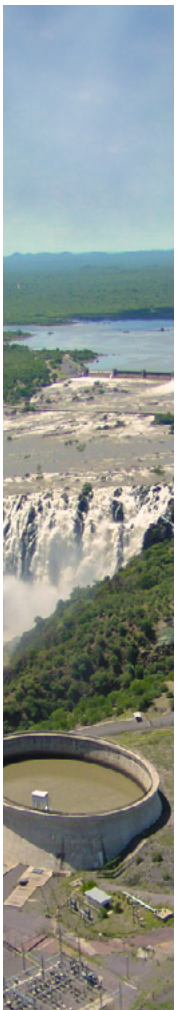
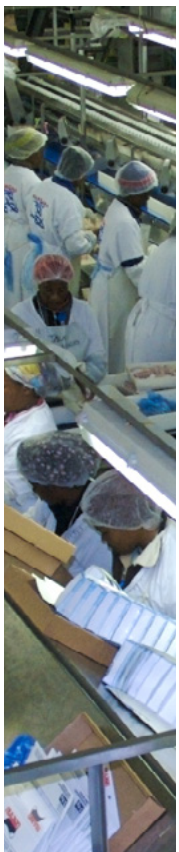
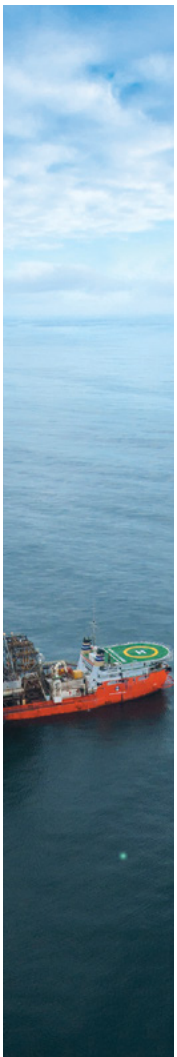
Guide to the Namibian Economy

By Robin Sherbourne







Guide to the Namibian Economy
By Robin Sherbourne

Published by the Institute for Public Policy Research.

Funded by B2Gold Namibia.

© Robin Sherbourne and the Institute for Public Policy Research

No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without the written permission of the publishers.

Design and layout: Turipamwe
Design team: Tanya Stroh
Dudley Minnie
Brice Mihigo
Laschandré Coetzee
Hillary Coetzee

Printing: John Meinert Printing, Windhoek

ISBN: 978 - 99945 - 52 - 60 - 3

Note from the Publisher

The Guide to the Namibian Economy is the brainchild of Robin Sherbourne, a well-known economist in Namibia and a former director of the IPPR. Robin has been analysing and writing about the Namibian economy since the early 1990s and this book is very much the product of his close engagement with the issues over the past 30 years. As such, it is voluminous, but its size should not put off potential readers since it is written and presented in a style that is highly readable and relevant. This is not a dry and dusty economics tome. Now in its fifth edition, the Guide remains the most detailed and accessible book on the Namibian economy.

The IPPR would like to thank Robin for his dedication to producing such a comprehensive volume. Robin's style has always been to provide solid argumentation and data for his view of the economy and this book is no exception. The contents do not necessarily reflect the views of the IPPR but are in keeping with the IPPR's mission to publish critical and constructive analysis on economic, political and social issues affecting development in Namibia.

The publication of the Guide to the Namibian Economy would not have been possible without unstinting financial support from B2Gold Namibia.

Any feedback on the contents of the Guide to the Namibian Economy can be sent to the IPPR at the contact details below.

Graham Hopwood
Executive Director
Institute for Public Policy Research (IPPR)
PO Box 6566
Ausspannplatz
Windhoek

Tel: +264 61 240514
Email: info@ippr.org.na

Acknowledgements

I have never believed it is possible to carry out good applied economic research just sitting behind a computer. Certainly non-economists generally have as much to teach about the way the economy works as economists do. It is also tremendous fun going out and talking to people wherever they work about how they make a living and the challenges they face in doing so. This book attempts to bring together the widest possible range of data, historical information and analysis on the Namibian economy available at the time of writing. It covers a broad range of economic developments from Independence in 1990 to the end of 2020. It represents the culmination of over 30 years' work studying, analysing and trying to understand the Namibian economy based on the privileged career I have enjoyed in Namibia and the varied perspectives I have gained by working in government, the private business sector, journalism, academia, research, stockbroking, central banking, banking, and consulting. It is based on the contact I have had with politicians, government officials, business people, investors, entrepreneurs, heads of public enterprises, trade unionists, diplomats, researchers, consultants, journalists, lobbyists, economists, statisticians and others. The list of people who have contributed to my work and therefore to the contents of this book is so long that it is impossible to do justice to them in a short acknowledgement of this kind. But I would like to thank them all for the data and insights they have provided me with. I have learnt something new from all of them.

I would also like to thank the Institute for Public Policy Research (IPPR) for helping me produce this book and B2Gold Namibia for generously funding it. Special thanks must go to Ndeshi Fikameni for the effort she put into coaxing organisations of all kinds to share their precious information with me, to Graham Hopwood for editing what has become another monster of a book, to my late friend Simon Wilkie for much of the photography, and to Turipamwe for their painstaking work on layout as well as Graham Hopwood for having the interest and patience to see this project through. Having said this, it is important to emphasise that the views contained in this book – and the mistakes it may contain – are mine and mine alone. They do not represent the views of the IPPR.

I started economics because I was keen to learn about how the world works. I became convinced that successful economic policy held the key to successful development in all countries. And countries succeed when their politicians actively seek advice from technically competent and independently-minded economists who base advice on sound analysis and quality data. Good economists have something important to offer a country. Nothing I have experienced in over 30 years working as an applied economist in Namibia and elsewhere has convinced me otherwise.

To my late father and mother who lost me to Namibia for over 20 years

B2Gold Namibia

This is without doubt the most comprehensive review of the Namibian economy since this country gained its independence from South Africa in 1990. The reason B2Gold Namibia decided to sponsor this book, is that we are constantly seeking innovative ways of giving back to the country that has provided us with a stable, secure and supportive home base from the moment our company set foot in Namibia in 2013. Since the Otjikoto Mine officially began producing gold only two years later, our production and financial results have consistently exceeded targets and our safety record can be compared to the best in class. Otjikoto Mine employs the very latest technology in all aspects of our operations, resulting in an average gold recovery of almost 99% since the start of operations. But what makes us most proud of our Namibian operation, is our human capital. Out of ~940 employees, only one is non-African and only six are non-Namibian, most of whom are permanent residents. In fact, our global company headquartered in Vancouver, is so impressed with the skill level of our Namibian artisans and engineers, that they decided to use a majority Namibian construction crew to build our flagship mine, Fekola in Mali.

Our economic successes have resulted in B2Gold Namibia becoming one of the largest contributors to the Namibian economy and since our start-up capital was fully repaid a mere six years after the first official production, B2Gold Namibia has also become one of the largest contributors to the treasury through taxes, royalties and levies. But beyond the obligatory taxes, B2Gold Namibia has set itself apart as a company that lives by our Corporate parent's global values of Fairness, Accountability, Respect and Transparency. Our Social and Environmental contributions to Namibia are not seen as a requirement in order to gain a social licence to operate. They are so much a part of our core business that we are often asked if we also mine gold.

I have known Robin for almost two decades. In my entire career, I have never met anyone with as much knowledge, passion, flare and determination to understand and positively impact the economy of a country. As President of the Chamber of Mines in 2004/5, I first engaged Robin to produce an Annual Review of the Namibian mining industry, which he did with great aplomb and has been involved with ever since. For many years after that, he assisted the Chamber of Mines with our ongoing campaign and advocacy to the government and other stakeholders, intended to ensure that the country positions itself to maximize the returns to the treasury, through an appropriately designed taxation regime that also maximizes FDI. I have no doubt that the respect Robin has earned, and the advice he has contributed at the most senior level of government and the private sector, has been instrumental in ensuring that Namibia remains an extremely attractive investment destination, as has been witnessed by the B2Gold experience.

However, his tireless work in advising and supporting this developing economy has not been without its frustrations. Sometimes, to the detriment of the economy, his sound advice was not heeded. Robin emigrated to the UK in 2012, but his love affair with Namibia and his commitment to playing a vital role in growing the economy, has kept him close to the Namibian fire. So close in fact, that he has produced this masterpiece "Guide to the Namibian Economy".

It is a great honor for B2Gold to be the sponsor of this, his latest book. I am hopeful that the advice he offers in this book, with his trademark honesty and directness, will be taken to heart by all those passionate about seeing a better Namibia for all.

Mark Dawe

Managing Director and Country Manager
B2Gold Namibia

Contents

Abbreviations ..... 9 – 12
Map of Namibia 13
Namibia Key Indicators 2020 ..... 14 – 15
Namibia 30 Year Highlights ..... 16 – 17
Introduction ..... 18 – 19
Key Political Events ..... 20 – 21

Macroeconomy
1. Macroeconomic Performance ..... 22 – 45
2. Fiscal Policy ..... 46 – 73
3. Budget Trends ..... 74 – 105
4. Monetary Policy ..... 106 – 119
5. Employment, Poverty and Inequality ..... 120 – 149

Sectors
6. Agriculture ..... 150 – 183
7. Fishing ..... 184 – 229
8. Mining ..... 230 – 287
9. Oil and Gas ..... 288 – 301
10. Diamond Cutting and Polishing ..... 302 – 329
11. Manufacturing ..... 330 – 367
12. Construction ..... 368 – 385
13. Electricity ..... 386 – 407
14. Water ..... 408 – 417
15. Tourism ..... 418 – 439
16. Transport ..... 440 – 459
17. Telecommunication ..... 460 – 485
18. Banking ..... 486 – 503

Cross-Sectoral Issues
19. Downstream Petroleum ..... 504 – 517
20. Public Enterprises ..... 518 – 547
21. Commercial Land Reform ..... 548 – 575
22. The NSX and Domestic Asset Requirements ..... 576 – 605
23. International Trade ..... 606 – 635
24. Black Economic Empowerment ..... 636 – 655
25. Covid ..... 656 – 667

Annexes
Legislation Passed Since 1990 ..... 668 – 681
Key Economic White Papers and Policies ..... 682 – 683
Namibian Economic Indicators ..... 684 – 693
Publicly Available Research by the Same Author ..... 694 – 699
Subject Index ..... 700 – 705

Abbreviations

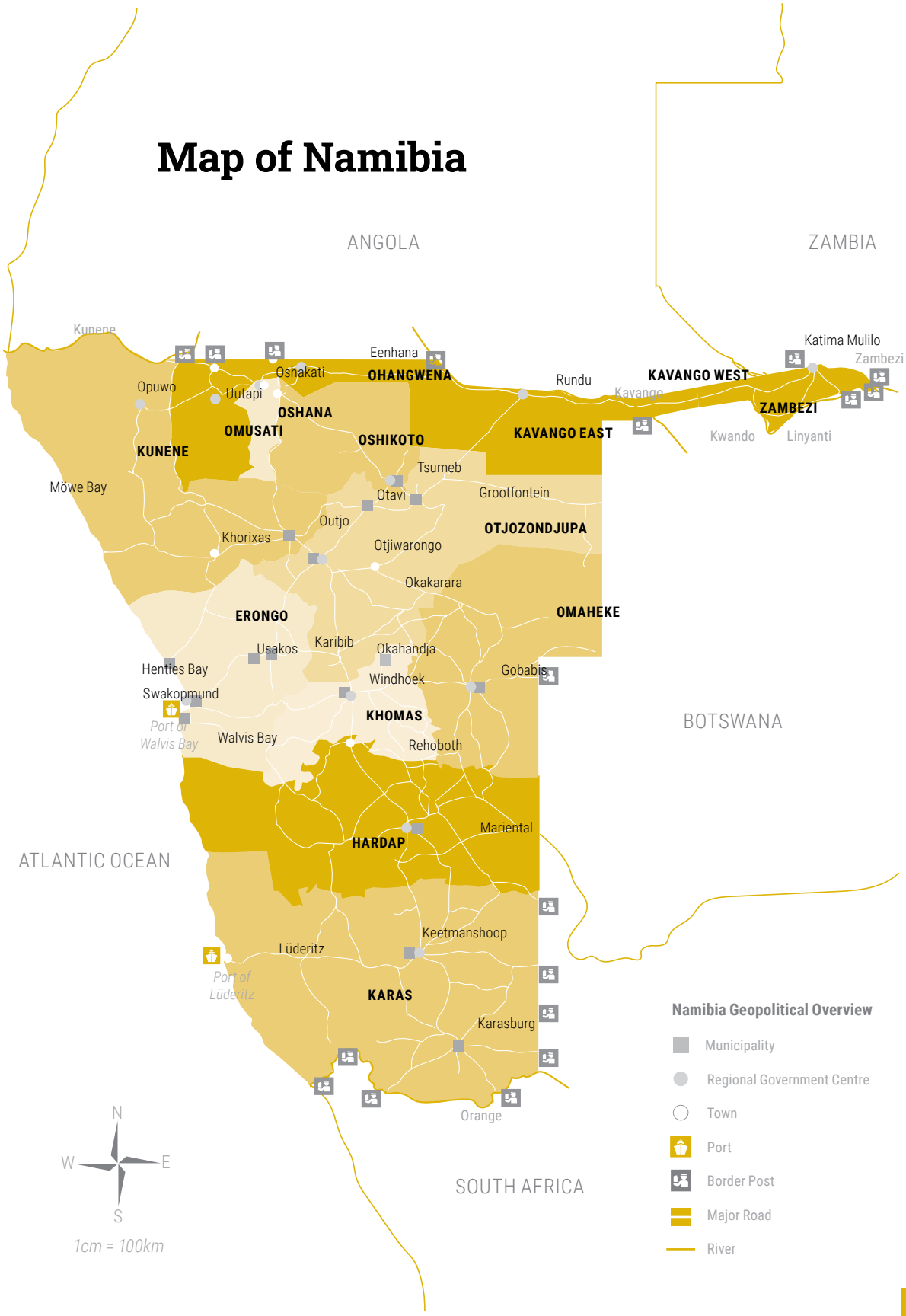
AA	Affirmative Action
AALS	Affirmative Action Loan Scheme
AAN	Abattoirs Association of Namibia
AAN	Accommodation Association of Namibia
ACC	Anti-Corruption Commission
ACP	African Caribbean Pacific
ACT	Anti Corruption Trust of Southern Africa
ADO	Automotive Diesel Oil
ADSL	Asymmetric Digital Subscriber Line
AEC	African Economic Community
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AG	Auditor General
AGOA	African Growth and Opportunity Act
AIM	Alternative Investment Market
ANC	African National Congress (of South Africa)
ANTA	Association of Namibian Travel Agents
API	African Portland Industries
ASL	Additional Sales Levy
ASX	Australian Stock Exchange
AU	African Union
BAN	Bankers Association of Namibia
B&BAN	Bed and Breakfast Association of Namibia
BBBEE	Broad-Based Black Economic Empowerment
BCI	Bricks and Concrete Industries
BCI	Business Climate Index
BEE	Black Economic Empowerment
BESA	Bond Exchange of South Africa
BIG	Basic Income Grant
BIPA	Business and Intellectual Property Authority
BLNS	Botswana Lesotho Namibia Swaziland (now eSwatini)
BOCRA	Botswana Communications Regulatory Authority
BOE	Barrel of Oil Equivalent
BoN	Bank of Namibia
BoP	Balance of Payments
BPI	Bribe Payers Index
BRICS	Brazil Russia India China South Africa
BTC	Botswana Telecommunications Corporation
CAN	Communications Authority of Namibia
CARAN	Car Rental Association of Namibia
CBEND	Combating Bush Encroachment for Namibia's Development
CBNRM	Community-Based Natural Resource Management
CBS	Central Bureau of Statistics
CC	Close Corporation
CCEDP	Cabinet Committee on Economic Development and Parastatals
CCGT	Combined Cycle Gas Turbine
CDM	Consolidated Diamond Mines
CDMA	Code Division Multiple Access
CEC	Copperbelt Energy Corporation
CET	Common External Tariff
CFB	Circulating Fluidised Bed
CFC	Chlorofluorocarbon
CGA	Central Governance Agency
CGNPC	China General Nuclear Power Corporation
CIF	Construction Industry Federation
CMA	Common Monetary Area
CoD	Congress of Democrats
COMESA	Common Market of Eastern and Southern Africa
COSATU	Congress of South African Trade Unions
Covid	Coronavirus Disease 19
CNOOC	China National Offshore Oil Corporation
CPB	Central Procurement Board
CPC	Capital Pool Company
CRAN	Communications Regulatory Authority of Namibia
CREEE	Centre for Renewable Energy and Energy Efficiency
CRP	Common Revenue Pool
CSIB	City Savings and Investment Bank
CSO	Central Selling Organisation (of De Beers)
DBMN	De Beers Marine Namibia
DBN	Development Bank of Namibia
DCP	Development Capital Portfolio (of the GIPF)
DEL	Direct Exchange Line
DevX	Development Board of the Namibian Stock Exchange
DFQF	Duty Free Quota Free
DFS	Definitive Feasibility Study
DIL	Diamonds India Limited
DOTS	Direction of Trade Statistics
DPM	Dundee Precious Metals
DRC	Democratic Republic of Congo
DRFN	Desert Research Foundation of Namibia
DSM	Demand Side Management
DTA	Democratic Turnhalle Alliance
DTC	Diamond Trading Company
EAC	East African Community
ECA	Economic Commission for Africa
ECB	Electricity Control Board
ECN	Electoral Commission of Namibia
ECU	European Currency Unit
EDC	Erongo Desalination Company
EEC	Employment Equity Commission

EEZ	Exclusive Economic Zone
EGS	Economic Growth Summit
EIG	Emergency Income Grant
EIF	Environmental Investment Fund of Namibia
EMU	European Monetary Union
EPA	Economic Partnership Agreement
EPL	Exclusive Prospecting Licence
EPRA	Economic Policy Research Association
EPZ	Export Processing Zone
ESL	Extended Shelf Life
ETEA	Emerging Tourism Enterprises Association
ETF	Exchange Traded Fund
EU	European Union
FAN	Farm Assured Namibia
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FENATA	Federation of Namibian Tourism Associations
FES	Friedrich Ebert Stiftung
FMD	Foot and mouth disease
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GCI	Global Competitiveness Index
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GDV	Government Diamond Valuator
GFC	Global Financial Crisis
GFCF	Gross Fixed Capital Formation
GIPF	Government Institutions Pension Fund
GNDI	Gross National Disposable Income
GNI	Gross National Income
GPRS	General Packet Radio Switching
GSA	Gas Sales Agreement
GSA	Green Scheme Agency
GSM	Global System for Mobile Communications
GSP	Generalised System of Preferences
GST	General Sales Tax
HAN	Hospitality Association of Namibia
HDN	Historically Disadvantaged Namibian
HF	Hydrofluoric acid
HKIA	Hosea Kutako International Airport
HLPNE	High-Level Panel on the Namibian Economy
HIV	Human Immunodeficiency Virus
HPP	Harambee Prosperity Plan
HSDPA	High Speed Downlink Packet Access
HSP	Hard Stone Processing
IAEA	International Atomic Energy Agency
IATA	International Air Transport Association
IBP	International Budget Partnership
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IHN	Investment House Namibia
IIP	Infant Industry Protection
ILO	International Labour Organisation
IMF	International Monetary Fund
IPBC	Indigenous People's Business Council
IPO	Initial Public Offering
IPP	Independent Power Producer
IPPR	Institute for Public Policy Research (Windhoek)
IQF	Individually Quick Frozen
ISDN	Integrated Services Digital Network
ISO	International Standards Organisation
ITN	Internet Technologies Namibia
IUU	Illegal, Unreported and Unregulated fishing
ITQ	Individual Transferable Quota
JSE	Johannesburg Securities Exchange
KAT	Karas Abattoir and Tannery
KfW	Kredit für Wiederaufbau
KMCC	Karibib Mining and Construction Company
KPCS	Kimberley Process Certification Scheme
LAC	Legal Assistance Centre
LADF	Land Acquisition and Development Fund
LaRRI	Labour Resources and Research Institute
LDC	Least Developed Country
LIH	Labour Investment Holdings
LKI	Lazare Kaplan International
LLD	Lev Leviev Diamonds
LOHEPS	Lower Orange River Hydro Electric Power Scheme
LPA	Livestock Producers Association
LPG	Liquified Petroleum Gas
LRP	Lead Replacement Petrol
MANWU	Manufacturing Workers Union of Namibia
MAWF	Ministry of Agriculture, Water and Forestry
MCA	Millennium Challenge Account
MDF	Minerals Development Fund
MET	Ministry of Environment and Tourism
MFA	Ministry of Foreign Affairs
MFMR	Ministry of Fisheries and Marine Resources
MFN	Most Favoured Nation
MGACW	Ministry of Gender Affairs and Child Welfare
MHD	Mass Housing Development
MIB	Ministry of Information and Broadcasting
ML	Mining Licence
MLR	Ministry of Lands and Resettlement
MME	Ministry of Mines and Energy
MoD	Ministry of Defence
MoE	Ministry of Education

MoF	Ministry of Finance
MoHSS	Ministry of Health and Social Services
MoJ	Ministry of Justice
MoLSW	Ministry of Labour and Social Welfare
MoPE	Ministry of Public Enterprises
MPC	Monetary Policy Committee
MPCS	Ministry of Prisons and Correctional Services
MRAC	Marine Resources Advisory Council
MRLGHRD	Ministry of Regional and Local Government, Housing and Rural Development
MSB	Modified Single Buyer
MSC	Marine Stewardship Council
MSD	Maternity Sickness and Death
MSS	Ministry of Safety and Security
MSY	Maximum Sustainable Yield
MTC	Mobile Telecommunications Ltd
MTEF	Medium-Term Expenditure Framework
MTI	Ministry of Trade and Industry
MTR	Mobile Termination Rate
MVA	Ministry of Veteran Affairs
MVAF	Motor Vehicle Accident Fund
MWTC	Ministry of Works, Transport and Communication
MYNSSC	Ministry of Youth, National Service, Sport and Culture
NA	National Assembly
NAB	Namibian Agronomic Board
NAC	Namibia Airports Company
NaCC	Namibian Competition Commission
NACOBTA	Namibian Community-Based Tourism Association
NACSO	Namibian Association of CBNRM Support Organisations
NAD	Namibia dollar
NAFAU	Namibian Food and Allied Workers Union
NAMCOR	National Petroleum Corporation of Namibia
NAMFISA	Namibian Financial Institutions Supervisory Authority
NAMMIC	Namibian Mineworkers Investment Corporation
NamRA	Namibian Revenue Authority
NAPDA	Namibian Association for Protected Desert Areas
NAPHA	Namibia Professional Hunters Association
NATAU	Namibian Transport and Associated Union
NATH	Namibian Academy for Tourism and Hospitality
NaTIS	Namibian Transport Information System
NatMIRC	National Maritime Information and Research Centre
NAU	Namibia Agricultural Union
NBC	Namibian Broadcasting Corporation
NBWPF	Namibian Building Workers Pension Fund
NC	National Council
NCA	Northern Communal Areas
NCC	Namibian Communications Commission
NCCI	Namibia Chamber of Commerce and Industry
NCIS	Namibia Central Intelligence Service
NCPI	Namibia Consumer Price Index
NCS	Namibia Custom Smelters
NDC	Namibia Development Corporation
NDP	National Development Plan
NDTC	Namibia Diamond Trading Company
NEB	Namibia Equity Brokers
NECFF	Namibia Emerging Commercial Farmers Forum
NEEEB	New Equitable Economic Empowerment Bill
NEEEF	New Equitable Economic Empowerment Framework
NEF	Namibia Employers Federation
NEF	National Energy Fund
NEPA	Namibian Export Promotion Agency
NEPAD	New Partnership Agreement for African Development
NEPRU	Namibian Economic Policy Research Unit
NFSC	Namibian Financial Sector Charter
NGO	Non-Governmental Organisation
NGPA	Namibian Grain Producers Association
NHDI	National Horticultural Development Initiative
NHE	National Housing Enterprise
NHIES	National Household Income and Expenditure Survey
NHMSP	Namibian Horticulture Market Share Promotion
NIEIS	Namibia Integrated Employment Information System
NIC	Namibia Investment Centre
NIDA	Namibia Industrial Development Agency
NIPA	Namibia Investment Promotion Act
NIPDB	Namibian Investment Promotion and Development Board
NLA	Namibia Logistics Association
NLF	Namibia Liquid Fuel
NLFS	Namibia Labour Force Survey
NMI	Namibia Mills Investmnets
NMP	Namibia Marine Phosphate
NNFU	Namibia National Farmers Union
NNMP	Nature Namibian Meat Producers
NORTGA	Namibian Orange River Table Grape Association
NOSA	National Occupational Safety Association
NOSCAR	The highest safety award given by NOSA
NPC	National Planning Commission
NPL	Non-Performing Loan
NPPC	Namibian Preferential Procurement Council
NPT	Non Proliferation Treaty
NPTH	Namibia Post and Telecommunications Holdings
NRC	National Resettlement Committee
NRP	National Resettlement Policy
NRST	Non-Resident Shareholders Tax
NSA	Namibia Statistics Agency
NSX	Namibian Stock Exchange
NTB	Namibia Tourism Board

NTF	Namibia Trade Forum
NUDO	National Unity Democratic Organisation
NUST	Namibia University of Science and Technology
NUNW	National Union of Namibian Workers
NWR	Namibia Wildlife Resorts
OAU	Organisation of African Unity
OBS	Open Budget Survey (of the IBP)
ODC	Offshore Development Company
ODM	Ocean Diamond Mining
OECD	Organisation for Economic Cooperation and Development
OMEG	Otavi Minen und Eisenbahn Gesellschaft
OPM	Office of the Prime Minister
PAYE	Pay-As-You-Earn
PAYG	Pay-As-You-Go
PCT	Patent Cooperation Treaty
PDM	Popular Democratic Movement
PEAC	President's Economic Advisory Council
PEMP	Performance Effectiveness Management Programme
PHC	Population and Housing Census
PJTC	Permanent Joint Technical Commission
PLAN	People's Liberation Army of Namibia
PPA	Power Purchasing Agreement
PPP	Public Private Partnership
PSSF	Post Settlement Support Fund
PTA	Preferential Trade Area
PV	Photo Voltaic
RA	Roads Authority
R&D	Research and Development
RCC	Roads Contractor Company
REC	Regional Economic Community
RED	Regional Electricity Distributor
REEEI	Renewable Energy and Energy Efficiency Institute
REFIT	Renewable Energy Feed-In Tariff
RFA	Road Fund Administration
RPZC	Rosh Pinah Zinc Corporation
RRC	Regional Resettlement Committee
RSF	Revenue Sharing Formula
RTZ	Rio Tinto Zinc
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAFEX	South African Futures Exchange
SAPEC	Seafood and Aquaculture Products Export Council
SAPP	Southern African Power Pool
SARB	South African Reserve Bank
SBCGT	Small Business Credit Guarantee Trust
SEAFO	South East Atlantic Fisheries Organisation
SHG	Special High Grade
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SOEGC	SOE Governance Council
SPV	Special Purpose Vehicle
SSC	Social Security Commission
STCS	Short-Term Critical Supply
STEM	Short-Term Energy Market
SWAPO	South West Africa People's Organisation
SWATF	South West Africa Territorial Force
SWF	Sovereign Wealth Fund
TAC	Total Allowable Catch
TAN	Tour Guides Association of Namibia
TASA	Tour and Safari Association
TCL	Tsumeb Corporation Limited
TDCA	Trade and Development Cooperation Agreement
TESEF	Transformation Economic and Social Empowerment Framework
TIPEEG	Targetted Intervention Programme for Employment and Economic Growth
TOU	Time of Use
TRENABA	Tourism Related Namibia Business Association
TSA	Tourism Satellite Accounts
UAE	United Arab Emirates
UAG	United Africa Group
UFE	United Fishing Enterprises
UNAM	University of Namibia
USAID	United States Agency for International Development
USO	Universal Service Obligation
VAT	Value Added Tax
VCF	Veterinary Cordon Fence
VET	Vocational Education and Training
VIP	Very Important Person
VNO	Virtual Network Operator
VoIP	Voice over Internet Protocol
WACS	West Africa Cable System
WASCOM	Wages and Salaries Commission
WASP	Water and Sanitation Policy
WBCG	Walvis Bay Corridor Group
WCCR	Windhoek Country Club Resort and Casino
WEF	World Economic Forum
WMN	Weatherly Mining Namibia
WTO	World Tourism Organisation
WTO	World Trade Organisation
WTTC	World Travel and Tourism Council
ZAR	South African Rand
ZESA	Zimbabwe Electricity Supply Authority
ZESCO	Zambia Electricity Supply Corporation (formerly)
ZIZABONA	Zimbabwe Zambia Botswana Namibia
ZPC	Zimbabwe Power Corporation

Map of Namibia



Namibia Key Indicators 2020

KEY INDICATOR	VALUE	PERIOD	SOURCE
Population			
Population	2.1 million	2011	NSA
Average annual population growth	1.4%	2001-2011	NSA
% population under 15	37%	2011	NSA
Economy			
Classification	Upper middle income	2020	World Bank
GDP	N$174.8 billion	2020	NSA
GDP per capita	N$69,805	2020	NSA
GDP	US$10.7 billion	2020	World Bank
GNI per capita (Atlas Method)	US$4,520	2020	World Bank
Real annual GDP growth	-0.9%	2014-2020	NSA
Exports of goods and services as % of GDP	33.4%	2020	NSA
Imports of goods and services as % of GDP	43.0%	2020	NSA
Annual consumer inflation	2.2%	2020	NSA
Central bank repurchase rate	3.75%	End 2020	BoN
Prime lending rate	7.50%	End 2020	BoN
Government Finances			
Budgeted revenue as % of GDP	32.6%	2019/20	MoF
Budgeted expenditure as % of GDP	37.6%	2019/20	MoF
Budgeted balance as % of GDP	-5.0%	2019/20	MoF
Stock of public debt as % of GDP	56.0%	2019/20	MoF
Government loan guarantees as % of GDP	6.3%	2019/20	MoF
Sovereign credit rating	BB (negative)	2020	Fitch Ratings
Sovereign credit rating	Ba3 (negative)	2020	Moody's

KEY INDICATOR	VALUE	PERIOD	SOURCE
Balance of Payments			
Trade balance as % of GDP	-9.6%	2020	NSA
Current account balance as % of GDP	1.9%	2020	NSA
International reserves	N$31.7 billion	End 2020	BoN
Import cover	4.5 months	End 2020	BoN
Year end US$ exchange rate	N$14.6246	2020	BoN
Social Indicators			
Gini coefficient	0.56	2015/16	NSA
% of poor households	17.4%	2015/16	NSA
% of severely poor households	10.7%	2015/16	NSA
Unemployment rate – broad	33.4%	2018	NSA/MoLSW
Unemployment rate – strict	19.8%	2018	NSA/MoLSW
Literacy rate 15+	92%	2018	World Bank
Life expectancy at birth	63.7 years	2019	World Bank
Fertility rate	3.34 children	2019	World Bank
Adult HIV prevalence rate	11.6%	2020	UNAIDS
International Rankings			
Global Competitiveness Index	94th out of 141	2019	World Economic Forum
Ease of Doing Business	104th out of 190	2020	World Bank
Corruption Perceptions Index	57th out of 180	2020	Transparency International
Mo Ibrahim Governance Index	7th out of 54	2020	Mo Ibrahim Foundation
Mining Investment Attractiveness Index	52nd out of 77	2020	Fraser Institute

Namibia 30 Year Highlights

Six free and fair elections every five years in 1994, 1999, 2004, 2009, 2014, 2019.

Three peaceful presidential transitions from Founding Father to President Pohamba and President Geingob.

First country to incorporate environmental protection in its constitution.

The only country whose coastline falls within national parks.

President Pohamba wins the Mo Ibrahim Prize for Achievement in African Leadership in 2014.

Regularly top in Africa on media freedom as measured by Reporters Without Frontiers media freedom ranking in 2021 - first in Africa and 24th in the world

The country mining the highest proportion of gem diamonds in the world and the largest underwater diamond mining operation in the world.

The largest uranium producer in Africa.

First seawater desalination plant in southern Africa (Sub-Saharan Africa).

Second country in Africa to introduce 4G mobile telephony.

First country in Africa to export beef to China (in March 2019) and the first country in Africa to export beef to the US (in February 2020).

The location of the largest single investment in Africa by China – Husab uranium mine.

Regularly top in Africa in World Economic Forum Road Infrastructure Report for best road infrastructure on the continent (2020 first in Africa and 23rd in the world).

Consistently spent more than 20 percent of the National Budget on education.

Has an adult literacy rate of 91.5 percent.

Provides a state-funded old age pension of N$1,350 a month to all residents over the age of 60 years.

Introduction

30 Years On: From Independence to Covid

This fifth edition of the Guide to the Namibian Economy is published in the year 2022. It covers the full 30 years from Independence in 1990 to the end of 2020, the year of Covid. The idea behind the book is to lay out the details of what has happened to the economy and to economic policy in as objective a way as possible. I have tried to refrain from being too judgemental and to stick as closely as possible to the facts. The book lays out developments across the economy, from the macroeconomic ones covering the whole economy, through each major sector, and finally to issues that cut across sectors in various ways. The hope is that knowledge and understanding of what has happened in the past translates into better decision-making and therefore better economic performance in future.

Much has happened since the last edition. Namibia's proud record of steady if not spectacular economic growth has ended and many of the chickens highlighted in the previous edition have come home to roost. In the run-up to Covid it seems that policymakers forgot the basics: keep the size of the public sector and public borrowing under control, ensure public enterprises don't become a burden on the public finances, borrow to invest in productive infrastructure, and maintain an investment environment that is attractive to investors, especially foreign investors. When Covid struck, the country had already suffered four years of poor performance and was therefore in a far weaker position to deal with the crisis than it was going into the Global Financial Crisis.

Economic Policymaking

A number of common themes emerge from the twenty-six chapters of the book. For those who believe in the power of good economic policy, it is hard to pretend that all is well. Employment holds the key to reducing poverty and inequality yet it is clear that the economy has failed to create the employment opportunities required. Namibia's record on employment and perhaps especially formal employment lags far behind what is required to make a significant dent in the twin ills of poverty and inequality. At last count, only 307,000 people enjoyed a formal sector job out of a population of 2.5 million. While important to avoid the very worst, cash grants and food banks are sticking plasters which do little to address more fundamental failures.

Part of this is because time and again Government has introduced policies which have been based on wishful thinking rather than rigorous research and analysis and therefore have not been properly thought through. After 30 years, it is hard to say where the critical analytical thinking takes place within Government and which analysts or researchers ministers consult before agreeing to new policies, laws and regulations. Politicians continue to believe that everything is political and do not recognise that their role is to set the rules which incentivise private businesses to deliver the growth and jobs required, not out of patriotic duty but because that is the way they make a profit. As a result, policies are often badly designed and therefore fail to achieve their objectives or end up being reconsidered but only after long periods of uncertainty during which economic agents are unsure about what the future holds. The world is uncertain enough and the role of policy is to reduce rather than increase uncertainty. Namibia's saving grace is that Government continues to show that it is willing to listen to criticism when the stakes are high enough and draw back from disaster. However, considerable amounts of time and energy (not to mention credibility) could be saved by better analysis and consultation before new policies are launched. The National Equitable Economic Empowerment Bill and the Namibian Investment Promotion Act are two good examples of this. As Chapter 24 shows, Government has been developing empowerment legislation for over twenty years and the outcome is still uncertain. The Namibian Investment Promotion Act was passed but not enacted in 2016. How can Government expect foreign businesses to invest when they don't know what the rules are? The much-vaunted High-Level Panel on the Namibian Economy failed to mention either one of these issues which form the very foundation of any investment regime.

Corruption

Linked to the issue of poor policy is that of corruption. The abuse of public procurement for personal enrichment has been evident since Namibia Liquid Fuel but has become widespread despite the introduction of new laws and institutions and plenty of talk about fighting corruption. Contracts large and small (especially construction contracts) are regularly padded and inflated to enrich well-positioned individuals and groups. Combined with the lack of economic analysis mentioned above, this has led to massive spending on projects that do little or nothing to enhance the productive capacity of the economy and has increased public debt. A short drive around Windhoek demonstrates the splurge on new government buildings that has taken place over the past decade or so with little to show in terms of enhanced public sector productivity. As Chapter 20 makes clear, corruption and mismanagement have been rampant in the public enterprise sector. Yet rarely have individuals been held to account, even in the most egregious cases. Corruption has become ingrained in the fishing sector which has been spectacularly exposed by the Fishrot scandal. Something similar looks like happening in the diamond sector.

Statistics

Fishing and diamonds are two examples of sectors where it is hard for outsiders to work out what is really going on. The Ministry of Fisheries and Marine Resources used to publish relatively good statistics. Namdeb used to make public an informative annual review. Statistics seem to have been deliberately suppressed and this opens the door to all sorts of funny business. Indeed, Namibia's statistic gathering efforts seem to have suffered a setback since the last edition. The lack of a new Census in 2022 will further shroud what is really happening in the country. Namibia has not published a Labour Force Survey since 2018. Without a detailed knowledge of the business sector how can an effective empowerment policy be designed?

Accountability

More disturbing, perhaps, is the breath-taking lack of debate on some of the most important economic policies. Aside from the fact that ministers' fortunes rarely (if ever) depend on performance, Parliament has not been effective. Despite the ruling party's poor performance at the last election, opposition parties remain weak and divided and incapable of holding the executive to account. Parliamentary committees add very little to Parliament's teeth (although there is more contestation) while the reports of the Auditor General (which have often been so late as to be irrelevant) go almost unnoticed. Public institutions such as the National Planning Commission, UNAM, NUST and the Bank of Namibia Research Department as well as ad hoc initiatives such as the High-Level Panel on the Namibian Economy have failed to provoke the hard thinking necessary for significant improvement.

Thankfully, Namibia retains relatively free and critical media and independent courts and there is freedom for private institutions – businesses, NGOs and individuals – to do good work. Namibia regularly comes top in Africa for media freedom and formal civil society, which is still entirely dependent on the support of outsiders, is able to function. The past 30 years have seen peaceful transitions between three presidents. Furthermore, in many ways Covid brought out the best in people and also in Government where an energetic new Minister of Finance showed what could be done when circumstances required action rather than talk.

After 30 years it seems Covid marks the end of a chapter of economic development characterised by extreme globalisation following the ending of the Cold War and fossil fuel-powered growth and the beginning of a new chapter likely to be marked by global divisions and climate change. The ruling party's dominance in Namibia also appears to be on the wane. The future will present opportunities as well as threats to Namibia. The central challenge remains. Namibia has access to a vast global market. What products and services can it produce and sell to this market to improve the standard of living of its people? Better policymaking, stronger institutions, less corruption and better statistics will vastly improve the chances of Namibia being able to take advantage of opportunities and cope with the challenges that present themselves.

