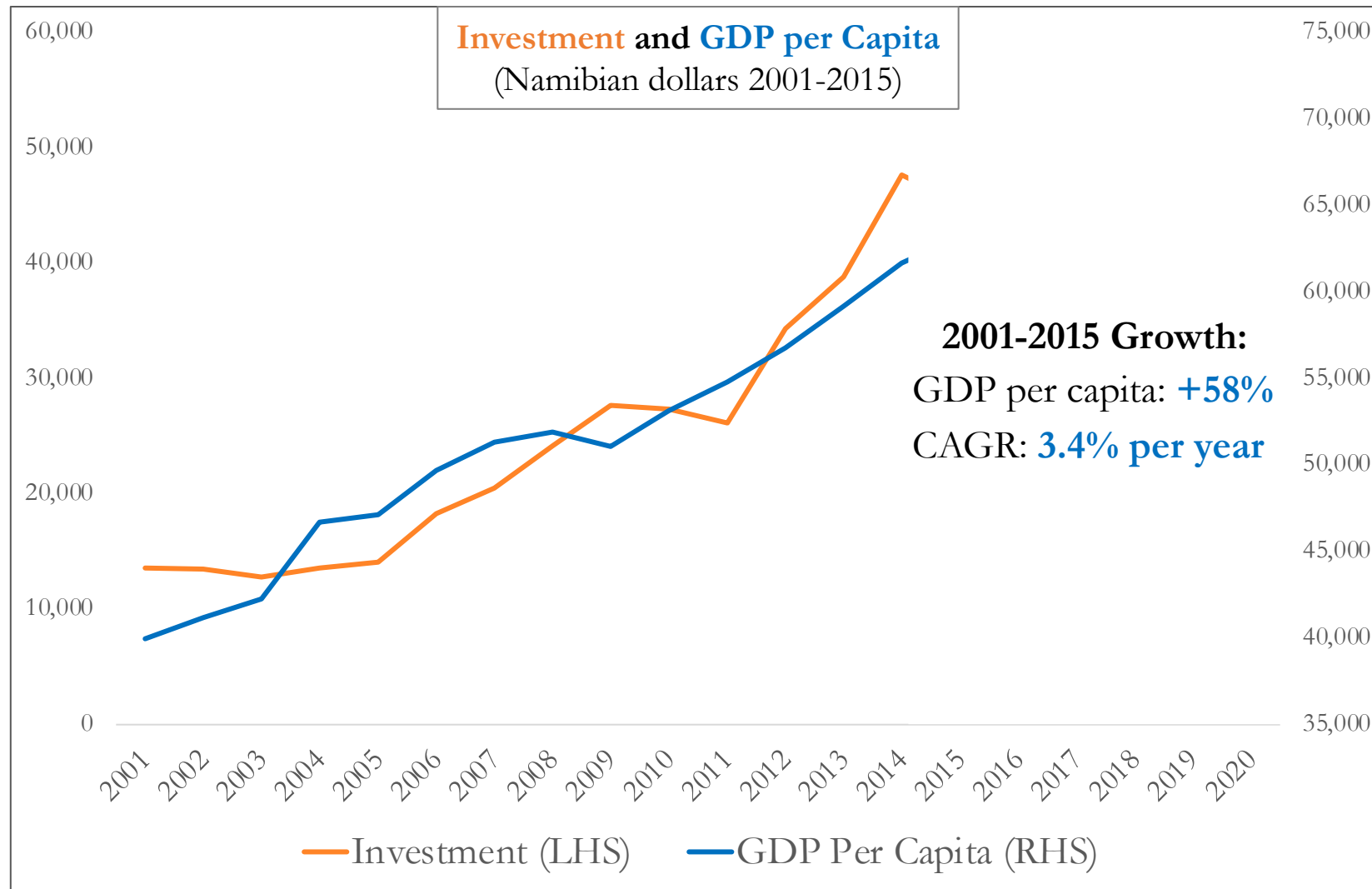


Mapping Namibia's Post-COVID-19 Economic Recovery



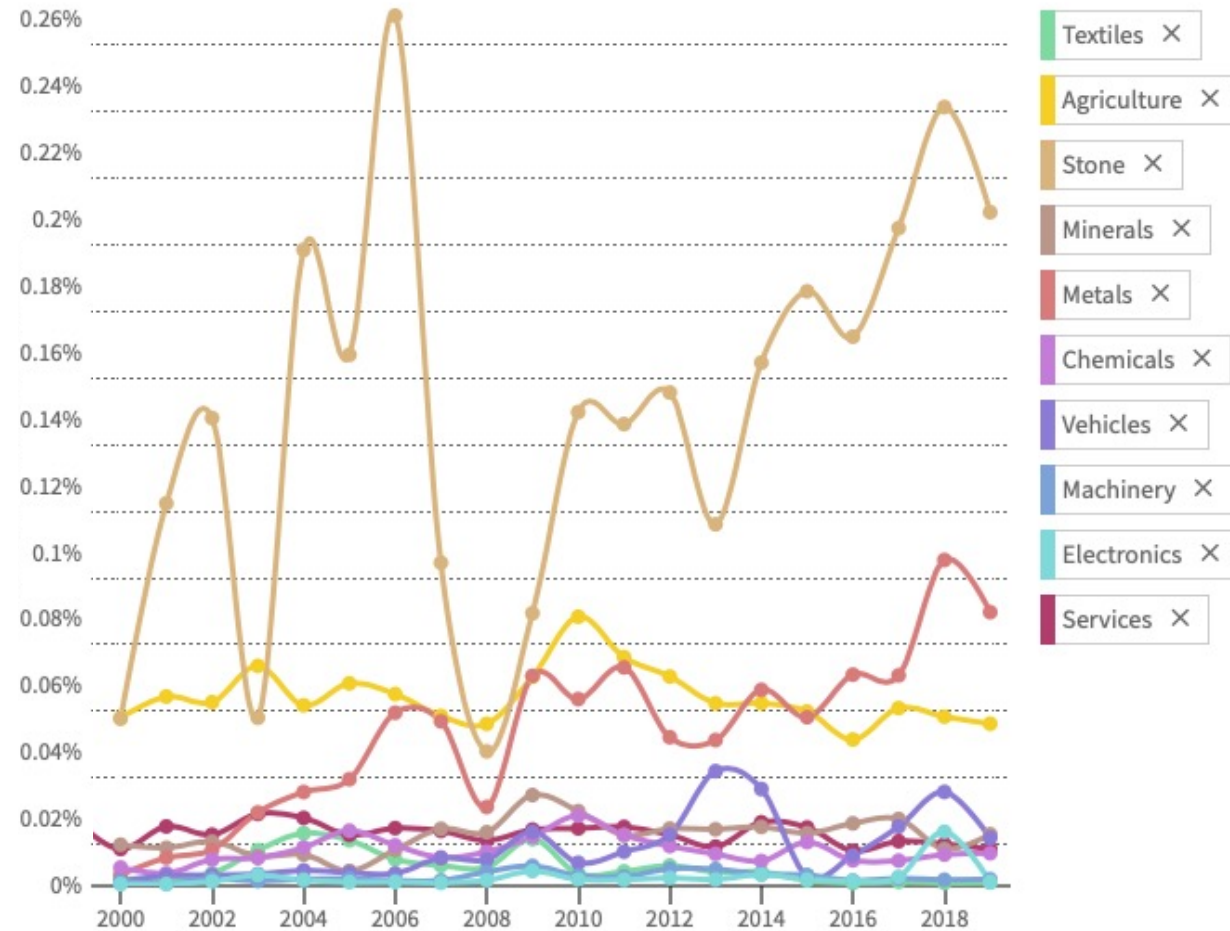
Bank of Namibia
February 2022

Post-Independence growth was driven by investment in natural resources during the global commodity super cycle



