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Meeting the Challenges of Oil and Gas: Forewarned is Forearmed

Introduction

On 10 January 2022 industry trade magazine Upstream reported that Shell had made a major oil discovery at its Graff-1 well offshore in southern Namibia. Since then Shell has confirmed the find which was followed by an announcement in February by TotalEnergies that it had made a second discovery at its Venus well not far from Graff-1. It has become clear that Namibia stands on the brink of a very substantial discovery of oil and gas, although the exact quantities have yet to be determined with greater precision. This feature briefly summarises the experiences of seven other major oil and gas producing countries in Sub-Saharan Africa – Angola, Equatorial Guinea, Gabon, Ghana, Mozambique, Nigeria and Uganda – which may hold important lessons for Namibia and also briefly analyses some of the main economic challenges that Namibia will face as it seeks to exploit its newly discovered hydrocarbon resources.

Angola

With a population of 32.9 million people, lower-middle-income Angola was the fourth largest oil producer in Africa after Nigeria, Libya and Algeria and ranked 18th in the world in 2021. Its economy is heavily dependent on the oil and gas sector. The crude oil sector accounts for about one third of the country's GDP and 95% of its exports. The first commercial discovery of oil took place in 1955 in the onshore Kwanza Basin. Since that discovery, Angola's oil industry has grown substantially, despite a civil war that lasted from 1975 to 2002. Deepwater exploration in Angola began in the early 1990s and, in 1994, deepwater blocks were licensed, which led to more than 50 significant discoveries. The first deepwater field to come online was the Chevron-operated Kuito field in late 1999 and oil production boomed as several deepwater fields came online up to 2008. The majority of the proven reserves are located in the offshore parts of the Lower Congo and Kwanza Basins. Most exploration activity in Angola is conducted offshore at depths of more than 1,200 metres with the lion's share of exploration and production activities located in the offshore part of the Lower Con-

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go Basin. Most of the drilling is carried out by industry supermajors and state-owned Sonangol. Major companies active in Angola include Total, Chevron, Exxon Mobil, and BP. There is one oil refinery in Luanda owned by Sonangol and three are under development. Angola also exports LNG from a single LNG plant at Soyo in the north. Policy towards the sector is implemented by the Ministry of Petroleum and the National Oil Gas and Biofuel Agency (ANPG) while Sonangol founded in 1976 is the operational arm of government in the industry. The former President's daughter Isabel dos Santos was fired as head of Sonangol two months after President João Lourenço came to office in 2017. Angola established a sovereign wealth fund Fundo Soberano de Angola (FSDEA) in 2012. In 2007, Angola became a member of the Organisation of the Petroleum Exporting Countries (OPEC). The IMF classifies Angola's exchange rate regime as an "other managed arrangement" (which cannot be easily classified under other categories of exchange rate arrangements). Angola has credit ratings from Moody's (B3 stable), Fitch (B- stable) and S&P (B- stable). Transparency International ranks Angola 136th out of 180 countries on its Global Corruption Perceptions Index with a score of 29. Angola was admitted to the EITI in 2022 but has yet to be assessed.

Equatorial Guinea

With a population of 1.4 million people, upper-middle-income Equatorial Guinea was the tenth largest oil producer in Africa and ranked 39th in the world in 2021. Its economy is heavily dependent on the offshore oil and gas sector based around the Alba, Ceiba, and Zafiro fields following discovery of oil in the Zafiro field by Exxon Mobil in 1995 followed by Triton's discovery further south in the Ceiba field in 1999. The industry continues to be dominated by US oil companies. Equatorial Guinea has no oil refinery but it does possess the large Bioko oil storage terminal. Equatorial Guinea also exports LNG from a single LNG plant at Punto Europa built in 2007 and in 2016 opened a CNG plant powering a fleet of public buses. Policy towards the sector is implemented by the Ministry of Mines and Hydrocarbons while the national oil company GEPetrol formed in 2002 and national gas company Sonangas formed in 2005 provide for state participation in the oil and gas sector. Equatorial Guinea established a sovereign wealth fund Fonds de Réserves pour Générations Futures (FRGF) in 2002. In 2017, Equatorial Guinea became a member of the Organisation of the Petroleum Exporting Countries (OPEC). As a member of the Central African Economic and Monetary Community (CEMAC), the IMF classifies Equatorial Guinea's exchange rate regime as a "conventional peg" tied to the Euro. Equatorial Guinea does not have credit ratings from the three major credit rating agencies Moody's, Fitch and S&P. Transparency International ranks Equatorial Guinea 172nd out of 180 countries on its Global Corruption Perceptions Index with a score of 17. Equatorial Guinea joined the EITI in 2008 but left in 2010 and has not been readmitted. President Teodoro Obiang Nguema Mbasogo has been in power since 1979.

Gabon

With a population of 2.2 million people, upper-middle-income Gabon was the eighth largest oil producer in Africa and ranked 36th in the world in 2021. Oil was first discovered near Gabon's capital Libreville in 1931 when the country was still a French colony. During the 1960s the Gabon saw an upsurge of exploration and production activity, which led to a dramatic increases in production. The economy is now heavily dependent on the sector which has in the past accounted for 80% of exports, 45% of GDP, and 60% of fiscal revenue. Gabon's oil industry is based on onshore and offshore including shallow and deepwater wells. Gabon has a single refinery, the Sogara Refinery in Port Gentil, which is owned by Société Gabonaise de Raffinage (SOGARA) a joint venture between Total, the government, Portofino Assets Corporation, Petro Gabon, and ENI. Policy towards the sector is implemented by the Ministry of Mines and Petroleum. Gabon established a sovereign wealth fund Fonds Gabonais d'Investiseements Strategiques (FGIS) in 2012. Gabon became a member of the Organisation of the Petroleum Exporting Countries (OPEC) in 1975 but terminated its membership in 1995 before rejoining in 2016. As a member of the Central African Economic and Monetary Community (CEMAC), the IMF classifies Gabon's exchange rate regime as a "conventional peg" tied to the Euro. Gabon has credit ratings from Moody's (Caa1 stable) and Fitch (B- stable) but not S&P. Transparency International ranks Gabon 134th out of 180 countries on its Global Corruption Perceptions Index with a score of 31. Gabon joined the EITI in 2007 but was delisted in 2013 before being readmitted in 2021 but has yet to be assessed. Omar Bongo was the second president of Gabon from 1967 until his death in 2009 when he was succeeded by his son Ali Bongo who remains president to this day.