Key Political Events

YEAR	EVENT
1989	– National elections see SWAPO win a significant parliamentary majority with 41 seats out of 72.
1990	– Constitution, incorporating fundamental rights and freedoms, is adopted. – 21 March the Republic of Namibia is born. – Sam Nujoma is sworn in as President. – The policy of national reconciliation is proclaimed which safeguards jobs in the public service and draws on ex-PLAN and ex-SWATF members for the military. – United Nations Transitional Assistance Group is withdrawn.
1991	– The Land Conference is held which results in 23 resolutions. – The SWAPO Congress adopts a new Constitution changing it from a liberation movement to a political party.
1992	– Minister of Finance Otto Herrigel resigns from Cabinet. – Government buys Falcon 900B jet for the President worth R80 million. – Angolan elections fail to end the civil war between MPLA and UNITA.
1993	– Anton von Wietersheim is dismissed from Cabinet.
1994	– The first democratic elections are held in South Africa. – Nelson Mandela visits Namibia and promises to write off colonial debts. – Walvis Bay is reincorporated into Namibia. – The first post-Independence national elections see SWAPO increase its seats in Parliament to 53 giving it a majority of over two-thirds and thus the ability to change the Constitution.
1995	– Four years after the Land Conference, the Commercial Land Reform Act is passed by Parliament.
1996	– The National Society for Human Rights and Breaking the Wall of Silence organise a conference on the SWAPO detainee issue.
1997	– The SWAPO Congress defers any decision on a third term of office for President Sam Nujoma.
1998	– The second NUNW Congress criticises privatisation and land reform. – The Constitution is changed for the first time to allow only the Founding President Sam Nujoma a third term of office. – Ben Ulenga resigns as High Commissioner to the UK and establishes Forum for the Future. – Namibia sends troops to the Democratic Republic of Congo to aid President Laurent Kabila which ends up costing the lives of 32 Namibian soldiers.
1999	– A secessionist attack in Caprivi leads to 15 people being killed and 2,200 flee to Botswana. – Mishake Muyongo, the president of the main opposition party the Democratic Turnhalle Alliance, played a major role in planning the attack and flees to Botswana. – Ex-PLAN fighters demonstrate at Ondangwa airport and in Katutura. – The Peace Project is agreed which incorporates ex-PLAN fighters into the public service. – The Kasikili island dispute with Botswana is settled by international arbitration at the International Court of Justice at the Hague in favour of Botswana. – A new opposition party, the Congress of Democrats, is established which includes several prominent ex-SWAPO members. – The Minister of Fisheries Abraham Iyambo allegedly receives industry contributions to pay for his wedding. – The second post-Independence national elections see SWAPO increase its majority further to 55 seats and a three-quarters majority in Parliament. – Namibia supports the MPLA against UNITA and allows Angolan troops to be stationed in northern Namibia.
2000	– The Angolan civil war spills over into Namibia and French tourists are attacked by unknown armed bandits on the TransCaprivi Highway. – The Minister of Fisheries Abraham Iyambo announces that fishing quotas will in future only be allocated to Namibians. – Finnish Ambassador Kari Karanko is asked to leave Namibia due to criticism of the war in the DRC and meddling in the country's internal affairs although no reason is formally given. – The land invasions commence in Zimbabwe.
2001	– The Government imposes an advertising and later a ban on direct purchases of *The Namibian* newspaper by Government due to its critical reporting.

2002
- President Sam Nujoma replaces Hage Geingob with Theo-Ben Gurirab as Prime Minister.
- UNITA leader Jonas Savimbi is killed in battle bringing the civil war in Angola to an abrupt end.

2004
- A SWAPO Extraordinary Congress sees Hifikepunye Pohamba win a competitive run-off against Nahas Angula and Hidipo Hamutenya to succeed Sam Nujoma as SWAPO's candidate for the presidential elections.
- Namibia's third post-Independence national elections see Hifikepunye Pohamba sweep to victory and SWAPO maintain its 55 seats in Parliament.

2005
- The first expropriation of a white-owned commercial farm takes place in accordance with law and with market-related compensation.
- Deputy Minister of Works Paulus Kapia is sacked from Cabinet for links to a corrupt investment deal.
- Namibia seeks and obtains a sovereign credit rating from Fitch Ratings.

2007
- Jacob Zuma humiliates President Thabo Mbeki by being overwhelmingly elected president of the ANC at a special meeting at Polokwane.
- A breakaway party, the Rally for Democracy and Progress, is formed by ex-SWAPO ministers led by Hidipo Hamutenya.
- Namibia negotiates its first ever loan from the World Bank.

2008
- President Thabo Mbeki is forced to stand down as President of South Africa following a ruling that suggested he interfered in the court case against rival Jacob Zuma.

2009
- Namibia's fourth post-Independence national elections see Hifikepunye Pohamba sweep to victory and SWAPO gain 54 seats in Parliament.

2011
- Prime Minister Nahas Angula tables the New Equitable Economic Empowerment Framework (NEEEF) in Parliament.

2012
- A SWAPO Extraordinary Congress chooses Hage Geingob as the party's presidential candidate for the 2014 national elections.
- Hage Geingob is appointed Prime Minister.

2013
- President Pohamba launches the mass housing programme which targets low-income earners.

2014
- A constitutional amendment increases the size of Parliament from 72 to 96 seats and creates the post of Vice-President.
- Namibia's fifth post-Independence national elections see Hage Geingob elected as President with 87 percent of the vote and SWAPO win 77 seats of 96 National Assembly seats.

2015
- The Affirmative Repositioning movement calls on Namibians to occupy urban land forcing Government to make new promises on the provision of serviced land and housing.

2016
- Government publishes the New Equitable Economic Empowerment Bill for consultation.
- President Geingob launches the Harambee Prosperity Plan.
- President Geingob sacks Deputy Minister of Lands Bernadus Swartbooi.

2017
- The Government-supported SME Bank closes amid allegations that funds were stolen by senior management.

2018
- Jacob Zuma resigns as President of South Africa and is replaced by Cyril Ramaphosa
- The Second Land Conference is held resulting in 40 resolutions.

2019
- An Icelandic whistle-blower exposes the Fishrot corruption scandal resulting in the resignation of two ministers.
- Namibia's sixth post-independence national elections see Hage Geingob re-elected as President on a reduced majority and SWAPO gain 63 seats in Parliament losing its two-thirds majority.

2020
- President Geingob declares a state of emergency due to Covid.
- Namibia seeks its first ever loan from the International Monetary Fund.

SWAPO at Elections

	1989	1994	1999	2004	2009	2014	2019
% of vote (President)		76.3%	76.8%	76.5%	75.3%	86.7%	56.3%
% of vote (Parliament)	57.3%	72.7%	76.2%	75.8%	74.3%	80.0%	65.5%
SWAPO seats	41	53	55	55	54	77	63
Other parties seats	31	19	17	17	18	19	33
Seats in Parliament	72	72	72	72	72	96	96

An aerial view of Windhoek's central business district

CHAPTER

1 Macroeconomy Macroeconomic Performance

For two-and-a-half decades Namibia succeeded in generating sustained positive economic growth and this led to a steady rise in average incomes. Since 2016, however, growth has stalled or gone into reverse and the Covid pandemic has made a bad situation worse. However, growth has always relied on a relatively limited range of exports to a limited range of markets and has remained heavily dependent on the minerals sector. The reality is that Namibia has benefitted from global booms in resources but has not succeeded in engineering more fundamental economic transformation by diversifying its exports. Growth has fallen far short of what is required to substantially reduce levels of poverty and unemployment and is nowhere near what is needed to attain Vision 2030 and high-income status. After 30 years of Independence and in the context of a global pandemic, Namibia continues to face the familiar challenge of how to produce and export new products to new markets and thereby generate growth and jobs for the mass of its population.

KEY EVENTS

YEAR	EVENT
1990	- Central Bureau of Statistics created in National Planning Commission - Bank of Namibia established - Otto Herrigel appointed Minister of Finance
1991	- 1991 Population and Housing Census conducted
1992	- Namibia dollar introduced - Otto Herrigel resigns - Gert Hanekom appointed Minister of Finance
1993	- CSO introduces quota leading to reduction in diamond production and negative growth - 1993/94 National Household Income and Expenditure Survey conducted
1994	- South Africa holds first democratic elections
1995	- Helmut Angula appointed Minister of Finance
1996	- Nangolo Mbumba appointed Minister of Finance
1997	- Pre-Independence debt written off by South Africa
1998	- Global emerging market crisis
1999	- National accounts rebased from 1990 to 1995 prices
2000	- Major revisions to GDP - Dot com bubble bursts
2001	- 2001 Population and Housing Census conducted - Inflation targeting introduced by South African Reserve Bank - 9/11 attack on World Trade Centre
2002	- New SACU Agreement signed - Saara Kuugongelwa-Amadhila appointed Minister of Finance
2003	- 2003/04 National Household Income and Expenditure Survey conducted
2004	- New SACU Agreement comes into effect
2005	- Namibia receives first ever sovereign credit rating from Fitch - Central Bureau of Statistics introduces Namibian Consumer Price Index - Namibia given investment grade sovereign credit rating BBB - by Fitch Ratings
2006	- Namibia's trade balance in surplus
2007	- Namibia achieves first ever budget surplus
2008	- Lehman Brothers collapses triggering Global Financial Crisis - Bank of Namibia holds monthly monetary policy meetings
2009	- 2009/10 National Household Income and Expenditure Survey conducted - Namibia classified as upper middle-income country by World Bank
2010	- Namibian economy recovers on back of counter-cyclical fiscal and monetary policies
2011	- 2011 Population and Housing Census conducted - Namibia given Baa[3] investment grade sovereign credit rating by Moody's - Namibia issues first US$500 million Eurobond1 with ten-year maturity

2012
- Namibia Statistics Agency created to replace Central Bureau of Statistics

2013

2014
- Namibia Statistics Agency starts publishing detailed Trade Statistics

2015
- Namibia raises N$1.5 billion of bond finance on JSE
- Calle Schlettwein appointed Minister of Finance
- John Steytler appointed economic advisor to the President
- Namibia issues US$750 million Eurobond[2] with ten-year maturity
- 2015/16 National Household Income and Expenditure Survey conducted

2016
- Prime Minister Kuugongelwa-Amadhila publishes draft National Equitable Economic Empowerment Bill
- Namibia Investment Promotion Act passed by Parliament

2017
- Moody's and Fitch downgrade Namibia to junk status

2018
- Namibia agrees N$3billion loan from the African Development Bank

2019
- Presidential economic advisor John Steytler resigns
- President Geingob appoints High Level Panel on Namibian Economy

2020
- High Level Panel on Namibian Economy publishes report
- President Geingob declares State of Emergency due to Covid
- Iipumbu Shiimi appointed Minister of Finance
- Johannes Gawaxab appointed Governor of the Bank of Namibia
- James Mnyupe appointed economic advisor to the President

Introduction

Namibia is a small upper-middle income country with ambitions to become a high-income industrialised country by the year 2030. According to the World Bank, Namibia's Gross Domestic Product (GDP) was estimated at US$10.7 billion in 2020 and its population 2.5 million[1] making it the world's 138th largest economy and 113th in terms of income per head. In 2020, the World Bank's definition of an upper middle income country (using its Atlas method for comparing countries) is when per capita income lies between US$4,046 and US$12,535 while upper income countries are those where per capita income exceeds US$12,535. In 2020, Namibia's Gross National Income (GNI) per capita was US$4,500 placing it – in common with neighbouring South Africa at US$6,010 and Botswana at US$6,640 - squarely in the upper middle income group of countries but far from the high-income threshold.

[1] The 2011 Population and Housing Census put the population at 2.1 million and population growth at 1.4 percent a year

TABLE 1.1

World Bank income classifications 2020

Country Income Class	Gross National Income per Capita (Atlas Method)
Low income	Less than US$1,035
Lower middle income	Between US$1,036 and US$4,045
Upper middle income	Between US$4,046 and US$12,535
High income	Above US$12,536

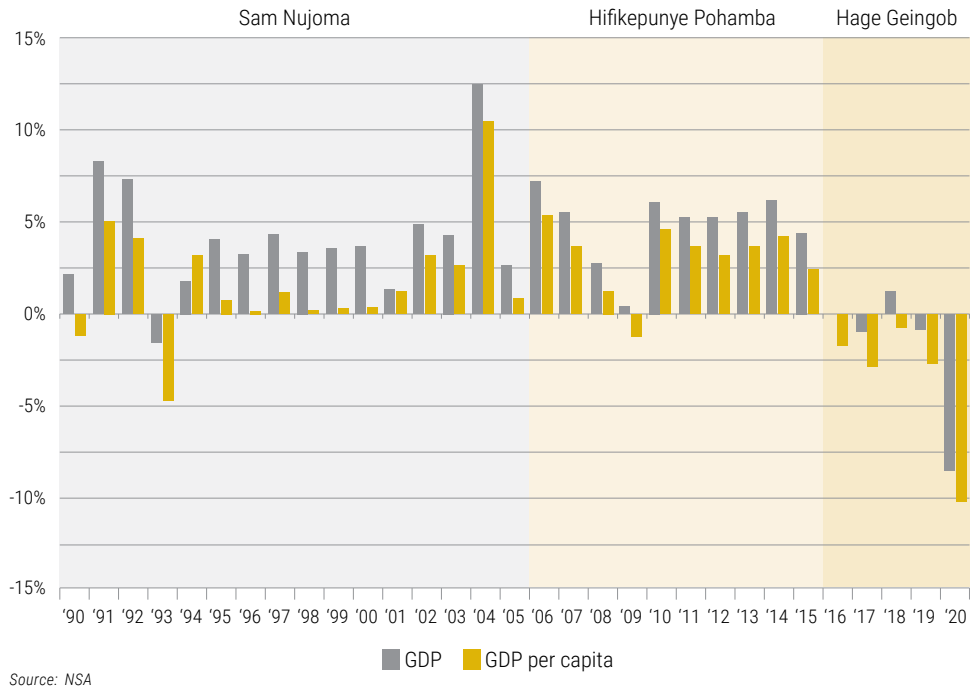
Source: World Bank

Remarkably perhaps for an economy so dependent on the vagaries of international commodity markets, between 1990 and 2015 Namibia's economy grew every year with the single exception of 1993, when diamond production was cut dramatically in response to stockpiling by De Beers, then Namibia's only diamond producer. Because this growth in GDP was generally higher than the growth in population, average incomes as measured by GDP per capita also rose. As a result, in 2009 the World Bank raised Namibia's income status from a lower to an upper middle-income country. This new income status, however, masked severe income inequality and at 0.56 Namibia's Gini coefficient – a standard measure of income inequality – remained one of the most unequal in the world[2].

However, after navigating a successful recovery through the Global Financial Crisis (GFC) and chalking up six successive years of robust growth, in 2016 Namibia's positive track record suffered a dramatic about-turn and the advent of Covid in 2020 has served only to further exacerbate this reversal of fortune.

CHART 1.1

Percentage Change in GDP and GDP per capita (1990-2020)



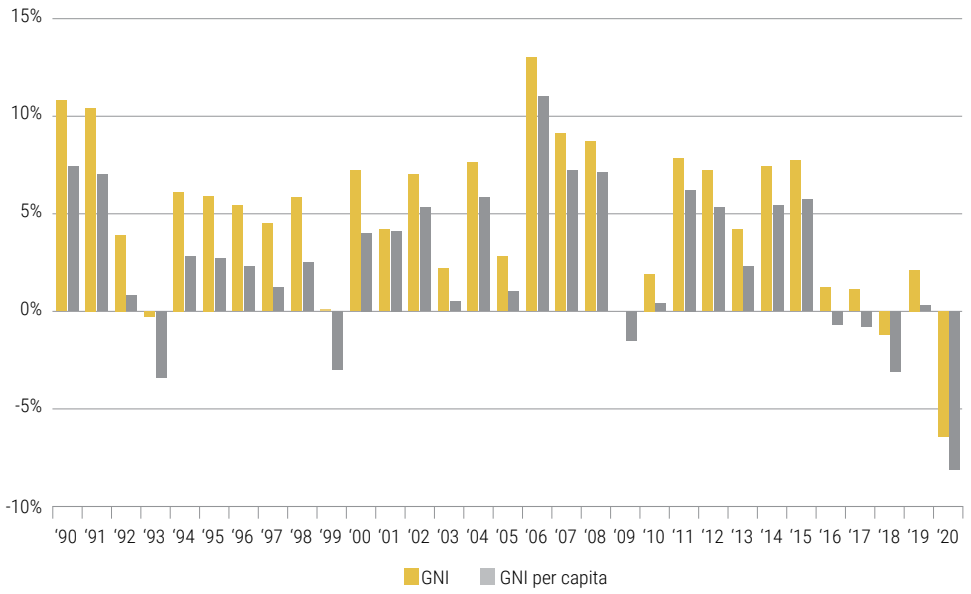
Source: NSA

[2] See Namibia Household Income and Expenditure Survey 2015/16, NSA

Gross National Income (GNI) and Gross National Disposable Income (GNDI) may be better measures of economic performance than GDP since the former takes into account the income accruing to Namibian residents from all sources not just domestic production while the latter also incorporates transfers to and from the rest of the world, which in Namibia's case are significant due to membership of the Southern African Customs Union (SACU) and development assistance from donor countries[3] although the latter has become less important in the past decade. In most years, there has not been a great difference between GDP and GNI but GNDI has continued to exceed both by a significant margin.

CHART 1.2

Percentage Change in GNI and GNI per capita (1990-2020)



Source: NSA

Economic Structure

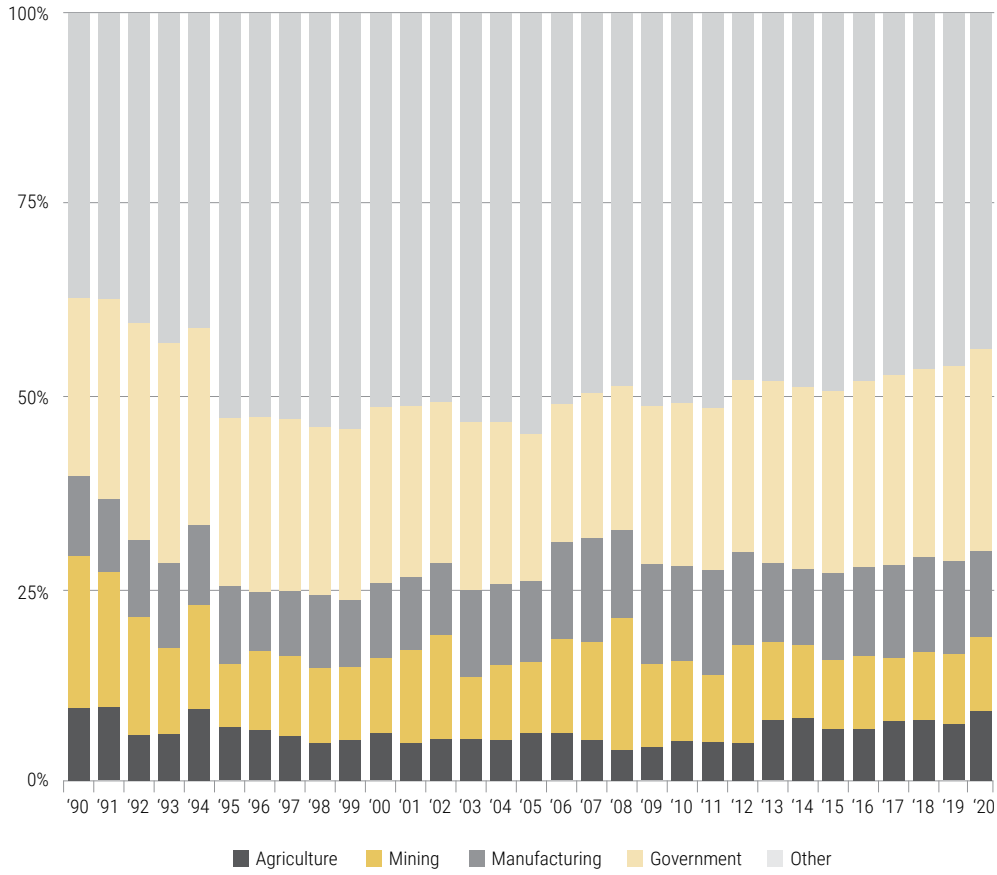
The growth histories of the major sectors of the economy are covered in the sectoral chapters of this book. Overall, however, the structure of Namibia's economy has changed remarkably little over 30 years when examined in terms of their contributions to GDP. The first few years of Independence saw around 60 percent of GDP generated by four sectors: agriculture, mining, manufacturing and government. Since 1995, however, the contribution of these same sectors has remained steady at around 50 percent of GDP as shown in the chart. It should be pointed out, however, that activities such as copper smelting, zinc refining, cement production as well as Namibia's diamond cutting and polishing industry – activities closely linked to the mining sector – are all classified as manufacturing rather than mining activities for national accounting purposes.

Furthermore, the structure of Government itself changed significantly in the 1990s through the process of commercialisation, which means that Government departments, which used to be captured under Government, are now captured under other sectors. For reasons of statistical re-classification, therefore, the degree of real structural change in the economy may be exaggerated by official statistics.

[3] In 2003 the OECD estimated Namibia received the most development assistance per person in Africa - over 100 times more per person than Nigeria.

CHART 1.3

Structural Change in GDP (1990-2020)



Source: NSA

Gross Domestic Expenditure

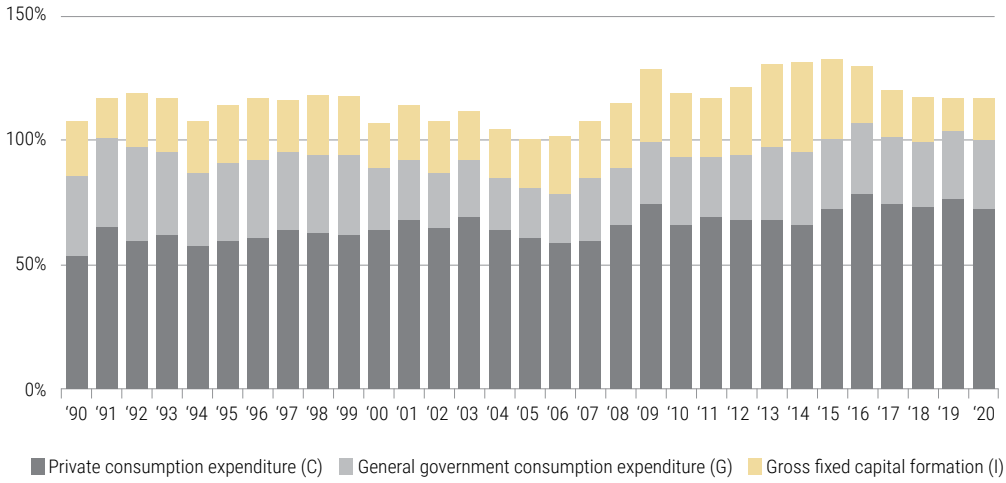
Turning from the production to the expenditure side of the economy, the chart shows how Gross Domestic Expenditure (the sum of Private Consumption Expenditure[4], Government Consumption Expenditure and Gross Fixed Capital Formation) has changed over time. Private Consumption Expenditure appears to have climbed steadily through the three decades since Independence. Public Consumption Expenditure underwent long-term decline from the 1990s to the mid-2000s when fiscal consolidation reached its peak after which it again started to increase. Gross Fixed Capital Formation has generally remained steady but increased before and after the GFC, primarily as a result of a mining investment boom combined with strong public investment, but has tailed off significantly since 2016.

In all but two years since Independence (2005 and 2006), Gross Domestic Expenditure has exceeded GDP implying that imports of goods and services exceeded exports of goods and services. In other words, Namibia has consistently run a trade deficit in goods and services.

[4] Initially private consumption expenditure was measured as a residual in the National Accounts

CHART 1.4

Gross Domestic Expenditure as Percentage of GDP (1990-2020)

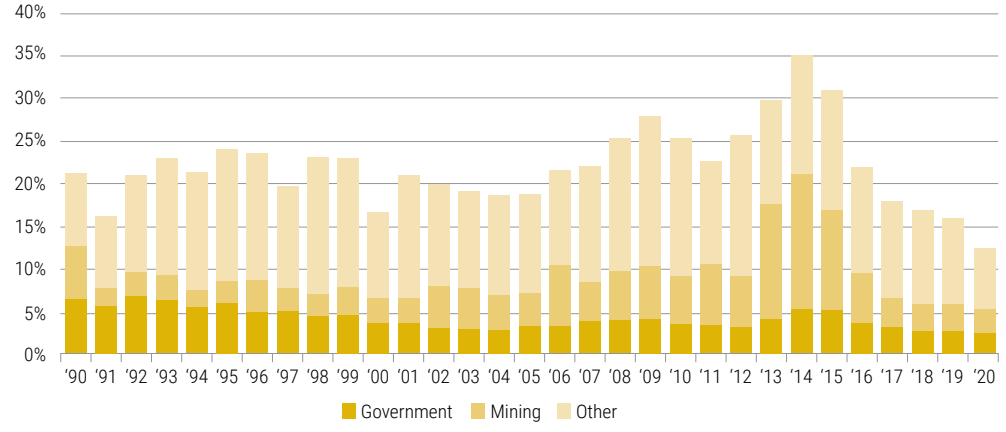


Source: NSA

Rapid economic growth requires investment. The chart shows the pattern of expenditure on fixed investment (termed Gross Fixed Capital Formation in the national accounts) from 1990 to 2020. Over three decades, total investment expenditure has averaged 22 percent of GDP, far too low to sustain the rates of growth required to achieve Vision 2030. Government investment spending underwent a steady decline in the first 15 years after Independence although this may have been due to a statistical issue related to the commercialisation of Government departments. The GFC was preceded by a minerals boom which led to significant investment in Namibia's mining sector and this reached a peak in 2013, 2014 and 2015 when two major new mines were constructed. At the same time, partly in response to the GFC, Government embarked on a major programme of public works, both directly and through State-Owned Enterprises. However, these levels of investment have not been sustained but rather have tailed off significantly since 2016. Private fixed investment outside the mining sector has subsequently dwindled to levels not seen for decades.

CHART 1.5

Gross Fixed Capital Formation as Percentage of GDP (1990-2020)



Source: NSA

FOREIGN DIRECT INVESTMENT IN NAMIBIA

The Namibian Constitution makes provision for the encouragement of foreign investment including Foreign Direct Investment (FDI):

> *Article 99 Foreign Investments*
> *Foreign investments shall be encouraged within Namibia subject to the provisions of an Investment Code to be adopted by Parliament.*

The table below provides a summary of the major foreign investments into Namibia since 1990, many of which are detailed in subsequent chapters.

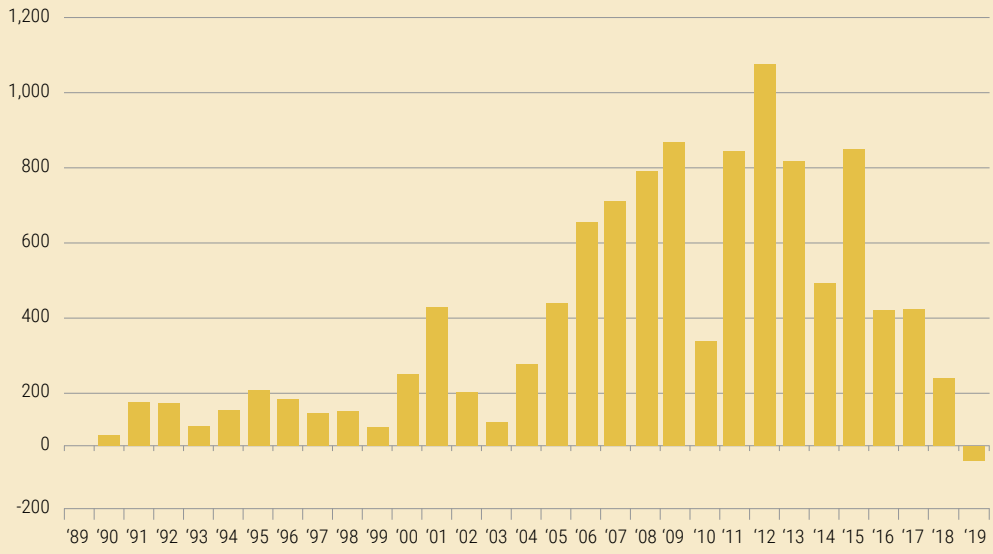
TABLE 1.2
Significant FDI in Namibia (1989-2020)

1989 – Navachab gold mine commences production
1990 – Elizabeth Bay diamond mine commences production
1994 – Namco and ODM list on NSX
1995 – MTC established with Telia and Swedfund
1997 – Belgium's Solvay buys Okorusu fluorspar mine
1999 – TransHex lists on NSX
2002 – Ramatex commences production
2003 – Skorpion zinc mine and Namzinc refinery commence production
2006 – Portugal Telecom buys 34 percent of MTC
2006 – Cell One awarded second cellular licence
2006 – Weatherly International buys Ongopolo
2007 – Langer Heinrich uranium mine commences production
2007 – Namibia Diamond Trading Company established
2009 – Orascom buys Cell One
2009 – Langer Heinrich completes Stage 2 expansion
2010 – Hilton Hotel opens in Windhoek
2010 – Canada-listed Dundee Precious Metals buys Namibia Custom Smelters
2010 – Switzerland's FIDES granted banking licence
2010 – Vedanta buys Skorpion zinc mine
2010 – France's AREVA opens Erongo Desalination Company
2011 – Germany's Schwenk Zement opens Ohorongo Cement
2011 – France's AREVA opens Trekkopje uranium mine
2011 – Puma Energy buys BP operations and Vivo Energy buys Shell operations
2012 – Wal-Mart given approval to buy Massmart's Namibian operations
2012 – Namibia Poultry Industries opens plant

2012 – Glencore buys Rosh Pinah lead and zinc mine
2014 – QKR buys Navachab gold mine from AngloGold Ashanti
2014 – China Nuclear Corporation buys 25 percent of Langer Heinrich uranium mine
2014 – SABMiller opens brewery
2014 – Yu Tian Stone opens stone processing plant
2014 – Avani Hotels and Resorts buys Kalahari Sands Hotel
2015 – B2Gold commissions Otjikoto gold mine
2015 – InnoSun commissions Omburu solar PV plant
2016 – China General Nuclear Power Corporation opens Husab uranium mine
2017 – Debmarine Namibia commissions SS Sam Nujoma exploration and sampling vessel
2017 – Trevali buys Rosh Pinah lead and zinc mine from Glencore
2018 – Whale Rock Cement commissions new cement plant
2018 – Tunacor takes delivery of Oshiveli fising vessel
2018 – AfriTin reopens Uis tin mine
2018 – Peugeot car assembly plant opens
2019 – China National Uranium Corporation buys Rössing uranium mine from Rio Tinto
2019 – Alten Energías Renovables commissions solar PV plant

However, although Namibia was reasonably successful in encouraging FDI from the end of the first decade of Independence, this success has not been sustained and FDI has been in sharp decline since 2015 as shown in the chart below to a situation where a net outflow was recorded in 2019 for the first time since 1990.

CHART 1.6
Net Flows of Foreign Direct Investment in Namibia (US$m 1989-2019)



Source: IMF

Balance of Payments

Namibia's persistent trade deficit can be examined more closely by looking at the external transactions section of the national accounts. The balance of payments, which summarises and categorises Namibia's transactions with the rest of the world, is divided into the current and the capital account. The current account consists of all current (rather than capital or investment related) transactions with the rest of the world. The current account can be divided into three components: 1) the balance of trade in goods and services, 2) the balance in primary incomes (income earned by Namibians or paid to foreigners through employment or investments), and 3) the balance in current transfers (transfers made to Namibians by the rest of the world or to the rest of the world by Namibians). Three characteristics are worthy of note in the Namibian data:

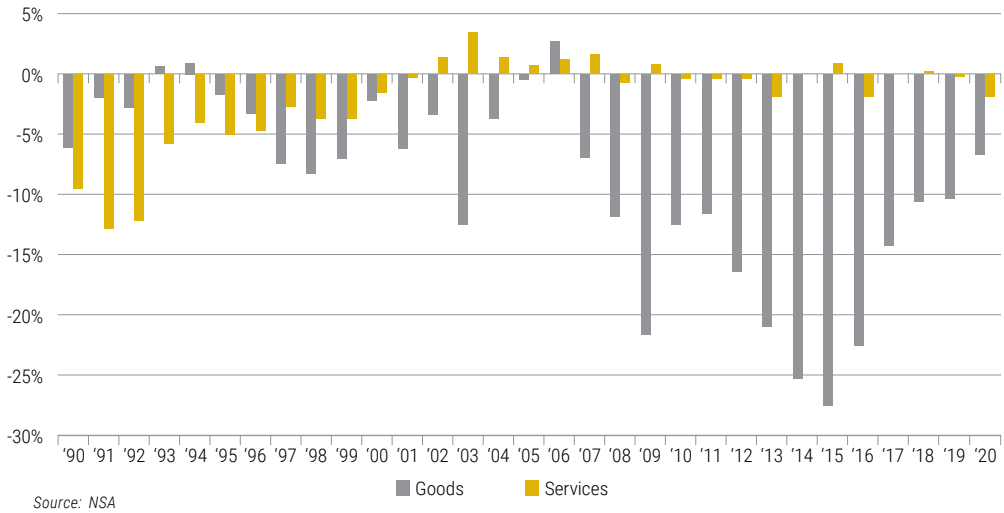
Trade between countries can take place in both goods and services. As already mentioned, Namibia has run an overall trade deficit (the balance of goods and services) almost every year since 1990 with exceptions only in 2005 and 2006. In most years since 1990 the balance of trade in goods only has been mostly negative and has been massively negative since the last surplus was recorded in 2006. While the balance of trade in services was highly negative throughout the 1990s, it has fluctuated from positive to negative since 2000, a possible reflection of the growing importance of Namibia's tourism industry, Namibia's major service export. However, because trade in services is dwarfed by trade in goods, the overall balance of trade has been determined primarily by the huge deficits in goods which have taken place over the past decade and more.

Throughout the 1990s, the balance of primary incomes was positive reflecting the positive net inflows of income into Namibia from Namibian investments undertaken largely by pension and life insurance funds. Compensation of employees (both receivable and payable) was negligible. However, since 2007 these inflows have reversed to become increasingly greater outflows.

The negative balance of trade in goods and services and also in primary incomes used to be outweighed by a hugely positive balance in the third component of the current account, namely current transfers, which comprised transfers from the Southern African Customs Union (SACU) Common Revenue Pool and also inflows of development assistance from donor countries. However, in 2009 this situation changed from a positive to a negative balance and Namibia became a net borrower from the rest of the world with net borrowing rising to as much as 14.8 percent of GDP in 2016 and subsiding to 2.9 percent of GDP by 2020.

CHART 1.7

Balance of Trade in Goods and Services as a Percentage of GDP (1990-2020)



Source: NSA

The analysis of Namibia's national accounts and of Namibia's external transactions highlights a number of important characteristics. The Namibian economy is a small, open, upper-middle income economy closely integrated to another upper middle-income economy that is some 28 times larger (South Africa with a GDP of US$351.432 billion in 2020) through membership of the Common Monetary Area (and virtually a common currency since the South African Rand remains legal tender in Namibia) and SACU.

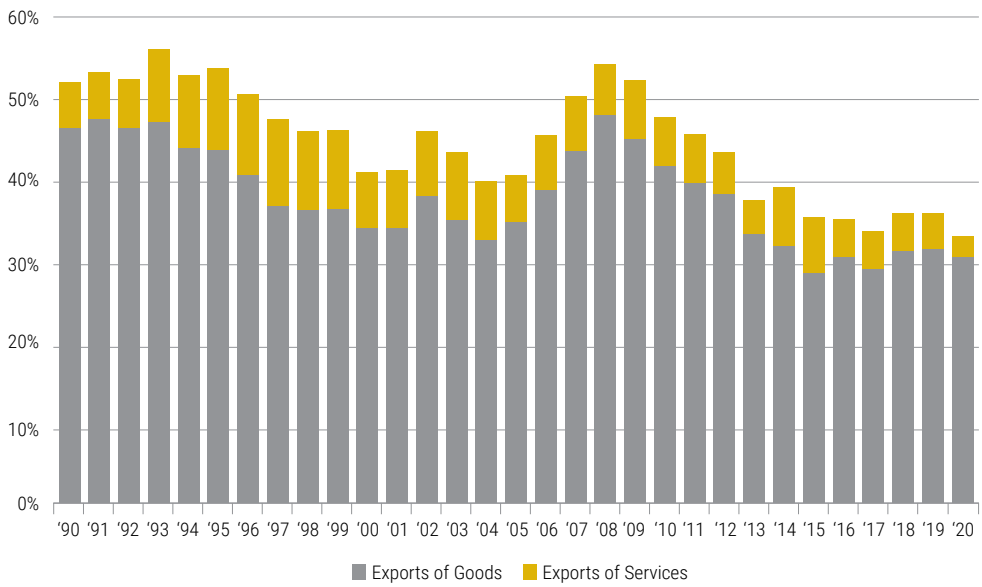
In only four years since Independence has Namibia succeeded in raising levels of investment much beyond 25 percent of GDP and this has limited its prospects for future growth. Higher levels of investment will require either reduced levels of domestic consumption (if it is to be financed domestically) or higher levels of external borrowing (if it is to be financed by the rest of the world) or some combination of the two. Namibia's export performance has been poor with exports generally falling as a proportion of GDP over the 30 years since Independence. Thus, although a trade deficit (and higher net foreign borrowing) might be the likely result of higher levels of investment, Namibia's trade deficit appears not to be associated with this more dynamic scenario but rather with a steady-state low-growth scenario.

Namibia's Exports

In broad terms, it can be seen that Namibia's exports are dominated by merchandise exports ("visibles") as opposed to services ("invisibles"). Although no clear trend in the export of services as a proportion of GDP is apparent, it is clear that the export of goods declined over the 1990s then rose again peaking around the time of the GFC before falling over the period and stabilising at around 30 percent of GDP.

