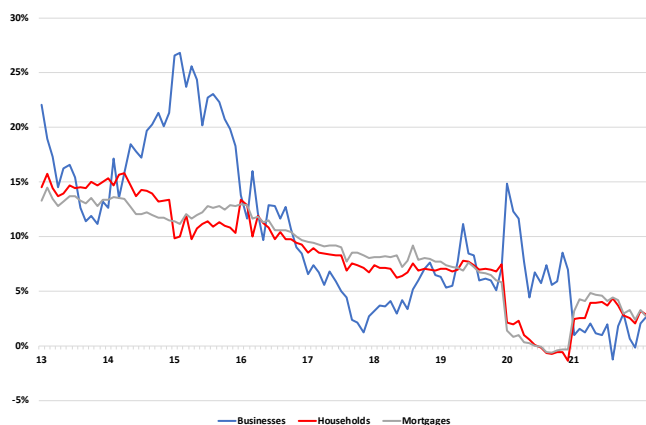
In response to higher inflation primarily due to a more inflationary global environment, the Reserve Bank of South Africa and the Bank of Namibia started slowly raising rates. It was the first increase in the Bank of Namibia's repo rate for six years.

Namibian and SA Inflation (% y-o-y)



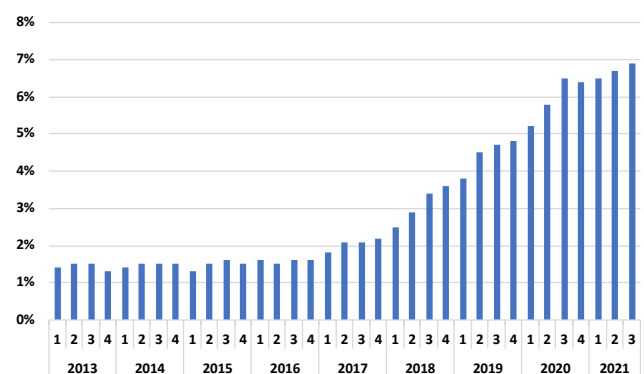
Namibian consumer inflation has steadily climbed since the lows experienced during 2020 and reached 4.5% in February, markedly lower than the 5.7% experienced in South Africa.

Private Sector Credit Extension (% y-o-y)



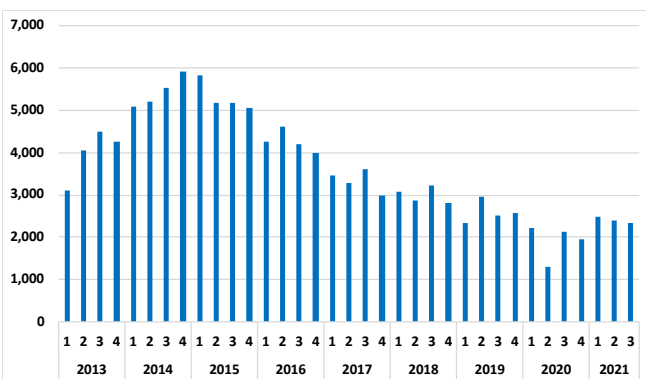
Credit growth to business and households remains subdued as is residential mortgage lending.

Non-Performing Loans (%)



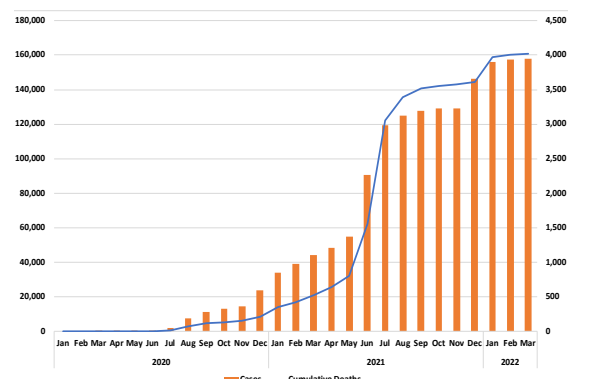
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia rose to 6.9% at the end of Q3 2021.