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Ghana

With a population of 31.1 million people, lower-middle-income Ghana was the seventh largest oil producer in Africa and ranked 34th in the world in 2021. Although onshore drilling in Ghana goes as far back as 1896, significant commercial reserves of oil were discovered by Tullow Oil and Kosmos Energy in the offshore Jubilee field only in 2007 with oil production commencing in 2010. Output has since been supplemented by further offshore production from the Twenboa-Enyenra-Ntomme (TEN) in 2016 and Offshore Cape Three Points (OCTP) fields in 2017 operated by Tullow and Eni respectively. Ghana started full commercial natural gas production at the Jubilee field in 2014 with natural gas transported via a pipeline from the Kwame Nkrumah FPSO to the onshore Atuabo natural gas processing facility where it is used for domestic power generation. Ghana has one oil refinery, the state-owned Tema Oil Refinery in Tema established in 1960 but has ambitious plans to create a petroleum hub involving four new refineries by 2030. Policy towards the sector is implemented by the Ministry of Energy and Petroleum and regulated by the National Petroleum Authority (NPA). and the Ghana National Petroleum Corporation (GNPC) is the state-owned company responsible for the exploration, development, and distribution of petroleum. Ghana established a sovereign wealth fund Ghana Petroleum Funds (including the Ghana Stabilisation Fund and Ghana Heritage Fund) in 2015. Ghana is not a member of the Organisation of the Petroleum Exporting Countries (OPEC). The IMF classifies Ghana's exchange rate regime as "floating". Ghana has credit ratings from Moody's (Caa1 stable), Fitch (B- negative) and S&P (B- stable). Transparency International ranks Ghana 73rd out of 180 countries on its Global Corruption Perceptions Index with a score of 43. Ghana joined the EITI in 2007 and was assessed to have made "meaningful progress" in 2020. Ghana was the first country in sub-Saharan Africa to achieve independence in 1957 and has had regular and democratic changes of president since the 1990s.

Mozambique

With a population of 31.3 million people, low-income Mozambique does not produce any crude oil or have any refining capacity but has the third largest natural gas deposits in Africa after Algeria and Nigeria since the discovery of a massive gas field in the deepwater Rovuma Basin which lies off the northern coast of the country in 2010 by Anadarko. This discovery attracted gas majors including TotalEnergies, ExxonMobil, ENI and CNOOC. This led to the go ahead in 2019 for the construction of a US$20 billion gas liquefaction and export terminal at the Afungi site in Cabo Delgado – Africa's largest investment – which was later sold to TotalEnergies after Anadarko was bought by Occidental. The project was due to come on stream in 2024 but nearby Palma was subject to a high-profile attack by Islamic militants in March 2021 as part of a 3-year insurgency which forced TotalEnergies to halt work on the project. ExxonMobil and ENI are in the process of completing a second larger Romuva LNG plant due to come on stream later in 2022. Policy towards the sector is implemented by the Ministry of Mineral Resources and Energy and regulated by the Autoridade Reguladora de Energia (ARENE). The state-owned Empresa Nacional de Hidrocarbonetos (ENH) provides for active participation in the industry. Mozambique does not have a sovereign wealth fund but plans are afoot to establish one later this year. Mozambique is not a member of the Organisation of the Petroleum Exporting Countries (OPEC). The IMF classifies Mozambique's exchange rate regime as "floating". Mozambique has credit ratings from Moody's (Caa2 positive), Fitch (CCC) and S&P (CCC+ stable). Transparency International ranks Mozambique 146th out of 180 countries on its Global Corruption Perceptions Index with a score of 26. Mozambique joined the EITI in 2009 and was assessed to have made "meaningful progress" in 2019.

Nigeria

With a population of 206.1 million people, lower-middle-income Nigeria was the largest oil producer in Africa and ranked 14th in the world in 2021 and is one of the world's top LNG exporters. The country is heavily dependent on the sector which accounts for over 80% of exports, a third of banking sector credit, and half of government revenues. Oil was first discovered by Shell D'Arcy (Shell-BP) in 1956 at Oloibiri in the Niger Delta after which the sector opened up to international oil companies in the 1960s. The industry consists of both offshore and onshore wells concentrated around the Niger Delta with offshore wells in up to 1,700m of water. Nigeria's first LNG exports commenced in 1999 from Nigeria LNG's Bonny Terminal. Formed in 1999, NLNG is a joint venture owned by NNPC, Shell, Total and ENI. NLNG started producing LPG in 2007. Nigeria has three major oil refineries all owned and run by the NNPC: Port Harcourt I and II, Warri, and Kaduna plus a smaller private-owned one in Ogbele. Policy towards the sector is implemented by the Federal Ministry of Petroleum Resources while the Nigerian National Petroleum Corporation (NNPC) formed in 1977 provides for state participation in the oil and gas sector. Nigeria established the Nigeria Sovereign Investment Authority (NSIA) in 2011. Nigeria joined the Organisation of the Petroleum Exporting Countries (OPEC) in 1971. The IMF classifies Nigeria's exchange rate regime as a "stabilised arrangement" linked to the US dollar. Nigeria has credit ratings from Moody's (B2 stable), Fitch (B stable) and S&P (B- stable). Transparency International ranks Nigeria 154th out of 180 countries on its Global Corruption Perceptions Index with a score of 24. Nigeria joined the EITI in 2007 and was assessed to be making "satisfactory progress" in 2019.