CHART 1.8

Composition of Exports as Percentage of GDP (1990-2020)

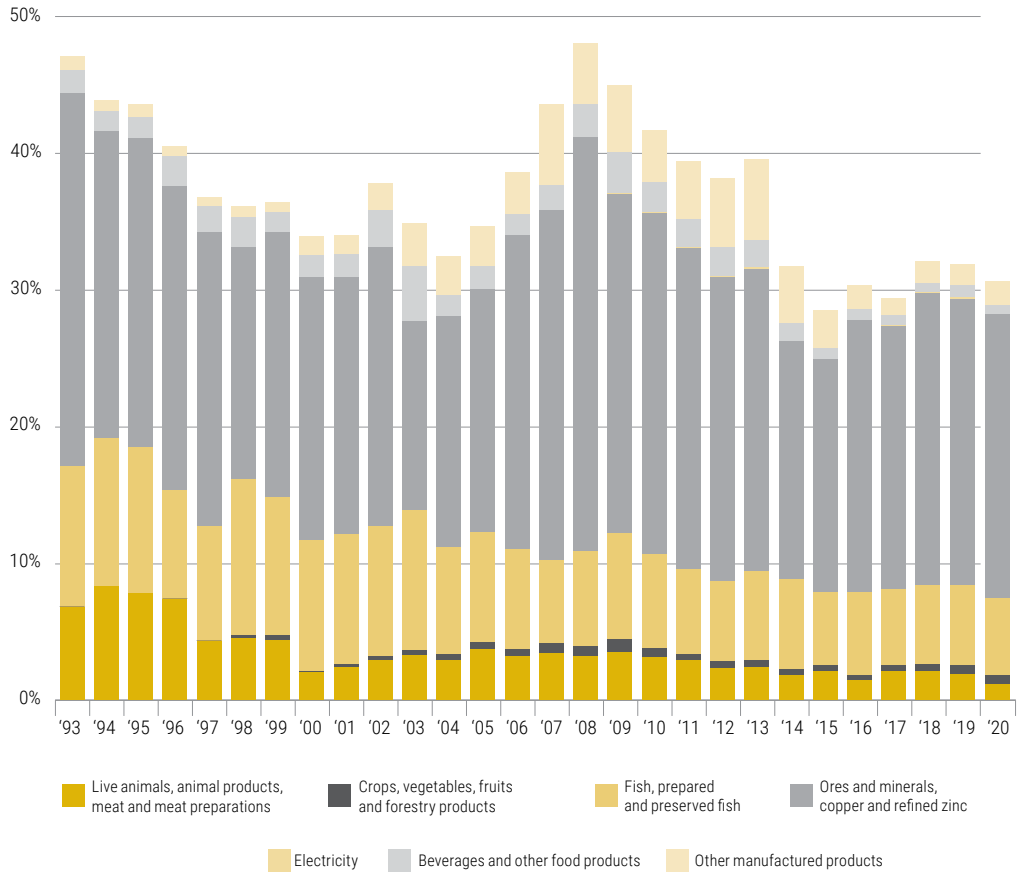


Source: NSA

The national accounts provide more detailed information on the breakdown of merchandise exports. Data is broken down into seven main categories: Live Animals, Animal Products and Crops, Fish and Other Fishing Products, Ores and Minerals, Electricity, and Manufactured Products. The composition of merchandise exports broken down into these categories and expressed as a percentage of GDP is presented in the chart. It is hard to discern any significant trend over time other than that Namibia's economy remains as dependent on mineral exports as ever. The two major changes worth noting are that Namibia started to export table grapes (see Chapter 6: Agriculture), refined zinc following the establishment of Skorpion zinc mine in 2003 (see Chapter 9: Mining) and that cut and polished diamonds have become a major export product following the establishment of the NDTC in 2007 (see Chapter 10: Diamond Cutting and Polishing). Although other new products have entered Namibia's export mix, they are still far too small to make an appreciable difference to the country's overall export performance.

CHART 1.9

Composition of Merchandise Exports as Percentage of GDP (1993-2020)



Source: NSA

Since 2012 the Namibia Statistics Agency has been publishing regular trade statistics which are collected on a monthly basis and published in the form of monthly, quarterly, and annual trade statistics bulletins. The data for 2019 presents, among other things, Namibia's main export products and main export destinations.

TABLE 1.3

Top Merchandise Export Products 2019 (HS-2 Level)

Product	Value (N$m)	Proportion (%)	Re-export	Export (N$m)	Proportion (%)
71: Precious Stones & Metals	20,571.3	22.4%	6,232.7	14,338.6	28.0%
26: Ores	12,899.3	14.1%	267.1	12,632.2	24.7%
03: Fish	10,033.9	10.9%	53.1	9,980.8	19.5%
79: Zinc	2,697.0	2.9%	98.7	2,598.3	5.1%
01: Live animals	2,126.7	2.3%	1.1	2,125.6	4.2%
74: Copper	23,633.0	25.8%	22,256.0	1,377.0	2.7%
22: Beverages	1,480.4	1.6%	126.6	1,353.8	2.6%
27: Oils & Mineral fuels	1,328.7	1.4%	241.2	1,087.6	2.1%
02: Meat	1,386.5	1.5%	408.1	978.4	1.9%
08: Fruits & nuts	952.6	1.0%	1.5	951.0	1.9%
25: Natural Minerals & Stone	921.5	1.0%	24.7	896.8	1.8%
44: Wood	754.4	0.8%	29.7	724.7	1.4%
16: Prepared Meats	395.2	0.4%	6.2	388.9	0.8%
84: Industrial Machinery	1,674.0	1.8%	1,327.8	346.2	0.7%
72: Iron & Steel	763.7	0.8%	520.7	243.0	0.5%
19: Prepared Cereals & Pastry	208.9	0.2%	48.1	160.8	0.3%
85: Electrical Machinery	623.0	0.7%	508.3	114.7	0.2%
73: Articles of Iron or Steel	714.2	0.8%	604.6	109.6	0.2%
39: Plastics	761.2	0.8%	676.7	84.6	0.2%
28: Inorganic Chemicals	273.5	0.3%	219.6	54.0	0.1%
87: Motor Vehicles & parts	1,667.8	1.8%	1,641.2	26.6	0.1%
90: Precision Instruments	205.0	0.2%	185.9	19.1	0.0%
38: Chemical products	494.4	0.5%	483.1	11.3	0.0%
40: Rubber	336.2	0.4%	329.6	6.6	0.0%
89: Vessels & Boats	3,140.0	3.4%	3,135.1	4.9	0.0%
Other	1,723.5	1.9%	1,145.8	577.6	1.1%
Total	**91,765.9**	**100.0%**	**40,573.2**	**51,192.7**	**100.0%**

Source: NSA

TABLE 1.4
Top Ten Export Destinations 2019

Export Destination	Value (N$m)	Proportion (%)
China	23,756	25.9%
South Africa	15,788	17.2%
Botswana	9,308	10.1%
Belgium	6,879	7.5%
Spain	4,495	4.9%
Zambia	3,566	3.9%
UAE	3,197	3.5%
DRC	2,748	3.0%
Italy	2,184	2.4%
Netherlands	2,135	2.3%
Other	17,711	19.3%
Total	**91,766**	**100.0%**

Source: NSA

Confusingly, the data on exports includes re-exports. Thus, for example, although at first sight it looks as if Namibia is a major copper exporter selling N$23.6 billion in 2019, it turns out that the country also imported N$18.4 billion of copper from Zambia and the DRC as well as copper concentrates from Bulgaria and Peru for smelting and re-export. Similarly, exports of Vessels and Boats worth N$3.1 billion took place at the same time as imports of N$3.2 billion. No distinction is made between rough diamond exports and the export of cut and polished diamonds. Namibia does not produce Vessels and Boats or Motor Vehicles and Parts. It is a major producer of uranium oxide. Undoubtedly, goods are shipped or trucked into Namibia to be re-exported to Angola, Zambia and other countries while exports to South Africa are often in transit to final destinations elsewhere. In a similar way, exports from Zambia and the DRC make their way to world markets via Walvis Bay in Namibia. These trade statistics, therefore, need to be handled with care.

A more detailed examination of Namibia's exports conducted in 2012 showed that the composition of approximately four-fifths of Namibia's merchandise exports appears broadly similar when a comparison is made between 2001 and 2011[5]. The predominant export categories include key mineral products, fish products, meat and animal products, and beer. Two new products have been added to these top exports – refined zinc and cut and polished diamonds – while other products have gained in importance including frozen mackerel, fluorspar and fresh grapes. In some cases export diversification appears not to have been sustained. For example, the period from 2001 to 2011 saw categories of textile exports rise but then virtually disappear, volumes being associated with the ill-fated Ramatex investment which started in 2001 and shut down in early 2008 (and which is dealt with in more detail in Chapter 11: Manufacturing). Furthermore, re-exports appear to have grown in importance during the period reflecting perhaps the rise of Walvis Bay as an entry point to the SADC market (including Angola) and some goods in transit entering (mistakenly) Namibia's trade data. However, based on a limited analysis of four-fifths of Namibia's merchandise exports, it appears that only rather modest export product diversification has taken place. Manufactured exports outside the food and minerals sector are extremely limited in magnitude. Furthermore, it remains something of a mystery that some N$9.6 billion worth of manufactured exports (or more than one quarter of total merchandise exports) included in the national accounts cannot be properly accounted for.

[5] For more detail on Namibia's exports and export destinations see "Namibia's Export Performance: Lacking Drive", R Sherbourne, IJG, 8 October 2012

TABLE 1.5

Top 20 Export Destinations in 2001, 2011 and 2019

Country	2001	Country	2011	Country	2019
1. United Kingdom	39.7%	1. South Africa	18.0%	1. China	25.9%
2. South Africa	23.0%	2. United Kingdom	16.7%	2. South Africa	17.2%
3. Spain	15.0%	3. Angola	9.4%	3. Botswana	10.1%
4. Angola	5.5%	4. United States	8.1%	4. Belgium	7.5%
5. United States	3.6%	5. Belgium	6.4%	5. Spain	4.9%
6. France	2.1%	6. Canada	5.5%	6. Zambia	3.9%
7. Italy	2.0%	7. Spain	4.8%	7. United Arab Emirates	3.5%
8. Netherlands	1.6%	8. Italy	3.7%	8. DRC	3.0%
9. Germany	1.0%	9. Netherlands	3.1%	9. Italy	2.4%
10. Japan	0.8%	10. France	2.6%	10. Netherlands	2.3%
11. Belgium	0.7%	11. China	2.4%	11. France	2.2%
12. China	0.6%	12. DRC	1.9%	12. United States	2.1%
13. Congo Brazzaville	0.4%	13. Germany	1.5%	13. Canada	1.6%
14. DRC	0.4%	14. Switzerland	1.5%	14. Hong Kong	1.5%
15. Portugal	0.4%	15. Sweden	0.9%	15. Germany	1.4%
16. Denmark	0.4%	16. Zambia	0.8%	16. Bahamas	1.2%
17. Zimbabwe	0.3%	17. Korea	0.7%	17. Mauritius	1.0%
18. Australia	0.3%	18. Portugal	0.7%	18. Israel	0.8%
19. Botswana	0.2%	19. Botswana	0.7%	19. United Kingdom	0.8%
20. Nigeria	0.2%	20. Mozambique	0.6%	20. Angola	0.7%

Source: NSA

Market diversification is important because it allows Namibia to spread its risk when downturns take place in its different export markets. The limited diversification in export products is visible in the limited amount of diversification in export markets. Although Namibia appears to have reduced its dependence on its top ten export markets, the top 25 markets have remained broadly similar. Exports to Southern African Development Community (SADC) and other African markets outside South Africa and Angola remain relatively limited.

Policy Implications

This lack of growth and diversification in Namibia's export products and export markets should be a huge cause for concern to policymakers since, without significant growth in exports, the growth in the wider economy they wish to see is unlikely to take place. The first decade of Independence saw some policy attention given to the question of how to boost exports and this resulted in the Export Processing Zone (EPZ) programme as well as tax incentives for exporters (see Chapter 11: Manufacturing). Whatever the view on the efficacy of tax incentives, this attention seems largely to have lapsed and few if any new measures to help exporters have been announced in recent years (EPZ and manufacturing incentives were scrapped in 2020) while the focus has switched to Growth at Home.

Likewise, the issues of exchange rate competitiveness and the potential anti-export bias of SACU's tariff regime (much reduced since 1994) seem to have disappeared from policymakers' radar screens. Namibia's Fourth National Development Plan and Harambee Prosperity Plan appeared to recognise the need to encourage sectors which have export potential (agriculture, manufacturing, tourism, transport and logistics) but rather downplayed the degree to which Namibia required a concerted export drive, stressing instead the employment creation potential of these sectors rather than the export market as a means to harness economies of scale and increase employment.

Thankfully, the importance of export performance was recognised by the report of the High-Level Panel on the Namibian Economy[6] published in February 2020 which moved the terms of the economic debate back towards the question of what Namibia can competitively produce and sell to the rest of the world and thereby achieve the higher rates of GDP and employment growth it aspires to.

> "Ultimately, given that fiscal consolidation is likely to continue, growth must come from exports and investment activities that are related to exports. Formal sector employment can be increased by targeting industries with a high potential for export diversification and gradually solving the constraints that hinder their development."
>
> Page 3, High-Level Panel on the Namibian Economy

> "Namibia's exports are mostly low-complexity goods, including the new additions to its export basket. Namibia mostly exports minerals and certain agricultural goods – diamonds, copper, zinc, fish, cattle and grapes. These commodities are relatively low in economic complexity. Moreover, the products that Namibia exports are located on the periphery of the product space, indicative that its current productive capabilities are not centrally connected to many nearby opportunities to diversify into. Understandably, the country's export structure hasn't changed much in recent years – while it added more products than its regional peers, they were all related to the mining sector and were still relatively of low complexity."
>
> Page 4, High-Level Panel on the Namibian Economy

The coming years will demonstrate how serious Government is about taking forward a programme of export-led growth as envisaged by the High-Level Panel.

[6] See "High Level Panel on the Namibian Economy: Final Report with Recommendations Prepared for Submission to HE President Dr Hage G Geingob, 25 February 2020

BUSINESS FORMATION AND BUSINESS CONFIDENCE

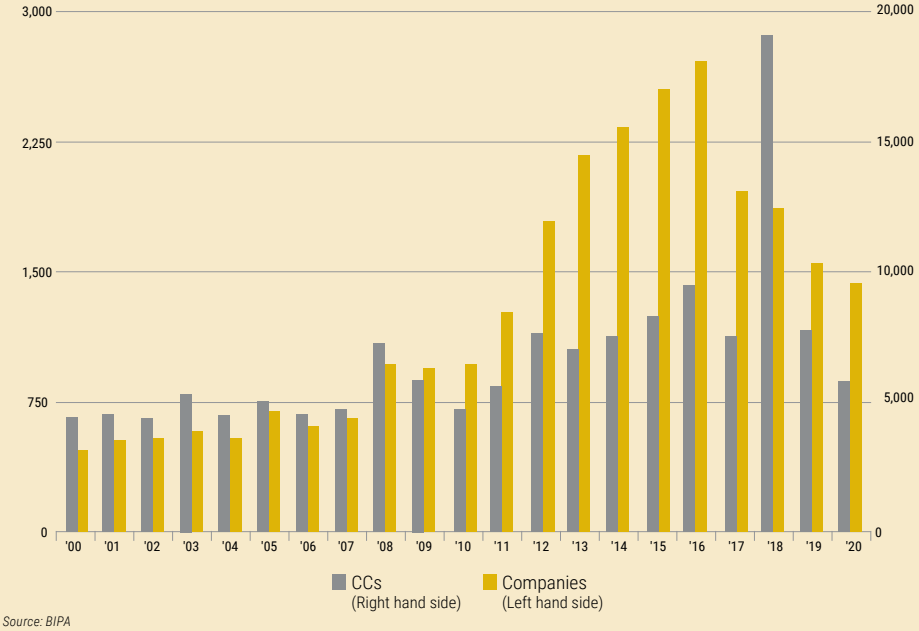
The IPPR has kept track of new company registrations since 2000. The chart presents the number of new registrations for (Proprietary) Limited companies, close corporations, and defensive names and shows positive long-term growth in all three categories until 2016 when the economy turned.

It is hard to read too much into the registration of new close corporations which may be associated with farm purchases[7] and residential property[8] rather than a thriving new business culture or the formalisation of previously informal operations. Worthy of note is the exceptionally high number of (Pty) Ltd registrations in 2018 as people prepared to bid for fishing quotas (see Chapter 7: Fishing). Unfortunately, de-registrations are not captured and it is therefore impossible to say anything about net business creation with any certainty.

Nonetheless, the chart supports the idea that Namibia's business climate was generally supportive of new business creation up to 2016 when things changed. Recent editions of the World Bank's "Doing Business" have relegated Namibia to ever lower rankings to the point where in 2020 the country was ranked 104th out of 190 countries for ease of doing business behind Mauritius, Rwanda, Kenya, South Africa, Zambia, Botswana, Togo, and the Seychelles[9].

Chart 1.10

Corporate Registrations



Source: BIPA

[7] Thanks to a loophole in the Agricultural (Commercial) Land Reform Act 1995 (Act No.6 Of 1995) farms registered in the name of a business did not have to be offered to Government when sold. This loophole was closed in 2005.

[8] Residential properties registered in the name of a business are not subject to transfer duties when sold.

[9] See http://www.doingbusiness.org/rankings

Beginning in 2000 the IPPR produced the IJG Business Climate Index (BCI), a monthly aggregate of some of the most important indicators of Namibia's business climate. The BCI was published in the IPPR's monthly Business Climate Monitor (BCM) and was sponsored by local stockbroker IJG Securities. The Business Climate Index was based on 13 broad economic indicators that are likely to impact on the domestic business environment. All indicators had the same weight except for company registration data, which had a significantly lower weight to reduce its volatility on the overall Index. Data was collected on each indicator on a monthly basis. The BCI was abandoned early in the Covid pandemic when it was deemed not fit for purpose as it struggled to reflect business confidence during an unprecedented pandemic.

The indicators were as follows:

1. National Consumer Price Index (NCPI)
2. Unweighted exchange rate of the Namibia dollar against the US dollar and the euro
3. Deflated average price of beef and mutton
4. Deflated average price of white fish
5. Deflated average metal prices
6. Unweighted average of selected OECD leading indicators (as a proxy for diamond price)
7. Total of commercial vehicle sales
8. Real value of building plans completed
9. Real value of building plans approved
10. The NSX local index
11. Total number of business registrations
12. Real private sector (businesses and individuals) credit extension
13. Average prime lending rate
14. Average deflated price of international crude oil

THE BUSINESS CLIMATE INDEX WAS BASED ON ALL INDICATORS. A NUMBER OF SUB-INDICES WERE ALSO MEASURED:

1 **The Investment Index** was based on commercial vehicle sales, real value of building plans completed, NSX local index, company registrations, real credit extension (business), average prime lending rate, and the future oil price.

2 **The Consumption Index** was based on the National Consumer Price Index, the Namibia dollar/US dollar exchange rate, the OECD leading indicators (diamond price proxy), passenger vehicle sales, real credit extension (individuals), the average prime lending rate, and the oil spot price.

3 **The Export Index** was based on the Namibia dollar/Euro exchange rate, the deflated average price of beef and mutton, the deflated average price of white fish, deflated average metal prices and the OECD leading indicators (diamond price proxy).

4 **The Leading Indicator** was based on deflated average metal prices (future), commercial vehicle sales, real value of building plans approved, the NSX local index, defensive name registrations, the average prime lending rate, and the future oil price.

5 **The Coincident Indicator** was based on the National Consumer Price Index, the Namibia dollar/US dollar, the Namibia dollar/Euro exchange rate, the deflated average price of beef and mutton, the deflated average price of white fish, deflated average metal prices (spot) and the OECD leading indicators (diamond price proxy), passenger vehicle sales, real value of building plans completed, company registrations, real credit extension (business and individuals), and the oil spot price.

GLOBAL COMPETITIVENESS INDEX

Since 2002 Namibia has been rated by the World Economic Forum (WEF), the Swiss-based membership organisation funded by 1,000 of the world's largest companies, as part of its Global Competitiveness Report[10].

Countries are rated according to the Global Competitiveness Index (GCI) based on a wide range of indicators. Since first being ranked fourth in Africa back in the first Africa Competitiveness Report in 1998[11], Namibia first fell in successive ratings then rose before falling again. In 2019 Namibia found itself ranked 94th out of 141 economies. In Sub-Saharan Africa (which the WEF says is the least competitive region of the world), Namibia is ranked fifth below Mauritius (52nd), South Africa (60th), Seychelles (76th), and Botswana (91st). This means Namibia's relative position has fallen since the rankings began although its absolute GCI score has stabilised in recent years at 4.00. This is probably a fair reflection of the fact that substantive economic reforms have not taken place. Unfortunately, for several years this poor performance did not seem to stir much of a reaction from policy-makers[12] but in 2012 Namibia's Fourth National Development Plan (NDP4) declared that "By the year 2017, Namibia shall be the most competitive economy in the SADC region according to the standards of the World Economic Forum."[13] Unfortunately, policymakers made little effort to achieve what would have then meant Namibia moving up the rankings by almost 40 places in two years to overtake Mauritius in top spot. Namibia scores well on the three WEF Pillars of Financial Systems, Labour Market, and Institutions but is rated especially poorly on Business Dynamism, Health, and Market Size.

TABLE 1.6

World Economic Forum Global Competitiveness Index (GCI) 2002-2019

	'02	'03	'04	'05	'06	'07	'08	'09	'10
WEF GCI score	n/a	n/a	4.11	3.72	3.74	3.85	3.99	4.03	4.09
Number of countries	80	101	104	117	125	131	134	133	139
Ranking	53	52	52	63	79	89	80	74	74
Ranking in Sub-Saharan Africa	4	4	4	5	4	4	4	4	3

TABLE 1.6

World Economic Forum Global Competitiveness Index (GCI) 2002-2019

	'11	'12	'13	'14	'15	'16	'17	'18	'19
WEF GCI score	4	3.88	3.93	3.96	3.99	4.0	4.0	4.0	54.5
Number of countries	142	144	148	144	140	135	135	140	141
Ranking	83	92	90	88	85	84	99	100	94
Ranking in Sub-Saharan Africa	5	6	6	5	5	5	5	6	5

Source: World Economic Forum

[10] See www.weforum.org
[11] See "Why Not Aim to Come First?", Economic Eye, *The Namibian*, 10 March 1998.
[12] See "Could Do Better", *Insight Namibia*, October 2005
[13] See Namibia's Fourth National Development Plan 2012/13-2016/17 "Changing Gear Towards Achieving Vision 2030" Executive Summary page 27.

Useful References

Bank of Namibia Quarterly Bulletins and Annual Reports

Economist Intelligence Unit Quarterly Country Reports

Fitch Ratings Annual Credit Analysis

IMF Article IV Mission Reports

Moody's Investors Service

Namibia Statistics Agency Annual National Accounts and Annual Trade Statistics

World Bank Doing Business

World Economic Forum Global Competitiveness Reports

Useful Websites

Bank of Namibia
www.bon.com.na

Fitch Ratings
www.fitchratings.com

Harvard Growth Lab
https://atlas.cid.harvard.edu/

International Monetary Fund
www.imf.org

Moody's
www.moodys.com

National Planning Commission
www.npc.gov.na

Namibia Statistics Agency
www.nsa.org.na

World Bank
www.worldbank.org

World Bank's Doing Business
www.doingbusiness.org

World Economic Forum
www.weforum.org

ANNEX

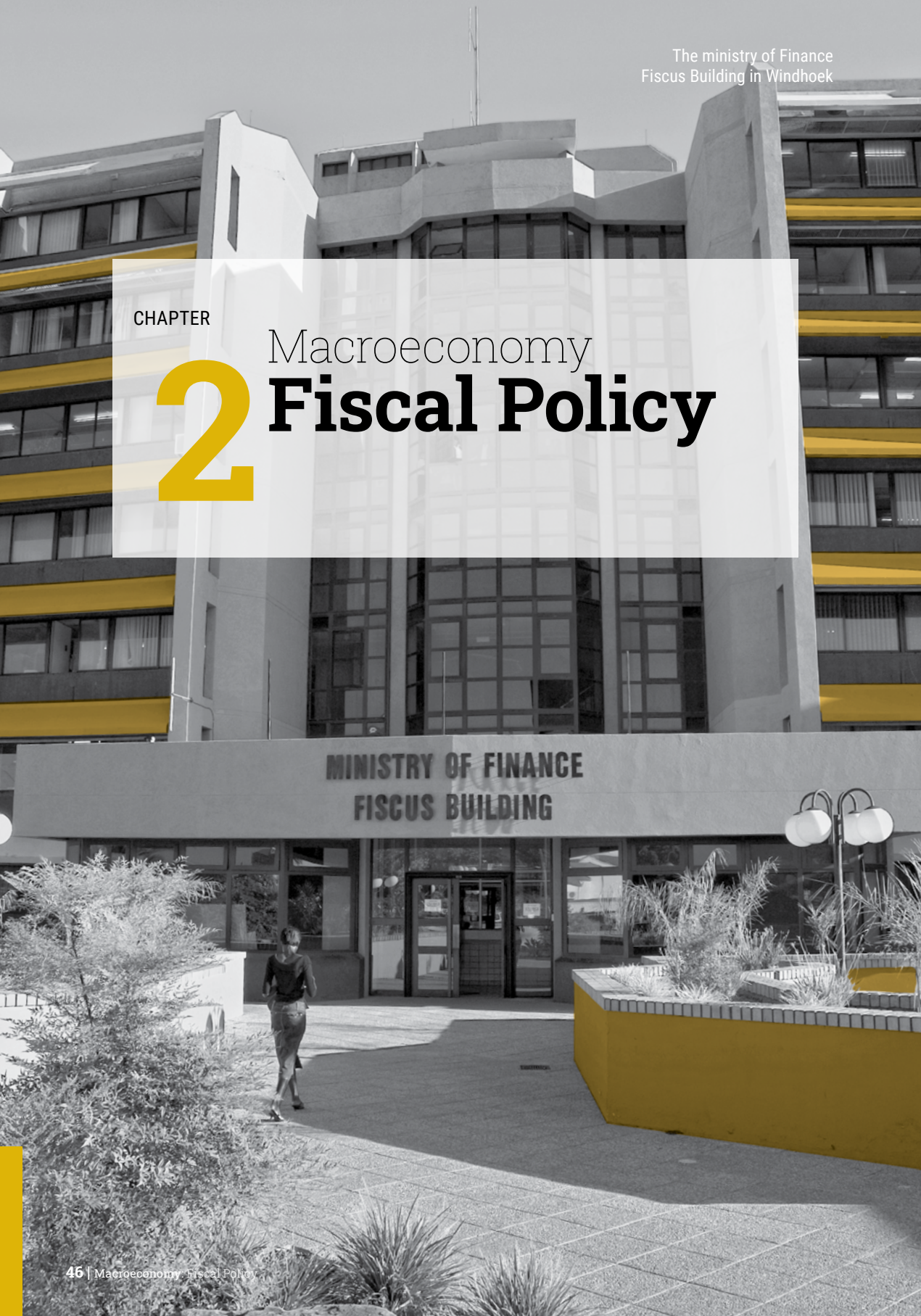
ANNEX 1

Company, Close Corporation and Defensive Name Registrations (2000-2020)

	Companies (Pty) Ltd	Close Corporations	Defensive Names
2000	647	2,475	1,652
2001	672	2,831	2,151
2002	645	2,955	2,644
2003	789	3,066	2,547
2004	659	2,920	2,698
2005	739	3,889	3,890
2006	668	3,365	4,217
2007	697	3,639	3,568
2008	1,080	5,367	5,528
2009	867	5,387	6,362
2010	697	5,778	8,090
2011	831	7,572	6,409
2012	1,134	10,783	4,411
2013	1,043	13,427	5,548
2014	1,112	14,429	4,234
2015	1,226	15,780	5,098
2016	1,409	16,674	4,039
2017	1,110	11,993	4,107
2018	2,851	9,590	3,251
2019	1,153	9,164	3,736
2020	852	8,672	2,332

Source: BIPA

A cargo ship docked at Walvis Bay



The ministry of Finance
Fiscus Building in Windhoek

CHAPTER

2 Macroeconomy Fiscal Policy

Fiscal policy is the Namibian Government's primary tool for influencing demand in the economy and improving the "supply side" of the economy: enhancing the nation's stock of human and physical capital to make the economy more productive. The fact that Namibia's public sector is so large in relation to the rest of the economy means that fiscal policy takes on even greater economic and political importance.

On the whole, fiscal policy in independent Namibia has been rather conservative regardless of who has been Minister of Finance. Although Government ran a budget deficit every year from Independence to 2006/07, it successfully avoided the fate experienced by so many developing countries of slipping into a debt trap. Some major tax changes, including the introduction of VAT, have taken place alongside improvements in revenue collection, enhanced income from the Southern African Customs Union, an investment grade sovereign credit rating, the development of the domestic debt market, and the diversification of debt instruments to allow the tapping of regional and international bond markets. In addition, a willingness to spend revenue windfalls has provided Government with the resources to spend at levels of around 35 percent of GDP without resorting to extensive foreign borrowing.

Following 16 years of deficits, a certain amount of expenditure restraint allowed Government to bring the stock of public debt to below its target of 25 percent of GDP which in turn, coupled with the fact that most major rich economies had thrown fiscal restraint out of the window, made possible the pursuit of a more active fiscal stance when the Global Financial Crisis erupted. Government spending undoubtedly helped cushion the impact of reduced demand for exports. However, the quality of public spending has historically been and remains highly questionable. The sustained stimulus made more of an impact on public sector salaries and government buildings in Windhoek as well as high-profile white elephants than on the country's productive infrastructure and this was exposed once the economy started to slow in 2016. Covid has compounded already spiralling public debt towards levels Namibia has never experienced. Improving the effectiveness of Namibia's vast public expenditure programme remains one of the most important policy objectives but the required budgetary and public sector reforms needed to achieve this are nowhere in sight.

Fiscal Policy

KEY EVENTS

YEAR | **EVENT**

1990
- Otto Herrigel appointed Minister of Finance
- First budget tabled on 6 July 1990

1991
- New marginal income tax rate of 15 percent introduced
- State Finance Act passed by Parliament
- Monthly T-Bill auctions commenced

1992
- Otto Herrigel resigns
- Gert Hanekom appointed Minister of Finance
- Company tax reduced from 42 percent to 40 percent
- NSX established
- Government bond issues commenced

1993
- Lowering of GST from 11 percent to 8 percent
- Introduction of Additional Sales Levy between 0 percent to 15 percent
- Company tax reduced from 40 percent to 38 percent
- Manufacturing tax incentives introduced
- Tax exemptions for parastatals removed

1994
- Diamond tax receipts change with the creation of Namdeb

1995
- Company tax reduced to 35 percent
- Helmut Angula appointed Minister of Finance
- EPZ tax incentives introduced

1996
- Nangolo Mbumba appointed Minister of Finance

1997
- South Africa formally writes off Namibia's pre-Independence debt

1998
- Bond consolidation into GC02, GC05 and GC10 implemented

1999
- Namibia involved in war in DRC

2000
- Value Added Tax Act passed by Parliament
- Non-diamond mining company tax changed to 37.5 percent

2001
- Namibian Tax Consortium reports
- Medium-term Expenditure Framework introduced
- Fiscal targets introduced

2002
- New SACU Agreement signed
- GC07 and GC15 issued

2003
- Saara Kuugongelwa-Amadhila appointed Minister of Finance

2004
- Minerals royalty tax gazetted without prior consultation with industry
- GC24 issued

2005
- Namibia given investment grade sovereign credit rating BBB- by Fitch Ratings
- GC12 issued
- New SACU revenue-sharing formula comes into operation

2006
- No additional budget tabled
- First budget surplus since Independence achieved
- Land tax introduced
- Minerals royalty tax re-introduced

2007
- No additional budget tabled
- Government debt target met

2008
- GC18 issued
- Basic food items zero-rated for VAT
- No additional budget tabled
- Minerals royalty tax gazetted

2009
- Minister introduces budget to "weather the storm"
- N$800 million of tax measures introduced
- No additional budget tabled
- Withholding tax on interest comes into force

2010
- Namibia Labour Force Survey 2008 published showing unemployment rate at 51.2 percent

2011
- Minister of Finance announces Targeted Intervention Programme for Employment and Economic Growth (TIPEEG)
- SACU report recommends new revenue-sharing formula which would have seen Namibia's revenues cut by two-thirds
- Minister of Finances announces far-reaching tax proposals including proposals on mining taxation
- Namibia given Baa3 investment grade sovereign credit rating by Moody's
- Namibia issues first US$500 million Eurobond

2012
- Public spending budgeted to rise above 40 percent of GDP
- Budget announcement to cut corporate tax rate to 32 percent by 2014/15
- First non-South African sovereign bond of N$850 million listed on JSE

2013
- Public Private Partnership policy finalised
- Budget proposes changes to personal income tax, transfer and stamp duty

2014
- US Fed ends quantitative easing
- SACU Heads of State endorses five priorities for SACU reform
- Government decides to establish semi-autonomous Revenue Authority

2015
- Namibia raises N$1.5 billion of bond finance on JSE
- Calle Schlettwein appointed Minister of Finance
- John Steytler appointed economic advisor to the President
- Investigation into equity and effectiveness of tax system announced
- Namibia issues US$750 million Eurobond
- First Mid-Year Budget Review tabled in Parliament

2016
- Export Levy Act passed

2017
- Public Private Partnership Act passed
- Moody's and Fitch downgrade Namibia to junk status

2018
- Namibia agrees N$3 billion loan from the African Development Bank
- EU removes Namibia from tax blacklist

2019
- Presidential economic advisor John Steytler resigns
- High Level Panel on the Namibian Economy appointed

2020
- EPZ and manufacturing incentives scrapped
- High Level Panel on the Namibian Economy publishes report
- Iipumbu Shiimi appointed Minister of Finance
- Cabinet decides to establish Sovereign Wealth Fund
- James Mnyupe appointed economic advisor to the President

Introduction

Namibia's great challenge at Independence consisted of finding the resources necessary for nation-building and meeting its enormous backlog of social investment on the one hand, while maintaining sustainable levels of public spending and debt required to maintain macroeconomic stability and attract foreign investment on the other. In what was widely regarded as a signal that the new Government intended to follow orthodox economic and fiscal policies, Otto Herrigel, a conservative white Namibian with a background in business and a degree in economics, was picked as the country's first Minister of Finance. While there is no doubt that Herrigel's presence did much to reassure the nervous white business community, it was not clear he was the right choice to steer the country's finances in the new directions required. His two budgets were reassuringly conservative ("cautiously expansive") but contained little in the way of new policies or new ideas. A key piece of fiscal legislation, the State Finance Act[1], was passed in 1991 and the first monthly Treasury Bill auction was held in May 1991. According to Klaus Dierks[2], Herrigel ended up resigning from Cabinet in April 1992 over the issue of the Presidential jet, about which he had been kept in the dark, and he was replaced with another white Namibian, the more lively and adaptable Gert Hanekom.

Hanekom's term in office saw the introduction of a number of important new fiscal and other measures. The first Government bonds with maturities of two to three years were issued in October 1992. Personal taxation was regularly modified and the rate of company tax was steadily cut from 42 percent in 1990 to 35 percent in 1995. Consumption taxes were reformed and in 1993 an Additional Sales Levy (ASL) was brought in to complement the revised General Sales Tax (GST) which had already been replaced in South Africa by Value Added Tax (VAT) in 1991. Mining taxation was reformed while the creation of Namdeb in 1994 led to changes in diamond taxation. Hanekom's second budget in 1993 saw the introduction of tax incentives for manufacturing enterprises which were followed in 1995 by a more

[1] State Finance Act 1991 (Act No.31 of 1991)
[2] See www.klausdierks.com/Chronology/134.htm

Introduction

generous range of tax incentives for Export Processing Zone (EPZ) companies. Hanekom was far more comfortable with running a budget deficit than Herrigel and deliberately set out to create a market for Namibian Government debt which enabled Government to run a budget deficit every year between 1990/91 until 2005/06. Hanekom was also the joint architect of the Namibian Stock Exchange (NSX) established in 1992 as well as the domestic asset requirements brought in between 1994 and 1995 to support it (see Chapter 22: The Namibian Stock Exchange and Domestic Asset Requirements).

In President Sam Nujoma's second Cabinet in 1995, Hanekom was unexpectedly replaced by Namibia's first black Minister of Finance in the shape of Helmut Angula. However, Angula had time to table just one budget before he was moved on to the Ministry of Agriculture and replaced with the less abrasive Nangolo Mbumba in time for the 1996/97 additional budget. Mbumba steered the nation's finances through difficult times during which mineral prices remained in the doldrums, Namibia took part in the costly war in the DRC, discontent among ex-PLAN fighters spilled out onto the streets, a failed but bloody uprising in the Caprivi was staged by separatists, the civil war in Angola spilled over into Namibia, and potentially serious political competition emerged in the form of the Congress of Democrats (CoD). Nonetheless, he managed to introduce some fundamental fiscal reforms including the replacement of GST and ASL with VAT in 2000, the renegotiation of the Southern African Customs Union (SACU) Agreement with a new revenue-sharing formula which became effective in 2005/06, the introduction of fiscal targets, and a three-year fiscal planning tool known as the Medium-Term Expenditure Framework (MTEF). He also tackled tax reform in a more comprehensive way than his predecessors by initiating a comprehensive review of Namibia's tax system by outside experts in the shape of the Namibian Tax Consortium[3]. Mining tax was vastly simplified so that all non-diamond mining companies paid a 37.5 percent corporate tax rate.

[3] Namibian Tax Consortium Report on Taxation in Namibia, December 2002

NAMIBIA'S CHANGING FISCAL TARGETS AND DEBT – A LOOSENING OF THE PURSE STRINGS

During the first decade after Independence no firm guidelines existed to limit how much revenue Government could raise, how much Government could spend and how much Government could borrow although the First National Development Plan did incorporate a target for the budget deficit of three percent of GDP. As a result, there was a good deal of uncertainty surrounding the budget each year, something which many felt harmed Namibia's economic prospects. Some observers predicted that rapidly escalating public debt meant Namibia was going the way of so many other developing countries by slipping into a debt trap. Individuals, businesses and investors never knew what was going to happen next and this uncertainty was economically damaging. In 2001, therefore, the Minister of Finance Nangolo Mbumba introduced three "fiscal targets":

Budget deficit
3% of GDP

Public debt
25% of GDP

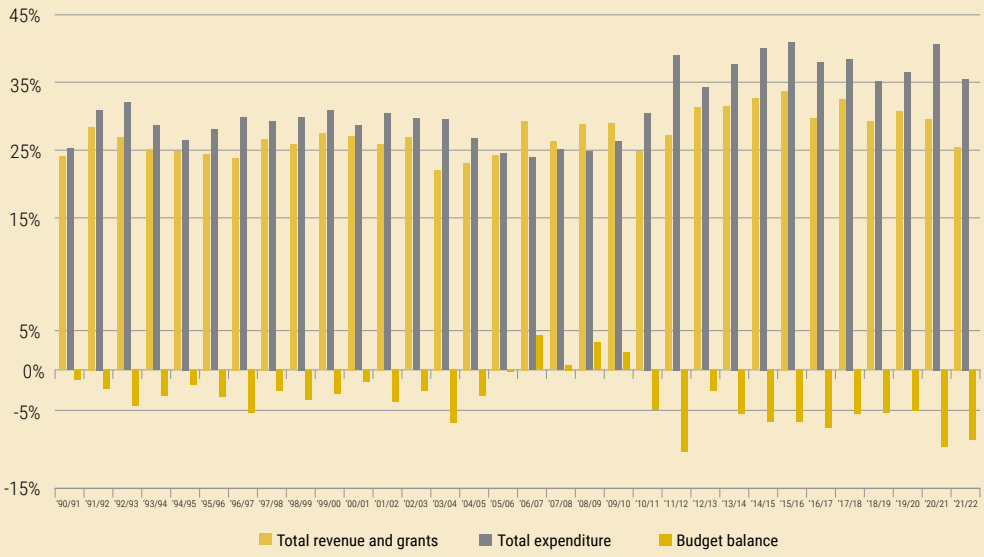
Public expenditure
30% of GDP

These were subsequently formalised into a published debt strategy[4]. After their introduction, the Government had some success in reversing the steep rise in public debt that had taken place since Independence as a result of running a budget deficit for seventeen years. In 2006/07 the Government achieved its first ever budget surplus and the Minister of Finance Saara Kuugongelwa-Amadhila announced she would bring the stock of public debt back to below 25 percent by the end of 2007/08 which she ended up achieving earlier than expected

in 2006/07. In 2009/10, as rich countries threw out the rule book and ran up historically unprecedented levels of debt in response to the Global Financial Crisis (GFC), Namibia's fiscal targets were quietly changed to take account of prevailing economic circumstances and Government's newly-adopted activist fiscal policy. The new fiscal targets included keeping debt within a target band of 25 - 30 percent of GDP, maintaining the average budget balance over the period 2009/10 to 2011/12 MTEF at approximately five percent of GDP, achieving and maintaining public expenditure levels below 30 percent of GDP, and maintaining contingent liabilities below a target of ten percent of GDP. The 2012/13 budget saw further changes made so that debt as a ratio of GDP was capped at 35 percent over the MTEF (revised up from the 25 - 30 percent target band), public expenditure maintained at 40 percent of GDP annually (revised up from 30 percent), the budget deficit maintained within seven percent of GDP over the MTEF, and interest payments as a ratio of revenue and contingent liabilities as a ratio of GDP to be limited to ten percent of GDP annually. To this was added that interest payments should not exceed ten percent of revenue. The deficit target was subsequently reduced to five percent in 2015/16 but the ratio of guarantees to GDP was raised from ten to 15 percent. Under Minister Schlettwein, fiscal targets took a definite back seat as targets were missed but, as fiscal problems became more publicly visible and rumours spread, he took the unprecedented step of issuing a detailed statement on public debt and debt management[5]. In this statement, he admitted key risk benchmarks had been breached, especially the 35 percent debt-to-GDP limit and stated "for this reason the Government has committed to devise deliberate strategies to contain the ratios within the set benchmarks". Mention was made of a Sovereign Debt Management Strategy for 2018-2025 but this has never been made available to the public. The chart shows how Government's fiscal performance compares to its past fiscal targets based on the latest available actual out-turns. The advent of the Covid pandemic has led to Namibia's fiscal planning being overtaken by events and, like other governments, fiscal decisions are being made on the hoof and outside any overall framework although Finance Minister Shiimi promised a Medium-Term Funding Strategy for 2020-2023.

