



cutting through complexity™



SADC  
PUBLIC  
PRIVATE  
PARTNERSHIP  
NETWORK

# Namibia Country report

For the SADC-DFRC 3P



# Contents

<b>1</b>	<b>Overall evaluation of Namibia's readiness for PPPs</b>	<b>1</b>
<b>1.1</b>	<b>Background</b>	<b>1</b>
<b>1.2</b>	<b>Attractiveness of Namibia</b>	<b>1</b>
<b>1.3</b>	<b>Availability of domestic capital and debt funding</b>	<b>2</b>
<b>1.4</b>	<b>Judicial system</b>	<b>3</b>
<b>1.5</b>	<b>Governance and decision making</b>	<b>3</b>
<b>1.6</b>	<b>Ease of doing business in the member country</b>	<b>4</b>
<b>1.7</b>	<b>PPP environment in Namibia</b>	<b>4</b>
<b>1.8</b>	<b>Observations</b>	<b>5</b>
<b>1.9</b>	<b>Conclusion</b>	<b>6</b>

# Namibia



## 1 Overall evaluation of Namibia's readiness for PPPs

### 1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely, Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

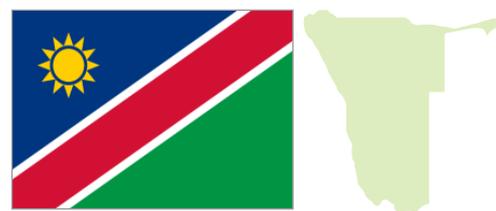
On the country visits we meet with the member country's Treasury/PPP unit, one or two banks and KPMG local office representatives.

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

### 1.2 Attractiveness of Namibia

Attractiveness of the member country	Source of information	Information
GDP % growth for last 3 years	World Bank	4.80%
Actual GDP in numbers (size of economy), current USD\$	World Bank	12 510 721 241
Lending Interest rates	World Bank	8.70%
Inflation rate	<a href="http://www.tradingeconomics.com/country-list/inflation-rate">www.tradingeconomics.com/country-list/inflation-rate</a>	6.11%
Credit Rating	Country visit	Not available
Political Stable and Absence of Violence	Governance indicator, World bank	75.9 out of 100

# Namibia



Macro-Economic Environment	The Global Competitiveness Report 2012-2013, World Economic Forum	4.5 out of 7
----------------------------	---	--------------

## Attractiveness of Namibia, overall result is a three ('3')

Namibia is a financially stable economy with good GDP growth (4.80%) and moderate inflation (6.11%). It is considered politically stable (75.9/100) and it rate 4.5 out of 7 for macroeconomic stability. This analysis results in an overall value of three ('3'), Namibia is thus considered "maturing" in terms of this category.

## 1.3 Availability of domestic capital and debt funding

Availability of domestic capital and debt funding	Source of information	Information
Number of banks	Country visit	4
Number of equity investment funds	Country visit	8 to 10 identified
Number of pension funds	Country visit	Many – 3 public, plus mining houses and others
3 year history of bond issuance	Country visit	Yes – two bond issues: 2011 Eurobond, 500 million US. 2012 RSA bond, 850 million ZAR.
Assessment of available capital (local) for investment	Country visit	There is availability of capital, but it is considered illiquid. The requirement for local investment in equity funds has however been increased to 5%, which while low will have a positive impact.

## Availability of domestic capital and debt funding in Namibia, overall result is a three ('3')

Namibia has many potential sources of funding (4 banks and over 8 equity funds) as well as an access to international funding (3 year history of bond issues). However, the lack of mature secondary markets for capital means that markets are illiquid. These criteria result in an overall value of three ('3'), resulting in an assessment of "maturing" in terms of this category.

# Namibia



## 1.4 Judicial system

Judicial system that contributes to effective commercial dispute resolution	Source of information	Information
Enforcing Contracts	Doing Business 2013 – The World Bank and IFC	41 out of 183 countries
Rule of Law	Governance indicator, World bank	61 out of 100

We used the key indicators ‘Enforcing Contracts’ and Rule of Law from Doing Business and World Bank respectively, as they focuses on how public institutions function in the case of a commercial dispute<sup>1</sup>. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit.