Uganda

With a population of 45.7 million people, low-income Uganda is not yet an oil or gas producing country. Although oil seeps were known about since at least the 1930s, commercial reserves were only discovered by Tullow in Lake Albert on Uganda's north-western border with the Democratic Republic of Congo in 2006. But successive problems over tax, a planned refinery and not least the challenge of how to build the 1,443 km electrically heated pipeline (the world's longest) needed to export the crude from the Total and CNOOC wells in Lake Albert to Tanga in Tanzania, led to repeated delays and questions over whether the project would ever be realised. In February this year TotalEnergies, China National Offshore Oil Corporation (CNOOC) and the Uganda National Oil Company gave the green light to the US$10 billion pipeline project. Oil production from the Tilenga project operated by Total and the Kingfisher project operated by CNOOC is expected to start in 2025 and Uganda is expected to surpass Gabon in oil production. A UN study forecasts that oil will raise government revenues by a third over the estimated three-decade life of the project. Policy towards the sector is implemented by the Ministry of Energy and Mineral Development and the Petroleum Authority of Uganda while the Uganda National Oil Company (UNOC) established in 2014 provides for state participation in the oil and gas sector. The UNOC subsidiary Uganda Refinery Holding Company will be responsible for the refinery currently under development. The IMF classifies Uganda's exchange rate regime as "floating". Uganda has credit ratings from Moody's (B2 stable), Fitch (B+ negative) and S&P (B stable). Transparency International ranks Uganda 144th out of 180 countries on its Global Corruption Perceptions Index with a score of 27. Uganda joined the EITI in 2020 and has yet to be assessed. President Yoweri Museveni has been in power since 1986.

Key Issues

The exploitation of oil and gas resources will pose a wide range of challenges for Namibian economic policymakers. The sooner they start thinking about them the better.

Timescale

The first is one of timing. It is one of the ironies of fate that Namibia had just sought to present itself to the world at CoP26 in November 2021 as a model green economy when oil was discovered shortly afterwards. Namibia has always been fully signed up to global action to address climate change through United Nations Framework Convention on Climate Change (UNFCCC). CoP26 recognised the need to halve greenhouse gas emissions by 2030 and achieve net zero CO2 by 2050 and to limit global temperature rise to 1.5 degrees or "well below 2 degrees". Following CoP26, 136 countries had adopted net zero targets covering 88% of global emissions, 90% of global GDP and 85% of the world's population. In a landmark study published in May 2021, the IEA published a Roadmap of 400 milestones to reach Net Zero by 2050 and stated:

"…from today, no investment in new fossil fuel supply projects, and no further final investment decisions for new unabated coal plants. By 2035, there are no sales of new internal combustion engine passenger cars, and by 2040, the global electricity sector has already reached net-zero emissions."

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However, there are no strong incentives for individual countries, especially developing countries, to forgo exploitation of fossil fuel resources. The Namibian government has been clear that it intends to do so with Mines and Energy Minister Tom Alweendo asserting that Namibia will not "suffocate itself by cutting off potential oil and gas resources that will assist in solving our problems". However, given global commitments by countries and energy companies, the window allowing Namibia to do so is closing. "This was the right time to make a discovery," Emmanuelle Tutenuit, deputy director of Africa for TotalEnergies, said at a conference in Windhoek recently. "In 10 years' time, it might be too late with those who are moving to net zero." Both Shell and TotalEnergies have committed themselves to Net Zero by 2050. The interests of Namibia and the energy companies are aligned in terms of wanting to exploit the resource while it is still possible to do so but technical challenges (the resource lies in water depths of 3,000 metres) and haggling over taxation, refineries, onshore infrastructure, local content and employment as well as a harsh offshore operating environment could slow things down significantly. The examples of Uganda (where oil was discovered in 2006 but has yet to start flowing) and Mozambique (where gas was discovered in 2010 but has yet to be exported as LNG) above are instructive. As highlighted in several previous QERs, although there appears to be no talk of changing the oil and gas taxation regime established after Independence, key legal elements of Namibia's investment framework – the Namibia Investment Promotion Act and the National Equitable Economic Empowerment policy – remain in limbo. Authoritative consultancy Wood Mackenzie assumes the first oil could flow in 2028 from an initial development via more than 35 production wells tied back to a leased FPSO (Floating Production, Storage and Offloading). However, the more uncertainty and haggling there is, the greater to the delay in production will be.

Taxation

Namibia has a long-standing special taxation regime for oil and gas established in the early 1990s which remains untested given oil and gas have never been produced. Any income generated by a petroleum oil and gas operation is taxed in terms of the Petroleum Taxation Act of 1991. The tax is assessed on the basis of the profitability of each licence area and each licence area is ring-fenced for tax purposes. The holder of a production licence pays a levy of either 12.5% or 5% depending on when the exploration licence was issued. In addition to the normal profits tax of 35%, the after-tax net cash flow generated from petroleum activities in each licence area is subject to an additional profits tax (APT). The APT is based on a formula levied in cases where a licence area earns an after-tax inflation adjusted rate of return of 15%, 20% and 25%. However, the rates of tax are negotiable and agreed rates are set out in each individual Petroleum Agreement signed between the Government and the investor. This taxation regime is in line with best practice internationally but if experience with mining taxation is anything to go by could be subject to unexpected change giving rise to considerable uncertainty for investors. On the public perception that Namibia will end up not receiving its rightful share of oil and gas revenue, Finance Minister Iipumbu has been quoted as saying "Namibians misunderstand this. They believe we have found oil and will not get much from this. The context is that the government has got a tax regime and collects its share through taxes, royalties and company taxes. If you look at that cake, about 60% comes to the government through taxes."[1]

Revenue and Expenditure

It is still early days but Wood MacKenzie estimate Graff and Venus could rank among the top 20 global discoveries in the last decade with the potential to turn Namibia into the third largest producer of oil in Sub-Saharan Africa with revenues peaking at US$5.6 billion by the mid-2030s. Countries with significant oil and gas revenues often "bank" revenues in a sovereign wealth fund where they are invested for future generations or to help cushion unexpected economic shocks. Examples include Angola, Equatorial Guinea, Gabon, Ghana, and Nigeria above. Namibia formally launched its own Welwitschia sovereign wealth fund on 12 May 2022. Whilst the public finances are currently extremely tight (to say the least), this is a welcome initiative which should stand Namibia in good stead if properly managed. Experience with the mining - and especially diamond mining industry - does not give much cause for hope as far as transparency is concerned. A past QER (QER Q3 2020) showed just how opaque Namibia's most important industry is. Namibia's relatively small population of 2.5 million means that revenues per capita will be substantial.