CHART 2.1

Revenue, Expenditure and Budget Balance as a percentage of GDP (1990/91-2021/22)



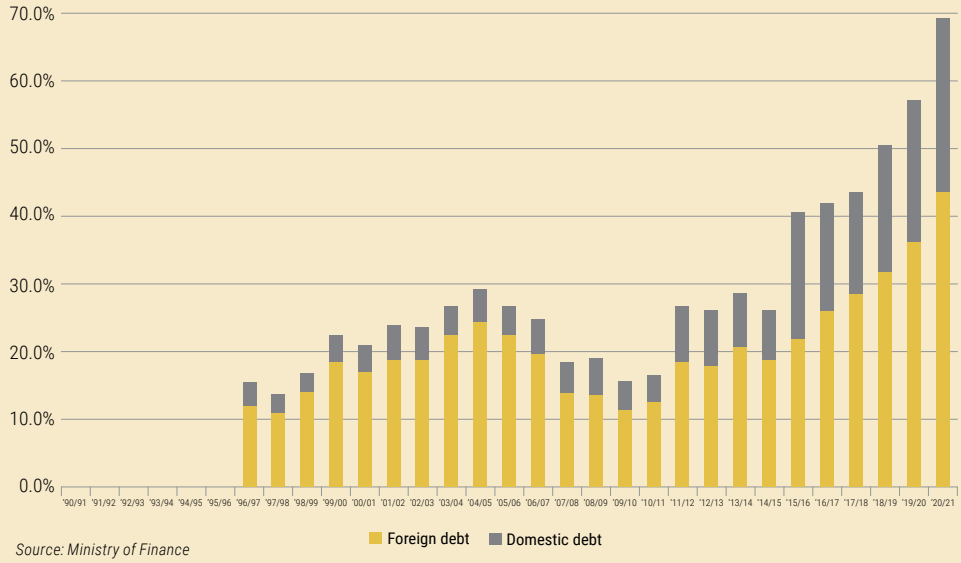
Source: Ministry of Finance

[4] Sovereign Debt Management Strategy for Namibia, Ministry of Finance, 2005

[5] See "Media Release: Briefing on Public Debt Management and Public Procurement by Hon. Calle Schlettwein Minister of Finance", 23 May 2019

CHART 2.1

Public Debt as Percentage of GDP



Source: Ministry of Finance

TABLE 2.1

Fiscal Targets and Outcomes

	Last Announced Targets	Latest Outcome 2020/21
Public expenditure	40%	41.2%
Budget balance	-5%	-9.5%
Stock of public debt	35%	68.4%
Interest payments	10%	14.0%
Contingent liabilities	10%	7.3%

Source: Ministry of Finance

However, Mbumba made way for Saara Kuugongelwa-Amadhila in 2003. Namibia's first female Minister of Finance took much of Mbumba's work further. Following a significant and unexpected shortfall in revenue in 2003/04 which saw the budget deficit rise to 7.2 percent of GDP, its highest level since 1990, Kuugongelwa-Amadhila put effort into raising revenue and limiting expenditure in a way that brought about Namibia's first balanced budget by 2005/06 and budget surplus by 2006/07 allowing the stock of public debt to fall below Government's limit of 25 percent of GDP by 2007/08. Kuugongelwa-Amadhila also sought and gained Namibia's first sovereign credit rating: in December 2005 Fitch Ratings awarded Namibia a BBB- investment grade rating. In order to signal the importance she attached to fiscal planning and fiscal discipline, Kuugongelwa-Amadhila all but eliminated what had become a traditional fixture in the fiscal calendar, the additional or revised budget. Although some minor measures were occasionally adopted around the middle of the fiscal year, there have been no full-blown additional budgets since 2005/06. Under her watch several major new taxes were introduced: the minerals royalty tax introduced in 2006/07 which was rejected as unlawful by several key mining companies until the law was changed at the end of 2008[6] (although legally speaking this tax is the responsibility of the Minister of Mines and Energy) and the ten percent withholding tax on bank interest which came into force in March 2009. She also benefited from windfalls such as the sale of a 34 percent stake in MTC and revisions to SACU payments. In an unprecedented response to the rocketing price of food, Government tried to rush

[6] Minerals (Prospecting and Mining) Amendment Act 2008 (Act No.8 of 2008)

through zero-ratings on VAT for certain basic foodstuffs in July 2008 despite the evidence that this was a costly untargeted measure unlikely to help the very poorest.

During the first two decades of Independence, it was hard to say exactly how Namibian Ministers of Finance determined their fiscal stance. There was little sign that fiscal policy was ever used counter-cyclically to stimulate the economy in times of slowing demand nor was there evidence that Namibia's political cycle influenced spending. The basic approach appeared to involve taking a fairly conservative estimate of revenue for the coming year and then adding up to three percent of GDP as an acceptable budget deficit depending on the stock of public debt and political pressures for additional expenditure.

This changed dramatically with the onset of the Global Financial Crisis. Minister Kuugongelwa-Amadhila tabled her 2009/10 budget with a speech whose theme was "Weathering the Storm" despite being based on forecasts of positive growth for the budget year. Although the real increase in proposed spending was modest, the budget clearly represented an attempt to use fiscal policy in a much more proactive way to stimulate aggregate demand. Moreover, as much through luck as through design, the Minister had succeeded in running a budget surplus in the three years prior to the Global Financial Crisis. In "Weathering the Storm", not only were civil service salaries raised by 12 percent (as part of a two-year wage deal that had been agreed with the public service unions the year before), but development spending was budgeted to rise by over 50 percent to almost N$4.5 billion. Furthermore, the Minister proposed some N$800 million in tax measures designed to support economic activity including a reduction in the corporate tax rate to 34 percent, the first cut since 1995. As things turned out, although many of these measures made for good headlines, many of the Minister's tax measures, including the further zero-rating of VAT on certain foodstuffs and the cut in corporate tax, ended up taking more than a year to implement thus missing the bus as far as the downturn was concerned. Furthermore, much of the additional capital spending was on government buildings and prestige projects, the productivity effects of which were questionable while, at the same time, Government's capacity to quickly spend such large increases in capital spending was limited. Government had struggled to spend far lower amounts on capital projects in preceding fiscal years. In contrast to so many countries rich and poor around the world, public debt continued to fall as a proportion of GDP in the course of the year. Nonetheless, despite its shortcomings, the 2009/10 budget represented a concerted attempt to carry out counter-cyclical fiscal policy.

The implementation of TIPEEG will result in the preservation and creation of about 104,000 direct and indirect job opportunities.

Saara Kuugongelwa-Amadhila, Minister of Finance, 2011/12 Budget Speech

In the wake of the delayed release of the 2008 Labour Force Survey which indicated that the unemployment rate had reached 51.2 percent, Minister Kuugongelwa-Amadhila unveiled the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) in her 2011/12 budget speech which envisaged a further ambitious increase in the development budget from the previous year's N$5.2 billion to N$8.0 billion. Measures would be taken to fast-track this huge increase in expenditure through Government's traditionally tardy tender procedures. The budget speech declared that "the implementation of TIPEEG will result in the preservation and creation of about 104,000 direct and indirect job opportunities". It was always a little unclear what TIPEEG actually was although it was almost universally warmly received, especially by elements of the private sector who stood to gain from the new contracts it involved. According to President Pohamba, TIPEEG was a three-year programme designed to "address the high unemployment rate while also supporting strategic high growth sectors"[7]. The word "targeted" underlined the fact that it

[7] See Targeted Intervention Programme for Employment and Economic Growth, NPC

was intended to focus resources on sectors that had greater capacity to boost employment: agriculture, transport and logistics, tourism, and housing and sanitation. These sectors had been identified by earlier research conducted at the Bank of Namibia towards the end of Tom Alweendo's third term of office as central bank Governor. Closer analysis, however, revealed that the enhanced spending programme consisted largely of projects already in the MTEF pipeline including a large number of public buildings and prestige projects that had simply been brought forward. The degree to which resources were targeted was also questionable as most ministries received substantial increases in capital spending. Already by the following budget, Kuugongelwa-Amadhila was conceding it was proving difficult to spend such large amounts of money and the 2012/13 budget saw rather less ambitious allocations to capital and development spending. More noticeably, the Minister made no real attempt to demonstrate that TIPEEG had helped "preserve and create" the 104,000 direct and indirect job opportunities mentioned when it was announced. The 2013/14 budget speech contained little on TIPEEG but reported that 27,235 jobs had been created in the programme's first year and that going forward the targeted sectors of TIPEEG would be "transferred" to the NDP4 and "the programmes and projects under TIPEEG will be incorporated into and be harmonised with the medium-term programmes".

SHOOTING FIRST ASKING QUESTIONS LATER: THE CASE OF THE 2011 MINING TAX PROPOSALS

In July 2011, the Minister of Finance announced a range of tax proposals, some of which had far-reaching implications for the mining sector. The proposals included raising the tax rate on mining companies from 37.5 percent to 44 percent, imposing an export levy of up to five percent on unprocessed mineral exports, and subjecting mineral exports to VAT.

The Chamber of Mines of Namibia and diplomatic representatives immediately engaged with Government and forcefully put the case against a blanket export levy and VAT, arguing that these measures would effectively take 20 percent off the top lines of the country's mining companies and render them unprofitable. Government listened carefully to these arguments and on 17 August revised its tax proposals, indefinitely postponing the imposition of VAT, scaling back the five percent export levy to a case-specific levy capped at two percent, and also agreeing to negotiate further with the Chamber on the issue of mining corporate tax. The outcome represented a victory for engagement and dialogue and showed Government was prepared to change its mind. Government ended up raising Non-Resident Shareholders Tax (NRST) for minority shareholders owning 25 percent or less from ten percent to 20 percent and introducing a 25 percent withholding tax on services delivered by non-resident providers, both of which are likely to impact on the mining sector. After much lobbying, the withholding tax on services was reduced to ten percent in the 2015/16 budget. In 2016 the Export Levy Act was passed by Parliament and capped the rate at a maximum of two percent.

Generally speaking, credit must go to Minister Kuugongelwa-Amadhila for the way she managed the public finances. Under her watch the overall fiscal environment changed significantly. The 1990s were characterised by a continuous feeling of impending fiscal crisis brought about by subdued mineral prices and weak economic growth and also the fact that Namibia as a country and an economy was still learning the fiscal management ropes. Although Government ran an annual budget deficit, it rarely exceeded three percent of GDP and was financed largely by selling T-Bills and bonds to the domestic market. Foreign borrowing was limited to project-related concessional loans from multi-lateral and bi-lateral lenders although the World Bank was shunned as a source of project finance.

Finance Minister Saara Kuugongelwa-Amadhila gave her first (revised) budget speech on 30 October 2003. She subsequently did away with the revised budget which ranks as one of her lasting achievements. Other notable achievements included eliminating Namibia's chronic budget deficit and spiralling debt, successfully attaining positive sovereign credit ratings from two leading credit rating agencies, issuing the country's first US$500 million Eurobond in November 2011, a first non-Rand listed bond of N$850 million on the JSE, and implementing a host of relatively minor tax changes. In 2014 Kuugongelwa-Amadhila announced the setting up of a nine-member task force to oversee the creation of a semi-autonomous revenue authority.

By the time she left in 2015, Minister Kuugongelwa-Amadhila had been Namibia's longest serving Minister of Finance. She certainly had had long enough to carry out longer-term more strategic reforms which ministers confined to a single five-year term of office would probably argue was too short. Yet an examination of the Minister's budget speeches since 2004 shows that, while there were undoubtedly achievements, many of the promises made over the years remain unfulfilled[8]. Sometimes circumstances change and what seemed important in the past is no longer important in the present. In other instances, some nuts have simply proven too tough for the Minister to crack, with or without Cabinet support. Constant themes over the years include Air Namibia and other loss-making public enterprises, domestic investment regulations, the new State Finance Act, environmental taxation, EPZ and other tax incentives, the Government medical aid scheme, the bloated government bureaucracy and civil service inefficiency, over-dependence on the Southern Africa Customs Union (SACU), and the dangers of excessive debt.

In truth, many of the biggest issues remained as pressing after she moved in 2015 as they were in 2003. Namibia was as dependent on revenues from the SACU as ever. The civil service remained huge in proportion to the economy with a salary bill swallowing a vast proportion of total spending. There were as many loss-making public enterprises in 2015 as there had been in 2003. Development projects were still not subjected to halfway rigorous economic cost-benefit analysis and no common measuring stick was used to assess their relative merits. Tax administration remained hit and miss while the reach of the corporate and individual income tax net remained limited.

After more than twelve years as Namibia's Minister of Finance, Kuugongelwa-Amadhila was promoted to Prime Minister under President Hage Geingob in March 2015 and a former Deputy Minister of Finance, Calle Schlettwein, was appointed Minister of Finance. Schlettwein tabled his first budget in March 2015. He proposed spending that amounted to over 40 percent of GDP and announced his intention to set up an investigation into "the equity and effectiveness of the tax system with the view to broaden and deepen the tax base, improve the fairness of sharing the tax burden, while keeping in check the efficiency and competitiveness of the system and the taxpayer's ability to pay." If implemented, this would have been the first major initiative of this type since the work of the 2002 Namibian Tax Consortium.

Schlettwein ended up tabling a Mid-Year Budget Review in November 2015. The Review contained welcome updates on revenue and expenditure and overall budget execution which had not been provided since the additional or revised budgets had been done away with under Kuugongelwa-Amadhila. Schlettwein went out of his way to emphasise that it was not an additional budget because the overall expenditure ceiling had not increased. It was more a "redeployment of funds" which meant an Appropriation Amendment Bill had to be tabled. However, in reality it was a tacit admission that his first budget had been far too expansionary and had helped exacerbate Namibia's growing twin deficits – the government budget deficit and the current account deficit. As foreign exchange reserves headed down towards less than one month of import cover, a second US$750 million Eurobond was issued, from which US$300 million was used to bolster the reserve position, US$250 million was used to finance the development budget and US$190 million was set aside to finance the deficit in 2016/17. As the stock of public debt climbed above government's self-imposed ceiling of 35 percent of

[8] See "Promises, Promises", *Insight Namibia*, February 2012

THE RESPONSE TO COVID: THE MINISTER OF FINANCE SHOWS GOVERNMENT CAN MOVE FAST WHEN IT WANTS TO

Shortly after declaring the state of emergency on 17 March, the President appointed Ipumbu Shiimi as Minister of Finance on 22 March who on 1 April announced a series of measures designed to address the pandemic summarised in his media statement "Launching of the Economic Stimulus and Relief Package to mitigate the impact of Covid". These measures included the following:

Health Intervention

- N$1.1 billion additional spending on public health

Household Intervention

- Introducing a once-off Emergency Income Grant (EIG) of N$750 per qualifying person costed at a total of N$562 million.
- A tax-back loan scheme for tax registered and taxpaying employees and self-employed individuals allowing them to borrow from the commercial banks up to 1/12th of their tax payment during the previous year at a low interest rate to be repaid after one year.
- A water subsidy during lockdown so that people can access water without water cards at an estimated cost of N$10 million for the first lockdown.

Business Intervention

- A wage subsidy for the hardest hit sectors of the economy – tourism, travel and aviation, and construction - to help businesses keep hold of employees at an estimated cost of N$400 million.
- The accelerated repayment of overdue and undisputed VAT refunds at an estimated cost of at least N$3 billion.
- The accelerated payment of overdue and undisputed invoices for goods and services provided to Government at an estimated cost of N$800 million.
- A non-agricultural small business loan scheme worth N$500 million through the Development Bank of Namibia.
- An agricultural business loan scheme worth N$200 million through the Agricultural Bank of Namibia.
- Granting relief to borrowers from the Development Bank of Namibia and the Agricultural Bank of Namibia.
- A tax-back loan scheme for non-mining companies allowing them to borrow up to 1/12th of their tax payment during the previous year at a low interest rate to be repaid after one year capped at N$470 million.
- Relaxation of labour regulations to protect jobs allowing employers including Government and business owners to negotiate a reduction in wages of up to 40 percent for the worst hit industries.

All in all, Minister Shiimi argued that his Stimulus and Relief Package amounted to N$8.1 billion of support, equivalent to about five percent of GDP. Although the Minister could enact these measures with immediate effect, the Budget which formally contained these measures for approval was submitted to Parliament on 27 May. This included the additional N$1.1 billion spending on health promised in his announcement of 1 April.

The National Employment and Salary Protection Scheme for Covid was launched on 10 April 2020 in collaboration with the Social Security Commission. Costed at N$645 million, the programme provided for the wage subsidy for employers and employees in the severely affected sectors. As outlined on 1 April the Government contributed N$400 million to this Scheme while N$245 million was to be provided by the Social Security Commission.

GDP, Schlettwein tabled a national budget in February 2016 which envisaged a small cut in spending compared to the 2015/16 budget. Schlettwein was attempting to repeat the feat pulled off by his predecessor by bringing down the level of public debt to GDP to what he considered more sustainable levels.

However, Schlettwein's five years as Minister of Finance never really recovered from the fiscal laxity of his first budget which, he might argue, was bequeathed to him by his predecessor. After just a year in charge, the economy stalled and four years of contraction or negligible growth ensued. Like his predecessors, Schlettwein failed to get a grip on the size of the public sector, loss-making public enterprises, improving the economic impact of capital projects while he also toyed with the idea of introducing tax measures which would have further scared off investment in the mining sector. The report of the High-Level Panel on the Namibian Economy contained a discussion of Namibia's fiscal position but made no recommendations on fiscal policy of any significance. By the time he was moved to the Ministry of Agriculture in President Geingob's second Cabinet, Schlettwein had left behind a myriad of unfinished tax measures which created uncertainty but held little prospect of raising much revenue. Although work on a Namibian Revenue Authority (NamRA) had inched forward, it was not operational. Namibia had lost its investment grade sovereign credit rating and debt was climbing to unprecedented levels. Schlettwein gave way to former Governor of the Bank of Namibia Iipumbu Shiimi who took charge just as the country faced the onslaught of the global Covid pandemic.

Budgets Versus Actual Outcomes

Governments everywhere face considerable uncertainty when putting together national budgets. Estimating revenue and expenditure as well as the additional finance needing to be raised if the budget is in deficit, presents an annual challenge. An analysis of budgeted and actual revenue and expenditure figures since 2000/01 suggests Namibia's Ministry of Finance has made little progress in improving the accuracy of the budget process.

Looking at the period before the Global Financial Crisis and after, revenue forecasting seems to have become more conservative (budget estimates are now generally lower than the actual revenue raised) while expenditure forecasting appears to have swung the other way (with budget estimates generally much lower than actual expenditures). Over time budget revenue estimates have tended to err on the conservative

BUDGET TRANSPARENCY: DROWNING IN DOCUMENTATION

In the years since 1990, Government has published ever more documentation as part of the budget process. This has reached the stage where the following documents are generally made available to the public containing useful information on all aspects of the budget:

1. Budget Statement
2. Macroeconomic and Fiscal Framework
3. Estimates of Revenue and Expenditure
4. Medium-Term Expenditure Framework
5. Development Programmes
6. Government Accountability Report
7. Citizens Budget

Compared to what was published at Independence, there can be no doubt that Namibia has made enormous improvements in the quantity and quality of budget information published at budget time. But how does Namibia's budget process compare internationally? The International Budget Partnership (IBP) is an initiative that compares the openness and effectiveness of budgetary processes in countries rich and poor across the world. The IBP has developed an Open Budget Survey (OBS) as a measurement tool to evaluate public access to budget information from the perspective of civil society organisations. The 2019 questionnaire consisted of 142 questions covering a range of budget issues from the availability and quality of pre-budget statements, the executive's budget statement, the enacted budget, in-year reports, mid-year reviews, year-end reports and audit reports to public participation in the budget process including the publication of a citizen's budget and institutional oversight of the budget process. Countries are assigned scores between 0 (worst) and 100 (best).

Table 2.2
Open Budget Survey Results for Namibia

	2006	2008	2010	2012	2015	2017	2019
Score	50	46	53	55	46	50	51
Ranking	22	36	37	34	52	47	47
Number of countries	59	85	94	100	102	115	117

Namibia's scores have not changed greatly over the years since the OBS started – its overall transparency score hovers around the global average - while its lower ranking reflects the growing number of countries covered by the IBP. Namibia has generally scored well on the executive's budget statement but has fallen down on in-year reports, mid-year reviews and year-end reporting and evaluation and because it lacked a proper "Citizens Budget" and lacks any formal public participation in the budget process. In 2009 the Ministry of Finance reacted angrily to some of the findings contained in earlier IBP reports on Namibia[10]. The IPPR, which conducts the study in Namibia on behalf of the IBP, responded by publishing a paper on a possible "Citizen's Budget"[11]. The Ministry of Finance subsequently put more effort

into producing a "Citizens Budget" going so far as to publish versions in English, Afrikaans, Oshiwambo and German on its website[12]. The OBI makes a range of recommendations on improving transparency, participation and oversight in its latest publication[13], including the creation of a specialised budget research office for the legislature, ensuring the legislature is consulted prior to the virement of funds, the spending of any unanticipated revenue and contingency funds, as well as providing the budget proposal to legislators three months before the start of the budget year. In his first budget speech as Minister of Finance in 2015, Schlettwein announced the introduction of a mid-year budget review and a pre-budget statement in October or November each year, something he subsequently followed through on. However, in the 2019 OBI (which was based on documents published up to the end of 2018) Namibia scored 51 for transparency (below the 61 deemed "sufficient" by the IBP), 0 for public participation in the budget process (there is still no meaningful way for public participation in the budget) and 46 for budget oversight (legislative oversight is deemed weak whilst audit oversight is deemed adequate). The IBP makes detailed recommendations about what Namibia should do to improve its scores.

For more information see www.openbudgetindex.org and www.internationalbudget.org

side and the over-spending on the operational budget which has been a historic feature has declined. At the same time, under-spending on the development budget appears to have increased as a result of past aggressive increases in development allocations which saw the development budget almost double its share of budgetary resources over the past decade and a half. Prudently, Government has generally avoided borrowing to finance operational expenditure. Yet this is not to say Government's cash flow management does not require improvement. The difficulties associated with accurately forecasting the budget balance (the difference between two large numbers) means that Government sometimes borrows more than is required, which comes at a cost[9]. It is these characteristics that account for the differences in what is budgeted and what actually happens that is a feature of the table on historic MTEFs in Annex 1.1.

Programme and Outcome Budgeting

Government has tried to follow an international trend by turning away from thinking exclusively about how much is being spent on particular budget items towards focussing more on the outcomes that combined activities or programmes have achieved. For many years after 2001/02 the Ministry of Finance published a detailed "Medium-Term Expenditure Framework" or MTEF document which, through the Performance Effectiveness Management Programme (PEMP) attempted to identify desirable outcomes for all the programmes run by Government offices, ministries and agencies. These ran into thousands of measurable targets. Government formally moved to programme budgeting in 2005 and introduced its first Government Accountability Report in 2006/07 which presented a detailed account of the extent to which targets introduced in the previous year had been met. There is no doubt that the MTEF and Government Accountability documents provide an enormous amount of useful information and represent a quantum leap forward in Government openness and accountability. However, it remained unclear whether PEMP includes the right outcomes, whether they could

[9] See "An Analysis of Government Budgeting: The Long Road to Fiscal Credibility", IJG Research Report, July 2012
[10] See "Ministry Not Pleased With Budget Study", *The Namibian*, 16 February 2009
[11] "Understanding the National Budget: A Citizen's Budget for Namibia", Matthias Schmidt, IPPR Briefing Paper No. 49, February 2010
[12] See www.mof.gov.na/budget.htm
[13] See http://internationalbudget.org/wp-content/uploads/OBS2019-CS-Namibia-English.pdf

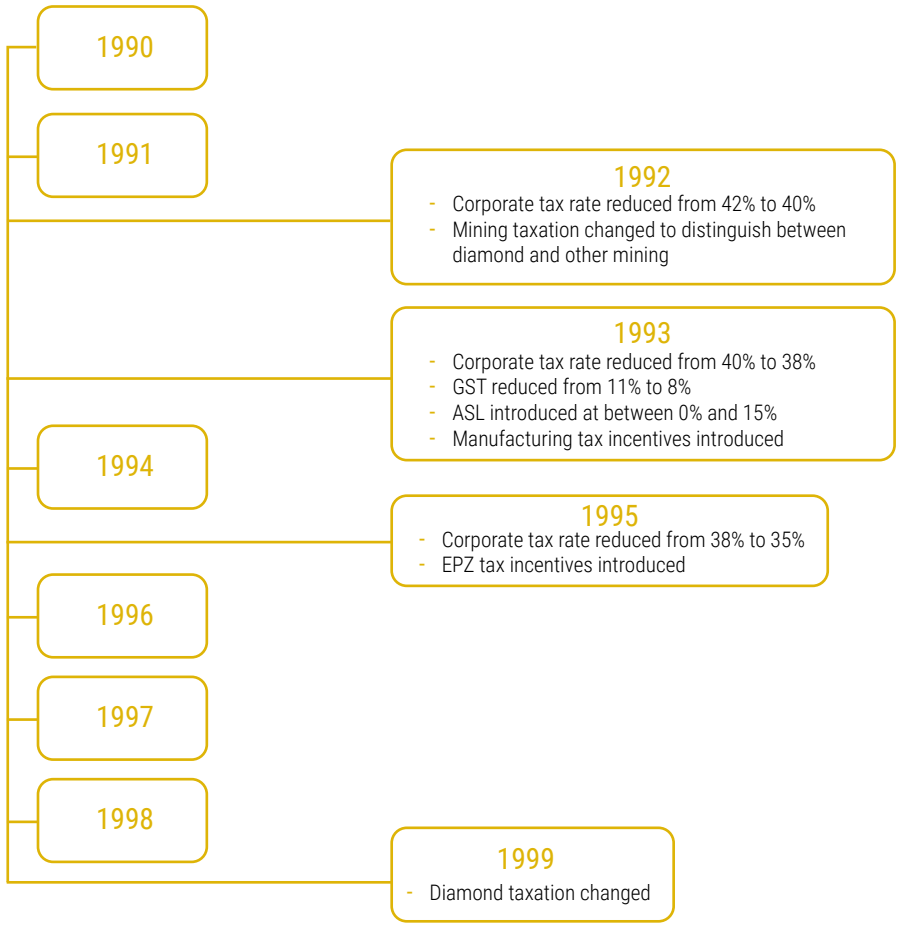
be accurately measured, and what happened when they were not achieved. There is clearly a need to ensure the effectiveness of Government's vast expenditure programme is enhanced but there is little evidence that the MTEF and PEMP initiative were particularly successful in improving effectiveness. The term PEMP is no longer used although the annual Accountability Report makes frequent mention of performance.

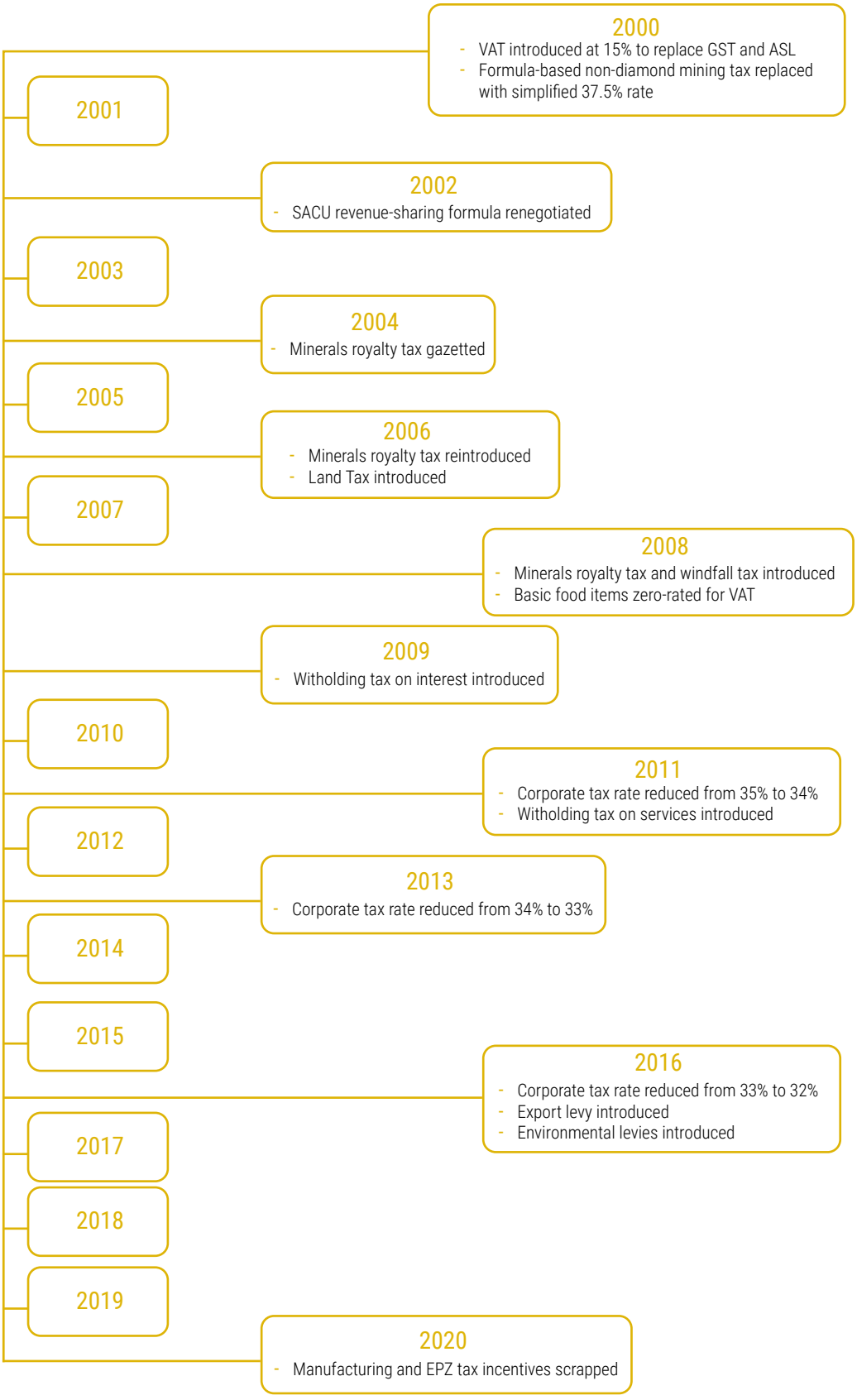
Revenue Changes

The preceding paragraphs have made mention of the major tax changes that have taken place since 1990. Throughout the last 30 years, revenue has been raised from four main sources: income and profits (from individual and corporate income tax), domestic taxes on goods and services (VAT since 2000), taxes on international trade (from SACU) and a range of non-tax revenues.

The first two decades of Independence saw little change in the total amount of revenue raised as a proportion of the size of the economy but, during the years since 2010 the amount raised has risen by some four percent of GDP – a significant amount. Given tax rates generally have remained stable and only few new taxes of significance have been introduced, this suggests that Government's attempts to improve the efficiency of the tax system are bearing fruit.

Diagram 2.1
Timeline of Major Tax Changes Since 1990




2000
- VAT introduced at 15% to replace GST and ASL
- Formula-based non-diamond mining tax replaced with simplified 37.5% rate
2001
2002
- SACU revenue-sharing formula renegotiated
2003
2004
- Minerals royalty tax gazetted
2005
2006
- Minerals royalty tax reintroduced
- Land Tax introduced
2007
2008
- Minerals royalty tax and windfall tax introduced
- Basic food items zero-rated for VAT
2009
- Witholding tax on interest introduced
2010
2011
- Corporate tax rate reduced from 35% to 34%
- Witholding tax on services introduced
2012
2013
- Corporate tax rate reduced from 34% to 33%
2014
2015
2016
- Corporate tax rate reduced from 33% to 32%
- Export levy introduced
- Environmental levies introduced
2017
2018
2019
2020
- Manufacturing and EPZ tax incentives scrapped

SACU

Namibia has been a member of the Southern African Customs Union (SACU) since Independence along with Botswana, Lesotho, eSwatini or Swaziland (the so-called BLNS states with Namibia) and South Africa. Revenue is collected at all entry points into the customs union based on the common external tariff and then divided up between members in accordance with an agreed formula which was renegotiated in 2002. Tariff rates and the number of tariff lines as well as the number of quantitative restrictions have changed significantly since 1990 as part of a longer-term liberalisation process based on WTO agreements and guidelines. However, despite lower rates and fewer tariff lines, revenue from SACU has grown and Government has remained worryingly dependent on this source of income. The nature of the revenue-sharing formula makes it a source of regular disagreement among members and a particular source of friction between the BLNS on the one side and South Africa on the other. The Global Financial Crisis highlighted the problems as negative growth resulted in imports and revenues being significantly lower than expected[14]. The built-in compensation to the BLNS even led to calls by some in South Africa to change the way revenues are shared. At the end of 2009, the SACU Council of Ministers agreed to "explore the possibility to review the 2002 Agreement"[15]. Independent consultants were brought in to advise on options for reform but their report[16], which was not released to the public and which recommended a new revenue-sharing formula which would have seen Botswana, Namibia and eSwatini receive a lot less and South Africa a lot more, was not accepted[17]. The report argued in fairly blunt terms that overly generous revenues from SACU had allowed several SACU members to sustain far larger and less efficient public sectors than otherwise would have been possible. With attention in South Africa focused on other issues, by the end of 2012 the whole issue of SACU reform appeared to have died down and looked likely to drag on for some time before any acceptable compromise could be found[18]. Not, however, before causing sufficient concern in Namibia that hasty tax measures were announced in a bid to plug the gaping fiscal hole that would have existed had the recommendations been implemented. In his 2016/17 budget speech, Schlettwein made it clear that little was likely to change: "We believe that SACU revenues are currently broadly shared in a manner that reflects the realities of the SACU economies". Since then, South Africa has passed through choppy political waters and has not pushed for serious reform.

> We believe that SACU revenues are currently broadly shared in a manner that reflects the realities of the SACU economies.
>
> Calle Schlettwein, Former Minister of Finance, 2016/17 Budget Speech

[14] See "Namibia Pleads for Help from SACU Pool", *The Namibian*, 6 January 2010
[15] Press Statement of 20th Meeting of the SACU Council of Ministers, 7 December 2009
[16] See "Study on the Review of the Revenue Sharing Arrangement for SACU", Centre for International Economics, March 2011
[17] See "Squeezing Win Win from Zero Sum", IJG Namibia Quarterly, 17 October 2011
[18] See "Tweaking Our Way to the Status Quo", *Insight Namibia*, October 2011

Corporate Taxation

The art of corporate taxation always involves striking a balance between maintaining a competitive tax environment on the one hand and raising revenue sufficient to sustain critical public services on the other. Outside mining taxation (see Chapter 8: Mining), Namibia's corporate tax regime has changed little since 1990. But two issues of concern are regularly raised in the discussion over corporate tax. One is that Namibia's corporate tax rate is uncompetitive. The other is that policy-makers have introduced ever more complex and discretionary tax incentives, which are difficult to administer and whose effectiveness is hard to assess.

On the first issue, neither the Namibian Tax Consortium in 2002 nor subsequent studies of Namibian competitiveness[19] have argued that Namibia's corporate tax rate should be reduced. Although, for example, Namibia's corporate tax rate is at the higher end of the OECD spectrum – even after taking account of the fact that the rate has fallen from 42 percent at Independence to 32 percent by 2014 – Namibia's tax regime taken as a whole is relatively simple and advantageous in other ways. Others argue that tax administration and enforcement are far more important issues than the tax rate.

> "The existing incentives schemes are currently under review."
>
> Saara Kuugongelwa-Amadhila, Minister of Finance, 2006/07 Budget Speech

On the second issue, former Minister of Finance Kuugongelwa-Amadhila seemed to come to the conclusion that the proliferation of tax incentives had been a mistake. In her 2006/07 budget speech she announced that "the existing incentives schemes are currently under review". Many people have questioned the wisdom of an open-ended tax holiday granted to operations such as Namibia Custom Smelters and Namzinc. Naturally enough, such moves were long resisted by the Ministry of Trade and Industry which argued that tax incentives were an important way of attracting investors. The argument was finally put to bed when Parliament abolished EPZ and Manufacturing tax incentives in early 2020 as Government promised a policy of Special Economic Zones to take their place. The harsh reality was that for many years revenues from non-mining corporate tax had been highly dependent on just a handful of companies especially MTC and the four commercial banks[20].

[19] See, for example, "The Namibia Investor Roadmap", The Services Group, January 2006
[20] See "Namibia's Most Profitable Companies", Insight Namibia, May 2011

DEBT BEFORE COVID - NAMIBIA'S PUBLIC DEBT

Public debt in Namibia more than doubled in the decade following the Global Financial Crisis from under 20 percent of GDP in 2008/09 to almost 50 percent of GDP in 2019/20. Hitherto, public debt had never breached 35 percent of GDP and indeed, as described above, former Minister of Finance Kuugongelwa-Amadhila took strong measures after the record deficit of 2004/05 and these culminated in an investment grade rating from Fitch Ratings and a budget surplus by 2006/07.