New Vehicle Sales (Unit Sold)



The combined sales of new commercial and private vehicles fell slightly in Q3 compared to Q2 and Q1.

Covid (Cases and Deaths)



As of 31 March 2022 the total number of Covid infections since the pandemic started had increased to 153,663. The cumulative total number of deaths since the beginning of the pandemic totalled 4,019 according to Ministry of Health/WHO statistics.

Data Trends

| | Unit | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------|-------------|--------------|-------------|---------------|----------------|
| Annual Economic Growth | | | | | | | |
| GDP | % | 0.0% | -1.0% | 1.1% | -0.9% | -7.9% | 2.4% |
| GDP current prices | N\$m | 157,708 | 171,570 | 181,067 | 181,229 | 173,896 | 180,836 |
| Change in Mining Value Added | % | -10.7% | 14.2% | 16.1% | -9.5% | -15.0% | 13.6% |
| Change in Manufacturing Value Added | % | 10.0% | -1.6% | -0.4% | 4.7% | -17.1% | -6.2% |
| Fixed Investment | | | | | | | |
| Fixed Investment | % of GDP | 21.8% | 17.9% | 16.9% | 15.7% | 13.4% | 14.4% |
| Change in Fixed Investment | % | -27.7% | -13.7% | -6.0% | -9.5% | -19.3% | 4.4% |
| Fixed Investment - Government | '000 N\$m | 5,586 | 5,127 | 4,858 | 4,793 | 4,517 | n/a |
| Fixed Investment - SOEs | '000 N\$m | 4,000 | 4,068 | 3,678 | 2,033 | 1,118 | n/a |
| Fixed Investment - Private | '000 N\$m | 24,836 | 21,570 | 22,008 | 21,927 | 20,050 | n/a |
| Prices and Interest Rates | | | | | | | |
| Average Inflation | % | 6.7% | 6.1% | 4.3% | 3.7% | 2.2% | 3.6% |
| Year End Prime Lending Rate | % | 10.75% | 10.50% | 10.50% | 10.25% | 7.50% | 7.50% |
| Year End Repo Rate | % | 7.00% | 6.75% | 6.75% | 6.50% | 3.75% | 3.75% |
| Trade and Balance of Payments | | | | | | | |
| Exports - total goods | N\$b | 48.0 | 49.8 | 56.6 | 57.5 | 53.7 | 53.1 |
| Exports - total services | N\$b | 7.2 | 7.9 | 8.4 | 8.4 | 4.6 | 4.6 |
| Imports - total goods | N\$b | 82.9 | 73.8 | 75.2 | 77.0 | 66.5 | 80.5 |
| Imports - total services | N\$b | 10.1 | 7.9 | 7.8 | 8.9 | 7.7 | 8.7 |
| Trade Balance | N\$b | -37.8 | -24.0 | -18.0 | -20.0 | -16.0 | -31.4 |
| Balance of Payments | N\$b | -23.3 | -5.5 | -4.3 | -4.0 | 7.2 | -15.5 |