[1] https://www.namibian.com.na/6218624/archive-read/Legally-the-oil-is-not-ours-%E2%80%93-Geingob

With substantial revenues from oil and gas, Government will be faced with the choice between spending or saving or some combination of the two. Economically speaking, if the economic returns from expenditure exceed the returns from saving, spending should be preferred. Unfortunately, Namibia's record of expenditure suggests economic considerations do not play a major role in public spending decisions. There is a danger that spending will once again focus on fostering a bloated and unproductive public sector focussed on Windhoek which draws in skilled human resources from the rest of the economy or on unproductive white elephants but does little for long-term economic prosperity. Substantial revenues will give Namibia the option of meaningful participation in industrial and infrastructure projects it would otherwise leave to the private sector (including green hydrogen). But oil and gas revenues will also have implications for social spending and will also allow Namibia to fund its own climate adaptation initiatives. Revenues per capita may be such that a meaningful Basic Income Grant (BIG) can be introduced which channels cash directly to citizens including the poorest.

Currency

Namibia belongs to a currency arrangement whereby its currency is pegged to the South African Rand and furthermore where the Rand remains legal tender. Hints have already been dropped that oil may allow Namibia to break with this arrangement. Talking about green hydrogen, presidential economic advisor James Mnyupe says:

"At the core of these objectives, greater sovereign autonomy remains a fundamental aspiration. Within this opportunity, Namibia has a realistic chance of becoming energy-independent, and in the process save N$3 billion in foreign reserves we spend to import power every year, contribute to a regional decarbonisation agenda and earn enough stable foreign income, that dare I say could one day allow us to realistically moot floating our own currency?"[2]

It is striking just how few major oil producing countries have fixed currency arrangements, partly become petro-currencies tend to behave very differently (varying primarily according to the price of oil) compared to non-petro currencies. However, some countries choose to peg their exchange rate against other currencies. Equatorial Guinea, Gabon and the Republic of Congo along with Cameroon, Chad and the Central African Republic are pegged to the Euro as part of the Central African Economic and Monetary Community (CEMAC) whilst Nigeria has spent decades without a peg managing an overvalued exchange rate. Quite where this leaves continental monetary integration (which Namibia has also signed up to) is unclear. Yet there will be a need to prevent the currency from undue appreciation and thereby undermining other export industries in which case a peg might help. But to which currency and how adjustable?

Economic Diversification

The classic resource curse or Dutch disease so well documented in the economics literature works its way in different ways: excessive revenues inflate the public sector and dollar export earnings exert upwards pressure on the exchange rate which renders other export sectors less viable. Combined with the effect on where scarce skilled workers end up, these impact negatively on other export sectors and inhibit economic and export diversification. Only greater diversification will generate employment for the majority as the oil and gas sector is highly capital and skill intensive. Namibia's track record on economic diversification is already poor and special efforts will have to be made on currency management, public investment, and skills will have to be made if the strong forces that act against economic diversification are to be countered. There is a danger that, with oil and gas, Government will conclude it doesn't need other outside investors and consciously or unconsciously throw in the towel on export diversification.

[2] https://neweralive.na/index.php/in/posts/opinion-green-hydrogen-join-us-on-this-exciting-journey

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Local Ownership

The Graff-1 and Venus wells have both involved Namcor as a partner (Shell 45%, QatarEnergy 45% and Namcor 10% in the former and TotalEnergies 40%, QatarEnergy 30%, Impact Oil and Gas 20%, and Namcor 10%). The Namibian State therefore has a 10% involvement in both projects. A key question is whether the offshore find can lead to economic linkages that bring further economic benefits to Namibia or whether the industry remains an isolated offshore island generating revenue but little else for the domestic economy.

Corruption

Perhaps the greatest danger is that the presence of substantial revenues leads to higher levels of corruption. The presence of a huge pot of money makes it easy for politicians and those connected to them to syphon off rents. Most of the countries described above have exceedingly poor track records on corruption although it is not clear whether the presence of hydrocarbons caused the corruption problem in the first place or simply exacerbated an already bad situation. Namibia scores better on Transparency International's Corruption Perceptions Index than other African oil and gas producers but its anti-corruption institutions – both public and non-governmental – will need to be strengthened if greater levels of corruption are to be avoided. Joining the Extractive Industries Transparency Initiative (EITI)[3] would send a clear signal of positive intentions and allow Namibia greater access to international best practice when it comes to avoiding many of the dangers associated with oil and gas but so far Namibia has not been keen to join.

OPEC membership

A further choice is whether Namibia joins the 13-member Organisation of Petroleum Exporting Countries (OPEC)[4] and coordinates oil production with other countries. Angola, Equatorial Guinea, Gabon, Nigeria and the Republic of Congo are currently members. Since 2016, OPEC+ has included a further ten countries with which OPEC tries to stabilise global supply: Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan. It would be worth exploring whether membership could be beneficial and looking at the experiences of other African oil producers.

Conclusions

The discovery of commercially significant quantities of oil and gas will have major consequences for Namibia and many aspects of economic policy: taxation, revenue and expenditure, currency, economic diversification, local ownership, local ownership, corruption and membership of important international organisations. There is a huge range of experiences, within Africa and further afield, upon which policymakers and politicians can draw to ensure the country avoids the resource curse and makes the most out of this resource before the global energy transition renders it a stranded asset. The sooner policymakers start addressing these issues the better. After all, forewarned is forearmed.