Source: NSA and WDI

Exports also increased and Namibia gained global market share in key commodities

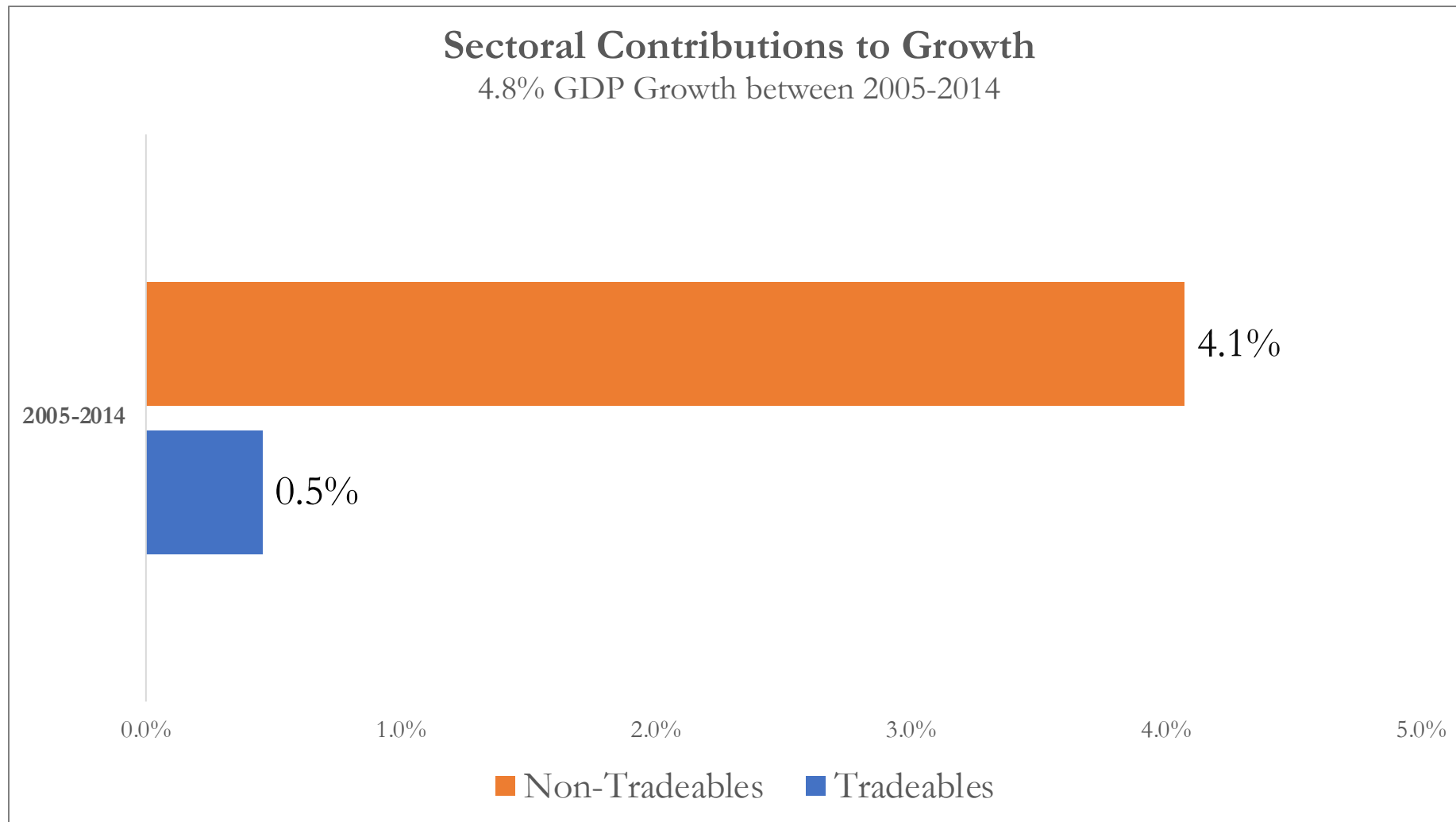


New Export Products, 2004 - 2019

COUNTRY	NEW PRODUCTS	USD PER CAPITA	USD (TOTAL VALUE)
Namibia	19	\$179	\$445M
South Africa	9	\$3	\$160M
Botswana	3	\$7	\$15.5M
Angola	1	\$48	\$1.53B

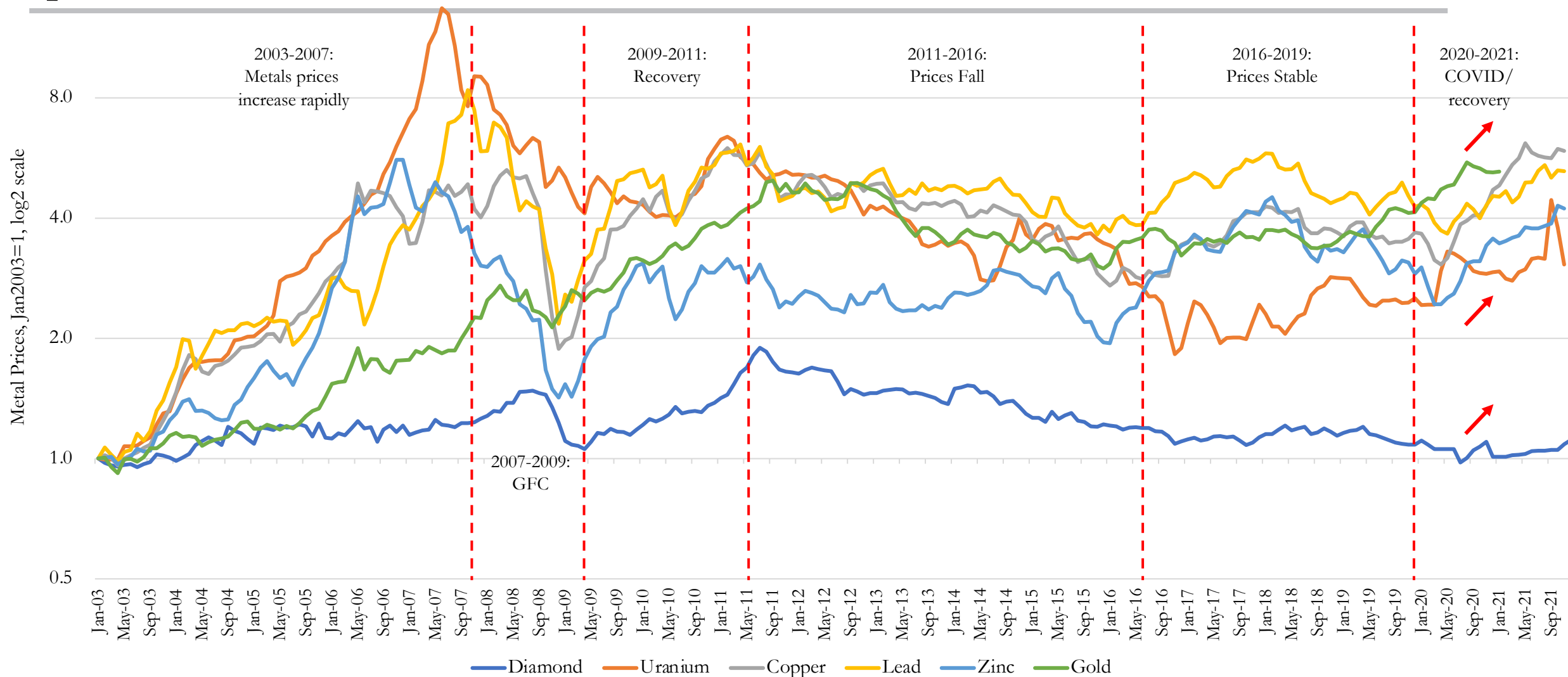
Source: Atlas of Economic Complexity

This growth had multiplier effects on the non-tradeable economy, which represented 65% of GDP and over 90% of growth



Source: NSA

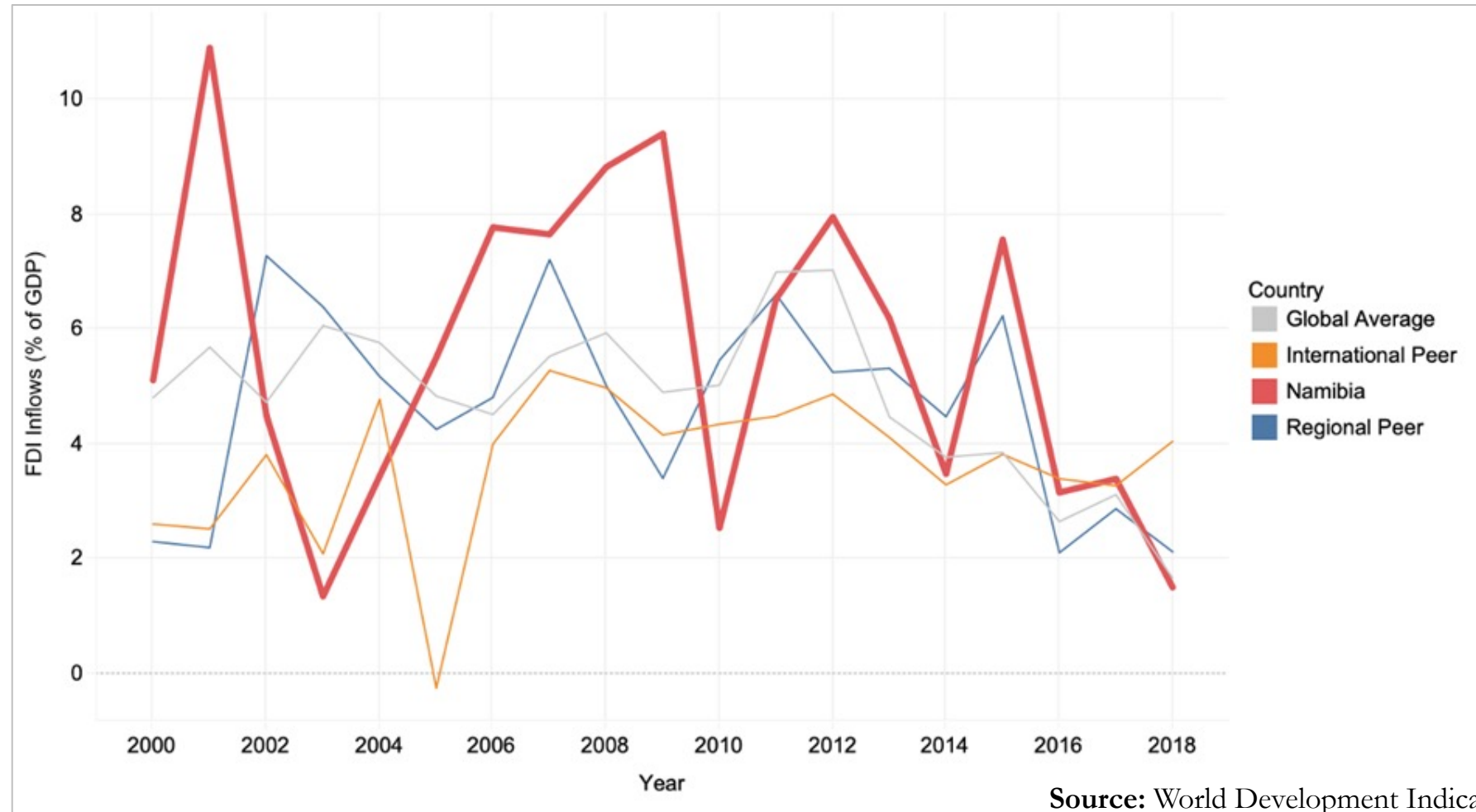
Commodity prices – diamond, uranium, copper, lead, zinc, gold – fell post-2011