On 23 May 2019, the Ministry of Finance took the unprecedented step of issuing a media release on the subject of public debt management and public procurement. The document contained details of Namibia's public debt which is reproduced in Table 2.3 below. The table excludes debt guarantees issued by Government. These numbers corresponded with the numbers presented in the National Budget on 27 March 2019 and were in agreement with numbers contained in the Bank of Namibia's Quarterly Bulletin (there were some minor discrepancies due to exchange rates). It can be seen from the table that total public debt had risen to an unprecedented 46.3 percent of estimated GDP and was due to breach the 50 percent mark within the Medium Term Expenditure Framework period. This debt consisted of domestic debt (Treasury Bills and Bonds) which made up 63 percent of total debt and external debt (bilateral and multilateral debt plus JSE-listed bonds and two Eurobonds) which made up the remaining 37 percent of total debt.

Treasury Bills are short-term debt instruments which have to be repaid within a year: 91 days, 182 days, 274 days or 365 days. Bonds are longer-term debt instruments which have to be repaid within a period longer than a year. The shortest-dated bond in issue matured in 2020 (GC20) while the longest-dated bond matures in 2045 (GC45). As at 31 March 2019 the Government had the following bonds outstanding: GC20, GC22, GC23, GC24, GC25, GC27, GC30, GC32, GC35, GC37, GC40, and GC45. In addition to these are the inflation-linked bonds GI22, GI25, GI29 and GI33.

Foreign debt consisted of bilateral loans (from Germany and China), multilateral loans (from international development finance institutions including the African Development Bank), a series of South African Rand-denominated bonds listed on the JSE (NAM01 was originally issued in 2012, NAM02 in 2015 and NAM03 and NAM04 were issued in 2016 raising a total of N$2,892 million and matured in 2020), and two US Dollar-denominated ten-year Eurobonds listed on international exchanges (Eurobond1 of US$500 million was issued in 2011 and matures in 2021 while Eurobond2 of US$750 million was issued in 2015 and matures in 2025). As shown in the table, the two Eurobonds together accounted for 56.1 percent of foreign debt and 20.7 percent of total debt. Their outstanding value in Namibia dollars at any particular time depends upon the exchange rate which is applied.

These maturities give rise to a very uneven maturity profile heavily weighted towards the next year (due to the preponderance of Treasury Bills) and the period up to 2025/26 when Eurobond2 matures as shown in Chart 1. One of the aims of Government's debt management operations is to create an environment of stability and certainty so that it becomes less dependent on short-term debt and is able to smooth debt repayment over a longer period and in the process reduce the cost of debt to the fiscus and the risk of default due to short-term cash flow considerations.

TABLE 2.3

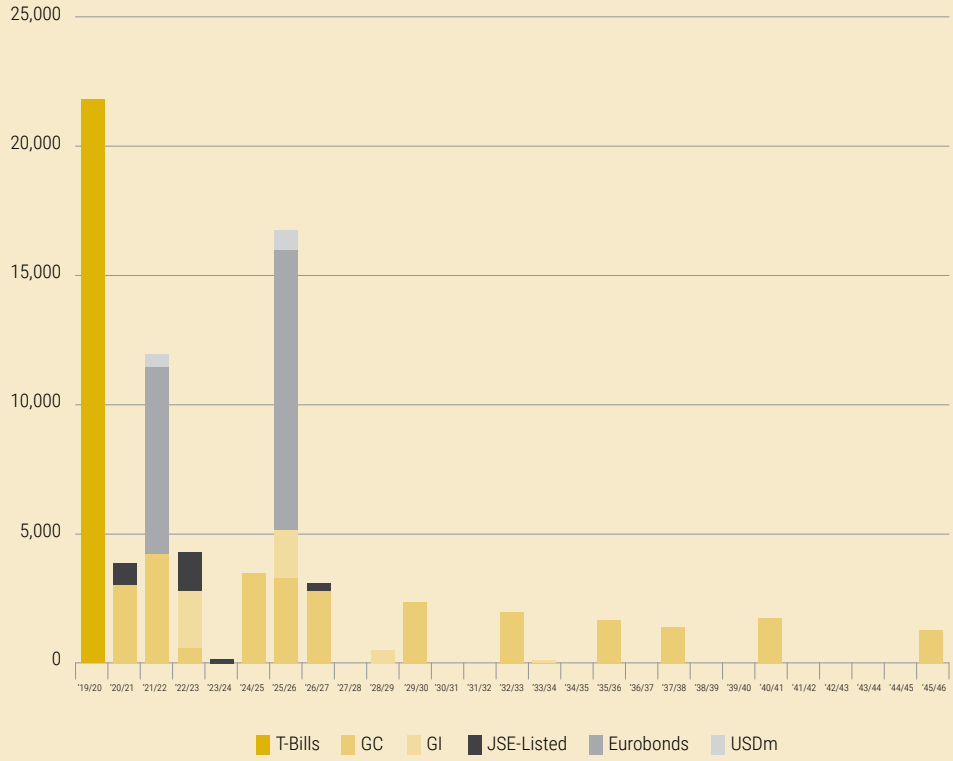
Public Debt at 31 March 2019

DOMESTIC DEBT BY INSTRUMENT	N$m	% Domestic	% of Total	N$m
Treasury Bills	21,789	39.7%	25.0%	21,982
Treasury Bonds	28,428	51.8%	32.7%	33,325
Inflation-Linked Bonds	4,678	8.5%	5.4%	
Total Domestic Debt	**54,894**	**100.0%**	**63.0%**	**55,307**
FOREIGN DEBT BY CATEGORY	N$m	% Foreign	% of Total	N$m
Bilateral (Germany and China)	1,193	3.7%	1.4%	3,025
Multilateral (Development Finance Institutions)	10,032	31.2%	11.5%	8,063
JSE-Listed Bonds	2,892	9.0%	3.3%	2,892
Eurobonds	18,039	56.1%	20.7%	18,243
Total Foreign Debt	**32,156**	**100.0%**	**36.9%**	**32,223**
CURRENCY COMPOSITION OF DEBT	N$m	% of GDP	% of Total	
NAD	54,894	29.2%	63.1%	
EUR	1,970	1.0%	2.3%	
USD	18,230	9.7%	20.9%	
RMB	2,174	1.2%	2.5%	
ZAR	9,097	4.8%	10.5%	
CHF	40	0.0%	0.0%	
JPY	588	0.3%	0.7%	
KWD	57	0.0%	0.1%	
Total	**87,050**	**46.3%**	**100.0%**	
TOTAL DEBT	N$m	% of Total	% of GDP	N$m
Domestic Debt	54,894	63.1%	29.2%	55,307
Foreign Debt	32,156	36.9%	17.1%	32,223
Total Debt	**87,050**	**100.0%**	**46.3%**	**87,530**
GDP	187,896			

Source: Ministry of Finance Media Release 23 May, Bank of Namibia Quarterly Bulletin June 2019

CHART 2.2

Namibia's Debt Maturity Profile at 31 March 2019 (excluding bilateral and multilateral debt)



Source: Ministry of Finance

In order to repay debt, the Ministry of Finance stated it had a Debt Redemption Strategy which aims to "ensure prudent credit risk management to avoid default events". Namibia has so far never defaulted on public debt of any sort. Government maintains two sinking funds in two currencies – South African Rand for the purposes of redeeming the local and JSE-listed bonds and US Dollars for the Eurobonds – to which money is transferred on a quarterly basis. As of 31 March 2019, the Ministry of Finance stated that the balance on the ZAR fund was N$858 million and on the USD fund was US$350 million (or about N$4.9 billion). This compares with N$2.9 billion and US$1,250 million outstanding.

Since 2011 Government has paid Fitch Ratings and (subsequently) Moody's to provide a sovereign credit rating for Namibia (estimated to cost N$10 million in 2019/20). Obtaining a second rating was one of the conditions for issuing the Eurobonds. In August 2017 Moody's downgraded Namibia's long-term debt and issuer rating to junk status, a reflection of its view that Namibia's creditworthiness had been damaged by its flagging economic performance. This was followed by a similar downgrade from Fitch in November 2017 for the same reasons. Such downgrades limit the exposure key international investors can take in Namibian debt and raises the cost to the country of issuing debt in future.

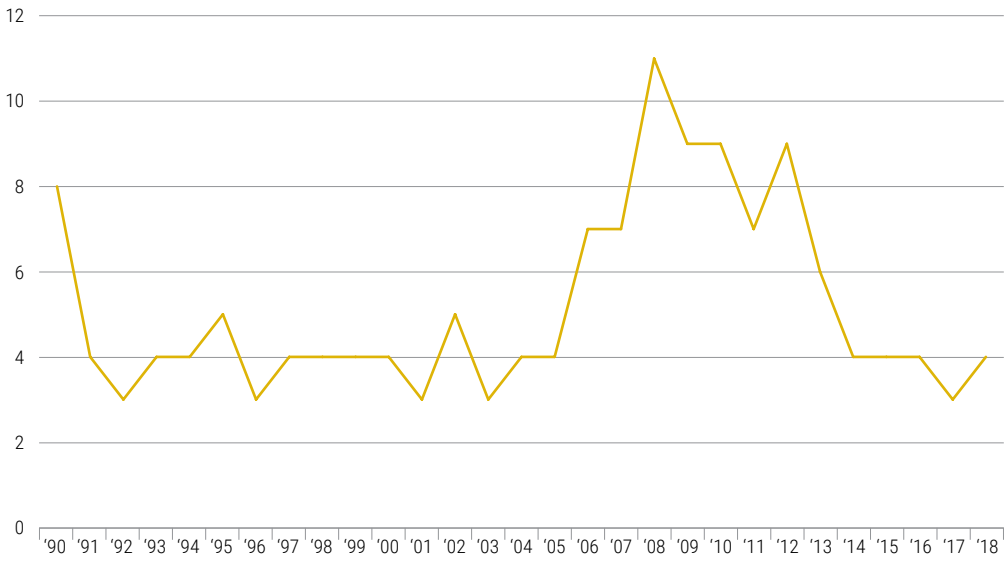
The Size of Government

Fiscal policy in Namibia is highly constrained by the size of the public service. In common with many other countries following their independence, Namibia's public sector offered Government a quick way of increasing formal sector employment. In Namibia's case, the expansion of public sector employment was exacerbated by the post-Independence settlement which meant that no inherited civil servants would lose their jobs while new civil servants would be brought in to create a racially-balanced public service. Since 1990, government expenditure in Namibia has only very occasionally fallen below 30 percent of GDP and in the past decade has regularly exceeded 40 percent. From the beginning, the excessive size of the public sector has represented a major policy concern.

Furthermore, the process of commercialisation of departments and the creation of so many regulatory and other State-Owned Enterprises has helped to obscure its real size. Recognising the problem, Government established the Wages and Salaries Commission (WASCOM) in 1995 but then failed to implement its modest recommendations on cutting the civil service. As part of its set of fiscal targets introduced in 2001, Government stated it would aim to limit the ratio of public spending to GDP to 30 percent and subsequent MTEFs consistently forecast this to take place within a three-year period. However, such a decline never took place and the onset of the Global Financial Crisis led to rich countries throwing out the fiscal rule book. Namibia's revised fiscal target stated that government expenditure should not exceed 40 percent of GDP. Figures from the IMF suggest Namibia's central government wage bill is the fourth highest in the world in proportion to the size of its economy.

CHART 2.3

International Ranking of Namibia by Compensation of Government Employees
(1990-2018)



Source: IMF

A case could be made for a large public service if there was evidence that it provided high-quality public services but no such evidence exists. Equally, a poorly paid, poorly motivated and poorly managed public sector will not deliver the public services that are essential to a modern economy and is also likely to exacerbate corruption. Public sector unions, the largest of which the Namibia Public Workers Union (NAPWU), is affiliated to the ruling party through the National Union of Namibian Workers (NUNW), serve as a well-organised obstruction to far-reaching reform. In his 2016/17 budget speech, Schlettwein promised to cap any public sector wage increases to a "maximum of the annual inflation rate", the first time a Namibian Minister of Finance has committed to a longer-term approach to public sector wages. It seems that as long as revenue is available, there are no political prizes for taking a knife to Namibia's bloated public service, especially as the political cost of a smaller public service is more immediate and certain than the political benefits of a more efficient public service and, say, greater spending on cash transfers, capital spending or lower consumption taxes.

Useful References

Institute for Public Policy Research. 2001. "Namibia National Budget 2001/02: A driving force for change?", Opinion No. 1, April. Windhoek: IPPR.

Institute for Public Policy Research. 2001a. "How well does the Government budget?". Briefing Paper No. 4, July. Windhoek: IPPR.

Institute for Public Policy Research. 2001b. "Additional Budget 2001/02: More special circumstances". Opinion No. 4, October. Windhoek: IPPR.

Institute for Public Policy Research. 2002a. "National Budget 2002/03: We've been here before". Opinion No. 6, April. Windhoek: IPPR.

Institute for Public Policy Research. 2002b. "Additional Budget 2002/03: Old habits die hard". Opinion No. 7, October. Windhoek: IPPR.

Institute for Public Policy Research. 2002c. "Maintaining economic independence: Government debt and fiscal sustainability". Briefing Paper No. 13, October. Windhoek: IPPR.

Institute for Public Policy Research. 2003. "National Budget 2003/04: Mr Mbumba's low maintenance garden". Opinion No. 8, April. Windhoek: IPPR.

Institute for Public Policy Research. 2003. "Additional Budget 2003/04: We had it coming". Opinion No. 9, October. Windhoek: IPPR.

Institute for Public Policy Research. 2004a. "National Budget 2004/05: Election fever?". Opinion No. 12, March. Windhoek: IPPR.

Institute for Public Policy Research. 2004b. "Have priorities changed? Budget trends since Independence". Briefing Paper No. 32, July. Windhoek: IPPR.

Institute for Public Policy Research. 2005. "National Budget 2005/06: The continuity candidate's budget". Opinion No. 17, May. Windhoek: IPPR.

Institute for Public Policy Research. 2006. "National Budget 2006/07: Continuity tinged with change". Opinion No. 18, March. Windhoek: IPPR.

Institute for Public Policy Research. 2007. "National Budget 2007/08: Jam today". Opinion No. 19, March. Windhoek: IPPR.

Institute for Public Policy Research. 2008. "National Budget 2008/09: Great dollops of jam". Briefing Paper No. 42, March. Windhoek: IPPR.

Institute for Public Policy Research. 2009. "National Budget 2009/10: Weathering the Storm or Missing the Boat?". Briefing Paper No. 46, March. Windhoek: IPPR.

Institute for Public Policy Research. 2010. "National Budget 2010/11: In Search of Recovery and Sustainable Growth". Briefing Paper No. 50, March. Windhoek: IPPR.

Institute for Public Policy Research. 2011. "National Budget 2011/12: Bold Steps – in the Right Direction? Briefing Paper No. 54, March. Windhoek: IPPR.

Institute for Public Policy Research. 2012. "National Budget 2012/13: Show Us the Jobs! Democracy Report Special Paper, March. Windhoek: IPPR.

Institute for Public Policy Research. 2013. "National Budget 2013/14: Big Bang or Fiscal Consolidation?" Democracy Report Special Paper No.4, March. Windhoek: IPPR.

Institute for Public Policy Research. 2014. "National Budget 2014/15: Pro-cyclical but Counter Development?" Democracy Report Special Paper No.6, March. Windhoek: IPPR.

Institute for Public Policy Research. 2015. "National Budget 2015/16: Maxing Out the Credit Card" Democracy Report Special Paper No.8, May. Windhoek: IPPR.

Institute for Public Policy Research. 2016. "National Budget 2016/17: Fiscal Sustainability and Growth: A Difficult Balancing Act" Democracy Report Special Briefing Report No.12, April. Windhoek: IPPR.

Institute for Public Policy Research. 2017, "The National Budget 2017/18: Prioritising Personnel, Democracy Report Special Briefing Paper No. 19. Windhoek: IPPR

Institute for Public Policy Research. 2018. National Budget 2018/19: Walking The Fiscal Tightrope, Democracy Report: Special Briefing Paper No. 23. Windhoek: IPPR

Institute for Public Policy Research. 2019. National Budget 2019/20: Adapting tyo Fiscal Constraints, Democracy Report Special Briefing Paper No.26. Windhoek: IPPR

Institute for Public Policy Research. 2020. Analysis: National Budget 2020/21: "Giving the Can Another Kick Down the Road". Windhoek: IPPR

International Budget Project. 2015 (online). www.openbudgetindex.org and www.internationalbudget.org

Ministry of Finance. (Various). Estimates of Revenue and Expenditure; for all years since Independence. Windhoek: Republic of Namibia.

Ministry of Finance. (Various). Medium-term Expenditure Framework; all years since 2001/2. Windhoek: Republic of Namibia.

Ministry of Finance. (Various). Budget Speeches; all years since Independence. Windhoek: Republic of Namibia.

Namibian Tax Consortium. 2002. Report on Taxation in Namibia. Windhoek: Namibian Tax Consortium.

RoN/Republic of Namibia. 1990. The Constitution of the Republic of Namibia. Windhoek: Ministry of Information and Broadcasting.

Useful Websites

Institute for Public Policy Research
www.ippr.org.na

Ministry of Finance
www.mof.gov.na

National Planning Commission
www.npc.gov.na

Annex

ANNEX 2.1

MTEF and Actual Budget Outcomes

	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07	'07/08	'08/09	'09/10	'10/11	'11/12	'12/13
MTEF 2001/02												
Revenue	31.0%	31.0%	31.4%									
Expenditure	34.9%	33.9%	34.3%									
Balance	-3.6%	-2.9%	-2.9%									
MTEF 2002/03												
Revenue		30.1%	28.1%	26.5%								
Expenditure		34.5%	31.1%	29.0%								
Balance		-4.4%	-3.0%	-2.5%								
MTEF 2003/04												
Revenue			30.4%	28.3%	26.7%							
Expenditure			33.4%	31.6%	29.7%							
Balance			-3.0%	-3.3%	-3.0%							
MTEF 2004/05												
Revenue				32.3%	28.3%	27.3%						
Expenditure				33.8%	29.6%	28.3%						
Balance				-1.6%	-1.4%	-1.0%						
MTEF 2005/06												
Revenue					31.7%	31.6%	28.6%					
Expenditure					32.9%	30.4%	27.7%					
Balance					-1.2%	1.2%	0.8%					
MTEF 2006/07												
Revenue						35.9%	30.5%	28.9%				
Expenditure						35.6%	32.1%	31.3%				
Balance						0.3%	-1.7%	-2.3%				
MTEF 2007/08												
Revenue							36.3%	30.1%	28.6%			
Expenditure							35.2%	31.2%	29.7%			
Balance							1.1%	-1.1%	-1.1%			
MTEF 2008/09												
Revenue								35.1%	33.7%	32.3%		
Expenditure								37.7%	33.7%	31.2%		
Balance								-2.7%	0.0%	1.1%		
MTEF 2009/10												
Revenue									31.2%	28.6%	28.6%	
Expenditure									36.4%	35.7%	33.1%	
Balance									-5.2%	-7.1%	-4.6%	
MTEF 2010/11												
Revenue										25.2%	21.1%	23.7%
Expenditure										32.3%	29.4%	28.2%
Balance										-7.1%	-8.2%	-4.4%

Source: MTEF documents 2001/02-2020/21, Ministry of Finance and actuals from Bank of Namibia

	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20	'20/21	'21/22
MTEF 2011/12											
Revenue	28.5%	29.1%	30.4%								
Expenditure	38.3%	34.3%	36.6%								
Balance	-9.8%	-5.2%	-6.2%								
MTEF 2012/13											
Revenue		34.6%	30.9%	31.2%							
Expenditure		39.2%	36.0%	31.6%							
Balance		-4.6%	-5.0%	-0.4%							
MTEF 2013/14											
Revenue			34.5%	33.1%	31.5%						
Expenditure			40.9%	37.1%	34.9%						
Balance			-6.4%	-4.1%	-3.4%						
MTEF 2014/15											
Revenue				37.1%	36.6%	36.3%					
Expenditure				42.1%	39.6%	39.3%					
Balance				-5.0%	-3.0%	-3.0%					
MTEF 2015/16											
Revenue					35.5%	35.1%	35.0%				
Expenditure					40.8%	39.7%	36.5%				
Balance					-5.3%	-4.6%	-1.5%				
MTEF 2016/17											
Revenue						30.4%	28.9%	27.5%			
Expenditure						33.4%	31.9%	30.5%			
Balance						-3.0%	-3.0%	-3.0%			
MTEF 2017/18											
Revenue							30.6%	29.1%	27.5%		
Expenditure							34.2%	31.6%	28.5%		
Balance							-3.6%	-2.5%	-1.0%		
MTEF 2018/19											
Revenue								30.7%	28.8%	27.9%	
Expenditure								35.2%	32.7%	30.2%	
Balance								-4.5%	-3.9%	-2.3%	
MTEF 2019/20											
Revenue									29.7%	29.2%	28.8%
Expenditure									33.8%	32.7%	31.6%
Balance									-4.1%	-3.5%	-2.8%

	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07	'07/08	'08/09	'09/10	'10/11	'11/12
Actual outturns											
Revenue	28.6%	29.4%	25.3%	26.2%	27.2%	31.5%	28.9%	31.1%	31.2%	27.6%	29.7%
Expenditure	32.4%	31.8%	31.7%	29.3%	27.4%	26.9%	27.9%	27.6%	28.9%	32.5%	39.8%
Balance	-3.8%	-2.3%	-6.4%	-3.1%	-0.2%	4.5%	0.9%	3.6%	2.3%	-4.9%	-10.1%
	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20	'20/21	'21/22	
Actual outturns											
Revenue	33.2%	33.3%	34.3%	35.3%	31.8%	34.2%	31.4%	32.7%	31.7%	28.2%	
Expenditure	35.7%	38.7%	40.7%	41.4%	38.9%	39.3%	36.5%	37.6%	41.2%	36.8%	
Balance	-2.5%	-5.4%	-6.4%	-6.2%	-7.1%	-5.2%	-5.2%	-5.0%	-9.5%	-8.6%	

Spending on education has consistently accounted for a significant share of public spending since Independence in 1990

CHAPTER

3 Macroeconomy Budget Trends

The national budget is an important tool for achieving national development objectives – accelerating growth, increasing employment, and reducing poverty and inequality. In theory, the national budget is shaped by policy-makers – Cabinet, civil servants and advisers – and approved by Parliament in order to best achieve these objectives. Given that resources are limited by the revenue Government is able to raise through taxes and other sources of revenue, there is inevitably a trade-off between expenditures on different activities. Spending more on one objective means less is available for other objectives. The trick is to strike the balance between spending on different objectives in a way that achieves the best overall results.

Because this is difficult to do with any certainty and is subject to large differences in interpretation because of ideology, judgement, and lack of data and information, the issue of maximising the national benefits derived from the budget potentially becomes an endless round of debate and refinement as new priorities are identified, new ways of achieving goals devised and new evidence discovered about what works and what does not.

Within this complex process it is important to remember that public spending is not the only means by which government can achieve its objectives. In addition to the host of measures which can be taken on the revenue side of the budget, legislation, regulations, and spending outside the budget by public enterprises, private individuals and private business as well as foreign donors all have the potential to contribute significantly towards the achievement of national objectives. It is, therefore, unclear the extent to which public spending provides an accurate reflection of a country's national priorities. Nevertheless, most policy-makers and economists would agree that it is vitally important for Government to keep track of its spending patterns to ensure public spending is being effectively allocated.

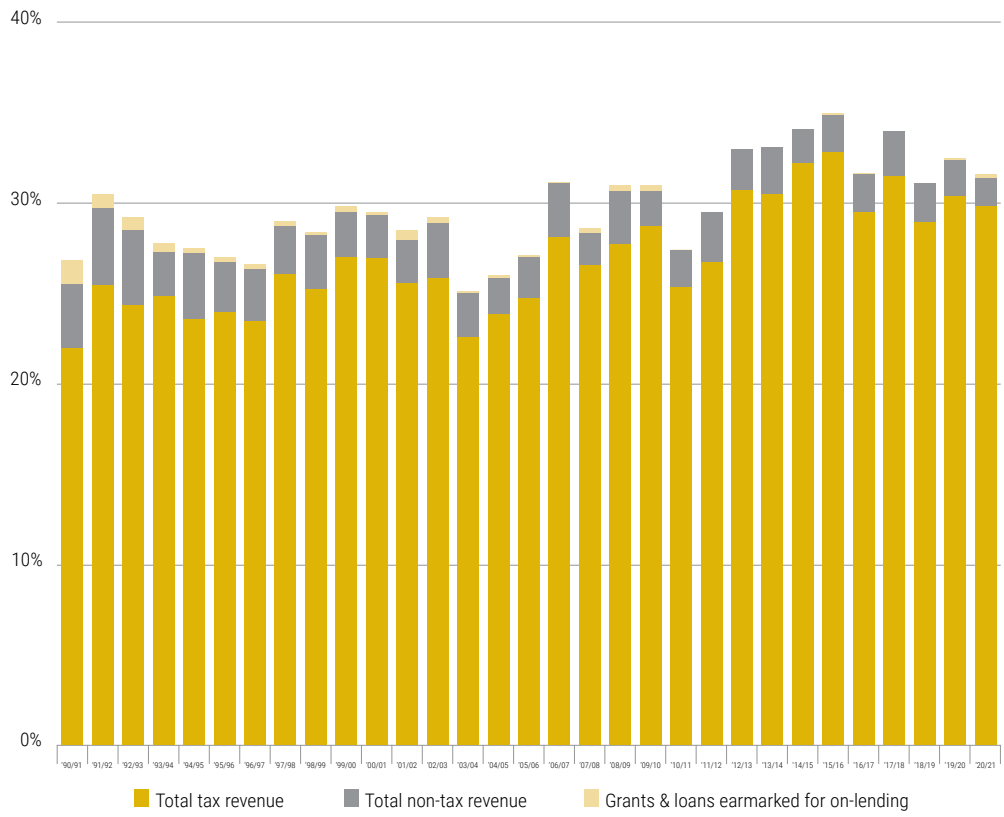
This chapter looks in more detail at revenue and expenditure trends in Namibia's national budget since Independence.

Revenue Trends

The charts below present information on revenues generated by central government going back to 1990/91 and highlights several key characteristics of Namibia's revenue performance:

CHART 3.1

Tax and Non-Tax Revenue Plus Grants and Loans for On-lending as Percentage of GDP
(1990/91-2020/21)



Source: Bank of Namibia

Namibia generates a relatively high level of total revenue in relation to the size of its economy with revenue generally averaging around 30 percent of GDP since 1990. This forms a solid basis on which to finance public services and infrastructure for the mass of the population. The first two decades saw revenue average just below 30 percent of GDP whereas the last decade has seen this level rise to well above 30 percent of GDP.

The revenue raised by Central Government in Namibia every year is classified in national budget documents as tax revenue, non-tax revenue, grants, and loans for on-lending. It can be seen from the chart that tax revenue accounts for the lion's share of overall revenue. Tax revenue has never accounted for less than 80 percent of total revenue and has accounted for over 90 percent in some years. Non-tax revenue is much smaller accounting for around ten percent of total revenue but this has declined over time. With the exception of a short period

TABLE 3.1

Revenue Categories and Components

REVENUE CATEGORY	COMPONENTS
Tax Revenues	
Taxes on Income and Profits	Personal Income Tax – Individuals Diamond Mining Companies Other Mining Companies Non-Mining Companies
Other Taxes on Income and Property	Non-Resident Shareholders Tax Tax on Royalties
Withholding Taxes	Withholding Tax on Companies and Individuals Withholding Tax on Unit Trusts Withholding Tax on Services
Taxes on Property	Transfer Duty
Domestic Taxes on Goods and Services	Value Added Tax (VAT) Fuel Levy Liquor Licences Fishing Boats and Factory Licences Hunting and Fishing Licences Prospecting Licences and Claims Fishing Quota Levies Gambling Licences Environmental Levies Park Entrance Fees
Taxes on International Trade and Transactions	Customs and Excise Customs Revenue Pool Share Customs Revenue Formula Adjustment
Other Taxes	Stamp Duties and Fees
Non-Tax Revenues	
Entrepreneurial and Property Income	Entrepreneurial and Property Income Interest on Investments Dividends and Profit Share from State-Owned Enterprises Interest on State Account Balances Diamond Royalties Other Mineral Royalties Royalties on Dimension Stone Royalties on Minerals other than Precious Stones Fines and Forfeitures Administrative Fees and Charges and Incidental Sales Levy on Export of Game and Game Products

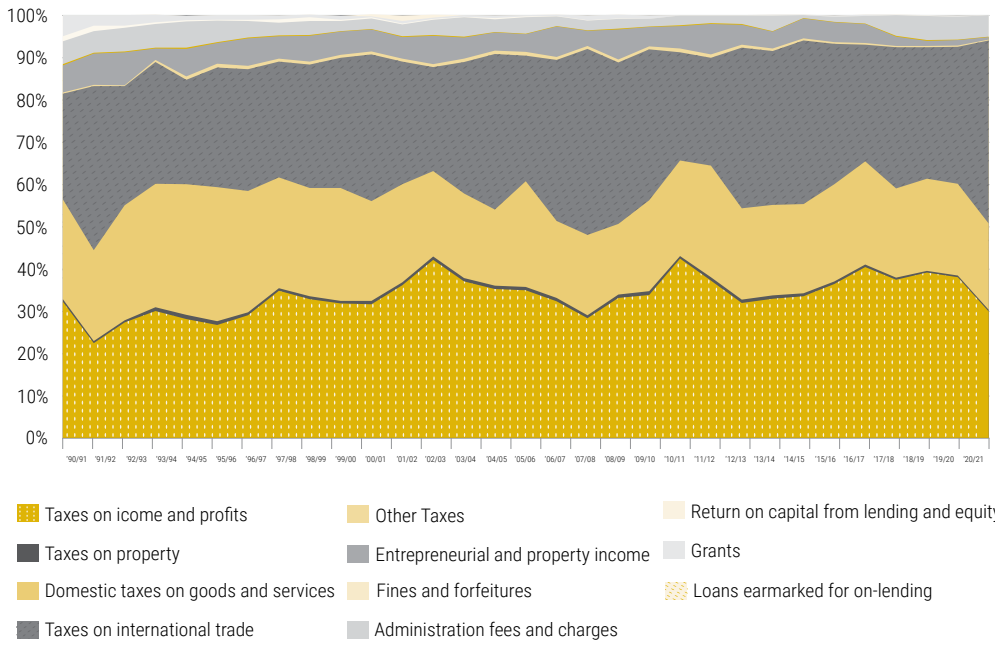
Source: Ministry of Finance

immediately after Independence, the level of grants, which come from donors channelling money through the budget, has always been very low and has not exceeded more than a third of one percent in the last decade.

Tax revenues can be broken down into five categories: taxes on income and profits, taxes on property, domestic taxes on goods and services, taxes on international trade, and other taxes as laid out in the table from the Ministry of Finance. Tax revenue is reasonably diversified but clearly revenues from the Southern African Customs Union (SACU) – taxes on international trade – from Value Added Tax – domestic taxes on goods and services – income tax on individuals and company taxes constitute the three most important components of Namibia's tax take. Non-tax revenue, consists of entrepreneurial and property income, fines and forfeitures, administrative fees and charges, and return on capital from lending and equity. These comprise a wide range of mineral royalties, dividends from public enterprises, interest on accounts held at the Bank of Namibia, fines, and administrative fees.

CHART 3.2

Composition of Central Government Revenue and Grants as Percentage of GDP
(1990/91-2020/21)



Source: Bank of Namibia

Overall, it is clear that revenue from taxes on income and profits, VAT, and SACU have over time come to completely dominate revenue generation. This could be a reflection of improvements in tax administration by the Receiver of Revenue or the lack thereof in the administration of non-tax revenue. SACU is important because its revenue-sharing arrangement makes it predictable at the beginning of the financial year and includes a development component described in other chapters. Due to the importance of SACU revenues to the fiscus, changes to the SACU revenue-sharing formula have the potential to significantly alter overall revenue to Government and this is why sensitivities to such changes documented elsewhere have been so prevalent.

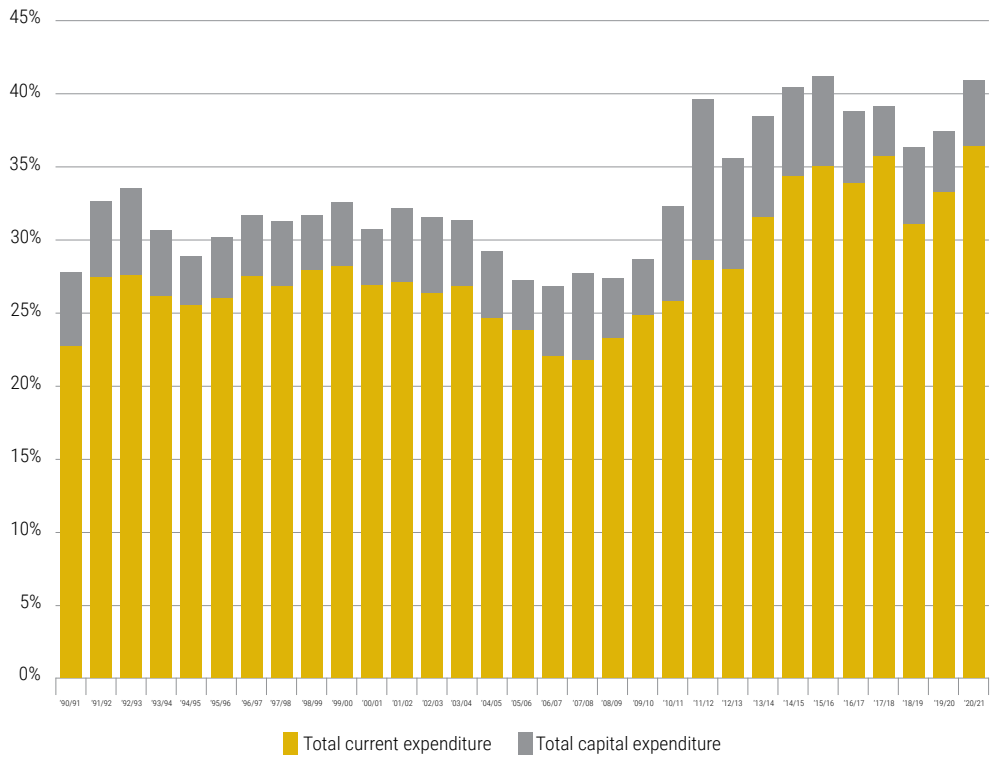
Expenditure Trends

Public expenditure can be classified in three different ways: by sub-division, by classifications of functions of government, and by vote. The first two categories are defined by international convention whilst the third is peculiar to individual countries since votes are generally shaped by institutional structures such as offices, ministries, and agencies which vary from country to country.

Expenditure by sub-division can be broken down into two main categories: current and capital expenditure. Current expenditure is expenditure associated with the day-to-day running costs of government including personnel, goods and services, subsidies and other current transfers, and interest and borrowing related expenses including guarantees. Capital expenditure is expenditure associated with the creation of new infrastructure including the acquisition of capital assets and capital transfers.

CHART 3.3

Current and Capital Expenditure as Percentage of GDP (1990/91-2020/21)

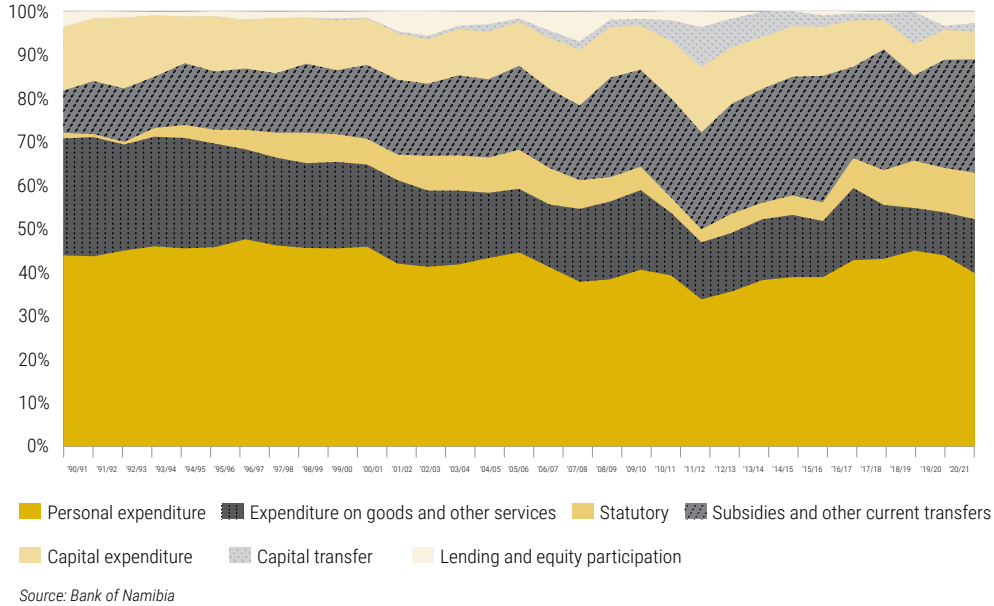


Source: Bank of Namibia

It can be seen from the chart that most expenditure is current expenditure which has on average accounted for about 85 percent of total spending since 1990 compared to about 15 percent for capital expenditure. Total spending declined in the second decade of Independence then rose sharply following the Global Financial Crisis. Spending has averaged more than 38 percent of GDP over the past decade compared to just above 30 percent of GDP in the first decade and just below 30 percent of GDP in the second decade of Independence.

CHART 3.4

Breakdown of Central Government Expenditure (1990/91-2020/21)



Source: Bank of Namibia

Current expenditure can be further broken down into personnel expenditure, expenditure on goods and services, statutory expenditure, and expenditure on subsidies and other current transfers. Capital expenditure can be further broken down into capital expenditure, capital transfers, and lending and equity participation. The chart above shows how the share of each of these components in total expenditure has changed since 1990. Personnel expenditure has always been the greatest single component making up around 45 percent of total spending throughout the 1990s before declining in the second decade of Independence and through the Global Financial Crisis before rising again to previous levels during the last decade. Expenditure on goods and services has undergone a long steady decline over three decades.

Statutory spending on debt repayment and loan guarantees grew from nothing at Independence before Namibia developed its debt markets but declined during the Global Financial Crisis before growing again to reach some ten percent of total expenditure in the past few years. Subsidies and other current transfers have steadily grown over the years as the number of loss-making public enterprises has grown and more resources have been allocated to institutions of higher education and Namibia's system of welfare grants. Conversely, capital expenditure has steadily declined over the three decades to a level where it now accounts for under seven percent of total expenditure. Lending and equity participation has been well below five percent of total expenditure for more than a decade.

Namibian budget documents provide details of budgeted expenditure broken down into administrative units called Votes and these are further divided into Main Divisions. A Vote is a portion of expenditure that has to be separately identified in an Appropriation Bill and specifically approved by Parliament before spending can occur. The names and numbers of Votes have changed over the years as Government Institutions have developed and grown. In 2021/22 public spending in Namibia was divided into 39 Votes shown below. These generally coincide with ministries or distinct public institutions but a single ministry can encompass more than one Vote. The table in the annexure provides more information about how Votes have changed over the years.

