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AfDB calls for global financing reforms to bridge Namibia's N$172bn SDG financing gap

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MAIN STORY

AfDB calls for global financing reforms to bridge Namibia's N$172bn SDG financing gap

The African Development Bank (AfDB) says international global financing reforms are needed for Namibia to meet the Sustainable Development Goals (SDG) financing gap of US$9.429 billion (N$172 billion) by 2030.

The AfDB said Namibia's classification as an upper-middle-income country limits its access to concessional resources, impacting its development.

"There is a need for reform of the international aid architecture to make more resources available to Namibia and

Crucial Dates

- Bank of Namibia Monetary Policy announcement date:
  14 August 2024
  23 October 2024
  4 December 2024

- Namibia Oil & Gas Conference 2024
  20-22 August 2024
  Mercure Hotel , Windhoek

- Global African Hydrogen Summit (GAh2S)
  Windhoek, Namibia from 03 – 05 September 2024

other African countries," said the AfDB.

Namibia was allocated SDR183 million out of a total allocation of SDR650 billion, which is insufficient for its development challenges. The AfDB highlights the need for international financing reforms.

"Namibia is disadvantaged in terms of accessing concessional funds. Consequently, there is a need to overhaul the aid and private finance architecture," stated the AfDB.

The AfDB emphasised the importance of concessional financing from multilateral development banks for countries like Namibia, which remain vulnerable to shocks such as COVID-19 and commodity price volatility.

The AfDB said Namibia requires about US$5.3 billion over the 2021-2030 period to meet climate change targets and US$565 million annually for green growth objectives.

The AfDB urged the private sector to play a significant role in closing the climate finance gap.

"Several solutions to leverage opportunities for private sector investments in green growth and reduce obstacles are proposed, including accelerating business reforms for a conducive investment environment," the AfDB report noted.

Namibia's 2021-2030 updated NDC Implementation Strategy and Action Plan focuses on priority areas like water resources, agriculture, forestry, coastal zones, tourism, human health, and disaster risk management.

"To achieve the updated NDC targets, Namibia will need approximately US$5.3 billion over 10 years, of which about 10% will be unconditional, provided mainly from domestic public funds," reported the AfDB.

The government has demonstrated its commitment to climate change, with the Ministry of Environment, Forestry, and Tourism tracking NDC implementation progress and coordinating with the UNFCCC and the Green Climate Fund (GCF).

The Environmental Investment Fund of Namibia also plays a crucial role in mobilising funds from the GCF and has partnered with the United Nations Development Programme to secure additional grant funding.

Ongos Valley eyes SADC expansion, secures Zambian contract

Ongos Valley Development says it plans to expand its operations across the Southern African Development Community (SADC) region.

The real estate developer signed a Memorandum of Understanding (MoU) with the Zambian government to begin the construction of 2,000 houses in the next 18 to 24 months.

Ongos Valley spokesperson Abed Erastus said the partnership with the Zambian government is the first step in the company's plans to expand within the region.

"The MoU creates a framework for us to work within Zambia and it's a first step towards our ambition to deliver solutions across SADC," he said.

He further explained that Zambia, like Namibia and other African nations, grapples with a significant housing deficit estimated at 1.5 million units.

"Zambia, like Namibia and other African nations, faces significant challenges in delivering housing at scale. This MoU establishes a framework that allows us to collaborate in developing tailored solutions that address their unique needs and challenges," Erastus said.

Zambia has set an ambitious target of constructing 200,000 houses annually to bridge the housing gap. While the project is anticipated to take between 18 to 24 months to complete, Erastus cautioned that specific timelines and project costs are still subject to change due to ongoing development stages.

Meanwhile, Ongos Valley Development has invested N$900 million into the housing project's first phase of development in Windhoek.

Additionally, the project commissioned the expansion of the Peter Nanyemba Road into a dual-carriageway at a cost of N$381 million last April. The expansion is expected to be completed by the end of the year.

Ongos Valley is situated on a 1,750-hectare portion of Farm Ongos, 13 kilometres from the Windhoek city centre. It will be a self-contained green village area with schools, hospitals, police stations and a cemetery, among other services.

Namibia ranks second in income inequality

Namibia has been ranked second in terms of income inequality, with an inequality index score of 59.1 according to a report by Rand Merchant Bank (RMB).