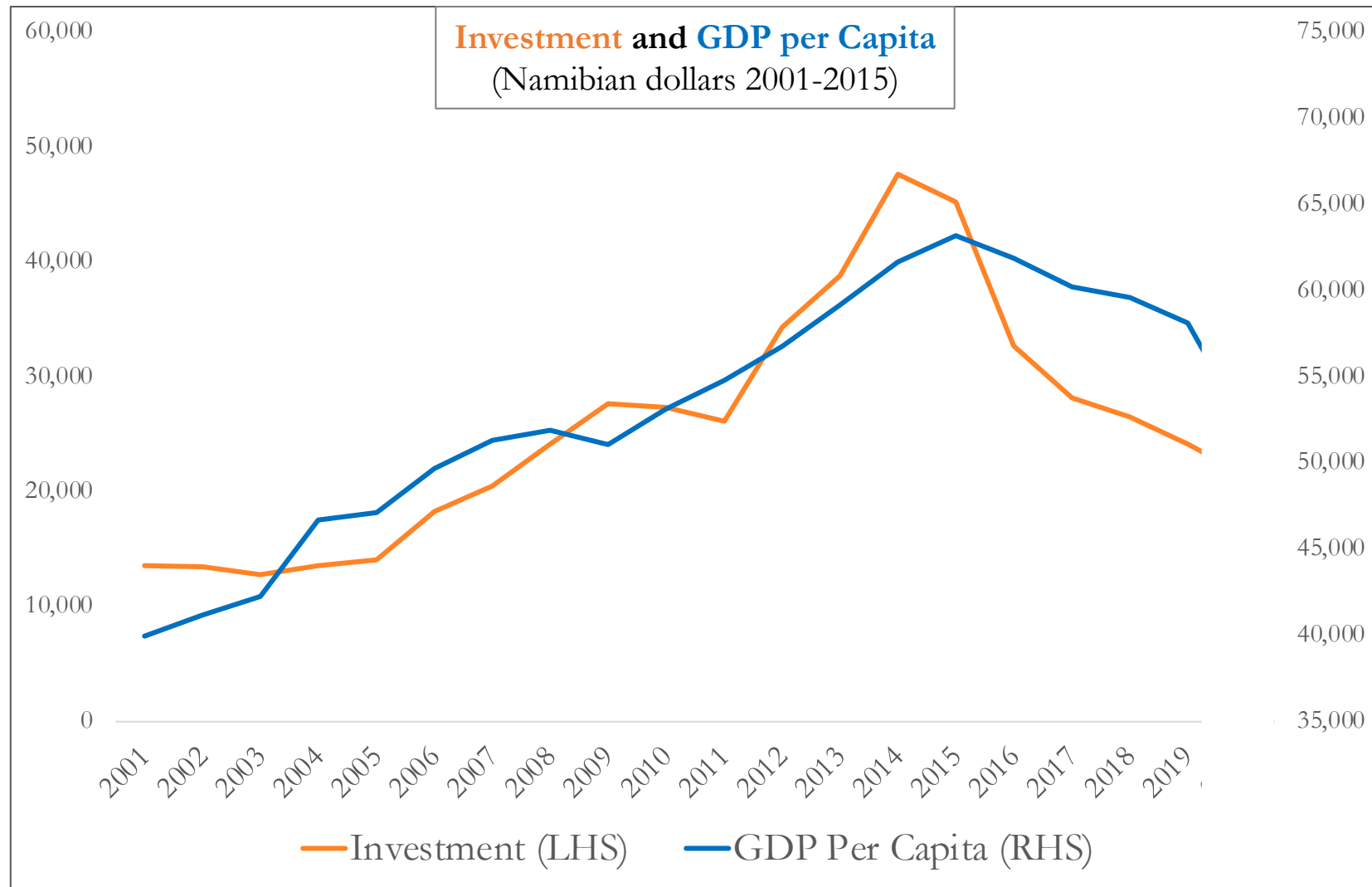
Source: St. Louis FRED

The end of the super-commodity cycle was associated with a significant downturn in investment across resource-intensive economies...

FDI in Countries Receiving Extraction-Intensive FDI

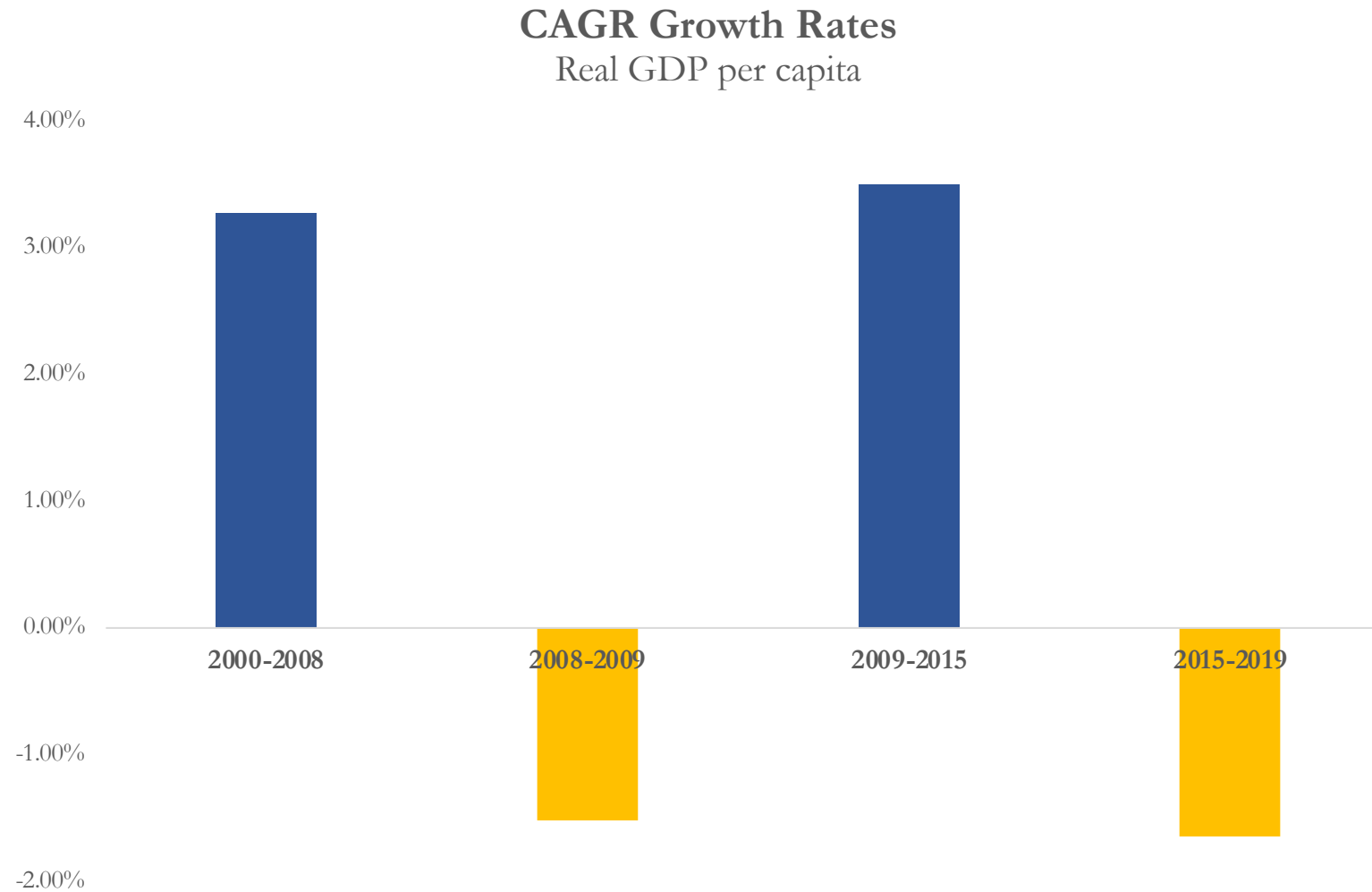


This caused growth trends to turn negative post-2015, prompted by a collapse of investment associated with the end of the commodity super cycle