TABLE 3.2

Appropriation Votes in 1990/91 and 2021/22

Vote Name (1990/91)	Vote Number	Vote Name (2021/22)	Vote Number
President	01	President	01
Prime Minister	02	Prime Minister	02
Parliament	03	National Assembly	03
Auditor General	04	Auditor General	04
Civic Affairs	05	Home Affairs and Immigration	05
Police and Prisons	06	Safety and Security	06
Foreign Affairs	07	International Relations and Cooperation	07
Defence	08	Defence	08
Finance	09	Finance	09
Education and Culture	10	Education, Arts and Culture	10
Youth and Sport	11	National Council	11
Information and Broadcasting	12	Gender Equality and Child Welfare	12
Health and Social Services	13	Health and Social Services	13
Labour and Manpower Development	14	Labour, Industrial Relations and Employment Creation	14
Mines and Energy	15	Mines and Energy	15
Justice	16	Justice	16
Local Government and Housing	17	Urban and Rural Development	17
Wildlife, Conservation and Tourism	18	Environment, Tourism and Forestry	18
Trade and Industry	19	Industrialisation and Trade	19
Agriculture and Rural Development	20	Agriculture, Water and Forestry	20
Water Affairs	21	Judiciary	21
Fisheries and Marine Resources	22	Fisheries and Marine Resources	22
Works	23	Works	23
Transport	24	Transport	24
Communication	25	Land Reform	25
Lands, Resettlement and Rehabilitation	26	National Planning Commission	26
		Sport, Youth and National Services	27
		Electoral Commission	28
		Information and Communication Technology	29
		Anti-Corruption Commission	30
		Veterans Affairs	31
		Higher Education, Training and Innovation	32
		Poverty Eradication and Social Welfare	33
		Public Enterprises	34
		Office of the Attorney General	35
		Gender Equality, Poverty Eradication and Social Welfare	36
		Agriculture and Land Reform	37
		Water	38
		Home Affairs, Immigration, Safety and Security	39

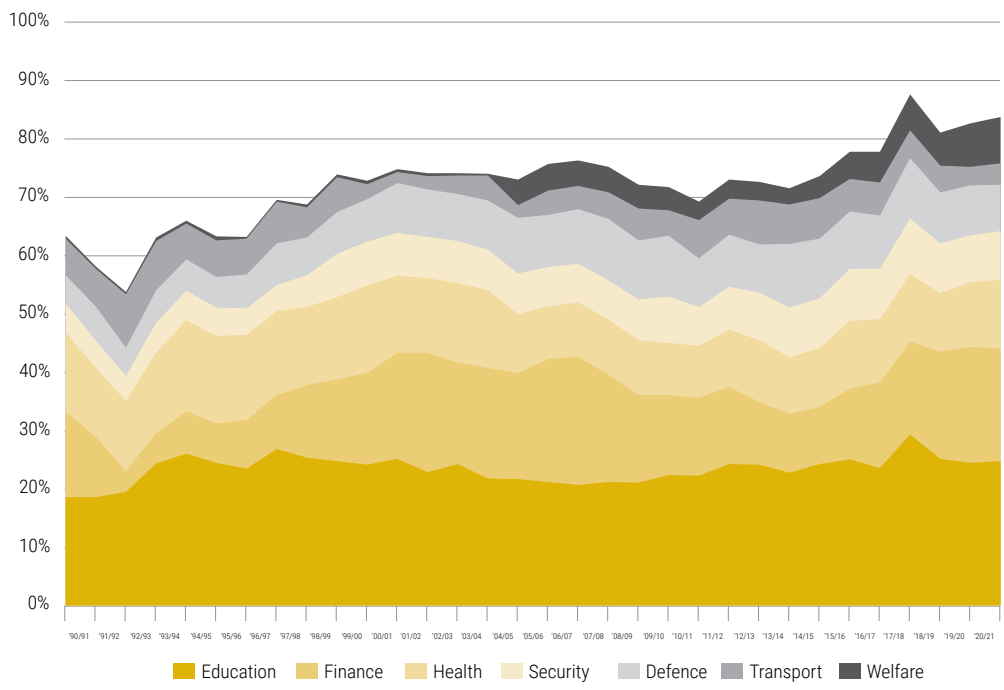
Source: Budget Documents 1990/91 and 2021/22

Periodically institutions and therefore Votes can change. Thus, the separate Votes of Home Affairs and Immigration (Vote 05) have been merged with Safety and Security (Vote 06) to create a new combined Vote 39 Home Affairs, Immigration, Safety and Security. Agriculture and Land Reform (Vote 37), Water (Vote 38) and Forestry (now under Vote 18) used to be covered by Agriculture, Water and Forestry (Vote 20). Therefore, when making comparisons of expenditure by Vote over time, it should be understood that Votes can cover different activities at different times. It is also important to understand that budgets are plans, in other words what government intends to carry out over the coming financial year. The actual expenditure that has taken place by the end of the financial year may be different to what was planned at the beginning. It has been the case that actual spending has differed considerably from budgeted spending both for recurrent and capital spending.

Nevertheless, it is interesting to examine trends in spending by Vote. Since 2002/03 expenditure by the main eleven Votes has accounted for 70 to 85 percent of total spending. In the chart below Votes have been combined in a way that allows comparison over time. The category Education is made up of Education, Arts and Culture (Vote 10) combined with Higher Education, Training and Innovation (Vote 32) and their past equivalents. The category Finance comprises only Finance (Vote 09). The category Health comprises only Health and Social Services (Vote 13). The category Security comprises Home Affairs and Immigration (Vote 05), Safety and Security (Vote 06) and Home Affairs, Immigration, Safety and Security (Vote 39). The category Defence comprises only Defence (Vote 08). The category Transport comprises Vote 23 and Vote 24. Finally, the category Poverty Eradication comprises Labour, Industrial Relations and Employment Creation (Vote 14), Poverty Eradication and Social Welfare (Vote 33) and Gender Equality, Poverty Eradication and Social Welfare (Vote 36).

CHART 3.5

Share of Actual Expenditure by Largest Votes (1990/91-2020/21)



Source: Ministry of Finance

The chart reveals several long-term trends. Government has consistently allocated 20 percent of the budget or more on education. In most years, Education has received much more than 20 percent with average spending of 23.5 percent over the period. Of course this says nothing about the quality of education being delivered or the educational outcomes achieved. On average Finance has been allocated over 15 percent of total spending and has varied according to how much has been allocated to subsidise public enterprises and repay debt and loan guarantees. Spending on Health has averaged over ten percent of total spending but the early decline came about as a result of moving Namibia's system of welfare grants out of the Health and Social Services Vote. Security has received a steadily greater share of spending as more has been allocated to police, Special Field Force and VIP protection. Spending on Defence steadily grew over the period and regularly accounted for around ten percent of total spending but this has declined in recent years. For a number of years, spending on Transport exceeded eight percent following the Global Financial Crisis which has reflected Namibia's high spending on roads but spending has declined steadily since. Spending on Poverty Eradication rose after spending on welfare grants was moved from under Health and Social Services and kept on rising since as the welfare grants were increased.

CHART 3.6

Pie Chart of Budgeted Spending by Vote in 2019/20

The chart shows the breakdown by vote in the 2019/20 budget, the latest for which actual spending figures are available. Namibia has consistently allocated a large proportion of its national budget to the social sectors of education, health and social services.

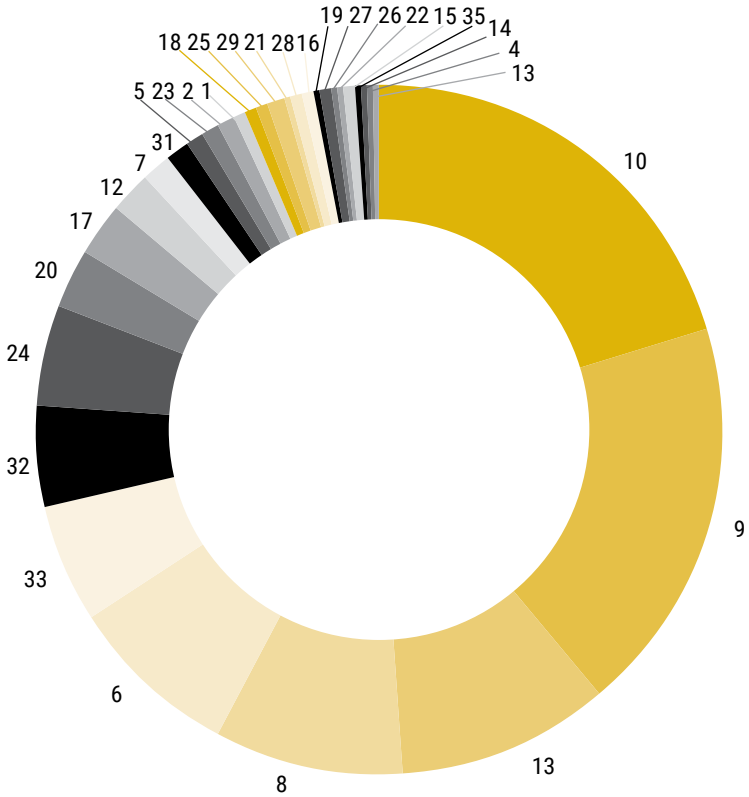


TABLE 3.3

Breakdown of Spending by Vote in 2019/20

10	Education, Arts and Culture	20.4%
9	Finance	18.5%
13	Health and Social Services	10.1%
8	Defence	8.8%
6	Safety and Security	8.1%
33	Poverty Eradication and Social Welfare	5.4%
32	Higher Education, Training and Innovation	4.9%
24	Transport	4.6%
20	Agriculture, Water and Forestry	2.9%
17	Urban and Rural Development	2.4%
12	Gender Equality and Child Welfare	1.8%
7	International Relations and Cooperation	1.4%
31	Veterans Affairs	1.1%
5	Home Affairs and Immigration	1.0%
23	Works	0.8%
2	Prime Minister	0.7%
1	President	0.7%
18	Environment, Tourism and Forestry	0.6%
25	Land Reform	0.6%
29	Information and Communication Technology	0.6%
21	Judiciary	0.5%
28	Electoral Commission	0.5%
16	Justice	0.5%
19	Industrialisation and Trade	0.4%
27	Sport, Youth and National Services	0.4%
26	National Planning Commission	0.4%
22	Fisheries and Marine Resources	0.3%
15	Mines and Energy	0.3%
35	Office of the Attorney General	0.3%
14	Labour, Industrial Relations and Employment Creation	0.2%
4	Auditor General	0.2%
3	National Assembly	0.2%
11	National Council	0.1%
30	Anti-Corruption Commission	0.1%
34	Public Enterprises	0.0%

Generally speaking patterns of public spending have remained reasonably stable over long periods of time. The distribution of spending across Votes and by standard items suggests no egregious misallocation of resources. Rather than looking at different patterns of spending, Namibia's challenge lies far more in making sure spending within Votes and across different types of spending becomes more effective. This requires greater levels of analysis prior to making spending decisions and better monitoring and evaluation of spending programmes once they have been executed.

IS THE BASIC INCOME GRANT SIMPLY TOO BIG?

> Expectations as to the actual and perceived redistributive effects of the tax system have been mentioned above. It is recognised, however, that redistribution is often better achieved by other means, particularly through the expenditure side of the budget, albeit with its own limitations and difficulties. Furthermore, we have taken note of the extensive literature according to which taxes imposed on the rich often do not translate into benefits for the poor, and hence do not address the fundamental objective of creating greater equity.

The Namibian Tax Consortium Report on Taxation in Namibia, December 2002.

Namibia inherited a system of universal pensions for those over 60 as well as a limited number of child maintenance and foster parent grants. Over the years these have been added to by war veterans allowances and more generous child maintenance grants as Government has sought to meet the needs of ex-PLAN fighters and the rapidly increasing numbers of Orphans and Vulnerable Children (OVC) resulting from the country's HIV/AIDS epidemic. In 2002 the Namibian Tax Consortium came out strongly against using the tax system to address poverty but suggested Government investigate a far more ambitious use of public expenditure in the form of an unconditional universal grant to all Namibians called the Basic Income Grant (BIG).

It was estimated that a BIG of N$100 a month would involve gross spending of some N$2 billion annually although a significant proportion of this would have been funded by clawing some of it back through the tax system and making some adjustments to VAT which would have involved a far lower level of net additional spending. The Consortium's work on this issue

led to the formation of a BIG Coalition in April 2005[1], consisting of churches, trade unions and NGOs and led by Bishop Zephania Kameeta, to lobby Government to introduce a BIG. The proposal drew criticism from the IMF among others[2]. However, despite intense lobbying, Cabinet ended up rejecting the idea in May 2006. In the wake of that decision, the BIG Coalition decided to carry out a two-year pilot project in Omitara starting in 2007, the results of which are contained in a report made public in 2008[3]. The report documented that the outcome had been "nothing short of spectacular".

However, a short critical appraisal from NEPRU drew some unpleasant vitriol from the BIG Coalition which was directed at Rigmar Osterkamp, the author of the NEPRU report. In October 2009 Prime Minister Nahas Angula remarked that a Basic Income Grant would be "making a joke out of the poor by saying that everyone – including myself as Prime Minister – should get N$100", a comment that drew further criticism from the BIG Coalition[4].

The experiment ended up being phased out with recipients receiving a N$80 "bridging allowance" until March 2012. With formal employment growth almost static and the gap between rich and poor perceived to be widening, there is a strong case for re-examining Namibia's system of cash transfers.

However, there appears little appetite for fundamental reform at the highest levels of Government although the Social Security Commission has tried to address the plight of informally unemployed through the establishment of a National Pension Fund, mandated in the 1994 Social Security Act[5]. The BIG has again come to prominence in the context of Covid when Government introduced a one-off Emergency Income Grant of N$750 to selected individuals. The BIG Coalition has once again been putting its case but again this seems to have fallen on deaf ears[6]. The problem with BIG is that it is a hard policy to introduce gradually and therefore involves a significant leap of faith. In the end it may simply be too big.

If Government was not convinced during the period when fiscal conditions were relatively favourable, it is hardly likely to implement such a policy when the country's fiscal situation is highly constrained. Meanwhile, so-called conditional cash transfers, which make cash grants conditional on certain behaviour such as making sure children attend school or receive inoculations, have caught the imagination of development economists internationally.

[1] See www.bignam.org
[2] See "The Head and the Heart", *Insight Namibia*, December 2006
[3] See "Towards a Basic Income Grant For All", Basic Income Grant Pilot Project Assessment Report, Basic Income Grant Coalition, September 2008
[4] See "BIG is No Joke Says BIG", *The Namibian*, 22 October 2009
[5] See "Where Angels Fear to Tread", *Insight Namibia*, June 2011
[6] See "Geingob Sees No Need for Basic Income Grant", *The Namibian*, 26 March 2021

WELFARE SPENDING

The Namibian Constitution imposes obligations on the State in regard to Fundamental Human Rights and Freedoms (Chapter 3) and Principles of State Policy (Chapter 11) as set out in the table.

TABLE 3.4
Constitutional Obligations for Welfare Policy

CHAPTER 3 FUNDAMENTAL HUMAN RIGHTS AND FREEDOMS	
Article 20 Education	(2) Primary education shall be compulsory and the State shall provide reasonable facilities to render effective this right for every resident within Namibia, by establishing and maintaining State schools at which primary education will be provided free of charge. (3) Children shall not be allowed to leave school until they have completed their primary education or have obtained the age of sixteen (16) years, whichever is the sooner, save in so far as this may be authorised by Act of Parliament on grounds of health or other considerations pertaining to the public interest.
CHAPTER 11 PRINCIPLES OF STATE POLICY	
Article 95 Promotion of the Welfare of the People	(e) ensurance that every citizen has a right to fair and reasonable access to public facilities and services in accordance with the law; (f) ensurance that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities; (g) enactment of legislation to ensure that the unemployed, the incapacitated, the indigent and the disadvantaged are accorded such social benefits and amenities as are determined by Parliament to be just and affordable with due regard to the resources of the state; (j) consistent planning to raise and maintain an acceptable level of nutrition and standard of living of the Namibian people and to improve public health;

More specifically, Article 20 states that primary education is compulsory and free of charge. Article 95 states that all citizens have a right to access to public services, that senior citizens are entitled to a pension adequate to maintain a decent standard of living, and that an acceptable level of nutrition of the Namibian people be maintained.

These obligations are, however, subject to interpretation. What are "reasonable facilities"? What is "fair and reasonable access"? What is a "decent standard of living"? What is an "acceptable level of

nutrition"? None of these obligations have so far been tested in court in Namibia despite the widespread feeling that policy is failing to live up to many of these obligations[1]. Clearly, in the process of identifying and implementing options for welfare reform, these obligations cannot be ignored. Reforms should at least be in accordance with the spirit if not the letter of the Constitution.

WELFARE POLICIES

The main policy on welfare to be published is the National Poverty Reduction Strategy[2] and the accompanying National Poverty Reduction Action Programme 2001-2005[3]. The section of the Action Programme that applies most directly to the system of state grants and child welfare is Section 4.2 "Strengthening Grant-Based Transfer Programmes". Three actions are of particular relevance:

- Action 41: *The Government will finalise its efforts toward the strengthening of grant-based transfer programmes by reducing the number and complexity of grant-based transfer programmes to three. These will be managed by the MoHSS and will include 1) a basic state grant programme; 2) a combined blind person and disability pension programme; and 3) children's grants. As a result of this consolidation, assessment criteria and application procedures will be streamlined and simplified. There will also be a greater awareness and understanding of pension entitlements.*

- Action 43: *The MoHSS will continue its efforts to find innovative, cost-effective and high-impact ways of delivering social welfare services to all communities across the country. It will test these approaches from which a programme proposal can be formulated for implementation by the MoHSS. Such efforts should reduce the inter-regional disparities in the provision of social welfare services.*

- Action 44: *The MoHSS shall finalise the Developmental Social Welfare Policy for final submission to Cabinet, ensuring that the needs of people who are living in poverty are best served with the resources that are available through professional services. The final policy will make explicit references to the initiatives and directions of the Poverty Reduction Strategy and the National Poverty Reduction Action Plan.*

WELFARE LEGISLATION

The pieces of legislation of particular relevance to welfare grants are the following:

Children's Act 1960[4] – provides for maintenance and foster parent grants to children up to the age of 18 (Section 89) as well as the protection of infants, the prevention of neglect, ill-treatment and exploitation of children, the manner in which children in need of care may be dealt with, the regulation of places of safety and other institutions, contribution orders and the adoption of children. National Pensions Act 1992[5] – provides for national pensions to be paid to aged, blind and disabled people and lays down certain

[1] Constitutional socio-economic rights have been tested in South Africa (see, for example, the Grootboom case)
[2] See National Poverty Reduction Strategy for Namibia, NPC, 2002
[3] See National Poverty Reduction Action Programme 2001-2005, NPC, 2002
[4] Children's Act (Act No. 33 of 1960)

criteria for applications. The Act also provided for the equalisation of pensions and allows the application of means-testing to pensions (Section 16f).

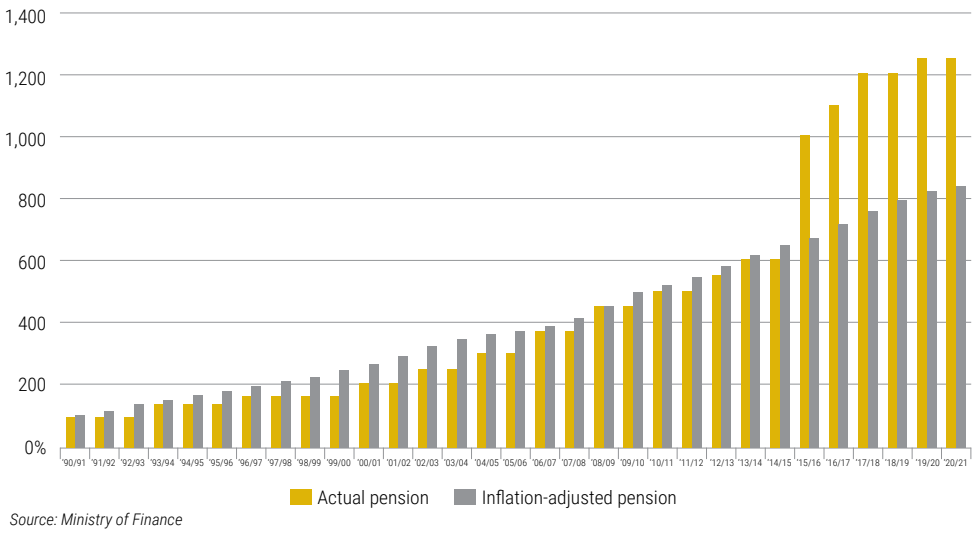
Social Security Act 1994[6] – makes provision for the establishment of the Maternity Leave, Sick Leave and Death Benefit Fund, National Medical Benefit Fund, National Pension Fund and the Development Fund as well as the Social Security Commission.

At Independence Namibia inherited a system of state pensions through which every Namibian resident over 60 received a monthly cash transfer funded out of general taxation. At the time the amount receivable depended on the racial classification of the recipient: N$382 for whites, N$192 for coloureds and between N$55 and N$150 for blacks. This discriminatory system was abolished in 1992 and eventually replaced with a uniform pension of N$135 a month in 1994. The delivery system was changed in 1995 when private sector companies were contracted to deliver monthly cash payments at points around the country determined by the Ministry of Health and Social Services so that no recipient would have to travel more than 10km. This contract was won by United Africa Paymaster in 1999, renewed in 2000 and again in 2006. In 2010, United Africa lost the tender to a new company Epupa Investment Technology despite contesting the award in the courts[7].

The pension provides an important safety net helping to meet the needs not only of poor pensioners without savings but supporting family members and children too. The chart shows how the pension, which is not index-linked, has changed in value since 1990. In purchasing power terms, its value has generally been allowed to decline before occasional increases restore its real value at Independence. However, in his first budget in March 2015 newly-appointed Minister Calle Schlettwein boosted the pension significantly from N$600 to N$1,000 a month thereby more than compensating for the effect of inflation. By 2020 the pension was worth N$1,250 a month. Reaching all those over 60 who are entitled to it remains a challenge[8].

CHART 3.7

Social Pension and Inflation



Source: Ministry of Finance

[5] National Pensions Act (Act No. 10 of 1992)
[6] Social Security Act (Act No. 34 of 1994)
[7] See "United Africa loses State Pension Case", *The Namibian*, 20 June 2011
[8] See "Pensioners Need Closer Pay Points", *The Namibian*, 12 July 2017

In addition to the social pension, Namibia inherited a system of child maintenance and foster parent grants. Over the years these have been added to by war veterans allowances and more generous child maintenance grants as Government has sought to meet the needs of ex-PLAN fighters and the rapidly increasing numbers of Orphans and Vulnerable Children (OVC) resulting from the country's HIV/AIDS epidemic.

Under the National Pensions Act the **Disability Grant** is available to those 16 years or older who have been medically diagnosed as either temporarily or permanently disabled by a state doctor including blind people. The application requires a doctor's certificate plus an identity document and birth certificate. In the case of temporary disability, claimants are monitored to ensure they follow rehabilitation programmes. It is assumed that children below the age of 16 are with their parents.

Under the Children's Act[9] adults may apply for a **Maintenance Grant** to help look after a maximum of three children who find themselves in particular circumstances. Either one of child's parents has died, or is in prison, or is receiving a social pension or disability grant. The other parent must not be earning more than N$500 per month. The application requires the full birth certificate of the child and the birth certificate of the applicant. If the child is of school-going age, the child's school report must be submitted to the MoHSS every quarter. Once a child reaches the age of 18 it is no longer entitled to the grant but this condition is being relaxed to allow some children to complete their education until the age of 21.

Under the Children's Act, legal foster parents are entitled to receive a **Foster Parent Allowance**. Applicants must submit identity documents and birth certificates and the child must be in need of care and not simply be an orphan. A government social worker must make a formal assessment of the situation before the local Committee of Child Welfare (usually the local magistrate) recommends payment. The first foster child is entitled to N$200 a month, the second N$100 a month and the third N$100 a month. The ultimate goal is that the child goes back to its home and that the period of fostering is only short-term.

Under the Children's Act, a **Place of Safety Allowance** of N$10 per day may be paid to individuals and institutions to care for children who are in need of a care stop over.

Under the Children's Act, government subsidises a number of **welfare institutions**. Out of all registered welfare institutions, payments are made to selected institutions which have audited financial statements. The institutions claim monthly and the payment is usually linked to the number of employees.

It took many years and several false starts before the issue of welfare payments to war veterans was tackled. The issue of war veterans became an election issue in 1999 when demonstrations on the streets forced government to act. The "Peace Project" involved employing many war veterans in government and the State-Owned Enterprises although the exact number was never disclosed. A further step towards pacifying dissatisfied veterans was taken with the passing of the War Veterans Subvention Act[10], registered war veterans and their dependents were entitled to a monthly payment of N$500. Applications

[9]

[10] War Veterans Subvention Act (Act No. 6 of 1999)

had to be made to the War Veterans Subvention Board which consisted of representatives from SWAPO, the National Planning Commission, the Ministry of Health and Social Services, the Ministry of Defence, and the Ministry of Finance. The Board verified the life history of the applicant and either approved or disapproved the application. Dependents had to prove the war veteran had died before 21 March 1990. Because many veterans often did not disclose all their dependents this proved problematic. The Act made provision only for post-1960 veterans (the date of the start of the armed liberation struggle) but there is some unclarity on the situation of exiles and veterans of World War II. Money was set aside in the national budget which was transferred to a bank account administered by the Board. This account was inherited from the Socio-Economic Integration Project (SEIP). Only veterans over 55 years of age who were not in work were eligible for the grant. Payments were made into bank accounts only. Those over 60 could also claim the state pension.

However, none of these actions succeeded in laying the issue of war veterans to rest and by 2006 discontent spilled over once again leading Government to create a new ministry specifically to deal with war veterans – the Ministry of Veteran Affairs – headed by Dr Nickey Iyambo[11]. Together Ruusa Malulu and Alex Kamwi led the Association of War Veterans in an effective campaign to demand compensation for war veterans, something that met considerable resistance from some members of Cabinet. A further Act, the Veterans Act, was passed by Parliament in 2008[12]. From 2011/12 cash payouts to veterans increased enormously with lump-sum payments of between N$20,000 and N$50,000 being made. These payments were controversial and it was reported that several ministers had decided to claim compensation[13].

SOCIAL SECURITY COMMISSION

The Social Security Commission (SSC) was also established under the Social Security Act of 1994 to provide a certain level of social protection for workers and their dependents in the form of maternity leave, sick leave, death and work-related disabilities, injuries and the loss of employment[14]. The SSC manages separate a number of funds including the Maternity, Sickness and Death (MSD) Benefit Fund, the Employees Compensation Fund and the Development Fund and is audited annually by the Auditor General. For MSD, which is supposed to cover all employees, employers and employees must each make social security contributions to the Social Security Commission at the rate of 0.9 percent of the employee's basic salary up to a maximum of N$54 per month. In the years following its establishment in 1995 the SSC gained a reputation for poor management and corruption. Tuli Hiveluah resigned in 2005 shortly before he was due to face a disciplinary hearing over the SSC's decision to invest N$30 million in Avid Investments, money which had subsequently disappeared. Things seemed to stabilise under the leadership of Festus Hangula who moved from FNB Namibia but left to join Nampost in 2010. After joining the SSC from FNB in 2010, the new CEO Kapara Tjivikua was indefinitely suspended at the end of 2012 in circumstances that were not made public. Milka Mungunda was appointed CEO in July 2016 and she was reappointed for another five years from 1 July 2021.

[11] See www.mova.gov.na
[12] Veterans Act (Act No. 2 of 2008)
[13] See "Mixed Reaction to War Vets Payout", *New Era*, 8 February 2012
[14] See www.ssc.org.na

TABLE 3.5

Changes in Social Pension (N$ per Month)

N$ per month	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Whites	382													
Coloureds	192													
Blacks	92	92	92	135	135	135	160	160	160	160	200	200	250	250

Annex

ANNEX 3.1

Revenue and Expenditure by Main Division 1990/91 to 2021/22

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05
Revenue (N$m)															
Taxes on income and profits	655.2	597.8	804.7	930.3	1,030.6	1,088.8	1,353.9	1,979.0	2,031.3	2,315.4	2,619.3	3,285.6	4,442.3	3,618.5	4,025.0
Taxes on property	12.3	12.4	14.3	27.8	38.0	36.0	32.9	36.0	40.3	46.7	62.8	64.1	79.3	75.2	85.9
Domestic taxes on goods and services	479.5	576.0	800.5	906.7	1,132.4	1,293.8	1,342.0	1,491.0	1,581.8	1,943.6	1,954.0	2,107.4	2,135.7	1,950.8	2,057.3
Taxes on international trade	507.5	1,036.6	829.1	896.1	905.5	1,155.6	1,348.7	1,560.0	1,805.2	2,240.7	2,877.3	2,641.2	2,596.9	3,035.6	4,206.8
Other taxes	6.5	8.0	7.0	15.2	29.6	36.1	36.4	40.0	42.8	51.3	55.0	67.6	75.6	82.8	94.1
Total tax revenue	**1,661.0**	**2,230.8**	**2,455.6**	**2,776.1**	**3,136.1**	**3,610.3**	**4,113.9**	**5,106.0**	**5,501.4**	**6,597.7**	**7,568.4**	**8,166.0**	**9,329.8**	**8,762.9**	**10,469.0**
Entrepreneurial and property income	129.8	197.5	228.8	82.8	239.1	201.4	303.5	300.8	378.8	402.7	428.9	463.4	703.2	488.8	490.0
Fines and forfeitures	5.8	6.0	4.9	5.9	9.4	9.1	10.8	13.5	9.4	10.9	12.3	18.2	19.6	18.9	17.0
Administration fees and charges	109.4	135.5	166.1	175.0	226.2	207.9	183.3	171.4	205.1	171.6	205.7	254.0	382.3	449.3	342.1
Return on capital from lending and equity	24.6	35.9	15.6	11.4	12.2	7.1	14.0	43.9	54.3	20.1	21.0	21.4	15.9	13.5	36.8
Total non-tax revenue	**269.6**	**374.9**	**415.4**	**275.1**	**486.9**	**425.5**	**511.6**	**529.6**	**647.6**	**605.3**	**667.9**	**757.1**	**1,121.0**	**970.5**	**885.9**
Total revenue (own sources)	1,930.6	2,605.7	2,871.0	3,051.2	3,623.0	4,035.8	4,625.5	5,635.6	6,149.0	7,203.0	8,236.3	8,923.1	10,450.8	9,733.4	11,354.8
Grants	101.1	67.8	73.5	54.9	38.4	44.9	50.3	54.0	37.4	68.5	13.2	58.1	34.4	34.2	70.4
Loans earmarked for on-lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.7	116.8	76.8	0.0	0.0
Total revenue and grants	**2,031.7**	**2,673.5**	**2,944.5**	**3,106.1**	**3,661.4**	**4,080.7**	**4,675.8**	**5,689.6**	**6,186.4**	**7,271.5**	**8,293.2**	**9,098.0**	**10,562.0**	**9,767.6**	**11,425.2**

04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
300	300	370	370	450	450	500	500	550	600	600	1,000	1,100	1,200	1200	1,250	1,250	1,250

05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
4,575.7	5,676.0	5,201.0	7,354.0	8,136.6	9,910.4	10,412.1	11,593.8	13,282.9	15,687.2	19,004.0	20,606.8	21,917.7	21,855.1	22,611.4	20,906.1
110.1	142.1	134.0	167.0	221.9	138.5	233.1	282.4	307.2	333.9	313.0	284.0	269.5	220.7	174.5	140.7
3,272.4	3,196.8	3,487.6	3,712.0	5,162.3	5,284.7	7,393.9	7,850.7	8,642.3	9,872.3	12,015.0	12,430.4	12,391.6	12,191.30	12,998.97	9,036.54
3,891.9	6,697.9	8,085.0	8,501.8	8,585.2	5,975.9	7,137.0	13,795.8	14,726.6	18,116.6	17,354.7	14,070.7	19,597.4	17,374.89	18,922.00	22,252.00
113.4	130.4	134.0	150.0	166.7	208.4	210.77	259.55	241.00	251.10	216.00	183.02	171.36	171.36	108.62	91.31
11,963.5	**15,843.2**	**17,041.6**	**19,884.8**	**22,272.7**	**21,518.0**	**25,386.8**	**33,782.3**	**37,200.1**	**44,261.1**	**48,902.7**	**47,575.0**	**54,347.6**	**51,813.4**	**54,815.5**	**52,426.7**
544.0	1,264.0	662.8	1,583.9	1,112.5	1,235.7	2,019.8	1,723.2	1,620.5	2,189.3	2,440.0	2,305.4	1,271.0	651.1	2385.0	1756.0
17.6	18.7	23.5	36.1	35.1	38.2	58.9	59.2	55.5	46.6	78.0	66.6	94.8	94.8	99.0	86.2
511.2	400.5	431.7	502.9	421.4	535.3	512.0	723.0	1,494.7	315.6	628.0	902.1	2,882.6	3188.0	1027.0	922.0
32.4	17.4	23.7	16.9	4.6	4.2	4.8	4.2	20.8	13.4	15.0	16.1	62.8	62.8	0	0
1,105.2	**1,700.6**	**1,141.7**	**2,139.8**	**1,573.6**	**1,813.5**	**2,595.5**	**2,509.6**	**3,191.5**	**2,564.8**	**3,161.0**	**3,290.2**	**4,311.2**	**3,996.8**	**3,511.0**	**2,764.1**
13,068.7	17,543.8	18,183.3	22,024.6	23,846.3	23,331.4	27,982.3	36,291.9	40,391.6	46,826.0	52,063.7	50,865.2	58,658.9	55,810.2	58,326.5	55,190.8
39.0	49.6	204.0	204.0	204.0	23.5	24.2	24.9	25.7	26.5	151.6	159.3	0.1	71.935962	98.0	266
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0
13,107.7	**17,593.4**	**18,387.3**	**22,228.6**	**24,050.3**	**23,354.9**	**28,006.5**	**36,316.8**	**40,417.3**	**46,852.5**	**52,215.3**	**51,024.5**	**58,658.9**	**55,882.1**	**58,424.5**	**55,456.8**

Annex

ANNEX 3.1

Revenue and Expenditure by Main Division 1990/91 to 2021/22

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05
Revenue (as percentage of GDP)															
Taxes on income and profits	32.2%	22.4%	27.3%	30.0%	28.1%	26.7%	29.0%	34.8%	32.8%	31.8%	31.6%	36.1%	42.1%	37.0%	35.2%
Taxes on property	0.6%	0.5%	0.5%	0.9%	1.0%	0.9%	0.7%	0.6%	0.7%	0.6%	0.8%	0.7%	0.8%	0.8%	0.8%
Domestic taxes on goods and services	23.6%	21.5%	27.2%	29.2%	30.9%	31.7%	28.7%	26.2%	25.6%	26.7%	23.6%	23.2%	20.2%	20.0%	18.0%
Taxes on international trade	25.0%	38.8%	28.2%	28.8%	24.7%	28.3%	28.8%	27.4%	29.2%	30.8%	34.7%	29.0%	24.6%	31.1%	36.8%
Other taxes	0.3%	0.3%	0.2%	0.5%	0.8%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
Total tax revenue	**81.8%**	**83.4%**	**83.4%**	**89.4%**	**85.7%**	**88.5%**	**88.0%**	**89.7%**	**88.9%**	**90.7%**	**91.3%**	**89.8%**	**88.3%**	**89.7%**	**91.6%**
Entrepreneurial and property income	6.4%	7.4%	7.8%	2.7%	6.5%	4.9%	6.5%	5.3%	6.1%	5.5%	5.2%	5.1%	6.7%	5.0%	4.3%
Fines and forfeitures	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%
Administration fees and charges	5.4%	5.1%	5.6%	5.6%	6.2%	5.1%	3.9%	3.0%	3.3%	2.4%	2.5%	2.8%	3.6%	4.6%	3.0%
Return on capital from lending and equity	1.2%	1.3%	0.5%	0.4%	0.3%	0.2%	0.3%	0.8%	0.9%	0.3%	0.3%	0.2%	0.2%	0.1%	0.3%
Total non-tax revenue	**13.3%**	**14.0%**	**14.1%**	**8.9%**	**13.3%**	**10.4%**	**10.9%**	**9.3%**	**10.5%**	**8.3%**	**8.1%**	**8.3%**	**10.6%**	**9.9%**	**7.8%**
Total revenue (own sources)	95.0%	97.5%	97.5%	98.2%	99.0%	98.9%	98.9%	99.1%	99.4%	99.1%	99.3%	98.1%	98.9%	99.6%	99.4%
Grants	5.0%	2.5%	2.5%	1.8%	1.0%	1.1%	1.1%	0.9%	0.6%	0.9%	0.2%	0.6%	0.3%	0.4%	0.6%
Loans earmarked for on-lending	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.3%	0.7%	0.0%	0.0%
Total revenue and grants	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
34.9%	32.3%	28.3%	33.1%	33.8%	42.4%	37.2%	31.9%	32.9%	33.5%	36.4%	40.4%	37.4%	39.1%	38.7%	37.7%
0.8%	0.8%	0.7%	0.8%	0.9%	0.6%	0.8%	0.8%	0.8%	0.7%	0.6%	0.6%	0.5%	0.4%	0.3%	0.3%
25.0%	18.2%	19.0%	16.7%	21.5%	22.6%	26.4%	21.6%	21.4%	21.1%	23.0%	24.4%	21.1%	21.8%	22.2%	16.3%
29.7%	38.1%	44.0%	38.2%	35.7%	25.6%	25.5%	38.0%	36.4%	38.7%	33.2%	27.6%	33.4%	31.1%	32.4%	40.1%
0.9%	0.7%	0.7%	0.7%	0.7%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%
91.3%	**90.1%**	**92.7%**	**89.5%**	**92.6%**	**92.1%**	**90.6%**	**93.0%**	**92.0%**	**94.5%**	**93.7%**	**93.2%**	**92.7%**	**92.7%**	**93.8%**	**94.5%**
4.2%	7.2%	3.6%	7.1%	4.6%	5.3%	7.2%	4.7%	4.0%	4.7%	4.7%	4.5%	2.2%	1.2%	4.1%	3.2%
0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
3.9%	2.3%	2.3%	2.3%	1.8%	2.3%	1.8%	2.0%	3.7%	0.7%	1.2%	1.8%	4.9%	5.7%	1.8%	1.7%
0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
8.4%	**9.7%**	**6.2%**	**9.6%**	**6.5%**	**7.8%**	**9.3%**	**6.9%**	**7.9%**	**5.5%**	**6.1%**	**6.4%**	**7.3%**	**7.2%**	**6.0%**	**5.0%**
99.7%	99.7%	98.9%	99.1%	99.2%	99.9%	99.9%	99.9%	99.9%	99.9%	99.7%	99.7%	100.0%	99.9%	99.8%	99.5%
0.3%	0.3%	1.1%	0.9%	0.8%	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	0.0%	0.1%	0.2%	0.5%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

