

# Namibia

## **Country Note on the Sovereign Wealth Fund**

**January 2024**



**Namibia launched Africa’s newest sovereign wealth fund (SWF) – the Welwitschia Fund - in 2022.** The seed capital for the Fund amounted to USD 16 million, with the bulk of the proceeds originating from the sale of 49% of the assets of the state-run Namibia Telecommunications Company (NTC). The SWF joined Africa’s 30 SWFs or sub-funds with a combined wealth of US\$98 billion. The establishment of the fund is one of the first goals of the Harambe Prosperity Plan II (HPPII), a medium-term economic development action plan spanning 2021-25. The fund’s income streams will originate from asset sales and royalties collected from mineral extraction, such as diamond and other mineral mining. The recommendation to launch an SWF was set out by the High-Level Panel on the Namibian Economy (HLPNE) with an initial framework established in FY2021/22.

**The Government of Namibia (GRN) announced at the time that the SWF will have a dual mandate.** The stabilization part of the fund will be invested in fixed income assets with a focus on low risk and liquidity, while the intergenerational fund will comprise of 70% public equity with the rest comprised of fixed income and private market assets, including private equity, real estate and infrastructure. The GRN stated that approximately 2.5% of the intergenerational fund will be invested in infrastructure projects with socio-economic benefits for future generations, indicating a domestic strategic economic development angle to the intergenerational fund. Most of the SWF’s portfolio will comprise foreign holdings with the likelihood that the government will appoint external asset managers, as is the case for Botswana’s Pula Fund and the stabilization fund of the Nigerian Sovereign Investment Authority (NSIA).

The SWF will be seeded with funds raised by the privatization of state-owned enterprises as well as income from Namibia’s share of the Southern African Customs Union (SACU) revenue pool, royalties from mining of diamonds and other minerals, fisheries quotas and proceeds from the green renewable sector (Figure 1). In FY2023/24, SACU tariff revenue is forecast to fall 24% to N\$15.6 billion (US\$1.04 billion), while mining royalties will generate N\$1.3 billion (US\$87 million) and SOE dividends and profits will total N\$788 million (US\$59 million). SACU tariffs represent 30-40% of total fiscal revenue and apportioning these to the SWF would challenge efforts towards fiscal consolidation. Namibia followed an expansionary policy in response to the Covid-19 pandemic to head off the 8.2% contraction in GDP in 2020.

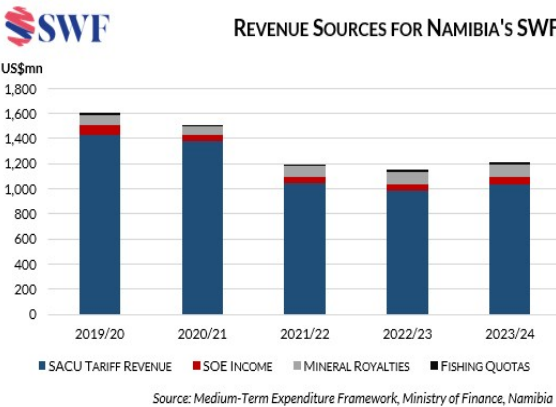


Figure 1 Namibia's SWF Revenue Streams

An improved outlook in coming years should boost revenue, but any transfer of income-generating assets and revenues to the SWF will improve generational wealth but at the same time complicate efforts to reduce the budget deficit and start tackling the public debt that has soared above 60.0% of GDP. The government plans to privatize up to 22 SOEs, generating N\$3 billion to N\$3.5 billion (US\$210-245 million) for the new SWF.

The state holding company Namibia Post and Telecommunications Holdings Limited (NPTHL) will retain a minimum of 51%.In 2023, the HLPNE recommended that NamPost, the Namibia Institute of Pathology (NIP), Meatco, Namibia Wildlife Resorts and Namport could be co-owned as joint ventures with the private sector, the national railway company TransNamib could be privatized or form joint ventures, and Air Namibia be liquidated and turned into a regional airline under the control of the National Airports Company (NAC).