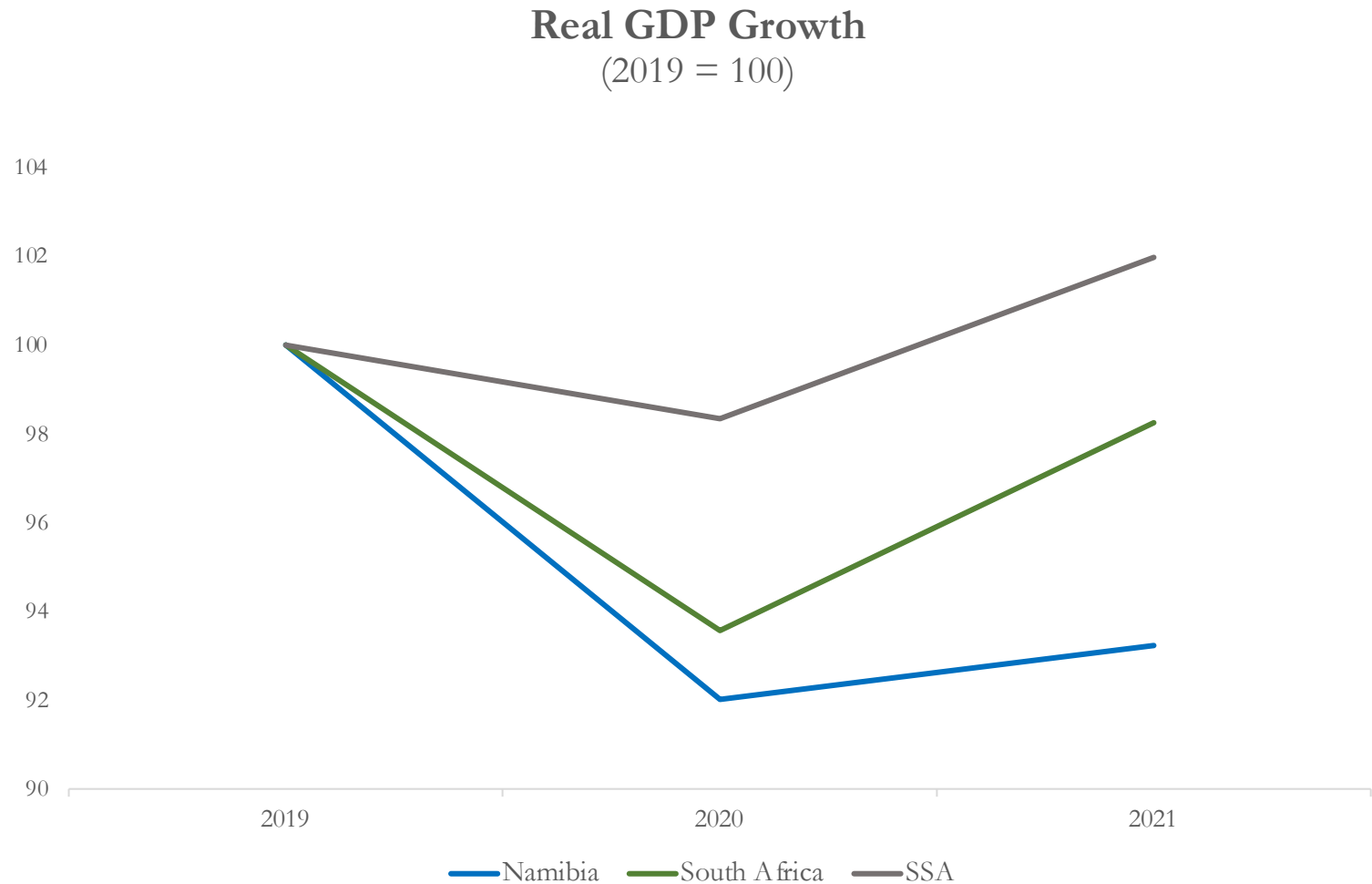
Source: NSA and WDI

By the time COVID-19 impacted the economy, Namibia was already experiencing a prolonged recession



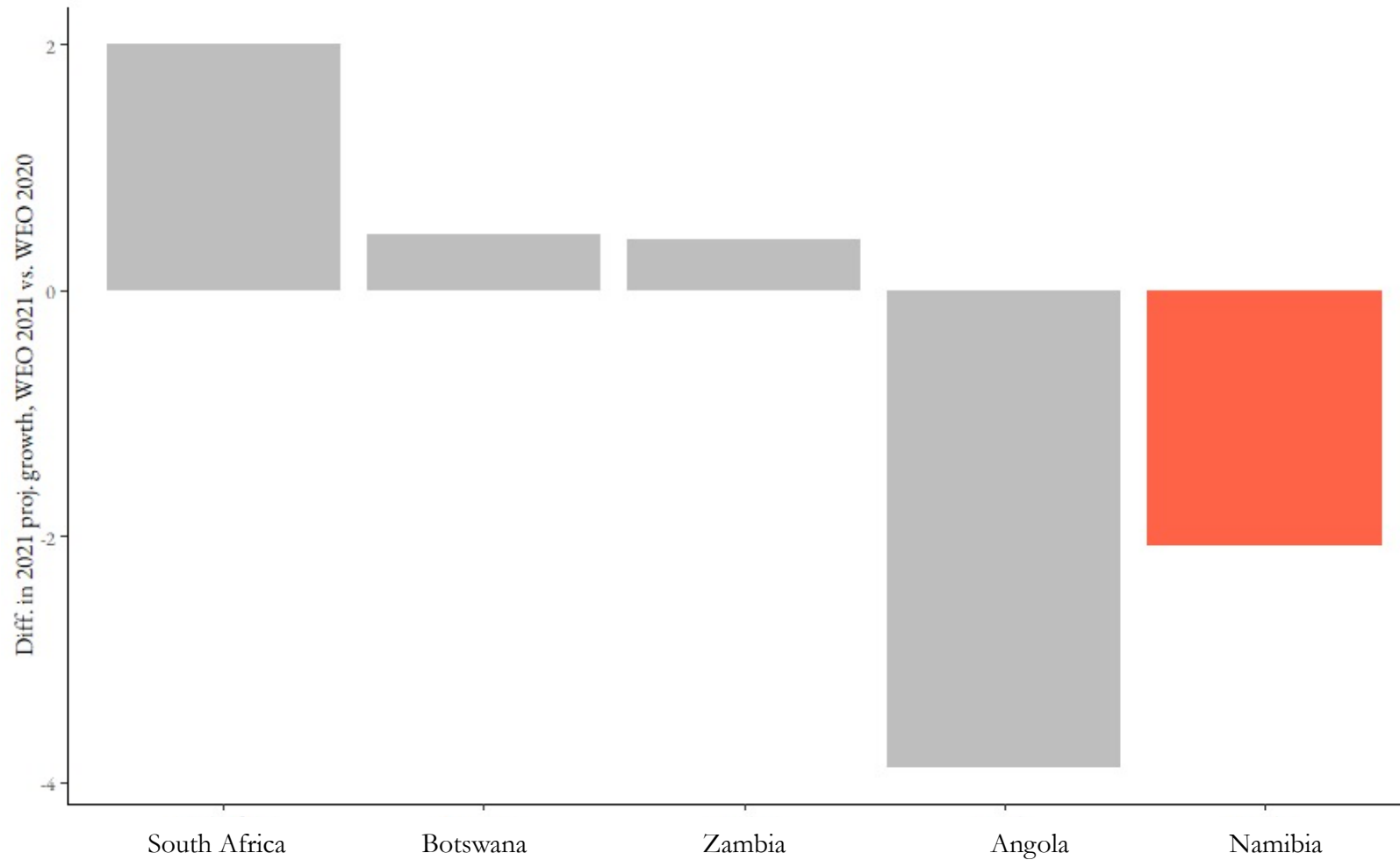
Source: NSA and WDI

Making matters worse, the pandemic hit the economy hard; more so than in South Africa or in SSA as a whole



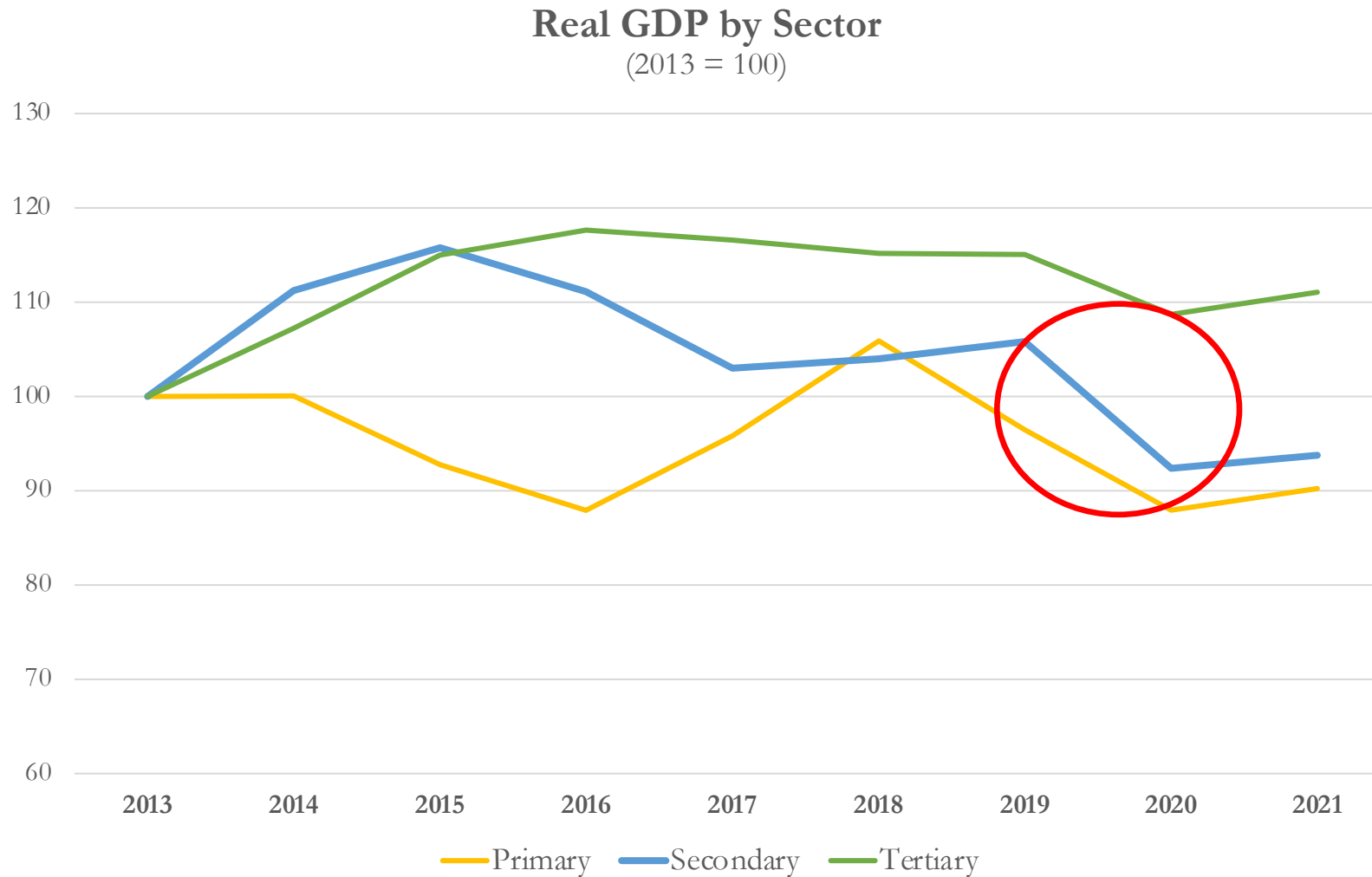
Source: IMF WEO

As opposed to others in the region, growth in 2021 disappointed IMF October 2020 expectations