3 https://eiti.org/
4 https://www.opec.org/opec_web/en/index.htm

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News Highlights

Date	Highlight	Commentary
1 July	Namibian beef enters Ghana market *(The Namibian)*	Meatco exported a first assignment of beef from Namibia's Northern Communal Areas to Ghana which arrived at Tema port in Accra on 29 June.
1 July	Recon Africa spuds first of four wells *(New Era)*	Reconnaissance Energy and its joint-venture partner Namcor spudded the first of four new wells in its Kavango exploration area.
27 June	*Qatar resumes flights to Windhoek (Namibia Economist)*	Qatar Airways resumed thrice weekly direct flights from Doha to Windhoek using the Boeing 787-8 Dreamliner.
25 June	Omburu solar PV plant inaugurated *(China Economic Net)*	NamPower inaugurated its first solar PV power plant, the 20MW Omburu plant near Omaruru which is a joint venture between Hopsol Africa and Tulive Private Equity.
24 June	Namibia signs US$170 million loan from Germany *(Namibia Economist)*	Namibia and Germany signed a Financial Cooperation Agreement that will provide about US$170 million (N$2.7 billion) for economic development in the SME, water, and renewable energy sectors via PostFin, Namwater and NamPower.
24 June	Fitch downgrades Namibia rating (Fitch Ratings)	Fitch Ratings downgraded Namibia's sovereign credit rating from BB to BB- stable. Fitch forecasts debt to reach 75% of GDP in 2024/25.
21 June	Namibia records highest occupancy rate since pandemic *(Namibia Economist)*	According to the Hospitality Association of Namibia (HAN), the national occupancy rate reached 39.4% in May, the highest since the Covid pandemic broke according to Theo Klein of Simonis Storm Securities.
16 June	CRAN and MTC reach agreement on levies *(Namibia Economist)*	The Communications Regulatory Authority of Namibia (CRAN) and MTC announced they had reached a settlement agreement which ended a ten-year legal dispute over the legality of regulatory levies for the period from 31 March 2016 to 11 June 2018. However, the details of the agreement were not made public.

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15 June	Namibia Chamber of Environment CEO approves phosphate mining *(The Namibian)*	CEO of the Namibia Chamber of Environment (NCE) Dr Chris Brown gave the nod to the proposal by Namibia Marine Phosphate (NMP) to conduct offshore phosphate mining within mining licence area ML170 saying the "the project has virtually no environmental impact and virtually no impact on the fishing sector."
15 June	The Bank of Namibia raises repo rate by 50bp *(Bank of Namibia)*	The Bank of Namibia's Monetary Policy Committee raised the repo rate by 50 basis points to 4.75%, the largest single rate rise since 2007. The next MPC meeting is on 17 August 2022.
7 June	South African GDP grows 1.9% in Q1 2022 *(StatsSA)*	The South African economy grew quarter-on-quarter by a seasonally adjusted 1.9% in Q1 of 2022 from an upwardly revised 1.4% in Q4 2021.
1 June	Namibia ranked 91st in start-up survey *(The Namibian)*	Namibia improved its ranking from 99th to 91st out of 100 countries for start-ups by StartUpBlink.
1 June	Green hydrogen feasibility study to commence this year *(Engineering News)*	Hyphen Energy, the preferred bidder for Namibia's giant green hydrogen ammonia project near Lüderitz, is aiming to conclude an implementation agreement with Government opening the way for a full-scale feasibility study which would aim to achieve financial close by Q3 2024.
31 May	Namibia falls in Open Budget Index 2021 *(International Budget Partnership)*	The Open Budget Index, a two-yearly measure of how open budget processes and documentation are in 120 countries, was released showing Namibia's score declined from 51 in 2019 to 42 in 2021.
29 May	Fuel prices to increase *(Namibia Economist)*	The Ministry of Mines and Energy announced that petrol and diesel prices would rise by N$2.50 and N$1.50 respectively from 1 June.
27 May	Jabu receives another N$235 million boost *(The Namibian)*	The Namibian logistics and distribution start-up Jabu Logistics raised US$15 million from Tiger Global.
22 May	Namibia invited to World Economic Forum *(Informante)*	A high-level delegation led by President Geingob will attend the World Economic Forum from 22 to 26 May. They were invited for the first time to showcase Namibia's green hydrogen strategy.

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19 May	South African Reserve Bank raises repo to 4.75% *(SARB)*	The South African Reserve Bank (SARB) raised its repo rate from 4.25% to 4.75% to counter inflationary pressures emanating from the global environment, the largest repo rate rise since January 2016. The next MPC meeting is due on 21 July.
18 May	Illegal timber seized in West Kavango *(New Era)*	Government forestry officials seized about 4,000 planks of timber from illegal timber harvesters in West Kavango and apprehended two suspects.
14 May	No interest in fish auction *(The Namibian)*	The Ministry of Finance announced it would investigate, together with the Ministry of Fisheries and Marine Resources, why the latest 11,090 tonne horse mackerel auction which closed on 29 April had received no bids.
14 May	NamRA faces threats after destroying counterfeit goods *(The Namibian)*	Namibia Revenue Agency CEO Sam Shivute said that he and his staff had faced threats after the agency destroyed N$5 million worth of imported counterfeit goods.
12 May	Namibia launches Sovereign Wealth Fund *(The Namibian)*	The Ministry of Finance launched Namibia's Welwitschia Sovereign Wealth Fund to be managed by the Bank of Namibia and overseen by an independent board.
9 May	TransNamib completes purchase of Swakopmund Hotel *(New Era)*	TransNamib announced that it had completed the purchase of 50% of the Swakopmund Hotel and Entertainment Centre from Stocks & Stocks Leisure of South Africa for N$103 million. Legacy Hotels will continue to manage the hotel under a new ten-year management agreement.
6 May	Bulk electricity tariffs to increase by 7.3% *(Namibia Economist)*	The Electricity Control Board (ECB) announced that average bulk electricity tariffs would increase by 7.3% for the year 2022/23 from 1 July.
	Namibia ranked 18th in press freedom index *(Reporters without Frontiers)*	Namibia improved its ranking in the Reporters Without Frontiers' World Press Freedom Index from 24th in 2021 to 18th in 2022. Only Seychelles scored higher in Africa.