The SWF is likely to both invest in domestic green energy infrastructure as well as using it to grow revenues. The development of solar energy is at a nascent stage but is a key plank of the HPPII given the country’s high potential in the sector and regarded as necessarily

for the objective of a 10-fold increase in generation capacity by 2030. Presently, Namibia’s green energy generation is focused on hydroelectricity, which constitutes more than two-thirds of installed power capacity. Green hydrogen is also cited as a potential energy source in Namibia. However, 40% of Namibia’s 640MW of annual power consumption comes from imports from South Africa, much of which is from coal-fired power stations. The Namibia SWF is amongst the smallest pool of funds compared with other SWFs across the continent, as illustrated in Figure 2, but will provide much needed capital for some of the mega green/infrastructure projects that the country is looking to develop in the short-to-medium term.

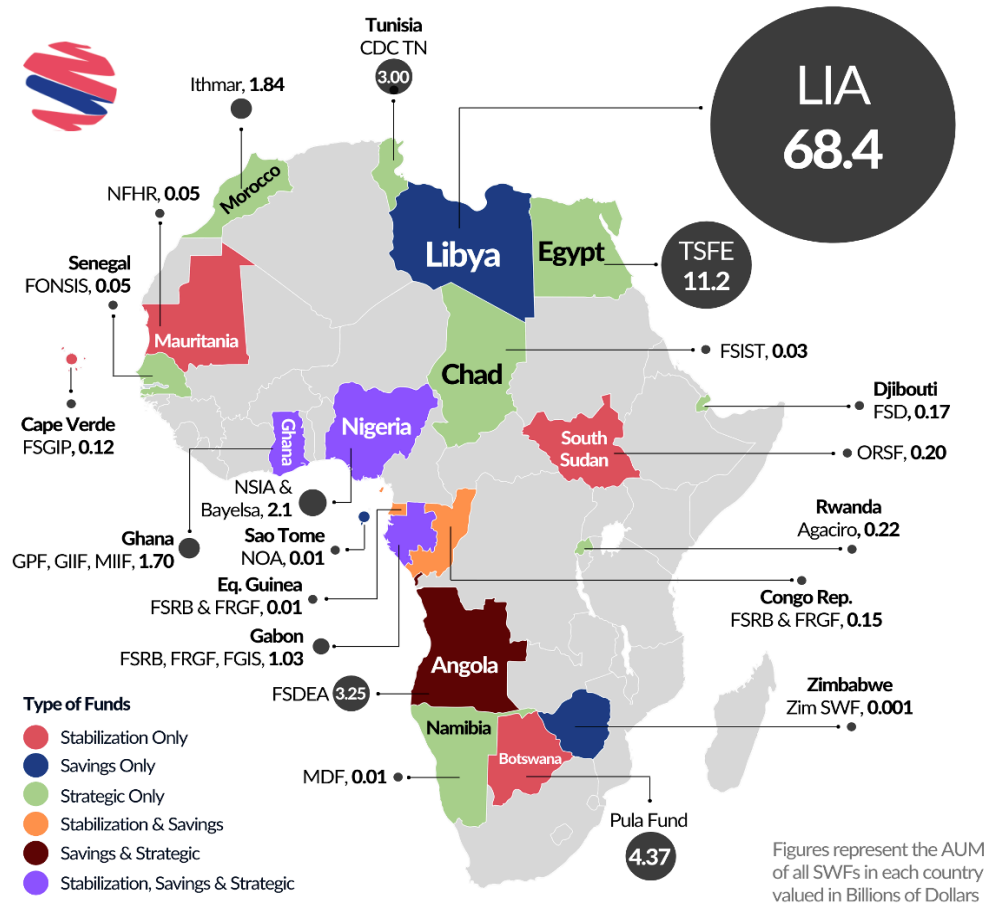


Figure 2: African Sovereign Wealth Funds