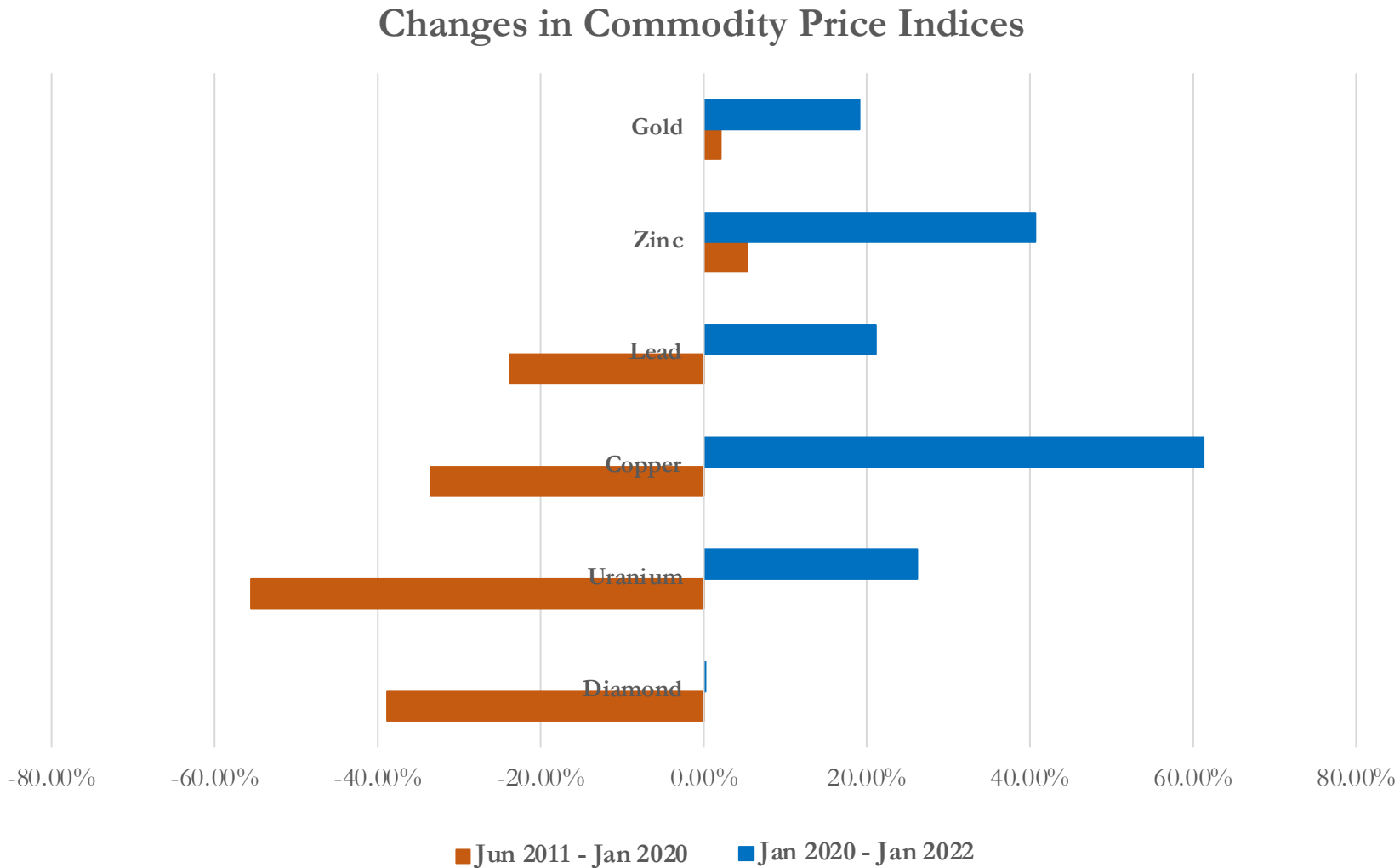
Source: IMF WEO

The large decline and slow recovery were felt across the economy, especially manufacturing



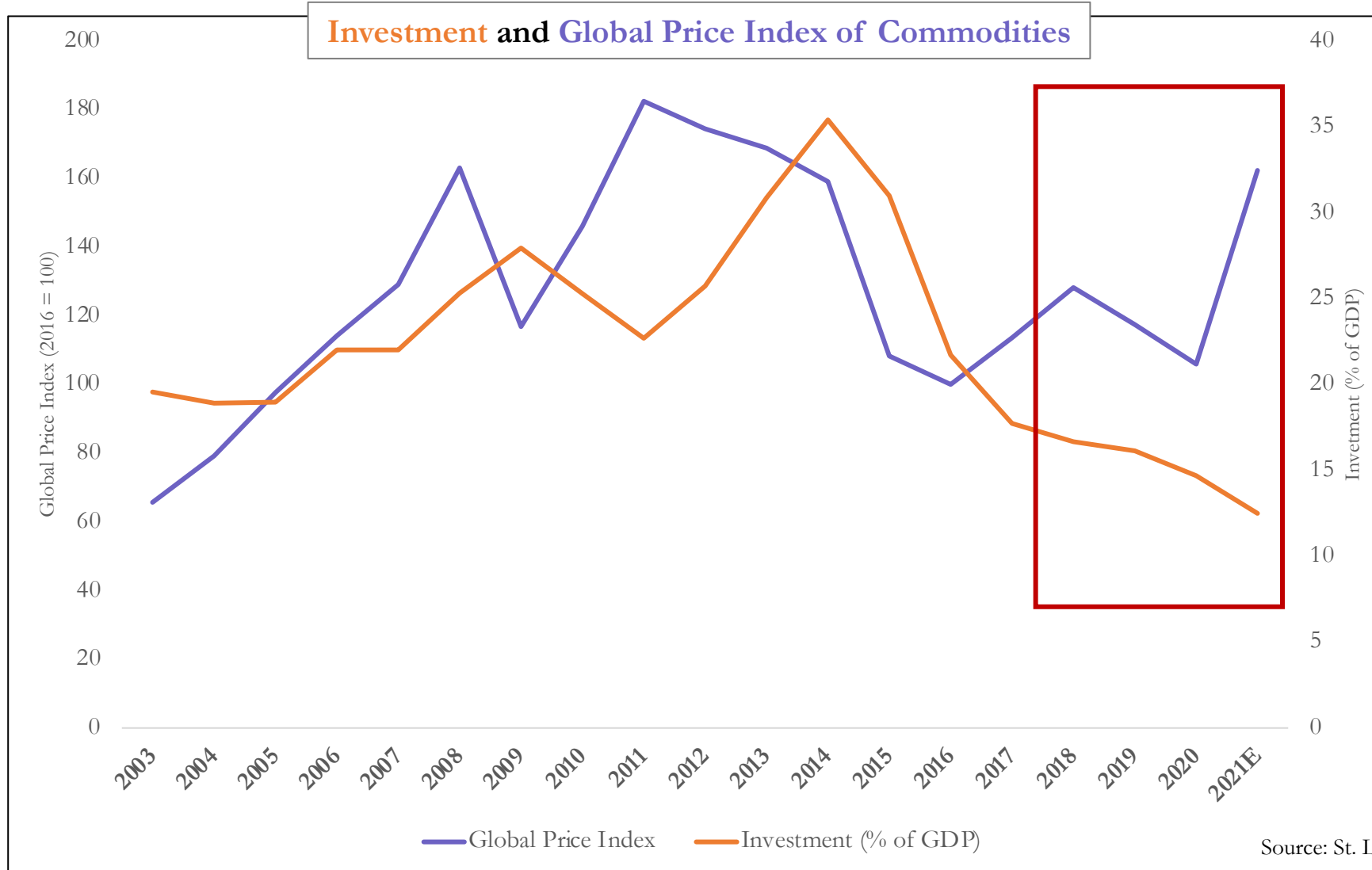
Source: MoF

But now commodity prices are rising again



Source: St. Louis FRED

But favorable prices have yet to bring more investment

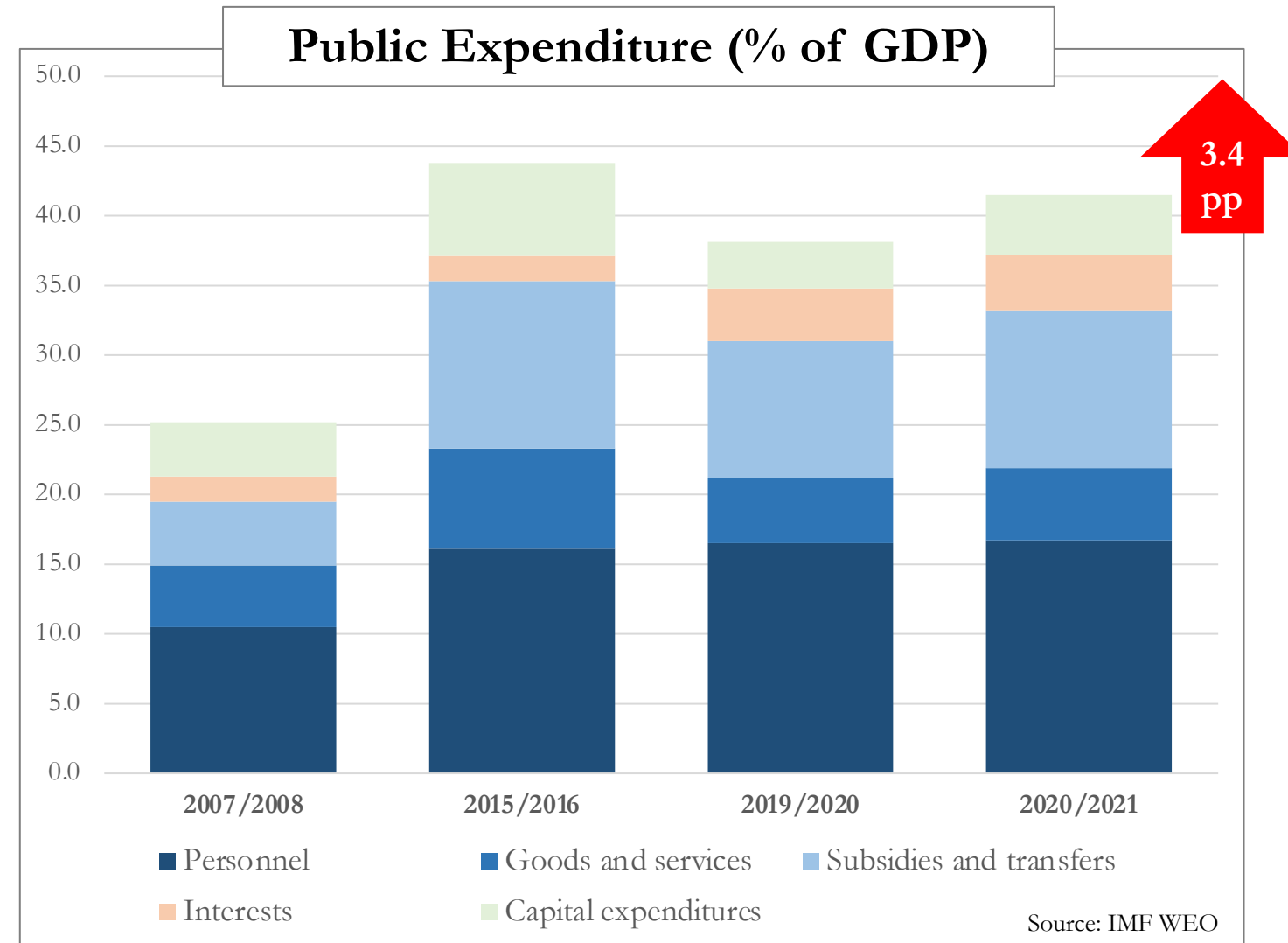


Added fiscal pressure from necessary expenditures on subsidies and transfers undid much of the fiscal consolidation of years prior