ANNEX 3.1

Revenue and Expenditure by Main Division 1990/91 to 2021/22

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Expenditure (N$)																
Current Ependiture																
Personnel expenditure	922.8	1,249.5	1,522.2	1,582.1	1,756.1	2,086.8	2,649.7	2,830.5	3,162.0	3,618.7	3,966.5	4,325.5	4,708.9	5,117.0	5,527.1	5,888.3
Expenditure on goods and other services	566.8	783.2	823.2	867.3	978.5	1,084.4	1,151.2	1,240.6	1,350.4	1,583.3	1,638.6	1,977.3	1,993.6	2,079.4	1,921.9	1,922.4
Statutory	26.8	20.9	21.6	70.0	117.5	145.1	250.5	350.1	488.7	512.9	512.1	602.7	907.6	996.0	1,040.2	1,186.3
Subsidies and other current transfers	203.7	347.9	416.6	405.1	549.1	609.0	786.2	841.1	1,101.5	1,168.8	1,469.5	1,769.2	1,892.8	2,255.9	2,296.9	2,544.6
Total current expenditure	**1,720.1**	**2,401.5**	**2,783.6**	**2,924.5**	**3,401.2**	**3,925.3**	**4,837.6**	**5,262.3**	**6,102.6**	**6,883.7**	**7,586.7**	**8,674.7**	**9,503.0**	**10,448.3**	**10,786.1**	**11,541.6**
Capital Expenditure																
Capital Expenditure	307.2	412.5	550.0	485.5	411.5	577.0	624.0	779.2	737.1	917.5	921.8	1,098.7	1,158.7	1,293.4	1,401.1	1,337.4
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.1	20.3	51.1	87.2	103.6	217.4	106.0
Lending and equity participation	76.1	48.5	45.9	29.2	44.0	54.5	105.3	87.5	95.9	121.4	122.1	477.8	649.7	400.0	365.9	207.5
Total Capital Expenditure	**383.3**	**461.0**	**595.9**	**514.7**	**455.5**	**631.5**	**729.3**	**866.7**	**833.0**	**1,069.0**	**1,064.2**	**1,627.6**	**1,895.6**	**1,797.0**	**1,984.4**	**1,650.9**
Total expenditure	**2,103.4**	**2,862.5**	**3,379.5**	**3,439.2**	**3,856.7**	**4,556.8**	**5,566.9**	**6,129.0**	**6,935.6**	**7,952.7**	**8,650.9**	**10,302.3**	**11,398.6**	**12,245.3**	**12,770.5**	**13,192.5**
Expenditure (as a percentage of GDP)																
Current Ependiture																
Personnel expenditure	43.9%	43.7%	45.0%	46.0%	45.5%	45.8%	47.6%	46.2%	45.6%	45.5%	45.9%	42.0%	41.3%	41.8%	43.3%	44.6%
Expenditure on goods and other services	26.9%	27.4%	24.4%	25.2%	25.4%	23.8%	20.7%	20.2%	19.5%	19.9%	18.9%	19.2%	17.5%	17.0%	15.0%	14.6%
Statutory	1.3%	0.7%	0.6%	2.0%	3.0%	3.2%	4.5%	5.7%	7.0%	6.4%	5.9%	5.9%	8.0%	8.1%	8.1%	9.0%
Subsidies and other current transfers	9.7%	12.2%	12.3%	11.8%	14.2%	13.4%	14.1%	13.7%	15.9%	14.7%	17.0%	17.2%	16.6%	18.4%	18.0%	19.3%
Total current expenditure	**81.8%**	**83.9%**	**82.4%**	**85.0%**	**88.2%**	**86.1%**	**86.9%**	**85.9%**	**88.0%**	**86.6%**	**87.7%**	**84.2%**	**83.4%**	**85.3%**	**84.5%**	**87.5%**
Capital Expenditure	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Capital Expenditure	14.6%	14.4%	16.3%	14.1%	10.7%	12.7%	11.2%	12.7%	10.6%	11.5%	10.7%	10.7%	10.2%	10.6%	11.0%	10.1%
Capital transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.2%	0.5%	0.8%	0.8%	1.7%	0.8%
Lending and equity participation	3.6%	1.7%	1.4%	0.8%	1.1%	1.2%	1.9%	1.4%	1.4%	1.5%	1.4%	4.6%	5.7%	3.3%	2.9%	1.6%
Total Capital Expenditure	18.2%	16.1%	17.6%	15.0%	11.8%	13.9%	13.1%	14.1%	12.0%	13.4%	12.3%	15.8%	16.6%	14.7%	15.5%	12.5%
Total Expenditure	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
6,213.7	6,725.0	7,559.3	9,045.0	10,796.6	12,689.7	13,925.4	17,931.7	21,661.0	23,848.84	26,752.88	29,170.97	29,388.75	29,570.41	28,681.44
2,164.8	2,995.3	3,528.6	4,062.6	3,946.5	4,931.7	5,289.7	6,550.9	7,950.2	7,915.31	10,362.37	8,420.86	6,403.31	6,652.85	8,964.77
1,262.6	1,178.8	1,110.6	1,197.5	966.5	1,131.4	1,720.1	1,796.5	2,515.4	2,623.43	4,310.00	5,430.48	7,143.58	6,885.55	7,738.00
2,749.3	3,067.0	4,501.0	4,964.8	6,284.9	8,374.6	9,869.2	12,315.7	15,173.3	17,833.66	13,104.55	18,837.54	12,815.03	16,774.53	18,811.45
12,390.4	**13,966.1**	**16,699.6**	**19,269.8**	**21,994.5**	**27,127.4**	**30,804.4**	**38,594.8**	**47,299.8**	**52,221.2**	**54,529.8**	**61,859.9**	**55,750.7**	**59,883.3**	**64,195.7**
1,763.9	2,277.4	2,277.4	2,277.4	3,598.4	5,618.3	5,098.7	5,587.6	6,431.8	6,912.79	6,687.13	4,555.76	4,689.04	4,656.00	4,590.65
261.8	341.8	341.8	341.8	1,320.8	3,459.8	2,580.7	2,734.7	1,927.0	1,564.80	1,024.07	1,025.42	4,801.51	612.01	1,417.28
650.6	1,219.1	365.9	365.9	577.3	1,359.5	593.5	0.2	0.0	657.72	261.17	228.89	-	2,258.00	1,902.00
2,676.3	**3,838.3**	**2,985.1**	**2,985.1**	**5,496.5**	**10,437.6**	**8,272.9**	**8,322.5**	**8,358.8**	**9,135.3**	**7,972.4**	**5,810.1**	**9,490.5**	**7,526.0**	**7,909.9**
15,066.7	**17,804.4**	**19,684.7**	**22,254.9**	**27,491.0**	**37,565.0**	**39,077.3**	**46,917.3**	**55,658.6**	**61,356.5**	**62,502.2**	**67,669.9**	**65,241.2**	**67,409.4**	**72,105.6**
41.2%	37.8%	38.4%	40.6%	39.3%	33.8%	35.6%	38.2%	38.9%	38.9%	42.8%	43.1%	45.0%	43.9%	39.8%
14.4%	16.8%	17.9%	18.3%	14.4%	13.1%	13.5%	14.0%	14.3%	12.9%	16.6%	12.4%	9.8%	9.9%	12.4%
8.4%	6.6%	5.6%	5.4%	3.5%	3.0%	4.4%	3.8%	4.5%	4.3%	6.9%	8.0%	10.9%	10.2%	10.7%
18.2%	17.2%	22.9%	22.3%	22.9%	22.3%	25.3%	26.2%	27.3%	29.1%	21.0%	27.8%	19.6%	24.9%	26.1%
82.2%	**78.4%**	**84.8%**	**86.6%**	**80.0%**	**72.2%**	**78.8%**	**82.3%**	**85.0%**	**85.1%**	**87.2%**	**91.4%**	**85.5%**	**88.8%**	**89.0%**
0.0%	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
11.7%	12.8%	11.6%	10.2%	13.1%	15.0%	13.0%	11.9%	11.6%	11.3%	10.7%	6.7%	7.2%	6.9%	6.4%
1.7%	1.9%	1.7%	1.5%	4.8%	9.2%	6.6%	5.8%	3.5%	2.6%	1.6%	1.5%	7.4%	0.9%	2.0%
4.3%	6.8%	1.9%	1.6%	2.1%	3.6%	1.5%	0.0%	0.0%	1.1%	0.4%	0.3%	0.0%	3.3%	2.6%
17.8%	21.6%	15.2%	13.4%	20.0%	27.8%	21.2%	17.7%	15.0%	14.9%	12.8%	8.6%	14.5%	11.2%	11.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ANNEX 3.2

Actual Expenditure by Vote 1990/91 to 2021/22

		Actual 1990/91	Actual 1991/92		Actual 1992/93	Actual 1993/94	Actual 1994/95		Actual 1995/96	Actual 1996/97	Actual 1997/98
1	President	27,434	29,550		25,503	32,189	30,000		31,241	33,650	43,169
2	Prime Minister	34,375	135,451		231,656	109,495	54,328		189,347	391,674	47,088
3	Parliament	5,772	5,579		6,085	9,720	13,841		17,762	16,177	29,722
4	Auditor General	3,150	3,250		3,290	3,994	4,692		5,101	5,302	7,159
5	Civic Affairs	8,675	12,261		17,330	19,909	19,476		21,519	26,145	34,920
6	Police and Prisons	132,000	144,488		150,971	176,581	187,875	6 Police	213,390	197,103	211,719
7	Foreign Affairs	45,882	72,329		98,865	79,520	79,474		90,403	94,117	111,636
8	Defence	122,682	181,842		174,968	187,344	198,064		232,167	293,840	415,626
9	Finance	379,507	321,823		125,309	173,661	269,374		293,006	424,132	532,427
10	Education and Culture	480,465	580,581		695,000	824,227	966,983	10 Basic Education	1,068,733	1,051,511	1,335,384
11	Youth and Sport	1,093	5,827		10,044	10,216	15,542		22,851	30,620	39,254
12	Information and Broadcasting	54,728	58,534		64,653	59,975	60,580		69,724	75,506	80,801
13	Health and Social Services	351,659	367,933		432,911	467,662	579,500		654,298	744,424	834,261
14	Labour and Manpower Development	12,000	13,538		15,240	19,812	17,773	14 Labour (and Human Resources Development)	32,449	15,525	17,253
15	Mines and Energy	10,103	33,538		38,682	51,174	35,979		39,332	48,694	64,462
16	Justice	18,420	22,636		27,105	38,156	53,515		61,401	67,060	77,179
17	Local Government and Housing	106,050	142,274		121,384	118,695	143,719	17 Regional and Local Government and Housing	162,396	179,705	220,839
18	Wildlife, Conservation and Tourism	28,821	30,772		39,167	50,413	61,638	18 Environment and Tourism	77,286	85,642	90,242
19	Trade and Industry	9,108	10,036		15,150	17,948	21,872		24,723	48,840	45,147
20	Agriculture and Rural Development	76,293	137,788		216,338	161,714	140,953	20 Agriculture, Water and Rural Development	397,013	350,202	415,254
21	Water Affairs	95,788	94,577		156,160	177,467	190,685	21 Prisons and Correctional Services	-	37,064	47,577
22	Fisheries and Marine Resources	6,357	18,770		39,208	40,014	28,422		34,921	45,662	50,297
23	Works	277,602	319,334		338,002	199,879	225,843		254,995	274,621	288,325
24	Transport	161,455	201,099		325,328	286,704	229,450		275,496	312,435	413,806
25	Communication	110,808	126,133	25 Lands, Resettlement and Rehabilitation	37,462	42,864	52,086	25 Lands, Resettlement and Rehabilitation	60,783	63,898	61,970
26	Lands, Resettlement and Rehabilitation	15,869	30,221	26 National Planning Commision	8,464	7,380	8,788	26 National Planning Commision	10,291	11,947	21,268
27	National Planning Commission			27 Communication	130,444			27 Higher Education (Vocational Training, Science and Technology)	-	147,894	217,306
	Total Expenditure	2,576,096	3,100,164		3,544,719	3,366,713	3,690,452		4,340,628	5,073,390	5,754,091

Actual 1998/99	Actual 1999/00		Actual 2000/01	Actual 2001/02		Actual 2002/03	Actual 2003/04	
54,025	50,807		69,775	88,422		149,567	156,946	
191,653	48,782		48,827	59,417		111,400	109,066	
57,767	30,326	3 National Assembly	35,360	46,974		48,199	52,763	
8,757	9,000		9,083	13,149		13,955	15,310	
37,781	41,265		36,816	58,401		62,095	93,331	5 Home Affairs and Immigration
306,916	493,327		532,171	657,329		672,458	749,563	
125,114	268,243	7 Foreign Affairs, Information and Broadcasting	289,686	313,890	7 Foreign Affairs	386,356	225,238	
442,615	559,227		617,017	904,933		935,457	993,757	
846,524	1,092,000		1,337,295	1,915,285		2,360,481	2,136,690	
1,467,528	1,623,480	10 Basic Education, Culture and Sport	1,717,167	2,241,580		2,197,919	2,434,855	10 Education
40,960	20,194	11 National Council	22,763	22,953		25,093	26,083	
98,080	13,310	12 Women's Affairs and Child Welfare	14,021	36,489		100,442	109,679	12 Gender Equality (Affairs) and Child Welfare
915,646	1,096,978		1,279,163	1,396,226		1,482,890	1,676,462	
31,649	38,550		48,902	56,550		57,443	46,188	14 Labour and Social Welfare
66,469	71,333		85,082	88,746		89,473	94,228	
83,173	101,029		113,300	135,721		110,328	117,118	
252,194	261,453		345,559	398,169		426,497	436,601	
94,075	119,528		117,536	118,497		138,267	153,727	
91,573	68,310		91,479	102,307		102,726	109,628	
405,060	432,043		459,726	500,633		512,479	509,995	
64,302	89,390		105,940	121,993		140,317	139,881	
88,948	77,079		81,898	104,351		116,624	119,240	
301,489	272,773		307,513	305,363		318,798	301,827	
352,749	463,340	24 Transport and Communication	223,700	200,428		259,195	388,030	
65,059	62,560		76,519	103,662		99,847	153,023	
33,607	26,426		38,689	77,716		52,018	58,354	
262,425	305,499	27 Higher Educaton, Training and Employment Creation	338,432	416,720		436,644	547,545	27 Youth, National Service, Sport and Culture
28 Electoral Commission	14,885		3,493	6,184		18,829	51,192	
			29 Attorney General			51,699	53,216	29 Information and Broadcasting
					30 Information and Broadcasting	-	183,842	
6,786,138	**7,751,137**		**8,446,912**	**10,492,088**		**11,477,496**	**12,243,378**	

Actual 2004/05		Actual 2005/06	Actual 2006/07		Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual 2012/13	
190,894		186,278	244,539		230,166	253,428	356,280	360,398	283,313	378,592	
78,868		71,035	74,742		115,743	420,762	293,477	164,509	225,969	231,867	
52,043		54,560	62,955		68,425	90,053	109,795	117,536	127,008	107,025	
16,647		20,545	23,028		26,015	28,323	35,749	52,867	88,160	80,328	
75,263		81,000	95,113		119,057	151,741	152,783	174,284	237,217	231,702	
752,208		731,684	837,246		976,466	1,289,985	1,427,542	1,890,448	2,069,555	2,364,213	
221,098		217,089	243,074		272,843	320,714	388,610	505,480	545,645	542,750	7 International Relations and Cooperation
1,087,888		1,220,475	1,381,867		1,682,842	2,371,780	2,598,412	3,014,774	3,126,363	3,414,317	
2,433,638		2,333,109	3,248,111		3,946,068	4,149,250	3,837,655	3,967,295	4,957,743	5,068,459	
2,799,257		2,783,905	3,257,221		3,699,517	4,782,761	5,374,871	6,476,391	8,304,547	9,307,789	10 Education, Art and Culture
24,053		25,794	30,256		31,627	39,989	45,005	51,016	51,285	51,606	
106,796		144,728	151,976		191,333	264,887	298,251	521,659	550,013	522,937	
1,708,579		1,308,768	1,395,991		1,682,916	2,130,873	2,414,587	2,593,039	3,332,615	3,774,935	
41,802		564,429	707,590		787,276	996,336	1,036,220	1,140,182	1,196,371	1,239,562	14 Labour, Industrial Relations and Employment Creation
100,095		98,039	139,942		96,439	152,330	164,306	177,161	216,999	178,722	
173,612		178,282	202,209		246,071	236,359	290,588	326,735	389,871	444,036	
401,951	17 Regional and Local Government, Housing and Rural Development	437,831	459,541		518,285	593,854	796,976	958,693	1,445,764	1,356,677	17 Urban and Rural Development
135,341		120,621	151,149		299,917	209,290	305,648	347,927	791,561	518,112	
122,331		114,815	107,993		126,462	185,904	344,745	490,689	529,873	717,857	19 Industrialisation, Trade and SME Development
552,460		668,629	640,446		652,766	948,631	1,234,493	1,518,737	2,268,638	1,575,770	
146,292		156,704	201,184		212,205	228,486	341,733	419,526	424,973	446,157	21 Namibian Correctional Services
118,473		118,142	133,030		163,705	168,081	257,694	322,180	238,885	235,533	
285,793		291,219	311,051		357,471	388,984	481,401	462,877	535,098	504,889	
553,744		284,999	645,140		713,220	1,027,319	1398157	1,262,377	2,448,170	2,376,615	
157,061	25 Lands and Resettlement	138,681	124,665		140,045	161,184	174,294	190,196	221,764	244,729	25 Land Reform
55,580		63,128	53,272		50,429	79,491	98,528	134,012	276,677	152,431	
159,636		164,130	189,909		205,869	319,168	380,308	459,260	509,065	515,241	27 Sport, Youth and National Services
54,206		8,684	9,867		25,709	78,191	180,001	181,997	112,911	129,035	
152,445		184,832	158,156		154,204	215,035	234,808	251,487	316,483	294,051	29 Information and Communication Technology
-	30 Anti-Corruption Commission	-	6,579		11,258	14,144	26,983	36,786	62,546	47,865	
			0	31 Veterans Affairs	22,986	167,120	273,431	274,538	1,210,804	1,059,791	
											32 Higher Education, Training and Innovation
											33 Poverty Eradication and Social Welfare
											34 Public Enterprises
											35 Office of the Attorney General
12,758,054		12,772,135	15,287,842		17,827,335	22,464,453	25,353,331	28,845,056	37,095,886	38,113,591	57,788,009,000

Actual 2013/14	Actual 2014/15	Actual 2015/16		Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20		Revised Estimate 2020/21	Estimate 2021/22
405,767	603,148	686,353		627,762	604,212	500,035	456,376		490,529	609,152
316,940	615,712	1,030,365		441,625	493,134	354,673	480,416		408,944	416,998
115,613	151,118	177,333		194,618	107,786	106,902	106,902		128,084	117,187
80,231	76,251	79,798		77,118	108,707	109,773	108,750		108,267	108,267
369,813	511,340	615,078		477,339	668,652	565,562	661,663		507,102	0
3,280,745	5,046,713	5,582,791	6 Safety and Security	5,296,874	5,258,409	5,218,768	5,472,799		5,441,759	0
691,617	897,263	914,066		868,018	798,987	836,230	937,914		971,681	827,698
3,882,042	6,483,125	6,654,560		6,131,992	6,013,824	6,041,274	5,953,301		6,224,103	5,428,595
5,047,681	5,997,565	6,302,033		7,596,451	9,675,873	10,255,719	12,454,146		14,423,923	13,196,983
9,312,393	10,673,900	11,823,258		12,940,254	11,628,219	13,696,313	13,759,822		14,512,175	13,777,815
71,893	90,784	90,964		117,718	101,052	94,282	90,305		89,367	88,367
562,265	712,423	766,362		894,549	1,229,433	1,183,405	1,201,102		0	0
5,024,205	5,715,975	6,575,542		7,237,354	7,119,085	6,817,529	6,809,087		8,051,876	8,081,016
1,501,409	1,651,868	263,224		162,464	164,868	177,824	162,413		168,552	162,692
267,836	354,542	273,024		176,631	187,240	211,279	205,952		206,433	212,441
537,760	710,648	612,595		278,219	405,117	263,513	327,106		478,746	491,405
1,817,170	2,642,321	3,039,071		2,182,229	2,290,284	1,827,918	1,626,437		1,645,963	1,613,925
616,559	722,387	668,733		510,148	483,791	497,863	430,549	18 Environment, Tourism and Forestry	567,177	524,688
743,536	997,515	616,363		527,078	557,742	322,789	295,790	19 Industrialisation and Trade	175,486	159,797
2,321,296	2,435,752	2,967,836		2,541,130	2,422,474	1,911,496	1,951,760		0	0
559,957	0	0	21 Judiciary	266,900	422,914	368,843	356,546		371,152	371,152
264,961	324,789	300,722		258,772	258,864	230,778	216,089		208,383	191,426
566,456	668,699	686,086		654,484	716,522	616,842	570,939		551,738	492,589
3,574,229	4,012,691	4,495,060		3,460,615	3,698,967	2,800,018	3,108,354		2,318,794	2,506,644
302,197	580,979	631,329		463,771	416,540	323,356	396,684		0	0
153,787	208,411	215,151		197,992	172,477	158,868	247,182		259,694	182,781
673,698	707,695	445,495		403,696	312,560	288,086	287,022		266,378	278,750
219,922	361,180	266,771		145,338	65,271	61,880	348,313		332,182	72,419
631,001	528,488	570,792		453,039	501,441	427,920	382,930		510,832	354,050
43,688	39,866	48,608		47,254	59,157	57,666	59,483		61,612	62,771
844,987	1,539,866	680,405		802,442	917,655	707,598	735,752		869,952	861,344
2,066,049	2,783,221	3,928,454		2,688,277	3,859,015	3,421,752	3,306,660		3,226,628	3,147,300
0	0	2,459,857		2,751,332	3,321,339	3,410,415	3,670,209		0	0
0	0	21,436		39,882	47,547	39,685	32,015		808,888	733,396
0	0	121,913		141,044	239,023	198,231	198,231		0	0
				0	0	0	0	36 Gender Equality, Poverty Eradication and Social Welfare	5,412,837	5,444,795
				0	0	0	0	37 Agriculture and Land Reform	1,337,414	1,255,940
				0	0	0	0	38 Water	969,177	465,262
								39 Home Affairs, Immigration, Safety and Security	0	5,712,272
46,867,702	**58,846,236**	**64,611,428**		**62,054,409**	**65,328,181**	**64,105,085**	**67,408,999**		**72,105,828**	**67,949,917**

ANNEX 3.2

Actual Expenditure by Vote as Percentage of Total Expenditure 1990/91 to 2021/22

		Actual 1990/91	Actual 1991/92	Actual 1992/93	Actual 1993/94	Actual 1994/95	Actual 1995/96	Actual 1996/97	Actual 1997/98	Actual 1998/99	Actual 1999/00	Actual 2000/01
1	President	1.1%	1.0%	0.7%	1.0%	0.8%	0.7%	0.7%	0.8%	0.8%	0.7%	0.8%
2	Prime Minister	1.3%	4.4%	6.5%	3.3%	1.5%	4.4%	7.7%	0.8%	2.8%	0.6%	0.6%
3	National Assembly	0.2%	0.2%	0.2%	0.3%	0.4%	0.4%	0.3%	0.5%	0.9%	0.4%	0.4%
4	Auditor General	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
5	Home Affairs and Immigration	0.3%	0.4%	0.5%	0.6%	0.5%	0.5%	0.5%	0.6%	0.6%	0.5%	0.4%
6	Safety and Security	5.1%	4.7%	4.3%	5.2%	5.1%	4.9%	3.9%	3.7%	4.5%	6.4%	6.3%
7	International Relations and Cooperation	1.8%	2.3%	2.8%	2.4%	2.2%	2.1%	1.9%	1.9%	1.8%	3.5%	3.4%
8	Defence	4.8%	5.9%	4.9%	5.6%	5.4%	5.3%	5.8%	7.2%	6.5%	7.2%	7.3%
9	Finance	14.7%	10.4%	3.5%	5.2%	7.3%	6.8%	8.4%	9.3%	12.5%	14.1%	15.8%
10	Education, Arts and Culture	18.7%	18.7%	19.6%	24.5%	26.2%	24.6%	20.7%	23.2%	21.6%	20.9%	20.3%
11	National Council	0.0%	0.2%	0.3%	0.3%	0.4%	0.5%	0.6%	0.7%	0.6%	0.3%	0.3%
12	Gender Equality and Child Welfare	2.1%	1.9%	1.8%	1.8%	1.6%	1.6%	1.5%	1.4%	1.4%	0.2%	0.2%
13	Health and Social Services	13.7%	11.9%	12.2%	13.9%	15.7%	15.1%	14.7%	14.5%	13.5%	14.2%	15.1%
14	Labour, Industrial Relations and Employment Creation	0.5%	0.4%	0.4%	0.6%	0.5%	0.7%	0.3%	0.3%	0.5%	0.5%	0.6%
15	Mines and Energy	0.4%	1.1%	1.1%	1.5%	1.0%	0.9%	1.0%	1.1%	1.0%	0.9%	1.0%
16	Justice	0.7%	0.7%	0.8%	1.1%	1.5%	1.4%	1.3%	1.3%	1.2%	1.3%	1.3%
17	Urban and Rural Development	4.1%	4.6%	3.4%	3.5%	3.9%	3.7%	3.5%	3.8%	3.7%	3.4%	4.1%
18	Environment, Tourism and Forestry	1.1%	1.0%	1.1%	1.5%	1.7%	1.8%	1.7%	1.6%	1.4%	1.5%	1.4%
19	Industrialisation and Trade	0.4%	0.3%	0.4%	0.5%	0.6%	0.6%	1.0%	0.8%	1.3%	0.9%	1.1%
20	Agriculture, Water and Forestry	3.0%	4.4%	6.1%	4.8%	3.8%	9.1%	6.9%	7.2%	6.0%	5.6%	5.4%
21	Judiciary	3.7%	3.1%	4.4%	5.3%	5.2%	0.0%	0.7%	0.8%	0.9%	1.2%	1.3%
22	Fisheries and Marine Resources	0.2%	0.6%	1.1%	1.2%	0.8%	0.8%	0.9%	0.9%	1.3%	1.0%	1.0%
23	Works	10.8%	10.3%	9.5%	5.9%	6.1%	5.9%	5.4%	5.0%	4.4%	3.5%	3.6%
24	Transport	6.3%	6.5%	9.2%	8.5%	6.2%	6.3%	6.2%	7.2%	5.2%	6.0%	2.6%
25	Land Reform	4.3%	4.1%	1.1%	1.3%	1.4%	1.4%	1.3%	1.1%	1.0%	0.8%	0.9%
26	National Planning Commission	0.6%	1.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%	0.5%	0.3%	0.5%
27	Sport, Youth and National Services	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	2.9%	3.8%	3.9%	3.9%	4.0%
28	Electoral Commission	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%
29	Information and Communication Technology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30	Anti-Corruption Commission	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31	Veterans Affairs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
32	Higher Education, Training and Innovation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
33	Poverty Eradication and Social Welfare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
34	Public Enterprises	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
35	Office of the Attorney General	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
36	Gender Equality, Poverty Eradication and Social Welfare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
37	Agriculture and Land Reform	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
38	Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
39	Home Affairs, Immigration, Safety and Security	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15
0.8%	1.3%	1.3%	1.5%	1.5%	1.6%	1.3%	1.1%	1.4%	1.2%	0.8%	1.0%	0.9%	1.0%
0.6%	1.0%	0.9%	0.6%	0.6%	0.5%	0.6%	1.9%	1.2%	0.6%	0.6%	0.6%	0.7%	1.0%
0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.2%	0.3%
0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.1%
0.6%	0.5%	0.8%	0.6%	0.6%	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.8%	0.9%
6.3%	5.9%	6.1%	5.9%	5.7%	5.5%	5.5%	5.7%	5.6%	6.6%	5.6%	6.2%	7.0%	8.6%
3.0%	3.4%	1.8%	1.7%	1.7%	1.6%	1.5%	1.4%	1.5%	1.8%	1.5%	1.4%	1.5%	1.5%
8.6%	8.2%	8.1%	8.5%	9.6%	9.0%	9.4%	10.6%	10.2%	10.5%	8.4%	9.0%	8.3%	11.0%
18.3%	20.6%	17.5%	19.1%	18.3%	21.2%	22.1%	18.5%	15.1%	13.8%	13.4%	13.3%	10.8%	10.2%
21.4%	19.1%	19.9%	21.9%	21.8%	21.3%	20.8%	21.3%	21.2%	22.5%	22.4%	24.4%	19.9%	18.1%
0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%
0.3%	0.9%	0.9%	0.8%	1.1%	1.0%	1.1%	1.2%	1.2%	1.8%	1.5%	1.4%	1.2%	1.2%
13.3%	12.9%	13.7%	13.4%	10.2%	9.1%	9.4%	9.5%	9.5%	9.0%	9.0%	9.9%	10.7%	9.7%
0.5%	0.5%	0.4%	0.3%	4.4%	4.6%	4.4%	4.4%	4.1%	4.0%	3.2%	3.3%	3.2%	2.8%
0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.5%	0.7%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%
1.3%	1.0%	1.0%	1.4%	1.4%	1.3%	1.4%	1.1%	1.1%	1.1%	1.1%	1.2%	1.1%	1.2%
3.8%	3.7%	3.6%	3.2%	3.4%	3.0%	2.9%	2.6%	3.1%	3.3%	3.9%	3.6%	3.9%	4.5%
1.1%	1.2%	1.3%	1.1%	0.9%	1.0%	1.7%	0.9%	1.2%	1.2%	2.1%	1.4%	1.3%	1.2%
1.0%	0.9%	0.9%	1.0%	0.9%	0.7%	0.7%	0.8%	1.4%	1.7%	1.4%	1.9%	1.6%	1.7%
4.8%	4.5%	4.2%	4.3%	5.2%	4.2%	3.7%	4.2%	4.9%	5.3%	6.1%	4.1%	5.0%	4.1%
1.2%	1.2%	1.1%	1.1%	1.2%	1.3%	1.2%	1.0%	1.3%	1.5%	1.1%	1.2%	1.2%	0.0%
1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	0.7%	1.0%	1.1%	0.6%	0.6%	0.6%	0.6%
2.9%	2.8%	2.5%	2.2%	2.3%	2.0%	2.0%	1.7%	1.9%	1.6%	1.4%	1.3%	1.2%	1.1%
1.9%	2.3%	3.2%	4.3%	2.2%	4.2%	4.0%	4.6%	5.5%	4.4%	6.6%	6.2%	7.6%	6.8%
1.0%	0.9%	1.2%	1.2%	1.1%	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	1.0%
0.7%	0.5%	0.5%	0.4%	0.5%	0.3%	0.3%	0.4%	0.4%	0.5%	0.7%	0.4%	0.3%	0.4%
4.0%	3.8%	4.5%	1.3%	1.3%	1.2%	1.2%	1.4%	1.5%	1.6%	1.4%	1.4%	1.4%	1.2%
0.1%	0.2%	0.4%	0.4%	0.1%	0.1%	0.1%	0.3%	0.7%	0.6%	0.3%	0.3%	0.5%	0.6%
0.0%	0.5%	0.4%	1.2%	1.4%	1.0%	0.9%	1.0%	0.9%	0.9%	0.9%	0.8%	1.3%	0.9%
0.0%	0.0%	1.5%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	1.1%	1.0%	3.3%	2.8%	1.8%	2.6%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	4.7%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

		Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22
1	President	1.1%	1.0%	0.9%	0.8%	0.7%	0.7%	0.9%
2	Prime Minister	1.6%	0.7%	0.8%	0.6%	0.7%	0.6%	0.6%
3	National Assembly	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
4	Auditor General	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
5	Home Affairs and Immigration	1.0%	0.8%	1.0%	0.9%	1.0%	0.7%	0.0%
6	Safety and Security	8.6%	8.5%	8.0%	8.1%	8.1%	7.5%	0.0%
7	International Relations and Cooperation	1.4%	1.4%	1.2%	1.3%	1.4%	1.3%	1.2%
8	Defence	10.3%	9.9%	9.2%	9.4%	8.8%	8.6%	8.0%
9	Finance	9.8%	12.2%	14.8%	16.0%	18.5%	20.0%	19.4%
10	Education, Arts and Culture	18.3%	20.9%	17.8%	21.4%	20.4%	20.1%	20.3%
11	National Council	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
12	Gender Equality and Child Welfare	1.2%	1.4%	1.9%	1.8%	1.8%	0.0%	0.0%
13	Health and Social Services	10.2%	11.7%	10.9%	10.6%	10.1%	11.2%	11.9%
14	Labour, Industrial Relations and Employment Creation	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
15	Mines and Energy	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
16	Justice	0.9%	0.4%	0.6%	0.4%	0.5%	0.7%	0.7%
17	Urban and Rural Development	4.7%	3.5%	3.5%	2.9%	2.4%	2.3%	2.4%
18	Environment, Tourism and Forestry	1.0%	0.8%	0.7%	0.8%	0.6%	0.8%	0.8%
19	Industrialisation and Trade	1.0%	0.8%	0.9%	0.5%	0.4%	0.2%	0.2%
20	Agriculture, Water and Forestry	4.6%	4.1%	3.7%	3.0%	2.9%	0.0%	0.0%
21	Judiciary	0.0%	0.4%	0.6%	0.6%	0.5%	0.5%	0.5%
22	Fisheries and Marine Resources	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
23	Works	1.1%	1.1%	1.1%	1.0%	0.8%	0.8%	0.7%
24	Transport	7.0%	5.6%	5.7%	4.4%	4.6%	3.2%	3.7%
25	Land Reform	1.0%	0.7%	0.6%	0.5%	0.6%	0.0%	0.0%
26	National Planning Commission	0.3%	0.3%	0.3%	0.2%	0.4%	0.4%	0.3%
27	Sport, Youth and National Services	0.7%	0.7%	0.5%	0.4%	0.4%	0.4%	0.4%
28	Electoral Commission	0.4%	0.2%	0.1%	0.1%	0.5%	0.5%	0.1%
29	Information and Communication Technology	0.9%	0.7%	0.8%	0.7%	0.6%	0.7%	0.5%
30	Anti-Corruption Commission	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
31	Veterans Affairs	1.1%	1.3%	1.4%	1.1%	1.1%	1.2%	1.3%
32	Higher Education, Training and Innovation	6.1%	4.3%	5.9%	5.3%	4.9%	4.5%	4.6%
33	Poverty Eradication and Social Welfare	3.8%	4.4%	5.1%	5.3%	5.4%	0.0%	0.0%
34	Public Enterprises	0.0%	0.1%	0.1%	0.1%	0.0%	1.1%	1.1%
35	Office of the Attorney General	0.2%	0.2%	0.4%	0.3%	0.3%	0.0%	0.0%
36	Gender Equality, Poverty Eradication and Social Welfare	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	8.0%
37	Agriculture and Land Reform	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	1.8%
38	Water	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	0.7%
39	Home Affairs, Immigration, Safety and Security	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ANNEX 3.2

Actual Expenditure by Vote as Percentage of Total Expenditure 1990/91 to 2021/22

	Actual 1990/91	Actual 1991/92	Actual 1992/93	Actual 1993/94	Actual 1994/95	Actual 1995/96	Actual 1996/97	Actual 1997/98	Actual 1998/99	Actual 1999/00
Education	18.7%	18.7%	19.6%	24.5%	26.2%	24.6%	23.6%	27.0%	25.5%	24.9%
Finance	14.7%	10.4%	3.5%	5.2%	7.3%	6.8%	8.4%	9.3%	12.5%	14.1%
Health	13.7%	11.9%	12.2%	13.9%	15.7%	15.1%	14.7%	14.5%	13.5%	14.2%
Security	5.1%	4.7%	4.3%	5.2%	5.1%	4.9%	4.6%	4.5%	5.5%	7.5%
Defence	4.8%	5.9%	4.9%	5.6%	5.4%	5.3%	5.8%	7.2%	6.5%	7.2%
Transport	6.3%	6.5%	9.2%	8.5%	6.2%	6.3%	6.2%	7.2%	5.2%	6.0%
Poverty Eradication	0.5%	0.4%	0.4%	0.6%	0.5%	0.7%	0.3%	0.3%	0.5%	0.5%
Total	**63.7%**	**58.4%**	**54.2%**	**63.4%**	**66.4%**	**63.8%**	**63.5%**	**70.0%**	**69.1%**	**74.3%**

	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Education	24.3%	25.3%	23.0%	24.4%	21.9%	21.8%	21.3%	20.8%	21.3%	21.2%	22.5%
Finance	15.8%	18.3%	20.6%	17.5%	19.1%	18.3%	21.2%	22.1%	18.5%	15.1%	13.8%
Health	15.1%	13.3%	12.9%	13.7%	13.4%	10.2%	9.1%	9.4%	9.5%	9.5%	9.0%
Security	7.6%	7.4%	7.1%	7.3%	7.0%	7.0%	6.8%	6.7%	6.8%	7.0%	8.0%
Defence	7.3%	8.6%	8.2%	8.1%	8.5%	9.6%	9.0%	9.4%	10.6%	10.2%	10.5%
Transport	2.6%	1.9%	2.3%	3.2%	4.3%	2.2%	4.2%	4.0%	4.6%	5.5%	4.4%
Poverty Eradication	0.6%	0.5%	0.5%	0.4%	0.3%	4.4%	4.6%	4.4%	4.4%	4.1%	4.0%
Total	**73.4%**	**75.4%**	**74.4%**	**74.4%**	**74.6%**	**73.5%**	**76.4%**	**76.9%**	**75.6%**	**72.7%**	**72.0%**

	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22
Education	22.4%	24.4%	24.3%	22.9%	24.4%	25.2%	23.7%	26.7%	25.3%	24.6%	24.9%
Finance	13.4%	13.3%	10.8%	10.2%	9.8%	12.2%	14.8%	16.0%	18.5%	20.0%	19.4%
Health	9.0%	9.9%	10.7%	9.7%	10.2%	11.7%	10.9%	10.6%	10.1%	11.2%	11.9%
Security	6.7%	7.4%	8.2%	8.6%	8.6%	9.0%	8.7%	8.7%	8.6%	8.1%	8.4%
Defence	8.4%	9.0%	8.3%	11.0%	10.3%	9.9%	9.2%	9.4%	8.8%	8.6%	8.0%
Transport	6.6%	6.2%	7.6%	6.8%	7.0%	5.6%	5.7%	4.4%	4.6%	3.2%	3.7%
Poverty Eradication	3.2%	3.3%	3.2%	2.8%	3.8%	4.7%	5.3%	5.6%	5.7%	7.5%	8.0%
Total	**69.7%**	**73.4%**	**73.1%**	**72.0%**	**74.0%**	**78.2%**	**78.3%**	**81.4%**	**81.7%**	**83.2%**	**84.3%**

The head office of Namibia's central bank - the Bank of Namibia - in Windhoek

CHAPTER

4 Macroeconomy Monetary Policy

Since the introduction of the Namibia dollar and the signing of the Bilateral Monetary Agreement with South Africa, Namibia has maintained a cautious approach to monetary policy. The Namibia dollar has been pegged one-to-one with the South African Rand, which has remained legal tender in Namibia. Within this framework, important changes have been made to banking, investment and exchange control regulations but, given the fundamental monetary arrangements in place, the setting of interest rates has closely followed the lead set by South Africa, an economy more than twenty-eight times larger than Namibia's. This arrangement has allowed Namibia to benefit from the anti-inflationary stance of the South African Reserve Bank, especially after the appointment of Tito Mboweni as Governor and the introduction of an explicit inflation targeting policy in 2000. This hawkish policy came under sustained attack in South Africa, especially from left-wing supporters of President Jacob Zuma but appears to have weathered the storm through the political transition to a new President in South Africa and the appointment of Lesetja Kganyago as SARB Governor. Furthermore, although there is no doubt that Namibia derives immense benefits from being linked in this way to the Rand, some have questioned whether the one-to-one link is the best arrangement for promoting export-led growth. In the coming years Namibia will have to decide which course to follow: the further pooling of economic sovereignty through regional macroeconomic convergence and greater regional monetary coordination and eventual union on the one hand, or greater monetary autonomy on the other. If further monetary integration is to take place, difficult lessons will have to be learnt from Europe's experience with the Euro.