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News Highlights

Date	Highlight	Commentary
29 April	Fuel prices to drop in May as Cabinet approves cut in fuel levies (The Namibian)	The Ministry of Mines and Energy announced that fuel prices would decrease by N$1.20 cents a litre for petrol and 30 cents for diesel effective 5 May. In response to high fuel prices, Cabinet approved a cut in fuel levies – the Road User Charge, the Fuel Levy, and the Namcor levy of 50% – as well as a 25% reduction in the MVA levy for the period May to July.
22 April	De Beers to invest US$2 million in Kelp Blue (De Beers)	De Beers announced it would invest US$2 million in start-up Kelp Blue which focuses on growing and managing giant underwater kelp forests off the Namibian coast which have the potential to lock away large amounts of carbon dioxide.
21 April	Gratomic announces first product in a bag (Junior Mining Network)	Toronto-listed Gratomic announced the production of the first batch of processed graphite from its Aukam plant in Namibia, the first product produced at the Aukam site since 1974.
21 April	Namdeb produces 451,000 carats in Q1 2022 (AA)	Anglo American reported that Namdeb Holdings produced 451,000 carats in Q1 2022 compared to 392,000 carats in Q4 2021 and 338,000 carats in the same quarter of 2021. Out of this total 76,000 carats came from land-based operations.
21 April	Parliamentary Committee criticises Bank of Namibia over fees (Informante)	The Parliamentary Standing Committee on Economics and Public Administration voiced criticism at the Bank of Namibia for allowing commercial banks to charge high fees leading to excessive N$10.5 billion profits.
14 April	Otjikoto mine produces 35,061 ounces of gold in Q1 2022 (B2Gold)	B2Gold reported that its Otjikoto mine produced 35,061 ounces of gold in Q1 2022, 5% above budget. The company states that "development of the Wolfshag underground mine continues to progress with ore production expected to commence in the first half of 2022."

News Highlights

Date	Highlight	Commentary
13 April	Ministry prevents export of unprocessed timber *(The Namibian)*	The Ministry of Environment, Forestry and Tourism intercepted a truck carrying unprocessed timber destined for South Africa under the Forest Act 2001. It will investigate where the timber came from and whether it was legally acquired.
13 April	Road Fund Administration receives N$350 million loan from Nedbank *(Namibia Economist)*	The Road Fund Administration (RFA) received a loan of N$350 million from Nedbank to finance its Low Volume Road Seal Strategy (LVRSS) to upgrade highly trafficked gravel roads to a low volume bitumen seal.
13 April	The Bank of Namibia raises repo rate by 25bp *(Bank of Namibia)*	The Bank of Namibia's Monetary Policy Committee raised the repo rate by 25 basis points to 4.25%, only the second time rates have risen in six years. The next MPC meeting is on 15 June 2022. The Bank forecasts inflation of around 6% for the year.
10 April	Central Procurement Board disqualifies companies *(The Namibian)*	The Central Procurement Board (CPB) disqualified three companies owned by three brothers bidding for tenders worth N$388 million citing unfair advantages, concerns over collusion and conflicts of interest. The three intend to sue the CPB in the High Court.
9 April	Government auctions more fish quotas *(The Namibian)*	Government offered 11,090 tonnes of horse mackerel for auction as part of the Government objective quota with 29 April the closing date for applications.
5 April	Moody's downgrades Namibia's credit rating *(Moody's)*	Moody's Investor Services downgraded Namibia's credit rating from Ba3 to B1 and changed the outlook from stable to negative.
6 April	Shell discovery holds two billion boe *(Upstream Online)*	Shell's Graff discovery is thought to hold two billion barrels of oil equivalent (boe) and the company is thought to be considering deploying a floating liquefied natural gas vessel alongside a floating production, storage and offloading (FPSO) vessel.
1 April	CRAN will cease new telecoms licences *(Xinhua)*	Namibia's telecoms regulator the Communications Regulatory Authority of Namibia (CRAN) announced it would suspend new telecoms and broadcasting licences from 1 October 2022 to 30 September 2023 while they conduct a market study.

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News Highlights

Date	Highlight	Commentary
1 April	ANIREP launches solar power project *(New Era)*	NSX-listed Alpha Namibian Industries Renewable Power Limited (ANIREP) launched the N$300 million 20MW Khan solar PV power project 45km outside Usakos.
1 April	Banking sector in good shape *(New Era)*	Central bank Governor Johannes Gawaxab stated in the Bank of Namibia's Annual Report for 2021 that Namibia's banking sector remained profitable, liquid and resilient in the face of the challenges it faced during the Covid pandemic.
31 March	TransNamib announces N$2.6 billion loan *(New Era)*	TransNamib CEO Jonny Smith announced the company had secured a N$2.6 billion loan from the Development Bank of Southern Africa in partnership with the Development Bank of Namibia to implement its five-year business plan.