### Judicial system of Namibia, overall result is a three (‘3’)

The judicial system serves Namibia well, and it scores highly on enforcement of contracts (41/185) and rule of law (61/100), resulting in an overall value of three (‘3’) and considered “maturing” in this category.

## 1.5 Governance and decision making

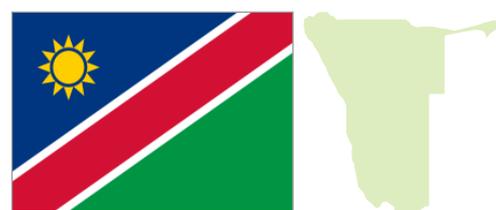
Governance and decision making in member country	Source of information	Information
Institutions	The Global Competitiveness Report 2012-2013, World Economic Forum	4.19 out of 7
Africa’s Governance	Ibrahim Index of African Governance	70 out of 100
Voice and accountability	Governance indicator	56.8 out of 100
Government effectiveness	Governance indicator	57.8 out of 100
Regulatory Quality	Governance indicator	55 out of 100
Control of Corruption	Governance indicator	64 out of 100

### Governance and decision making of Namibia, overall result is a two (‘2’)

Namibia has good scores in terms of some governance measures, Institutions (4.19/7) are strong and Governance (70/100) is highly regarded. Low scores for Voice and accountability (56.8/100), Government effectiveness (57.8/100) and Regulatory Quality (55/100), however, bring the overall rating down to a two (‘2’), resulting in an assessment of “developing” in this category.

<sup>1</sup> Doing Business 2013, the World Bank and IFC

# Namibia



## 1.6 Ease of doing business in the member country

Ease of doing business in the member country	Source of information	Information
Starting a business	Doing Business 2013 – The World Bank and IFC	133 out of 183 countries
Dealing with Construction permits	Doing Business 2013 – The World Bank and IFC	56 out of 183 countries
Getting electricity	Doing Business 2013 – The World Bank and IFC	87 out of 183 countries
Register property	Doing Business 2013 – The World Bank and IFC	169 out of 183 countries
Getting credit	Doing Business 2013 – The World Bank and IFC	40 out of 183 countries
Protecting investors	Doing Business 2013 – The World Bank and IFC	82 out of 183 countries
Paying taxes	Doing Business 2013 – The World Bank and IFC	112 out of 183 countries
Trading across borders	Doing Business 2013 – The World Bank and IFC	140 out of 183 countries
Resolving insolvency	Doing Business 2013 – The World Bank and IFC	59 out of 183 countries

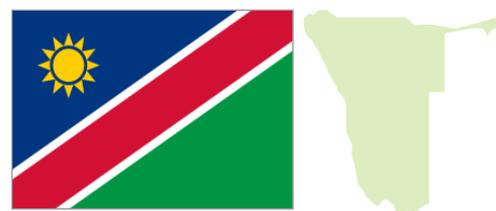
### Ease of doing business in Namibia, overall score is a two ('2')

Ease of doing business measures are in general medium and higher scores. However, some key “Ease of Doing Business” measures detract from the overall score. Notably, “Starting a business” (133/185), “Register property” (169/185), “Paying taxes” (112/185), and “Trading across borders” (140/185) scores rank Namibia quite low amongst 183 countries listed in the index. These scores bring down the overall score to a two ('2'), generating an assessment of “developing” in this category.

## 1.7 PPP environment in Namibia

Enabling environment in the member country for PPPs	Source of information	Information
Legal system enabling PPPs in the member country	Country visit	
- Is there a presence/development of enabling legislation ie PPP Law/regulations etc?	Country visit	Yes, development of PPP enabling legislation is in development (mandated by 2012 cabinet approval). This may take a long time to be enacted though.
- Does a policy for private participation in the member country exist?	Country visit	Yes, there is policy for private participation, this occurs at department level. However, it is not possible for Treasury or any government department to provide financial support or payment for services within a PPP structure, additionally, no financial guarantees can be provided.