RMB's "Where to Invest 2024" report highlights a dramatic widening of the gap between the rich and poor in Namibia, placing it second only to South Africa on the income inequality index.

"Namibia retains several troubling difficulties also entrenched in its southern neighbour. Both nations are among the world's most extreme for inequality and unemployment," the report said.

It further reported that the country's

unemployment rate had positioned it in the 27th place with a rate of 20.6% on the RMB Where to Invest in Africa model, surpassing South Africa by four positions. The report also added that both countries were grappling with entrenched inequality.

"To the investor, this may represent a low base with much to be gained if change is made," the report stated.

Despite these challenges, Namibia has shown potential in other areas. It ranks as the 18th most attractive investment destination in Africa, according to the RMB, scoring -0.05. While this places Namibia behind countries like Benin, Rwanda and Botswana, the report highlights strong fundamentals such as a sound GDP per capita, robust political stability, and high personal freedom as potential strengths.

The report cites the country's emerging oil and gas industry could also significantly boost its investment attractiveness.

The country's Orange Basin is considered one of the world's most promising oil and gas regions, with the potential to transform Namibia into a petro-state.

"Namibia's most exciting prospect lies in offshore oil and gas discoveries. In fact, the country's Orange Basin is emerging as one of the world's most promising prospective oil and gas regions and, as the Financial Times puts it, "could make it the world's newest petro-state," the report reads.

The report warns however that the successful commercialisation of these discoveries and the effective management of potential oil wealth through a sovereign wealth fund will be crucial factors in determining the country's future economic trajectory.

Shining Light Awards introduces Institutions Award

De Beers Group has expanded its Shining Lights Awards with the introduction of a new category – the Institution Award.

The new award aims to honour the dedication and hard work of lecturers, trainers, and administrators who are essential in developing student's talents.

The Namibia Diamond Trading Company (NDTC) highlighted the prime aim of the Institution Award is to recognise the dedication and hard work of lecturers, trainers, and administrators who play a crucial role in nurturing the talents of students.

NDTC said it recognises that institutions support and guidance are crucial in preparing students for events like the Shining Light Awards

The company said it is because of their efforts, that students have the opportunity to demonstrate their skills and creativity on such esteemed platforms, showcasing the high standards of education and training they attained at these institutions.

"Their unwavering support and guidance are instrumental in preparing students for prestigious competitions like the Shining Light Awards. It is through their efforts that students can showcase their skills and creativity on such esteemed platforms, reflecting the high standards of education and training they have received," NDTC said.

NDTC further highlighted that the institution with the highest number of qualifying entries will be eligible to win a cash prize of Botswana Pula (BWP) 60,000, Namibia Dollar (N$) 80,000 and Canadian Dollar (CAD) 6,000.

Moreover, the requirements for participating institutions are to specify how the award will be used, such as for refurbishing the design room, upgrading workstations, or offering financial support to deserving students. Failure to provide this information will result in disqualification.

"The institution with the highest number of qualifying entries will be eligible to win. The institution needs to indicate how the award will be disbursed (for example – refurbishment of the design room, upgrading the workstations or providing financial support to deserving students). In the instance that the institution does not supply a list they would be disqualified," NDTC noted.

The NDTC has announced that entries for the 2024 Shining Light Awards opened online on 20 May, closing on 15 August with adjudication in September, collection development in October, and the final event in November.

AfDB calls for informal sector formalisation to boost Namibia's tax revenue

The African Development Bank (AfDB) has urged Namibia to support informal sector operators in formalising their businesses to boost the economy and tax revenue.

Namibia's informal sector, contributing 24.7% to the country's GDP, amounts to about US$11 billion (N$23 billion) at gross domestic product based on purchasing power parity levels.

In its 2024 Country Focus Report for Namibia, the AfDB emphasised that formalising the informal sector could significantly increase tax revenue and stimulate economic growth.

"Namibia's informal sector has been recorded to be the country's largest employer and contributes about 24% to the country's gross domestic product (GDP). Yet, it is not accounted for in formal statistics. Despite this huge contribution, the sector presents challenges in terms of labour rights, social protection, tax evasion, economic stability, and lack of access to finance," said the AfDB.

The bank further outlined that the informal economy in Namibia is characterised by numerous undocumented and unregulated businesses and employment, akin to other developing countries.