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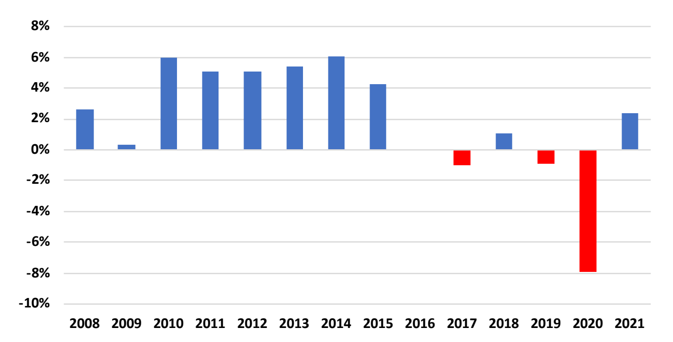
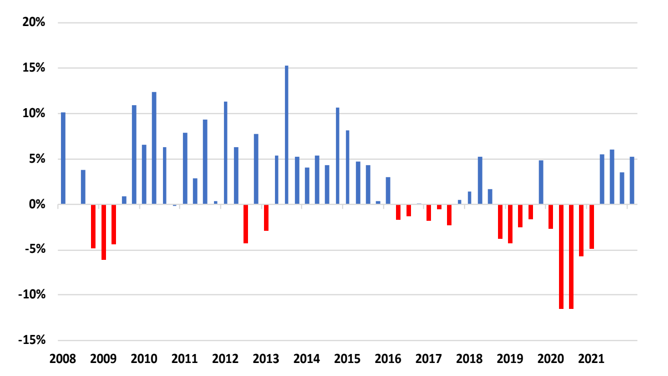
Key Economic Variables

GDP Growth (%)



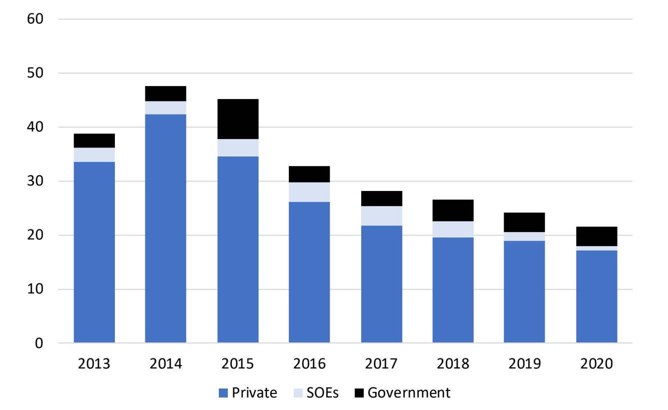
The preliminary national accounts have been released for 2021. The NSA has revised the contraction in GDP in 2020 from -8.5% to -7.9% for 2020 and estimates that GDP grew by 2.4% in 2021.

GDP Quarterly Growth (%)



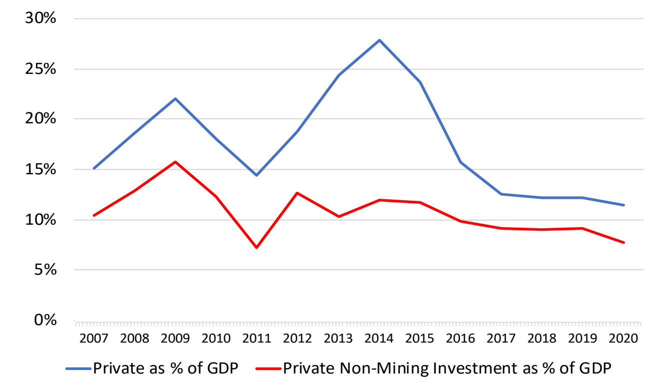
In Q1 2022 GDP grew by 5.3% quarter-on-quarter, the fourth successive increase in economic activity after the contraction experienced in Q1 2021.

Fixed Investment (N$bn in 2015 prices)



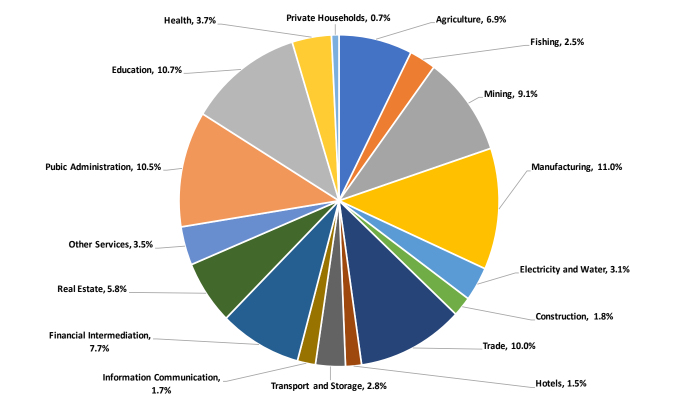
Investment by the private sector, SOEs, and government measured in 2015 prices declined further in 2020 continuing a trend seen since 2014.

Private Fixed Investment (% of GDP)



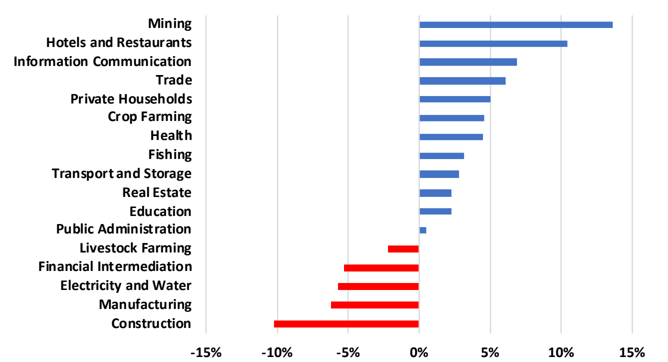
Total private fixed investment has reached its lowest level since at least 2007 whilst non-mining private fixed investment has reached the lowest level since just after the Global Financial Crisis.