# Namibia



- Public Sector appetite/capacity and experience relating to PPPs in the member country	Country visit	Yes, there is appetite for PPP implementation, but there is very limited experience and capacity in the absence of a PPP unit. There is also limited opportunity given the level of support government can provide as per policy (above)
Is there Political support for PPPs?	Country visit	Yes, there is political support for PPPs as given by the approval to develop PPP legislation and a PPP unit. However, until progress has been on these two initiatives it will be difficult to gauge the level commitment.
- Is there a PPP focal point/ Unit in the member country?	Country visit	Yes, the Permanent Secretary of MOF, however PPP unit organisation and structure still in development (contracted/in procurement with advisors).
- Does an existing PPP track record in the member country exist?	Country visit	Yes, however the only PPPs we can identify have been in the Tourism sector and have required no government financial support.
Private sector capacity, capability and appetite	Country visit	
- Are multiple firms active in the PPP market?	Country visit	No, there is limited private participation by the private sector.
- Does capacity exist in the private sector?	Country visit	No, there is concern that access to work permits and skills shortages may limit capacity, and the fact that many firms are local subsidiaries of foreign firms suggests otherwise.

## PPP environment in the Namibia, overall score is a two ('2')

KPMG, based on years of experience, applied its own mind in coming up with a value.

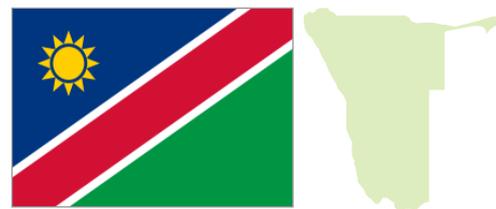
The PPP environment in Namibia has improved with increased government commitment to PPPs in the form of the establishment of a PPP unit and the commitment to the development of PPP enabling legislation. In the absence of such legislation, the environment is very limited. Specifically, government financial support in the form of unitary payments, support payments and financial guarantees is prohibited. In addition, private sector capacity is limited without special dispensations regarding the import of skills and foreign capacity, or reforms of visa and work permit regulations. These criteria result in an overall score of two ('2') or an assessment of "developing".

## 1.8 Observations

Our results are based on the most recent verifiable information available at time of the report. Reputable external sources were used where appropriate and fact based observations have been made.

The Government of Namibia has approved the development of a PPP unit and is currently in beginning procurement of consulting services for its establishment. There is an indication that PPP enabling legislation is being drafted, but currently nothing has been enacted. Indications are that there is very limited PPP procurement occurring within government and that many of these may in fact be more in line with service contracts rather than benefits/objectives based procurement with any significant transfer of risk to the private sector.

# Namibia



PPP representative from Namibia were aware of the projects included in the SADC RIDMP and STAP programmes, but were not aware of their status and progress. It is understood that current arrangements are temporary until an official PPP unit is established. In addition, much project information is available at a departmental level, and was thus inaccessible on short notice.

Indications are that many key projects lag in development and execution due to disagreement between stakeholders, including implementing departments and state-owned entities, supply and off-take entities. Finally, it was acknowledged that the current regulatory regime was a significant impediment to the creation of an active market for PPPs and progress on legislation crucial to further development of PPPs.

## 1.9 Conclusion

In conclusion, the above analysis would suggest that only PPPs with firm private sector revenues or agreed feed-in tariffs, with no need for significant government support, will be successfully implemented. Other PPPs without these characteristics could be developed in anticipation of legislative reform, but this would be with some risk at this phase of PPP readiness maturity. Moreover, PPPs that require significant technical skills in operation, maintenance and management may meet difficulties in implementation. Finally, complexities relating to business start-up, property registration, taxation and cross border activities mean that rigorous due diligence activities and methodical project planning will be key to PPP project success.

PPPs could be implemented in Namibia in the current environment as the other broad categories indicate that this would be possible. It is not an impending need to have enacted legislation, although this will assist. Overall Namibia is thus considered “maturing” in terms of this assessment.

© 2013 KPMG Services (Pty) Ltd, a South African company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