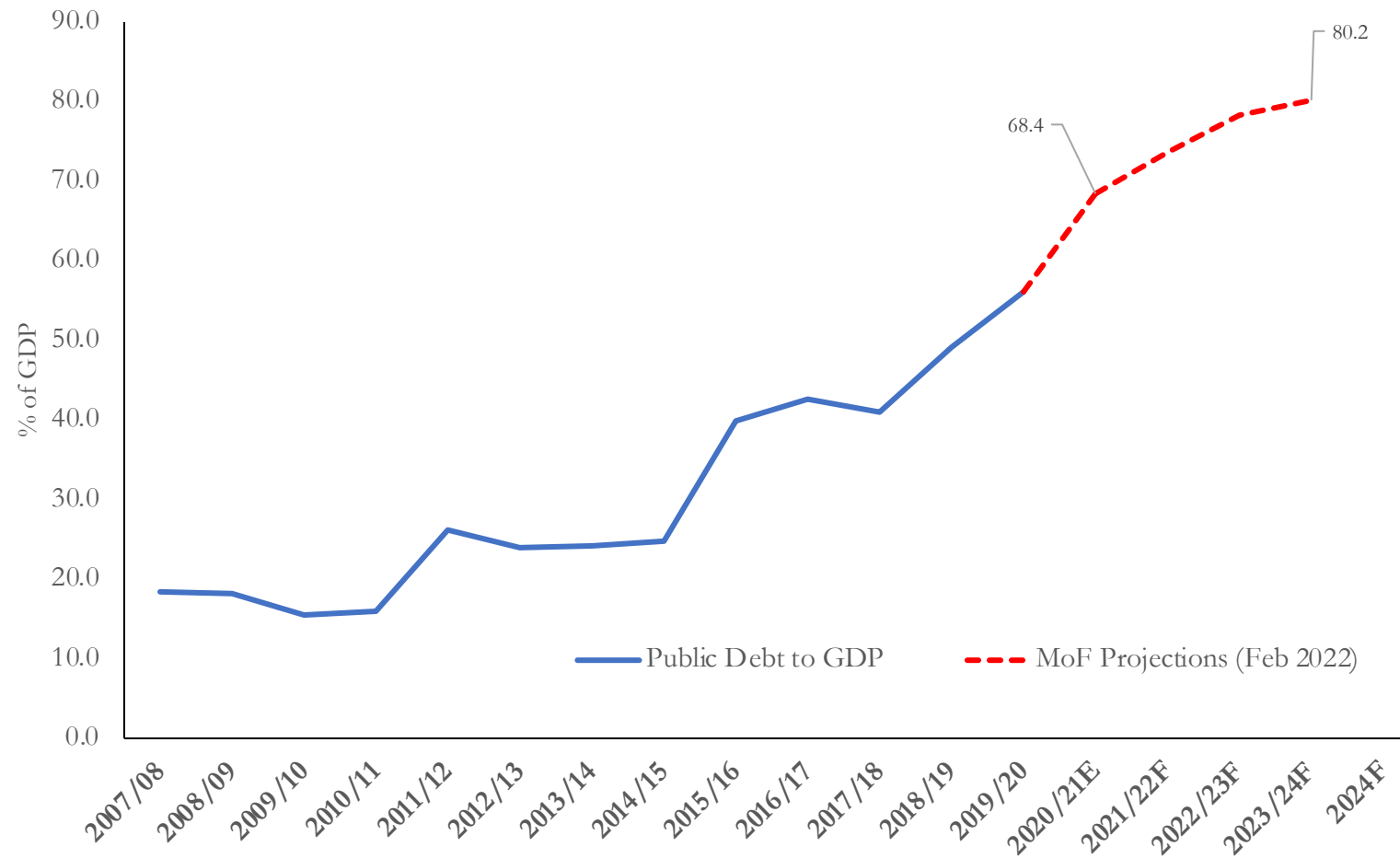
Fiscal costs of COVID-19 policy response:

- Emergency spending (health, education and water) 0.7 pp GDP
- Emergency income grants 0.4 pp GDP
- Support private sector jobs 2.4 pp GDP
- Total 3.6 pp GDP**

Expenditure reallocation to create fiscal space for emergency spending and COVID-19 response



Correspondingly, already high debt-to-GDP ratios increased further



Source: IMF & MoF

Nonetheless, multilateral confidence in these measures has been supportive
Latest IMF Country Report on Namibia, 21/76 issued in April 2021

“The IMF staff support a **temporary widening of the fiscal deficit to respond to the health emergency**, including the purchase of vaccines and infrastructure for the vaccination campaign, and mitigating the socio-economic impact of the crisis

“Government has implemented public finance governance mechanism to **ensure appropriate use and monitoring of resources**

“The authorities’ policy plans are adequate to mitigate the risks to fiscal and debt sustainability and are supported by **the authorities’ track record in implementing fiscal consolidation**”

Where can growth come from in a post-COVID-19 world?

Namibia requires an internally consistent policy response to simultaneously address its three most pressing challenges



Elements of a sustainable growth through inclusion policy

- ✓ Optimizing the Stewardship of Natural Resources
- ✓ Revamping the Role of the Public Sector as a Growth Enabler
- ✓ Creating Opportunities that Include Namibians in the growth process

The strategic setting

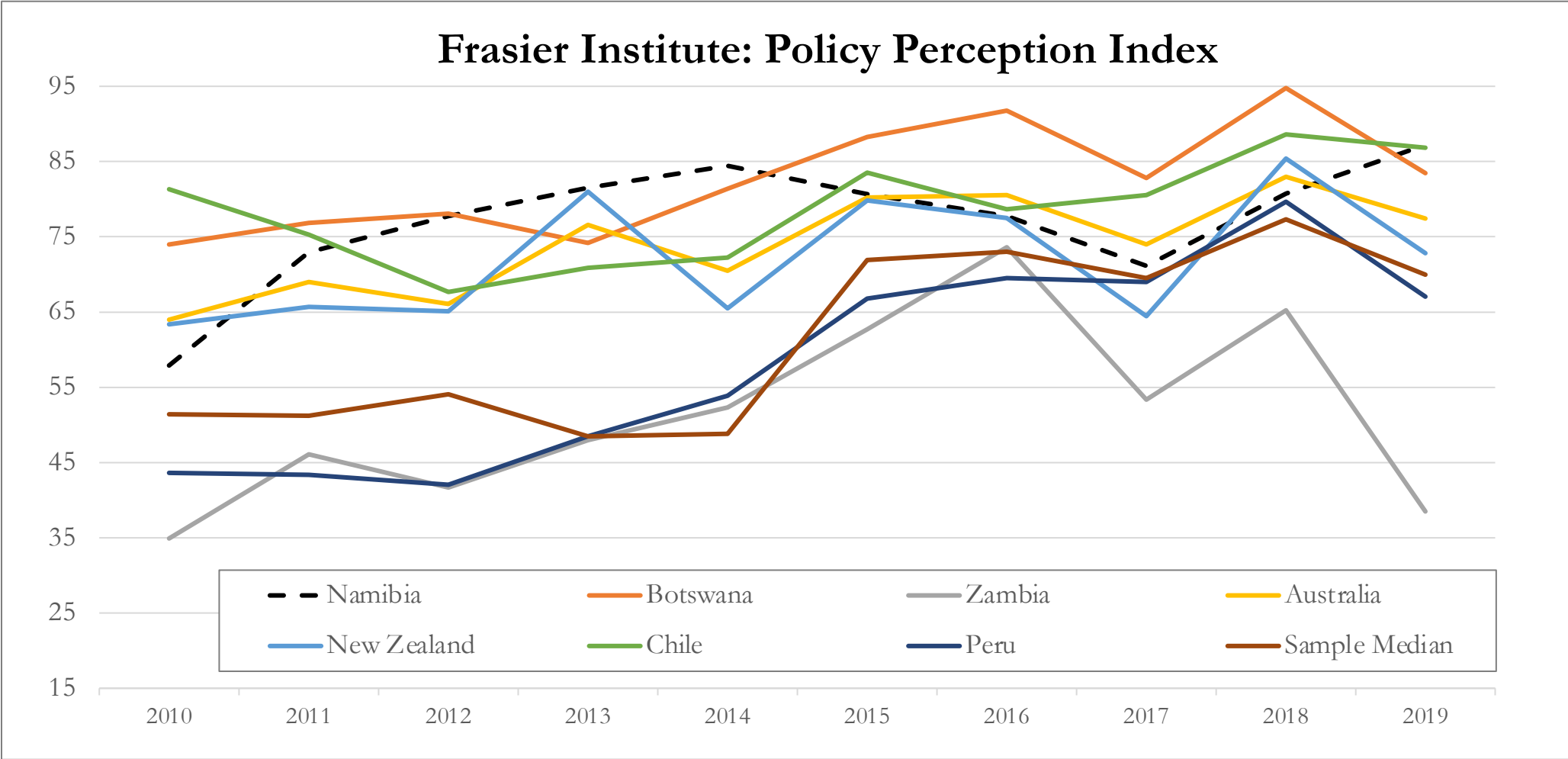
- The future will require fiscal consolidation
 - So fiscal impulse is not going to be accelerating growth
- Growth needs to come from recovery of existing capacity
 - E.g. The recovery of tourism post-COVID
- ...from the growth of existing tradable activities
 - These activities have a large multiplier effect on the rest of the economy
 - Mineral resources
 - Agriculture
- But also, through diversification into newer areas
 - Green energy
 - Manufacturing
 - Logistics and services