| as % of GDP | % | -14.7% | -3.2% | -2.4% | -2.2% | 4.1% | -8.6% |
| Foreign Exchange | | | | | | | |
| Year End Exchange Rate (N\$ to USD) | N\$ | 13.6240 | 12.3930 | 14.4116 | 14.0418 | 14.6246 | 15.8899 |
| Year End Exchange Rate (N\$ to EUR) | N\$ | 14.3403 | 14.8063 | 16.4848 | 15.7437 | 17.9897 | 17.9794 |
| Year End Exchange Rate (N\$ to GBP) | N\$ | 16.7264 | 16.6789 | 18.3424 | 18.4383 | 19.9801 | 21.4752 |
| Foreign Exchange Reserves | N\$b | 24.7 | 30.2 | 31.0 | 28.9 | 31.7 | 43.9 |
| Fitch credit rating (at year end) | | BBB- (-ve) | BB+(stable) | BB+ (stable) | BB | BB (negative) | BB (negative) |
| Moody's credit rating (at year end) | | Baa3 (-ve) | Ba1 (-ve) | Ba1 (-ve) | Ba2(stable) | Ba3(negative) | Ba3 (negative) |
| Financial Sector | | | | | | | |
| Private Sector Credit Extension Growth | % | 8.9% | 5.1% | 6.6% | 6.8% | 2.0% | 2.9% |
| Non-Performing Loans | % of total loans | 2.5% | 2.9% | 3.6% | 4.8% | 6.4% | 6.4% |
| NSX Overall Index | Index | 1,069 | 1,206 | 1,303 | 1,306 | 1,232 | 1,572 |
| NSX Local Index | Index | 547 | 591 | 621 | 614 | 456 | 529 |
| New Local Listings | | 0 | 1 | 0 | 1 | 0 | 1 |
| Business Indicators | | | | | | | |
| Namdeb Diamond Production | '000 carats | 1,573 | 1,805 | 2,008 | 1,700 | 1,448 | 1,467 |
| Uranium Production | tonnes | 3,654 | 4,224 | 5,525 | 5,476 | 5,413 | n/a |
| Gold Production | kg | 6,604 | 7,272 | 6,171 | 6,526 | 6,254 | n/a |
| Mining Licences Granted | number | 1 | 2 | 3 | 4 | 6 | n/a |
| Exploration Licences Granted | number | 142 | 174 | 259 | 297 | 243 | n/a |
| Number of Companies Formed | number | 1,409 | 1,110 | 2,851 | 1,153 | 852 | n/a |
| New Vehicle Sales | number | 17,038 | 13,352 | 11,998 | 10,379 | 7,606 | 7,214 |
| Tourist Arrivals | '000 | 1,469 | 1,499 | 1,557 | 1,596 | 170 | n/a |
| - From Africa | '000 | 1,094 | 1,091 | 1,164 | 1,252 | 112 | n/a |
| - From Europe | '000 | 295 | 312 | 306 | 256 | 45 | n/a |
| - From RoW | '000 | 81 | 97 | 87 | 89 | 12 | n/a |
| International Arrivals at HKIA | '000 | 143 | 213 | 247 | 215 | 46 | 63 |
| Regional Arrivals at HKIA | '000 | 248 | 242 | 239 | 223 | 45 | 64 |