"The absence of labour rights and lack of financing hinder their transition from the informal to the formal sector and a shift of resources from the traditional to modern sectors and from low productive to high productive sectors," noted AfDB.

To address these challenges, AfDB recommended that the Namibian government facilitate access to financing and training for informal sector operators.

This move could enable these businesses to formalise, thus contributing more significantly to the economy.

In addition to formalisation efforts, the AfDB's report outlined several other recommendations for Namibia's economic development.

These include building strong institutions, implementing critical measures for structural transformation, creating a conducive environment for private sector growth, investing in human capital, and scaling up domestic resource mobilisation.

"By addressing these areas, Namibia could reduce its dependence on volatile external flows, enhance national ownership over development processes, and strengthen the bonds of accountability between the government and its citizens," said AfDB.

Meanwhile, as Namibia continues to develop its natural resources, including diamonds and oil, the AfDB said integrating natural capital accounting and conservation into national accounts could further expand the economy.

The AfDB also suggested that the African Continental Free Trade Area offers Namibia a unique opportunity to expand its export markets and boost trade with the rest of the continent.

"Walvis Bay port, which is the country's major port, can catalyse boosting Namibia's trade with the rest of the continent. Namibia, as a producer of diamonds and oil, needs to invest in natural capital accounting beneficiation and conservation, and include it in the system of national accounts to expand the economy," said AfDB.

Namibia's Green Industrialisation Blueprint

By Joseph Mukendwa

> **"Under a net-zero by 2050 scenario, global demand for green hydrogen and its derivatives is expected to rise.**

Namibia is developing a green hydrogen sector and is positioning itself as a significant player in this emerging market. The Government's strategy is to produce green hydrogen not only to help the world decarbonize but to kickstart a local green hydrogen economy, that will usher in a new transformative green and sustainable industrialisation pathway for economic development.

Vision 2030 commits Namibia to becoming an industrialised nation. What does that mean exactly? Industrialisation is defined as the process by which a country transforms itself from being a mainly primary sector driven economy into one based on manufacturing of goods. Agriculture, mining, fisheries are typical primary sector economic activity. Once tomatoes become tomato paste or tomato sauce, value is added. When minerals undergo a process of crushing and grinding, concentration, refining, smelting and chemical processing, etc., the ore extracted from the earth gains value. This economic transformation is usually accompanied by a set of key changes that enable industrialisation, such as enhanced skills development and the availability of capital for investment from domestic and foreign sources.

Under a net-zero by 2050 scenario, global demand for green hydrogen and its derivatives is expected to rise. It is anticipated that there will be high international demand as numerous countries will be unable to meet their needs fully or cost-effectively through domestic production. These countries will rely on energy partnerships with countries that have more abundant renewable resources to close supply gaps at lower costs. This provides an opportunity for countries like Namibia to draw on our natural resource endowments such as wind and solar energy, that form the backbone to a competitive green industrial economy. Early green hydrogen pilots and emerging local and foreign investment in green hydrogen are an early indication of private sector appetite for this new sector and a reflection of Namibia's competitive advantage in green hydrogen production and industrialisation.

Namibia has substantial deposits of rare earth elements (REEs), Lithium and other critical raw minerals (CRMs) which are critical to the energy transition. We also have an abundance of invasive encroacher bush that we can unlock as a sustainable source of carbon, which, when combined with green hydrogen and other ingredients, could enable Namibia to manufacture low carbon synthetic fuels. These resources, combined with access to world-class maritime transport corridors, provide

Namibia with sturdy building blocks to become an industrialised nation. They also provide the opportunity of incubating impactful green industrialisation opportunities, that could generate significant socio-economic benefits.

Inspired by these building blocks, the Green Industrialisation Blueprint (GIB) identified and scoped priority pioneering or "first mover" projects. A shortlist of target industries that can spearhead the attraction of modern, value-adding and employment-generating industries was identified and refined by considering industry insights and additional regional benefits. The risks and socio-economic opportunities for Namibia stemming from these opportunities were examined, including how the scaling of each major industry could impact the economy and jobs, including market demand to scale up local small and medium enterprises (SMEs) and joint ventures or other technology transfer opportunities. Key resource needs, including land, the need for specialised labour, and financing needs were also identified.