In the mining sector, several important operations are expected to wind down in the coming years

Uranium	Gold	Zinc
<p>Rossing (40 years active, 40% of Namibia's Uranium exports is <u>expected to last until 2026</u>)</p>	<p>B2Gold Otjikoto mine (77% of the country's gold production) <u>estimated to last until 2027</u></p>	<p>Skorpion Zinc's in Kharas region (~40% of total zinc exports) <u>temporarily closed</u></p>
<p>The largest Uranium operation, Swakop Uranium, has an <u>estimated life of 2036</u></p>	<p>QKR Namibia Navachab Gold Mine, the second largest, also has an <u>estimated life of 2036</u></p>	<p>Rehabilitated old Namib lead and zinc mine ramping up but <u>estimated to produce until 2027</u></p>

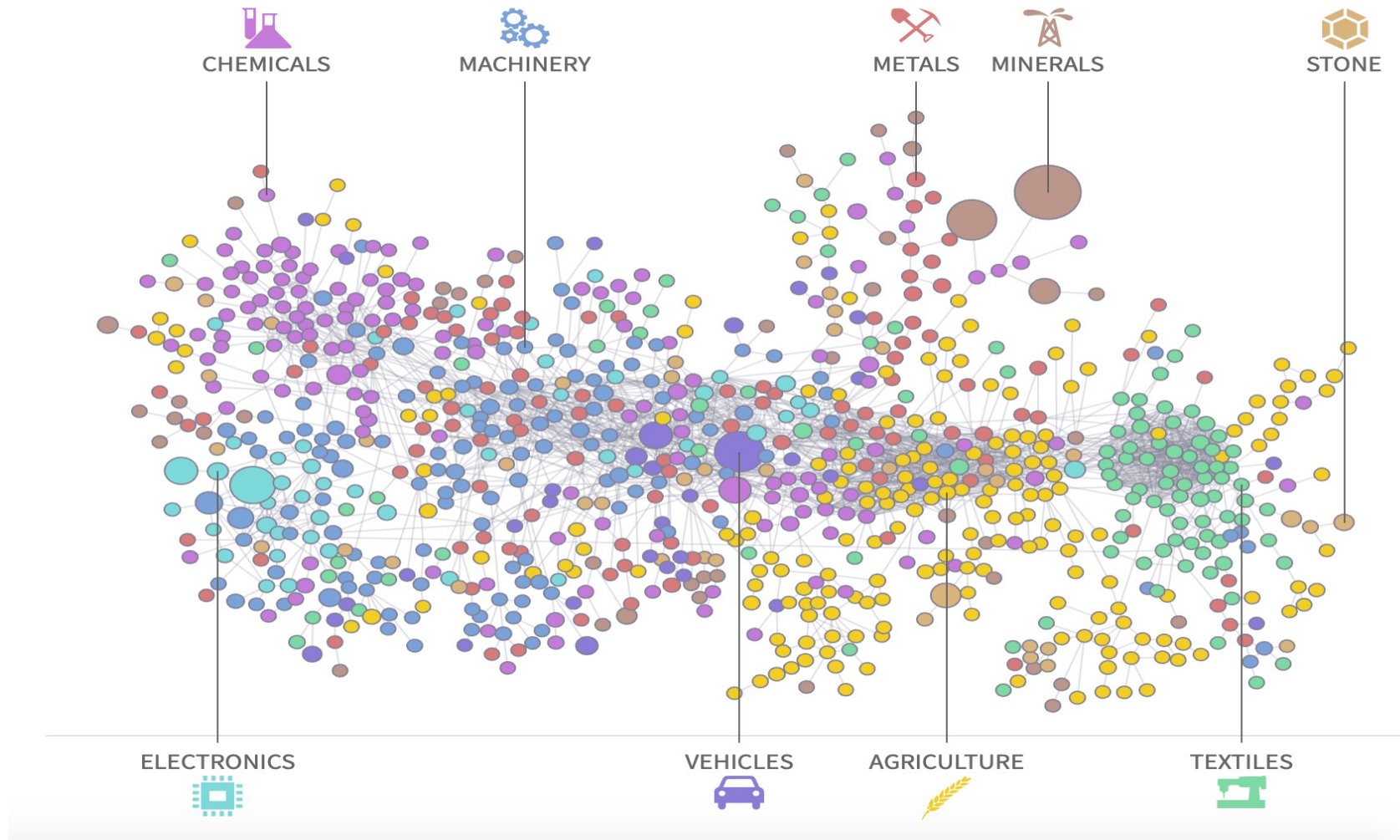


Namibia has developed a strong track record as a premium destination for FDI

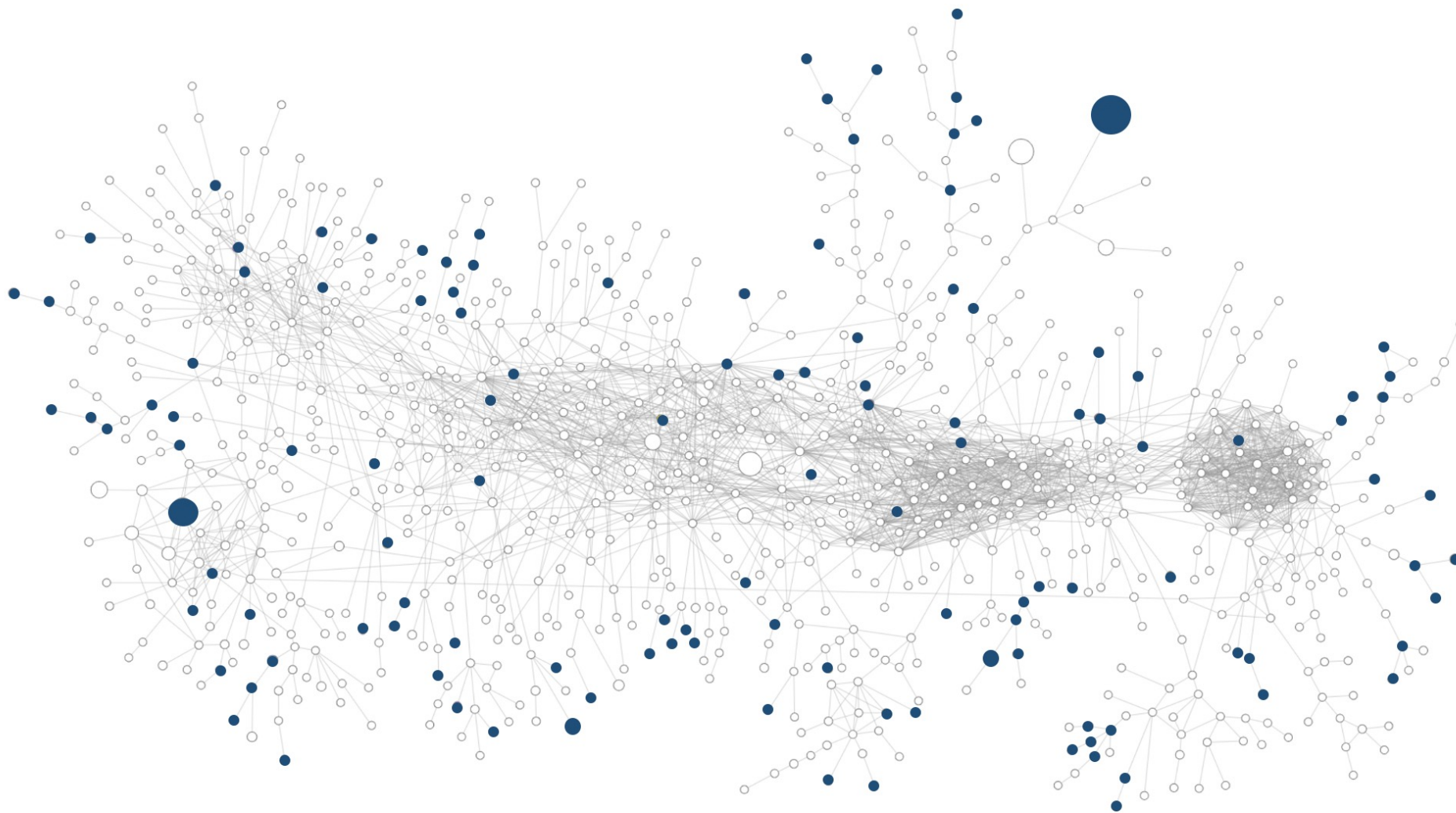


Source: Frasier Institute

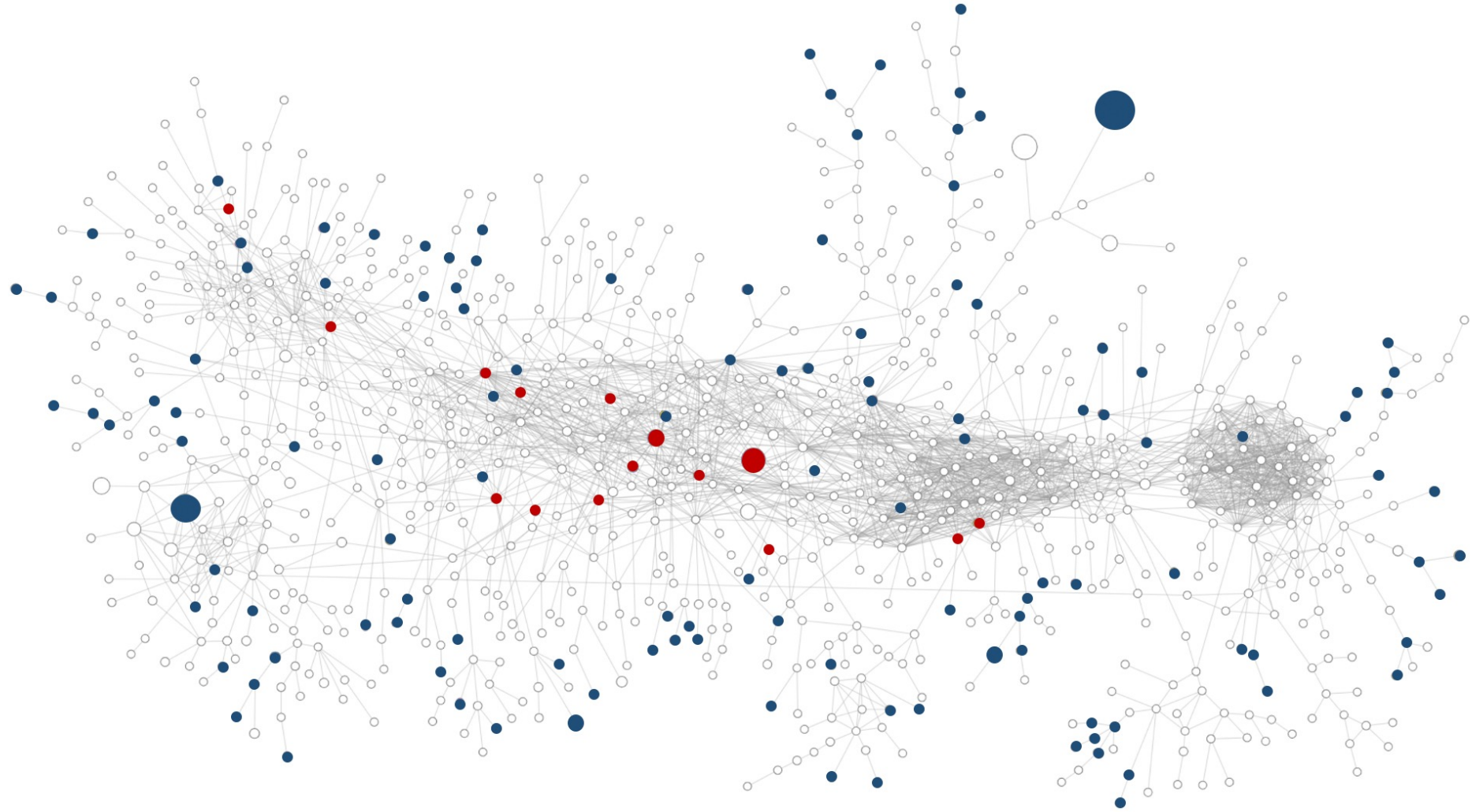
Identifying Opportunities Sector with High Potential to deliver Productive Diversification: The Product Space



Namibia in the Product Space (2018)



Opportunities for Export Diversification: Industries selected require productive capacities similar to those already present in Namibia



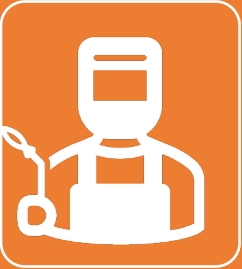
The suggested identification process yields a list of prospective products, organized around 5 preliminary diversification themes and 16 sub-themes

Food Industry



- Meat & Dairy Products
- Beverages & Others
- Animal Husbandry & Agriculture
- Food Manufacturing
- Manufacturing of Machinery for the Food Industry

Metals, Mining & Adjacent Industries



- Metal Manufacturing, Metal Processing, Welding Machinery & Tools
- Metals & Basic Metal Products
- Sand, Concrete & Construction Materials

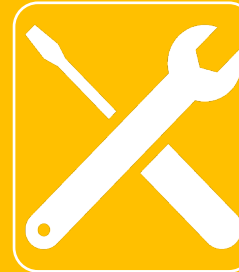
Chemicals & Basic Materials



- Chemicals
- Plastics & Rubbers

Diversification themes and sub-themes

Machinery & Electronics



- Machine-Tools & Other Machine Parts
- Pumps, Engines & similar Appliances
- Electronics

Transportation & Logistics

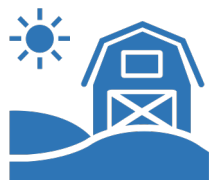


- Vehicles & Vehicle Parts
- Heavy Machinery for Logistics & Transportation
- Rail Locomotives, Railways & Parts