Data Trends

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
|---|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Employment | | | | | | | | |
| Government | | 88,421 | n/a | 86,587 | n/a | n/a | n/a | |
| Parastatals | | 25,558 | n/a | 30,654 | n/a | n/a | n/a | |
| Private Companies | | 235,877 | n/a | 214,693 | n/a | n/a | n/a | |
| Private Households | | 136,417 | n/a | 70,036 | n/a | n/a | n/a | |
| Total | | 486,273 | n/a | 401,970 | n/a | n/a | n/a | |
| Government Finances | | FY 16/17 | FY 17/18 | FY 18/19 | FY 19/20 | FY 20/21 | FY 21/22 | FY 22/23 |
| Revenue | N\$bn | 50.9 | 58.7 | 55.9 | 58.4 | 57.8 | 53.4 | 59.7 |
| Expenditure | N\$bn | 62.2 | 67.5 | 65.1 | 67.3 | 72.0 | 69.7 | 70.8 |
| Balance | N\$bn | -11.4 | -8.9 | -9.2 | -8.9 | -14.2 | -16.2 | -11.1 |
| Public Debt | N\$bn | 69.9 | 74.5 | 87.5 | 100.4 | 110.6 | 125.8 | 140.2 |
| Interest Payments | N\$bn | 4.3 | 5.4 | 6.3 | 7.0 | 7.4 | 8.3 | 9.2 |
| Public Guarantees | N\$bn | 6.4 | 11.0 | 10.9 | 11.1 | 10.1 | 11.5 | 12.1 |
| | | | | | | | | |
| Revenue | % of GDP | 31.6% | 33.7% | 30.9% | 32.6% | 32.5% | 28.6% | 30.2% |
| Expenditure | % of GDP | 38.6% | 38.8% | 36.0% | 37.6% | 40.4% | 37.3% | 35.8% |
| Balance | % of GDP | -7.1% | -5.1% | -5.1% | -5.0% | -8.0% | -8.7% | -5.6% |
| Public Debt | % of GDP | 43.4% | 42.8% | 48.4% | 56.0% | 62.1% | 67.3% | 71.0% |
| Interest Payments | % of revenue | 8.5% | 9.3% | 11.3% | 11.9% | 12.8% | 15.5% | 15.4% |
| Public Guarantees | % of GDP | 3.9% | 6.3% | 6.0% | 6.2% | 5.7% | 6.2% | 6.1% |
| | | | | | | | | |
| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| International Rankings | | | | | | | | |
| Global Competitiveness Index Ranking | | 84/135 | 99/135 | 100/140 | 94/141 | n/a | n/a | n/a |
| Global Competitiveness Index | | 4.0 | 4.0 | 4.0 | 54.5 | n/a | n/a | n/a |
| Energy Transition Index | | 57.6 | 56.9 | 57.4 | 58.1 | 57.7 | 58.2 | n/a |
| Energy Transition Index Ranking | | 53/114 | 56/114 | 59/114 | 58/115 | 63/115 | 59/115 | n/a |
| Ease of Doing Business Ranking | | 104/189 | 108/190 | 106/190 | 107/190 | 104/190 | scrapped | scrapped |
| Ease of Doing Business Index | | 59.61 | 59.57 | 60.29 | 60.53 | 61.4 | scrapped | scrapped |
| Corruption Perceptions Index Ranking | | n/a | 53/180 | 52/180 | 56/180 | 57/180 | 58/180 | n/a |
| Corruption Perceptions Index | | 52 | 51 | 53 | 52 | 51 | 49 | n/a |
| Ibrahim Index of African Governance | | 69.3 | 71.2 | 68.6 | n/a | 65.1 | n/a | n/a |
| Ibrahim Index of African Governance Ranking | | 5/54 | 5/54 | 4/54 | n/a | 7/54 | n/a | n/a |
| Investment Attractiveness Index | | 66.11 | 60.67 | 56.66 | 58.22 | 59.72 | 52.59 | n/a |
| Investment Attractiveness Index Ranking | | 53/104 | 54/91 | 60/83 | 55/76 | 52/77 | 59/84 | n/a |
| Open Budget Index (out of 100) | | n/a | 50 | n/a | n/a | 51 | n/a | n/a |
| World Press Freedom Index - Ranking | | 17/180 | 24/180 | 26/180 | 23/180 | 23/180 | 24/181 | n/a |

Sources: Anglo American, Bank of Namibia, Business and Intellectual Property Authority, Chamber of Mines of Namibia, Fitch Ratings, Fraser Institute, International Budget Partnership, Ministry of Environment and Tourism, Ministry of Finance, Mo Ibrahim Foundation, Moody's Investor Services, Namibia Airports Company, Namibia Statistics Agency, Namibian Stock Exchange, Reporters Without Frontiers, Transparency International, World Bank, World Economic Forum, World Nuclear Association

Note: On 16 September 2021 the World Bank issued a statement announcing it would discontinue its flagship Doing Business report. This followed a detailed investigation after data irregularities in Doing Business 2018 and 2020 were reported internally in June 2020. We will keep the Index and Rankings in our table for the time being.

Note: From Q4 2021 we will include the annual Energy Transition Index and Ranking produced by the World Economic Forum. In 2021 Namibia ranked 59th out of 115 countries.