The GIB takes a deep dive into possible first mover green industries, which include value addition to minerals including Lithium and iron ore, flat glass production, synthetic fuel production, and components assembly and manufacturing for wind and solar energy production.

The investment these first mover investable industries could potentially attract is estimated at USD40 billion.

To unlock such green industrialisation potential, enabling infrastructure to support regional and international connectivity is required. Such infrastructure enablers include railway upgrades, port expansion, power transmission lines, industrial park infrastructure and/or Special Economic Zones. The estimated value of these public investments that may be delivered through public-private partnerships and with the support of bilateral and multilateral donors is USD15 billion.

A key rationale for Namibia's envisioned green industrialisation are the anticipated socio-economic benefits. Research conducted by McKinsey in conjunction with the Government, estimate that the full deployment of Namibia's GIB could result in approximately 185,000 direct jobs from green hydrogen activities that include electrolyser assembly, wind and solar farm construction, and pipeline operation. In addition, 70,000 jobs related to concrete manufacturing, basic metals manufacturing, and outsourced business services are estimated. This research further estimates that Namibia's gross domestic product (GDP) could expand by 34% in real terms by 2030 (50% in 2040), compared to 2021.

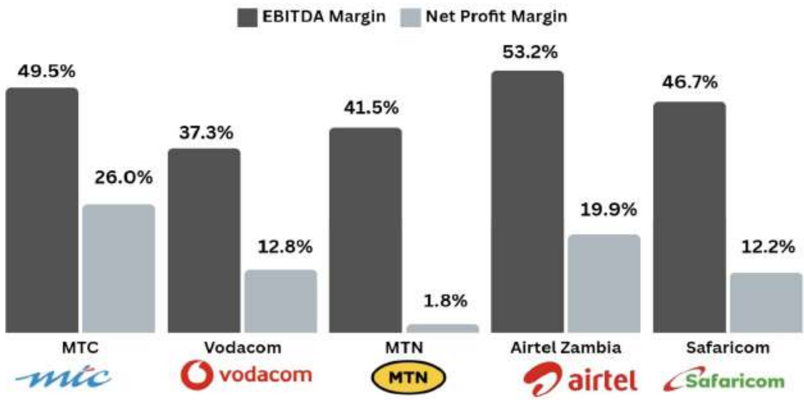
The advancement of the GIB will require the coordinated engagement of a myriad of players both in the public and private sectors, including project owners, key equipment suppliers, off-takers, foreign governments, and various financing institutions.

Namibia is rich with potential yet to bring to life a "green industrial revolution", the Namibian people will need to green their skills and rally behind this ambitious transformation of the economy. This way, a pathway towards the goals of Vision 2030 will then be charted.

The GIB was launched on the 03rd August 2024 and is accessible on the Namibia Green Hydrogen Programme (NGH2P) website at https://gh2namibia.com.

Joseph Mukendwa is Head of Policy, Planning & Strategy at the Namibia Green Hydrogen Programme (NGH2P)

MTC has maintained a high level of EBIDTA and net profit margin, comparing favourably to other telcos, without relying on debt.



Source: Extracted and calculated from the most recent financial statments

A deeper look into MTC when compare to its regional peers

When it comes to Telcos in Africa, the performance of Mobile Telecommunications Limited (MTC) may be significantly underrated.

Despite economic headwinds in the past five years (including the COVID-19-Induced economic downturn, high inflation, and currency depreciation), MTC's performance has been one of the strongest among telcos in Africa.

For example, EBITDA margins (a measure of profitability) have been consistently above 50%, with the only exception being in 2023, when it reached 49.5%. For comparison, South African-listed MTN and Vodacom reported EBITDA margins of 41.5% and 37.3%, respectively, in their most recent results.

MTC balance sheet reflects extremely low gearing giving capacity to fund business expansion and generate additional value shareholders.

The average debt-to-equity ratio for the telecoms industry is 1.15, which means that for every US$100 of capital a Telco has, it usually has US$115 in debt.

For context, in 2023, MTN Group had about R39 billion in finance costs, just under

20% of total revenue, whereas MTC only had N$21 million at about 0.7% of total revenue.

Evidently MTC has war chest not only to fund current and future growth but to also help to whether storms should they occur.