Sectoral Breakdown of GDP in 2020 (%)



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 2020 (%)



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

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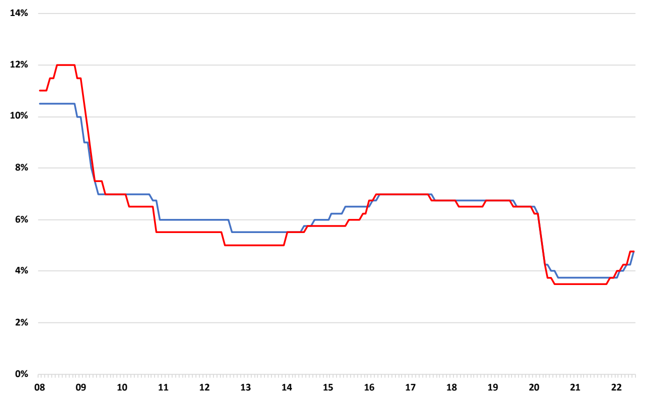
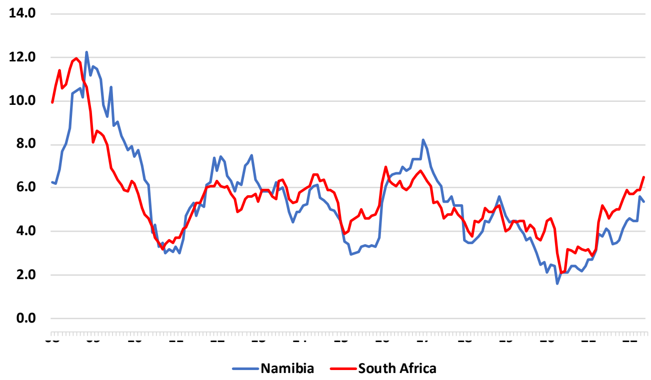
Key Economic Variables

Namibian and SA Repo Rates (%)



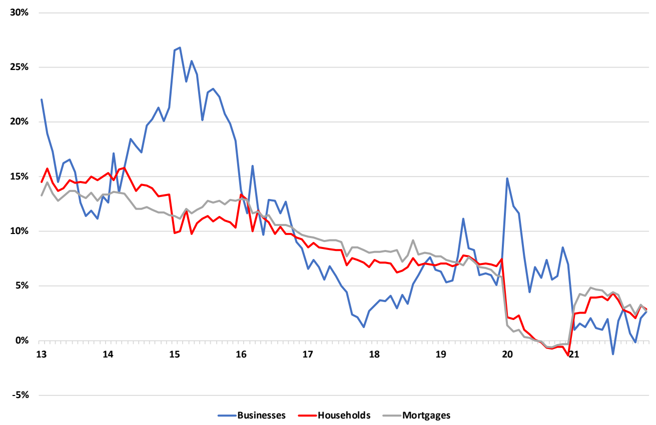
In response to higher inflation primarily due to a more inflationary global environment, the Reserve Bank of South Africa and the Bank of Namibia started raising rates in early 2022 with both ending Q2 at 4.75%.

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



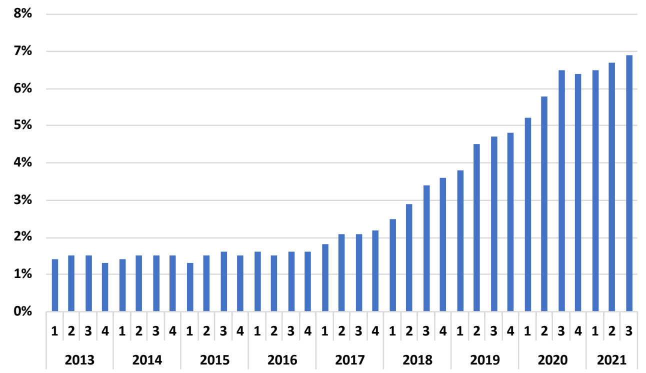
Namibian consumer inflation has steadily climbed since the lows experienced during 2020 but dipped slightly in May to 5.4% in May, markedly lower than the 6.5% experienced in South Africa.

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



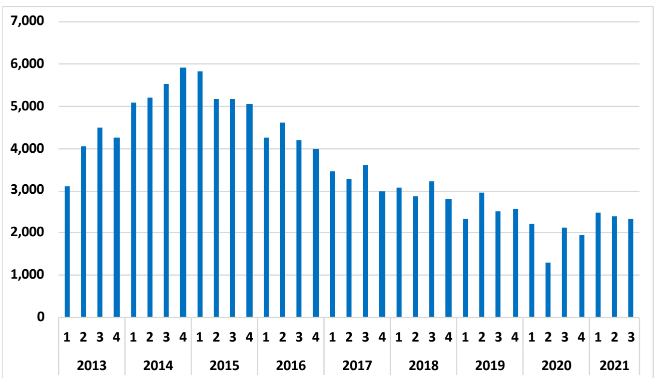
Credit growth to business and households remains subdued as is residential mortgage lending.

Non-Performing Loans (%)



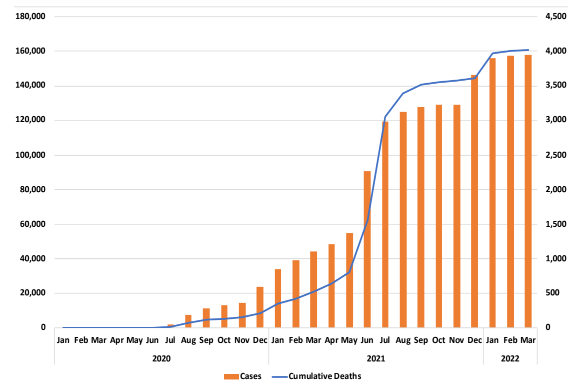
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia rose to 6.9% at the end of Q3 2021.

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 30 June 2022 the total number of Covid infections since the pandemic started had increased to 169,203 including reinfections. The cumulative total number of deaths since the beginning of the pandemic totalled 4,064 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$bn	48.0	49.8	56.6	57.5	53.7	53.1
Exports - total services	N$bn	7.2	7.9	8.4	8.4	4.6	4.6
Imports - total goods	N$bn	82.9	73.8	75.2	77.0	66.5	80.5
Imports - total services	N$bn	10.1	7.9	7.8	8.9	7.7	8.7
Trade Balance	N$bn	-37.8	-24.0	-18.0	-20.0	-16.0	-31.4
Balance of Payments	N$bn	-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$bn	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

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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	42
World Press Freedom Index - Ranking		17/180	24/180	26/180	23/180	23/180	24/181	18/180

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