In addition to these, there are other sectors with high-potential in the service sector and those that leverage Namibia's natural endowments

Diversification themes and sub-themes (Products)

Food industry



Metals and
Mining



Chemicals



Machinery and
electronics



Transportation
and Logistics



Services (Urban agglomerations)

Business and
Advisory



FIRE



Leveraging Namibia's Natural Endowments

Tourism



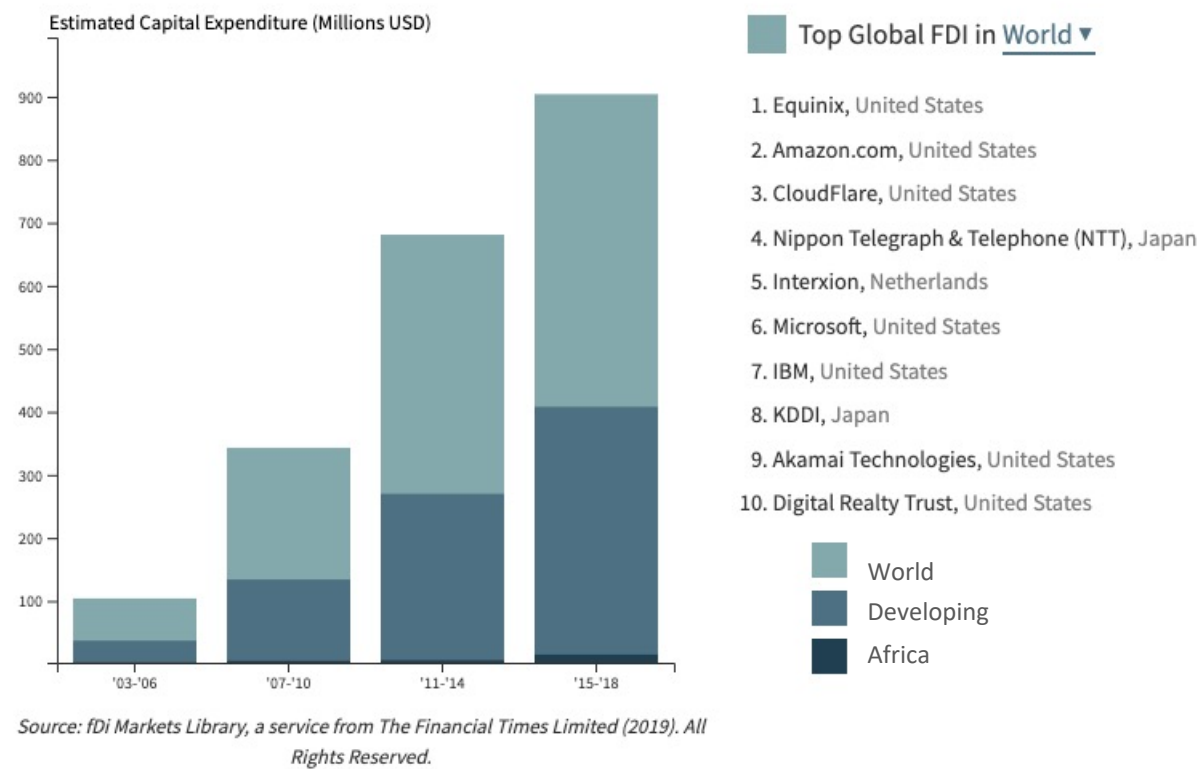
Green Energy



The Growth Lab developed tools to target relevant players in industries with high potential

Product: Data Processing and Related Activities; Web Portals

FDI COMPANIES



FDI COMPANIES LIST

Source Country

Source City (Optional)

UPDATE

ALL COUNTRIES

ALL CITIES

TOP 10 PREVIEW LIST

COMPANY	SOURCE COUNTRY	SOURCE CITY
Deutsche Telekom	Germany	Bonn
CloudFlare	United States	San Francisco (CA)
Robert Bosch	Germany	Stuttgart
Telia Company (Teliasonera)	Sweden	Stockholm
Site5	United States	Denver (CO)
Orange (France Telecom)	France	Paris
NetApp (Network Appliance)	United States	Sunnyvale (CA)
N2WS (N2W Software)	United States	West Palm Beach (FL)
M247	United Kingdom	Manchester
ITT Corporation	United States	White Plains (NY)

DOWNLOAD FULL LIST (572 companies)

Other key areas where the Growth Lab is working with the government to produce data-driven policy inputs for an inclusive growth policy strategy

Creating Opportunities and Enabling Access for Namibians

- **Targeted investment promotion** on the extensive margin
- **Productivity taskforces** to spur growth on the intensive margin
- **High-skill acquisition strategy**
- Urbanization strategy aimed at enhancing the economies of agglomeration and **promoting inclusion through spatial integration**

Optimizing Stewardship of Natural Resources

- Maximizing the social and economic benefits Namibians derive from their natural resources
- Develop an **enabling framework** to exploit Namibia's comparative advantages in **renewable energy and the blue economy**

Revamping the Role of the Public Sector as a Growth Enabler

- Strengthening and stabilizing the revenue base (**Sovereign Wealth Fund**)
- **Restructuring public expenditure**
- Optimizing the portfolio of Namibian public assets
- Public-public coordination to minimize policy uncertainty



Thank You