Despite a maturing market MTC has embarked on a comprehensive programme to exploit growth opportunities that are accretive to shareholder value. These efforts will also focus on not only protecting and growing the core of our business drivers but also moving to adjacencies including digital financial services, enterprise expansion, local and regional partnership opportunities and a wide portfolio of digital offerings.

As a significant market leader (84% market share) in a maturing market, MTC will derive more growth by increasing service usage than from new subscribers. Mobile broadband and home broad band provide profound opportunities for growth. We expect double digit growth in the demand for data in the short to medium term. Coupled with digital service offerings, this will have positive impact on ARPU and revenue growth projections.

Mobile Financial services is an adjacent which can have significant impact in the evolution of a telco. In Sub- Saharan Africa region in 2023, mobile money grew by over 28% in transactional volume (up to 62bn transactions) and over 12 % in transactional volume (representing US$912bn in value). MTC Maris will be major business growth driver for MTC in the next few years.

For example, Safaricom's Mobile Financial Services business, MPESA, achieved a 12% annual growth rate between 2019 and 2023, more than four times faster than the rest of the business. MPESA now accounts for about 40% of total revenue.

Transitioning to more value-added services is critical as the MTC revenue mix will likely become more data-focused over time, which is often less profitable than voice, for example. Currently, MTC generates far less revenue from data than its regional peers. In the 2023 financial year, Econet in Zimbabwe had 33% of its revenue from data, and Airtel in Zambia had 45%. However, MTC revenue share from data was 18% for prepaid and 22% for postpaid.

The significant opportunity in mobile and fixed broadband (current data demand for data is growing at over 30% YoY) entails continuous heavy investment in the LTE, fixed wireless and fibre networks. This expansion of its networks will ensure that MTC is able to meet future demand arising from the ubiquity of digital service offerings, digital content and the rise of the high data consuming Generation Z segments.

Germany grants N$150 million to boost energy access in Namibia

Namibia's National Planning Commission, in partnership with the Ministry of Mines and Energy, NORED Electricity, and Germany's KfW Development Bank, has secured a €7.5 million (approximately N$150 million) grant to expand electricity access for households and small businesses.

The grant complements the Ministry of Mines and Energy's budget for Namibia's electrification efforts. It is specifically designated for peri-urban on-grid and rural off-grid electrification, focusing on the North-East and North-West regions of Namibia.

According to recent statistics, the rural electrification rate is between 20% and 30%, while overall electrification stands at approximately 55% nationwide.

During the contract signing, National Planning Commission Director General Obeth Kandjoze noted that recent census data indicates Namibia's population is 3.01 million, and the actual electrification rate may be lower than 55%, particularly in rural and remote areas.

He stated that "the access-to-energy project is a crucial initiative with significant impact, and additional projects of this nature will support the government's efforts to increase energy access."

Several of Namibia's un-electrified areas are remote, with low population densities and dispersed settlements, making them difficult to reach with the grid.

To ensure the sustainability and economic viability of the new connections for NORED, the grant will cover the investment costs.

The combination of peri-urban on-grid and remote off-grid electrification will generate sufficient income to support regular maintenance by NORED, thereby maximizing developmental impact.

Ministry of Mines and Energy Executive Director Penda Ithindi stated that the Access-to-Energy Project will facilitate approximately 4,000 connections, benefitting between 18,000 and 20,000 people and productive users.

"Project preparation involved technical, environmental, economic, and developmental assessments, as well as extensive stakeholder engagement to identify the most suitable locations for this innovative approach," he added.

NORED's Acting CEO, Toivo Shovaleka, confirmed that "signing the contractual agreements today allows us to commence the project next week, starting with tender documentation".

He explained that NORED will oversee the project implementation and engage service providers for the rollout. The funding proposal aims to support growth among off-grid solution providers.

German Ambassador Thorsten Hutter stated that the Access-to-Energy Project is designed to combat energy poverty by expanding and improving electrification in rural and peri-urban areas.

This will foster the productive use of electricity, expand income opportunities, and enhance economic development.

The success of the grant programme will be evaluated based on indicators including the installation of at least 2,910 new on-grid connections (minimum TIER 4), 990 new off-grid connections (minimum TIER 3), and 400kW of off-grid power capacity for mini-grids based on solar PV plus storage. The project is expected to be completed by the end of 2026.