Monetary Policy

KEY EVENTS

YEAR	EVENT
1990	– Otto Herrigel appointed Minister of Finance – Herrigel announces Namibia will establish own central bank – Bank of Namibia Act passed – Dutch national Dr Wouter Bernard appointed first Governor of Bank of Namibia
1991	– First T-bills and bonds issued by Government – Swedish national Erik Karlsson appointed Governor of Bank of Namibia
1992	– Gert Hanekom appointed Minister of Finance – Hanekom announces introduction of Namibia dollar for end of 1993 in budget speech
1993	– Namibia signs Bilateral Monetary Agreement with South Africa – Namibia dollar introduced on 15 September but Rand remains legal tender – Tom Alweendo appointed Deputy Governor of Bank of Namibia – Windhoek-based Interim CPI introduced – Domestic asset requirements introduced
1994	– Malaysian national Jaffar bin Ahmad appointed Governor of Bank of Namibia – Chris Liebenberg replaces Derek Keys as South Africa's Minister of Finance
1995	– Helmut Angula appointed Minister of Finance – South Africa abolishes Financial Rand
1996	– Nangolo Mbumba appointed Minister of Finance – Trevor Manuel appointed South African Minister of Finance
1997	– Tom Alweendo appointed first Namibian Governor of Bank of Namibia – Lazarus Ipangelwa appointed Deputy Governor of Bank of Namibia – Bank of Namibia Act passed
1998	– Banking Institutions Act passed – Namibian Bank Rate introduced
1999	– New Bank of Namibia building opened – Tito Mboweni replaces Dr Chris Stals as South African Reserve Bank Governor
2000	– South Africa introduces inflation targeting policy
2001	– Rand plunges to R13.84 to the US dollar – Bank of Namibia Executive Committee makes monetary policy decisions
2002	– Lazarus Ipangelwa appointed CEO of FNB Namibia – Paul Hartmann appointed Deputy Governor of Bank of Namibia – Bank of Namibia opens Oshakati branch
2003	– First CMA Governors quarterly meeting takes place – Saara Kuugongelwa-Amadhila appointed Minister of Finance – Payment System Management Act passed – Bills of Exchange Act passed
2004	– Bank of Namibia Amendment Act passed
2005	– Nationally representative Namibia CPI introduced
2006	– Ipumbu Shiimi appointed Assistant Governor of Bank of Namibia
2007	– Financial Intelligence Act passed – ANC meeting at Polokwane elects Jacob Zuma as President of South Africa's ANC
2008	– Thabo Mbeki resigns as President of South Africa and is replaced by Kgalema Motlanthe – Revised domestic asset requirements gazetted – Bank of Namibia moves interest rate decisions to one week after South African Reserve Bank – Bank rate differs by 150 basis points from South Africa's repo rate – Bank of Namibia introduces repo rate
2009	– Governor Alweendo obliges banks to reduce interest rate spread – Jacob Zuma elected President of South Africa – Pravin Gordhan replaces Trevor Manuel as South Africa's Minister of Finance – Gill Marcus appointed Governor of South African Reserve Bank
2010	– SARB and Bank of Namibia cut interest rates to record lows
2011	– Ipumbu Shiimi appointed Governor of the Bank of Namibia

2012

2013
- Namibian Consumer Price Index reweighted and rebased

2014
- Nhlanhla Nene appointed as South African Minister of Finance
- SARB and Bank of Namibia start to slowly raise repo rates
- Lesetja Kganyago appointed Governor of South African Reserve Bank
- US Fed ends quantitative easing programme

2015
- Calle Schlettwein appointed Minister of Finance
- David Van Rooyen appointed South Africa's Minister of Finance on 9 December 2015
- Pravin Gordhan appointed South Africa's Minister of Finance on 12 December 2015

2016

2017
- Malusi Gibaba appointed South Africa's Minister of Finance

2018
- Jacob Zuma resigns and Cyril Ramaphosa becomes President of South Africa
- Nhlanhla Nene appointed South Africa's Minister of Finance
- Tito Mboweni appointed South Africa's Minister of Finance
- Finance Minister Schlettwein throws Rand peg into question

2019
- President Geingob attempts to calm speculation on peg to Rand

2020
- Bank of Namibia Act passed
- Ipumbu Shiimi appointed Minister of Finance
- Johannes Gawaxab appointed Governor of the Bank of Namibia
- Bank of Namibia introduces special measures to address Covid pandemic

Introduction

The South African Rand had been used as legal tender in Namibia since 1920 so that at Independence in 1990 the country was little more than a monetary province of South Africa with the issue of currency, interest rates, exchange controls, and banking regulations being determined by the South African Reserve Bank (SARB) in Pretoria. Article 128 of the Constitution made provision for Namibia's own central bank and currency. The Bank of Namibia Act was passed in 1990[1] and preparations began to introduce Namibia's own currency, although very little public debate took place about what form this should take. The Namibian Economic Policy Research Unit (NEPRU) had held a conference on monetary options for Namibia, the contents of which were published in its first ever book[2]. By March 1992 the Minister of Finance Gert Hanekom announced in his budget speech that the new currency, to be called rather unimaginatively the Namibia dollar, would be introduced by the end of that year. Following the signing of the Bilateral Monetary Agreement with South Africa in August 1993 and formal incorporation into the Common Monetary Area (CMA – along with Lesotho and eSwatini then called Swaziland), the new currency notes were introduced on 15 September 1993 followed by coins before the end of the year.

Although Namibia had introduced its own currency, it stopped short of breaking parity with the Rand as Botswana had done in 1976 with its Pula. Under the terms of the agreement with South Africa, Namibia was free to issue its own currency alongside the Rand as legal tender provided it was fully backed by South African Rand. Furthermore, Namibia was to adhere to South African exchange control regulations. Given the continued free flow of capital between Namibia and South Africa and the fact that the South African economy is far larger than the Namibian economy[3], this effectively meant that interest rates would continue to be determined by the South African monetary authorities. South Africa continued to pay seniorage to the Namibian fiscus for the Rand that remained in circulation in Namibia. Namibia's monetary challenge was to maintain the one-to-one peg with the Rand and hope that the South African monetary authorities pursued responsible policies which kept inflation in check. This monetary arrangement has essentially remained the same ever since.

[1] Bank of Namibia Act (Act No.8 of 1990)

[2] Monetary Independence for Namibia, Charles Harvey and Jan Isaksen, NEPRU Book No.1, 1990

[3] The World Bank estimated South African GDP in 2019 at US$351.4bn compared to Namibia's US$12.4bn.

ARTICLE 128 OF THE NAMIBIAN CONSTITUTION

1. There shall be established by Act of Parliament a Central Bank of the Republic of Namibia which shall serve as the State's principal instrument to control the money supply, the currency and the institutions of finance, and to perform all other functions ordinarily performed by a central bank.

2. The Governing Board of the Central Bank shall consist of a Governor, a Deputy Governor and such other members of the Board as shall be prescribed by Act of Parliament, and all members of the Board shall be appointed by the President in accordance with procedures prescribed by such Act of Parliament.

Post-1994

Following the end of apartheid and democratic elections in 1994, South African Minister of Finance Dr Chris Liebenberg abolished the dual exchange rate arrangement called the Financial Rand, which had been in place since 1985, and all restrictions on non-resident investors in March 1995 as part of a strategy to encourage Foreign Direct Investment (FDI) into South Africa. Liebenberg's successor Trevor Manuel reaffirmed the policy announcing that the South African Government would gradually relax exchange controls, a policy which has been consistently applied ever since.

The year 1997 saw a new Bank of Namibia Act passed and the replacement of Malaysian national Jaffar bin Ahmad with the first Namibian, Tom Alweendo, as Governor with the young and influential Lazarus Ipangelwa appointed Deputy Governor. These changes in top personnel, however, made little difference to the way monetary policy was pursued. Namibia's Monetary Policy Committee (MPC) which sets interest rates for the wider economy via the bank rate (later replaced by the repo rate) consists of the Governor and key Bank of Namibia employees but, unlike South Africa, no outsiders. It generally meets six times a year according to a pre-announced calendar but can take decisions more quickly if circumstances demand.

Like South Africa, Namibia was battered by the fallout from the financial crisis of emerging markets in 1998 which led the average prime lending rate to rise to almost 25 percent by August 1998 in order to defend the currency and help stem imported inflation. At the time many observers believed that the Rand's strength was undermined partly by the existence of the SARB's forward book, which Governor Dr Chris Stals believed was "misunderstood". However, in the years following the crisis, the book was steadily unwound and eventually eliminated.

Inflation-targeting

Given the monetary arrangements in place, changes in South Africa continued to have major implications for Namibia. In August 1999 SARB Governor Dr Chris Stals, who had been in office since 1989, was succeeded by former South African Minister of Labour Tito Mboweni who had joined as an advisor a year earlier. This was followed by a change in policy substance as well as style as the former politician took the place of the dry central banker. In 2000 Mboweni, following international trends elsewhere, announced that the SARB's previous rather ambiguous approach to monetary policy would be replaced by a simpler, clearer and more transparent policy of inflation targeting. The SARB would set interest rates in a way that kept the measure of annual inflation – the South African Consumer Price Index minus mortgage payments (CPIX) – within a band of 3 - 6 percent. Furthermore, minutes of meetings of the Monetary Policy Committee (MPC), which included experts from outside the SARB, would be published and placed on the SARB website. The policy was adopted and implemented without consultation with other CMA members.

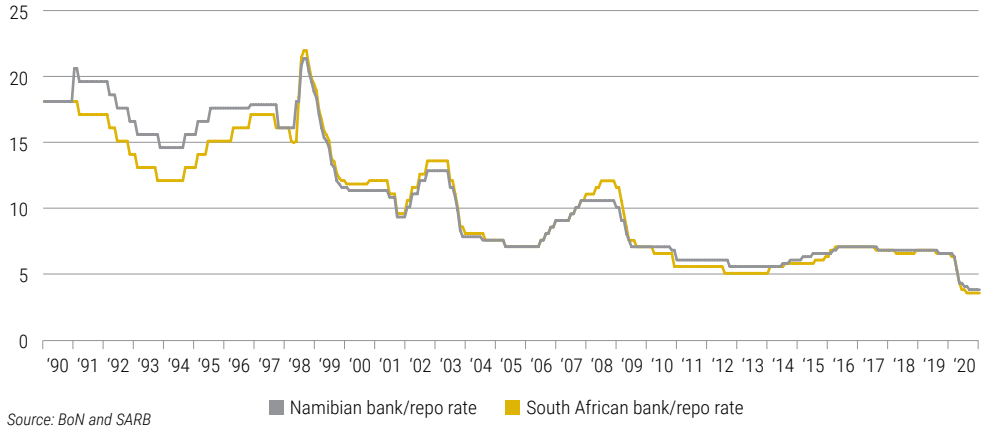
This major policy change was almost immediately put to the test as the Rand depreciated reaching a then all-time low of R13.84 against the US dollar in December 2001.This induced a sense of panic which spread to Namibia and even led to the setting up of a Presidential commission of inquiry – the Rand Commission – into the rapid depreciation of the exchange rate of the Rand in South Africa[4]. However, by the end of 2002 the Rand (and with it the Namibia dollar) had regained much of its value and the policy of inflation targeting had successfully weathered its first test[5].

There followed a period of three years of relative monetary stability with historically low interest rates. As the South African economy started growing significantly above its historical average annual rate, inflationary pressures started to emerge and the SARB responded by raising interest rates towards the end of 2006 with Namibia following suit. However, by mid-2007 what had come to be known as the "credit crunch" combined with record high international oil prices led the SARB to continue raising the repo rate to counter inflation.

[4] See http://www.justice.gov.za/commissions/comm_rand/final%20report.htm
[5] For a more in-depth treatment of the crisis see "The Assault on the Rand – Kevin Wakeford and the Battle to Save a Currency" by Barry Sergeant, Zebra Press

CHART 4.1

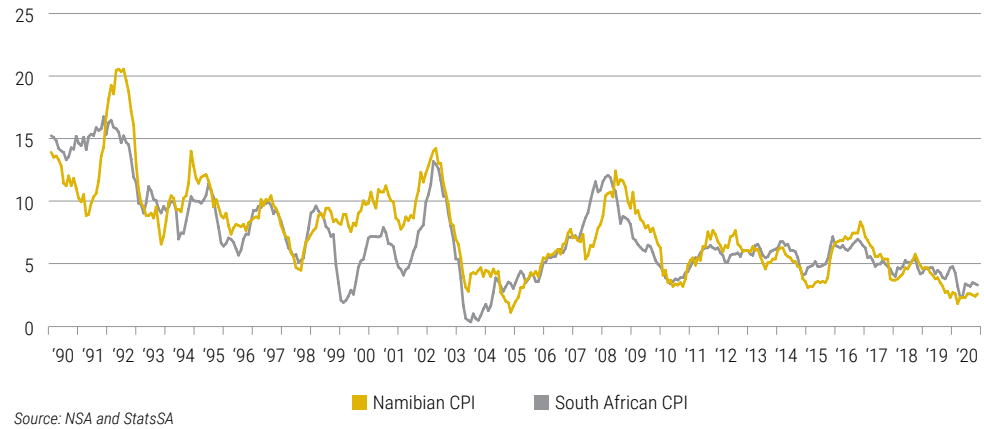
Namibian and South African Central Bank Interest Rates (1990-2020)



Source: BoN and SARB

CHART 4.2

Namibian and South African Consumer Inflation (1990-2020)



Source: NSA and StatsSA

CHART 4.3

South African Rand Exchange Rate vs US Dollar and Euro (1990-2020)

Source: Bloomberg

The Bank of Namibia followed suit raising the Namibian bank rate until the end of 2007 but then, in contrast to past practice, maintained its policy rate at 10.50 percent as the SARB continued to raise the repo rate on three further occasions. By August 2008 the South African repo rate was an unprecedented 150 basis points higher than the Bank of Namibia's Bank rate but this did not appear to lead to the anticipated capital outflows. Until then the Namibian bank rate had never deviated by more than 50 basis points from the South African repo rate. The Bank of Namibia replaced its bank rate with a repo rate at the end of 2008. In the aftermath of the meeting at Polokwane in December 2007, President Thabo Mbeki was forced out of office by the ANC and replaced with Kgalema Motlanthe. Both the SARB and the Bank of Namibia started cutting rates aggressively at the end of 2008 as it became clear that domestic economic activity was slowing rapidly in the wake of developments in the world economy.

Jacob Zuma, who had only narrowly escaped being found guilty of corruption, was officially sworn in as President of South Africa in May 2009. He had succeeded in ousting Mbeki with the support of the left wing of his party. Many on the left of the ANC were bitterly opposed to the policy of inflation targeting and were determined to ditch it. In the midst of the first recession in 17 years as monetary policy was being severely tested, uncertainty hung over the future of interest rate setting in South Africa. This was exacerbated by Tito Mboweni's departure from office in November to make way for Gill Marcus. Marcus, the first woman ever to hold the job, had been Deputy Governor under Mboweni between 1999 and 2005 but had left after differences of opinion with him. Prior to her appointment, Marcus had been chair of ABSA, South Africa's largest retail bank, since 2007 and also had been both Deputy Minister of Finance and Deputy Governor of the SARB during the 1990s.

Nonetheless, the severity of the Global Financial Crisis required an aggressive monetary response leading the SARB to cut its repurchase rate from a peak of 12 percent in June 2008 to 5.5 percent by November 2010 and then to 5.0 percent in July 2012. The Bank of Namibia responded in a similar way cutting rates from 10.5 percent in November 2008 to 6.0 percent in December 2010 with a further cut to 5.5 percent in August 2012. Such low interest rates had not been experienced in South Africa since the early 1970s. In contrast to many richer economies, South Africa ended up experiencing just three successive quarters of negative growth but lost some 900,000 jobs in the process. Positive growth, however, resumed in the third quarter of 2009 but remained weak thereafter. During the years following the onset of the GFC, quantitative easing in the US and UK encouraged money to flow into emerging markets such as South Africa and allowed them to enjoy exceptionally low rates of interest and at the same time experience some strengthening of their exchange rates.

However, the inflow of funds quickly turned into reverse once tapering – the gradual phasing out of these extraordinary monetary measures – set in. The US Fed announced the end of quantitative easing in October 2014 after adding more than US$3.5 trillion to the Fed's balance sheet. Rates started to gently rise again in the second half of 2014 and SARB Deputy Governor Lesetja Kganyago was appointed Governor to take over from Gill Marcus at the end of her five-year term. The Rand, and with it the Namibia dollar, steadily weakened from 2012. In November 2013, the Namibia Statistics Agency announced that the Consumer Price Index (NCPI) had been substantially revised using the 2009/10 Namibian Household Income and Expenditure Survey, something which had been long overdue.

In an extraordinary episode in December 2015, South African President Jacob Zuma fired his respected Finance Minister Nhlanhla Nene for the unknown (and seemingly more pliable) David Van Rooyen. The Rand promptly plunged to R15 to the US Dollar and Zuma was forced into a humiliating U-turn which saw him reappoint Pravin Gordhan, the man he had first appointed on becoming President.

The credibility of one of South Africa's two premier public institutions – the South African Reserve Bank and the National Treasury – was finally restored after Zuma resigned to make way for Cyril Ramaphosa who was elected President by South Africa's National Assembly in February 2018. The Ramaphosa-led ANC won national elections in May 2019 albeit on a reduced majority. Since then the key personalities in charge of South Africa's economy have not changed and this has helped stabilise the Rand after the turbulence of the Zuma years. The Zuma years had demonstrated how susceptible Namibia's currency was – through the link to the Rand – to political events in South Africa.

The onset of the Covid pandemic led both the South African Reserve Bank and the Bank of Namibia to once again aggressively cut lending rates to support the economy but this time there was less to cut. By the end of 2020, the repo rate of both countries had reached all-time lows – lower even than during the GFC – but the currency remained relatively stable.

Covid and Monetary Policy Measures

Monetary policy had already been considerably loosened by the time the State of Emergency was declared on 17 March 2020 and the economy had already been suffering from four years of low or negative growth, the longest period of recession since Independence. The year started with the Bank of Namibia's repo rate at 6.50 percent. However, further cuts were made in February, March, April, June and August to take it down by 275 basis points to 3.75 percent, a post-Independence low. A range of other measures were announced on 26 March which the Bank emphasised had been the outcome of extensive consultation with the Bankers Association of Namibia.

These measures included the following:

- Allowing banks to grant loan repayment moratoria to customers of between six to 24 months;
- Relaxing the determination on liquidity risk management which obliges banks to match their cash outflows to their cash inflows over a period of seven days;
- Reducing the capital conservation buffer - liquid reserves that banks are required to build
  up in good times - to zero percent for at least 24 months; and
- Postponement of the effective date of implementation for the 25 percent single borrower
  limit and concentration risk limit - used to limit exposure to businesses and sectors and thus reduce risk.

The overall intention of these measures was to allow banks greater scope to lend to a stricken economy and to vulnerable businesses within it which regulations would otherwise have made difficult or impossible.

Regional and Continental Integration or Greater Monetary Autonomy?

As a newly independent state, Namibia has been torn between pursuing greater monetary autonomy and pooling sovereignty by pursuing greater regional and continental integration. The introduction of a separate currency in 1993 was a prudent insurance policy against disaster in South Africa, which had not yet held democratic elections. There are persuasive arguments that greater monetary autonomy would be appropriate to Namibia and several papers have attempted to explore the issue[6]. As a small export-oriented economy, a key element to high and sustained growth must lie in the external value of the currency. There is no guarantee that the maintenance of a one-to-one peg with the Rand provides this optimal external value although much depends on the policies pursued by the South African authorities.

However, given that the pursuit of a successful independent monetary policy requires not only a significant level of central banking skills but also healthy foreign exchange reserves and a certain amount of isolation from damaging political interference, Namibia has adopted the safer option of using the Rand as a monetary policy anchor which lends credibility and stability to the Namibian monetary system. This, of course, applies only as long as South Africa pursues prudent monetary policies. The December 2015 reshuffle in South Africa which led to the sudden fall in the value of the Rand brought some of these issues to greater public attention.

For all the national symbolism that is tied up in having a separate currency, there is no doubt that the Namibian economy has paid a high price for disengaging from the South African monetary system. Since the introduction of the Namibia dollar and the steady development of a separate monetary area, Namibian deposit rates have been consistently lower, lending rates consistently higher and spreads and banking profitability consistently greater than their equivalents in South Africa. What economic cost this has imposed on the Namibian economy has never been investigated but is likely to have been significant.

Talk, such as it is, was of a CMA central bank, a SADC monetary union (originally by 2016) and continental monetary integration led by the African Union by 2021[7]. If a CMA central bank were to provide a politically acceptable way to enjoy the benefits of the South African banking system, it may be economically beneficial. However, as long as sovereign governments in Africa continue to jealously guard their economic autonomy and macroeconomic convergence remains a distant goal, monetary integration will remain little more than a pipe dream. It should not be forgotten that, for example, while South Africa accounts for only 18 percent of the population of SADC, its GDP accounts for 60 percent of SADC's GDP.

The Eurozone debt crisis did nothing to accelerate progress towards regional and continental monetary union in Africa. The lessons from Europe's misconceived and politically-driven monetary union must surely include allowance for a much longer period of macroeconomic convergence, more stringent membership criteria, a greater degree of fiscal union and pooled sovereignty as well as a banking union and better banking regulation.

[6] See, for example, "Why Namibia Should Join EMU", Economic Eye, *The Namibian*, 8 September 1998 and "It's the Exchange Rate Stupid", *Insight Namibia*, February 2006.

[7] In accordance with the vision of African leaders with respect to reinforcing economic integration in Africa, the Association of African Central Banks adopted during its 26th session held on September 4, 2002, in Algiers, the African Monetary Cooperation Program (AMCP), with the objective to create by 2021 the African Central Bank, after a successful convergence process.

Inflation Targeting and the Rand Peg

The Namibian monetary authorities target the peg to the Rand while the South African monetary authorities target the rate of inflation. Inflation targeting implies that the exchange rate can vary wildly as the "impossible trinity" of macroeconomics means it is not possible for the authorities to target both inflation and the exchange rate given the relatively free flow of capital in and out of South Africa. The chart shows how the exchange rate against the US dollar and the Euro has behaved over the years. As inflation rocketed and interest rates rose in the run-up to the onset of the GFC, inflation targeting once again came under scrutiny provoking lively debate in the South African media.

Many argued that high interest rates did little to combat inflation caused by external shocks (such as the price of oil) but do much to damage desperately needed growth. Despite this pressure, the former SARB Governor Mboweni seemed to almost take delight at playing the hard man of South African monetary policy and indeed there is evidence that the MPC has been far more hawkish on inflation than many other central banks around the world. This did not change to any significant degree under Governor Marcus who faced a very different international and domestic macroeconomic environment but stuck to inflation targetting. Governor Kganyago seems to have pursued the same policy and it appears that South Africa's inflation targeting framework has successfully weathered two decades of huge political and economic upheaval.

Whether this would make any difference to Namibian monetary policy is a moot point since the Namibian authorities have a clear record of being far less hawkish on inflation than the SARB. Until Ipumbu Shiimi became Governor, the Namibian bank rate had tended to be lower than the South African repo rate and was always cut whenever the South African rates fell. Under Shiimi, rates were marginally higher than in South Africa.

Given the significance of imported South African goods and services to Namibian consumer inflation, it seems clear that Namibia has benefitted from the anti-inflationary stance of the SARB. The fact is that the key policy interest rate in South Africa has averaged less than 8 percent in the years since inflation targeting was introduced compared to 17 percent in the decade prior to its introduction while consumer inflation has averaged less than 6 percent compared to 10 percent in the previous decade.

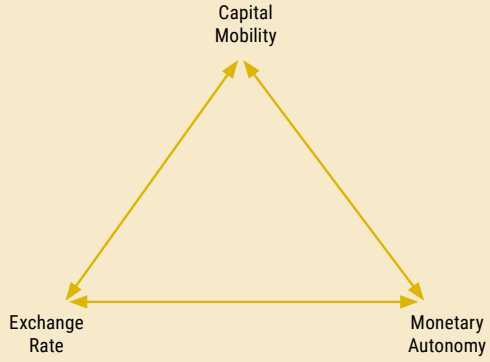
In Namibia, the Bank of Namibia's policy rate averaged 17 percent during the 1990s but averaged less than 8 percent between 2000 to 2020. In the same way, consumer inflation averaged just over 10 percent during the 1990s but averaged just over 6 percent between 2000 and 2020. This is, after all, what building monetary credibility via inflation targeting was supposed to achieve.

THE POLICY TRILEMMA

There is a principle in macroeconomics called the "policy trilemma" or the "impossible trinity" which is more a recognition that, in a small economy that trades with the rest of the world, it is only possible for policymakers to separately determine two of the following three variables: capital flows, the exchange rate, and the inflation rate. In Namibia's case, because it has chosen to allow the free flow of capital with South Africa and has chosen a fixed exchange rate to the Rand, it is not able to independently determine interest rates.

If the Bank of Namibia were, for example, to set interest rates much lower than South Africa, the free flow of capital would mean capital would flow out of Namibia into South Africa and this would weaken the value of the Namibia dollar versus the Rand as dollars were sold to buy Rand eventually undermining the one-to-one link.

If the Bank of Namibia were to set interest rates much higher than South Africa, capital would flow the other way and strengthen the value of the Namibia dollar versus the Rand. In other words, given that Namibia has chosen to link its currency to the Rand and permit the free flow of capital with South Africa, it is not free to independently determine monetary policy (the setting of interest rates) and that is why interest rates closely follow those in South Africa with only a very small degree of divergence. This why the Bank of Namibia's Monetary Policy Committee (MPC) statements always emphasise the link with the Rand and the ability of foreign reserves to support this link.



In principle, Namibia is free to choose other arrangements. It could limit the flow of capital by imposing capital controls or break the link with the Rand and allow its currency to float. Both would come with significant challenges and Namibia's monetary authorities appear content that the existing arrangements work well. Namibia has linked itself to the much larger economy of South Africa which in turn allows the relatively free movement of capital with the rest of the world and sets interest rates to target inflation. Because South Africa has chosen to independently determine capital flows and inflation (two of the three policies in the trilemma), it cannot fix the value of the Rand to an external currency such as the US dollar. As a result, the Rand (and through the fixed link to the Rand the Namibia dollar) can fluctuate wildly against major currencies such as the US dollar or the Euro as shown in the chart.

NAMIBIA'S RAND PEG: THREE STATEMENTS

Since its introduction in 1993, Namibia's currency - the Namibia dollar - has been pegged at parity to the South African Rand: one Namibia dollar (NAD) is worth one South African Rand (ZAR). Throughout this time the Rand has remained legal tender in Namibia (although the Namibia dollar has not been legal tender in South Africa). This arrangement has never seriously been put into question but in recent years there have been what on the surface at least look like wobbles.

In December 2018, then Finance Minister Calle Schlettwein was quoted by Bloomberg as saying Namibia was evaluating its peg to the South African Rand although any change was not imminent. Shortly afterwards, the Bank of Namibia released a statement saying Namibia would not delink from the Rand as the peg was the best arrangement for the country.

"The current arrangement continues to be beneficial to Namibia as an open and small economy. It helps to achieve the primary objective of price stability and an ultimate aim of promoting economic growth and development," Bank of Namibia Deputy Governor Ebson Uanguta stated.

In an interview in Cascais, Portugal, in April 2019 President Hage Geingob committed Namibia to remaining with the peg to the South African Rand "unless something very drastic happens".

During his statement on the Mid-Term Budget Review in October 2020, Finance Minister Ipumbu Shiimi went out of his way to emphasise Namibia's commitment to the Rand peg.

> The current arrangement continues to be beneficial to Namibia as an open and small economy. It helps to achieve the primary objective of price stability and an ultimate aim of promoting economic growth and development.
>
> Ebson Uanguta, Deputy Governor of the Bank of Namibia

Useful References

Bank of Namibia Quarterly Bulletins and Annual Reports

Bilateral Monetary Agreement between the Government of the Republic of Namibia and the Government of the Republic of South Africa

"Monetary Independence for Namibia", Charles Harvey and Jan Isaksen, NEPRU Book No.1, 1990

"Monetary Options for Namibia", Brian Kahn, Daniel Motinga, Anne-Marie Brits, Moono Mupotola-Sibongo, NEPRU Research Report No.16, 1998

"Namibia's Nominal and Real Multilateral Exchange Rate" John Orford, NEPRU Occasional Paper No.5, 1995

"Should the Namibia Dollar be Devalued?", Robin Sherbourne, NEPRU Occasional Paper No.6, 1995

Useful Websites

Bank of Namibia
www.bon.com.na

International Monetary Fund
www.imf.org

South African Reserve Bank
www.reservebank.co.za

Underemployed youths wait for casual work in Windhoek

CHAPTER

5 Macroeconomy Employment, Poverty and Inequality

Until 2016 Namibia had a modestly successful record of positive economic growth but a poor record of employment creation. Public sector employment grew rapidly after Independence, partly because national reconciliation meant existing public sector employees would not be dismissed and partly because of the need to create a more representative public service. However, outside the public sector, formal employment growth in Namibia's traditional export sectors – livestock farming, mining, fishing and tourism – was extremely limited. Although Government regularly proclaimed the need to create jobs in the manufacturing sector, this did not happen to any significant extent. Instead, the employment that was created took place in the service sectors of the economy but the available employment data provides no clear and convincing explanation of what has happened and why. The suspicion is that most employment creation has taken place in the informal sector and that the regulatory environment for formal employment has steadily created ever-higher barriers to the formalisation of informal activities. The mystery is that, despite this poor record on employment creation, household poverty and income inequality appear to have dropped substantially although the degree to which this has happened is disputed. The advent of Covid hard on the heels of four years of poor economic performance has led to the further deterioration in the employment situation and this is likely to translate to higher levels of poverty and inequality.

KEY EVENTS

YEAR	EVENT
1990	– First post-Independence minimum wage gazetted for construction sector – Public Service Commission Act passed
1991	– 1991 Population and Housing Census conducted
1992	– Labour Act passed
1993	– 1993/94 Namibia Household Income and Expenditure Survey conducted – First minimum wage agreement reached for construction sector under new Labour Act
1994	– Social Security Act passed
1995	– Export Processing Zone Act passed – Public Service Act passed
1996	
1997	– First Namibia Labour Force Survey conducted
1998	– Affirmative Action (Employment) Act passed
1999	– White Paper on Labour Based Works published – First Employment Equity Commission instituted
2000	– Namibia Labour Force Survey conducted – Namibia adopts Millennium Development Goals
2001	– 2001 Population and Housing Census conducted – Namibia Informal Economy Survey conducted – Ramatex commences production in Windhoek
2002	– Namibia Occupational Wages Survey conducted – National Poverty Reduction Action Programme published – Namibian Tax Consortium recommends Basic Income Grant
2003	– 2003/04 Namibia Household Income and Expenditure Survey conducted – Minimum wage gazetted for agricultural workers
2004	– Namibia Labour Force Survey conducted – Labour Act passed
2005	– Labour Statistics Bulletin published – New collective agreement between CIF and MANWU agreed – Minimum wage gazetted for security guards
2006	– Threshold for reporting companies reduced to 25 employees under Affirmative Action (Employment) Act
2007	– Labour Act passed
2008	– Ramatex closes – Namibia Labour Force Survey conducted – New collective agreement between CIF and MANWU gazetted – Weatherly lays off 620 workers
2009	– New collective agreement between CIF and MANWU gazetted – Namdeb halves its workforce – Labour Act provisions on labour hire declared illegal by High Court – 2009/10 Namibia Household Income and Expenditure Survey conducted
2010	
2011	– Targeted Intervention Programme for Employment and Economic Growth launched to tackled unemployment – 2011 Population and Housing Census conducted – Employment Service Act passed

2012
- Amendment to Labour Act passed
- High Court reserves judgement on Labour Act's amended Section 128
- Wages Commission on Domestic Workers initiated

2013
- Labour Force Survey 2012 published

2014
- Labour Force Survey 2013 published
- Vocational Training Levy introduced
- Minimum wages for domestic workers gazetted

2015
- Labour Force Survey 2014 published
- Erkki Nghimtina appointed Minister of Labour, Industrial Relations and Employment Creation
- Bishop Zephania Kameeta appointed Minister of Poverty Eradication
- New minimum wages for construction sector agreed
- Designated employers obliged to work through Employment Services Bureau
- 2015/16 Namibia Household Income and Expenditure Survey conducted

2016

2017
- Labour Force Survey 2016 published

2018

2019
- Labour Force Survey 2018 published

2020
- Utoni Nujoma appointed Minister of Labour, Industrial Relations and Employment Creation
- Ministry of Gender Equality, Poverty Eradication and Social Welfare created within the Office of the President
- Ministry of Labour issues Covid directive

Introduction

Employment creation has been a key national development objective in Namibia since Independence, identified by the Government first in the Transitional National Development Plan, then in the subsequent First, Second, Third, Fourth and Fifth National Development Plans as well as Vision 2030. NDP1 aimed to achieve "growth with equity" and create some 70,000 new formal sector jobs, 30,000 jobs in subsistence agriculture and 10,000 jobs in the informal sector, all within the space of five years. In NDP2 policy-makers dispensed with quantified employment targets opting instead for a less specific commitment to create jobs. SWAPO's 1994 election manifesto entitled "Better Opportunities for All Namibians" promised that "creating jobs for Namibians is the SWAPO Government's top priority[1]". The 1999 manifesto "SWAPO's Plan of Action for Peace, Progress and Prosperity continued the theme stating that "economic growth and job creation would continue to be the top priorities of the SWAPO government over the next five years and beyond"[2] and went further in listing a large number of projects that were going to generate defined numbers of jobs. The ruling party's 2004 manifesto "The Driving Force for Change" reiterated the party's commitment to growth and job creation going as far as mentioning specific projects requiring state support (such as the Caprivi Sugar Project to create 20,000 jobs and the production of table grapes to create 4,000 jobs) which would help achieve this aim[3]. Again, however, the document eschewed precise employment targets in favour of vaguer language. In 2009 SWAPO published its election manifesto "Striving for Economic Independence and Prosperity for All" which repeated the promise that "the creation of productive jobs remains a high priority for the SWAPO Party". With Hage Geingob as its presidential candidate, SWAPO's 2014 manifesto "Consolidating Peace, Stability and Prosperity" promised rather vaguely to "grow the economy and create wealth and job opportunities

[1] SWAPO p18
[2] SWAPO p18
[3] SWAPO p12

Introduction

for all Namibians" and included one small section on "Specific Employment Creation Initiatives"[4].

The 2019 SWAPO manifesto "Inclusive Development and Shared Prosperity" made liberal mention of employment and employment creation throughout the document and ended with the promise to revitalise "the Namibian economy for employment creation, poverty reduction and inclusive development". In words at least, there is little doubt that employment creation has been a major policy aim of the ruling party.

Government appears to have become steadily more disenchanted with the idea of publishing quantified employment targets. There are probably two reasons for this: a dislike of being seen to have clearly failed when targets are missed (as in the case of NDP1) and a recognition that, in a modern market economy, it is extremely difficult for any government to state with any degree of certainty how many new jobs are going to be created in the economy within a definite period of time.

As a political nod to the importance of the issue, President Geingob renamed the Ministry of Labour as the Ministry of Labour, Industrial Relations and Employment Creation after coming to power in 2015 and created a new Ministry of Poverty Alleviation appointing Bishop Zephania Kameeta – a strong proponent of the idea of a Basic Income Grant – as its Minister (see Chapter 2: Fiscal Policy). The President decided to bring poverty alleviation into the Office of the President in March 2020.

[4] SWAPO p22

Public Perceptions

Employment continues to be an important national issue in the mind of the general public. Successive Afrobarometer Surveys have consistently ranked unemployment as the number one issue of concern facing the country reflecting the fact that Government is struggling to create sufficient employment opportunities.

TABLE 5.1
Question wording:

In your opinion, what are the most important problems facing this country that government should address?

	'00	'02	'06	'08
Unemployment (first response)	48%	72%	42%	33%

	'12	'14	'17	'19
Unemployment (first response)	36%	41%	39%	29.7%

Despite these concerns about unemployment, however, successive Afrobarometer surveys showed reasonably high levels of satisfaction as far as government's handling of the economy is concerned despite the fact that perceptions are not quite so positive when it comes to improving the living standards of the poor, creating jobs and narrowing the gap between rich and poor. However, in recent years this has changed and people now rate government's handling of the economy much more critically.

TABLE 5.2

Question wording:

How well or badly would you say the current government is handling managing the economy?

	'06	'08	'12	'14	'17	'19
Very badly	4%	17%	15%	15%	35%	42.2%
Fairly badly	17%	19%	21%	18%	28%	32.1%
Fairly well	46%	39%	48%	39%	27%	20.5%
Very well	30%	21%	14%	27%	8%	3.0%
Don't know	3%	4%	2%	1%	2%	2.3%

TABLE 5.3

Question wording:

How well or badly would you say the current government is handling improving the living standards of the poor?

	'06	'08	'12	'14	'17	'19
Very badly	n/a	34%	29%	28%	29%	41.1%
Fairly badly	n/a	28%	39%	35%	30%	35.0%
Fairly well	n/a	29%	28%	31%	32%	19.6%
Very well	n/a	8%	3%	6%	8%	2.5%
Don't know	n/a	2%	1%	n/a	1%	1.4%

TABLE 5.4

Question wording:

How well or badly would you say the current government is handling creating jobs?

	'06	'08	'12	'14	'17	'19
Very badly	21%	32%	37%	27%	45%	53.1%
Fairly badly	35%	27%	37%	37%	30%	30.8%
Fairly well	34%	31%	23%	31%	19%	13.4%
Very well	9%	9%	2%	4%	5%	1.3%
Don't know	1%	1%	0%	n/a	1%	1.4%

TABLE 5.5

Question wording:

How well or badly would you say the current government is handling narrowing gaps between rich and poor?

	'06	'08	'12	'14	'17	'19
Very badly	19%	42%	42%	40%	43%	52.4%
Fairly badly	38%	31%	38%	38%	30%	31.1%
Fairly well	33%	17%	16%	19%	19%	12.2%
Very well	8%	8%	2%	4%	4%	1.5%
Don't know	2%	3%	1%	n/a	3%	2.8%

The Afrobarometer surveys contain a lot of fascinating insights into Namibian public opinion. Overall, for many years it seemed that people were generally fairly happy with the way the Government was handling the economy as well as unemployment, poverty and inequality. As a result, the Namibian electorate gave strong mandates to the SWAPO ruling party in successive presidential, national assembly and regional council elections culminating with the election of President Hage Geingob in December 2014 with a stunning 87 percent of the vote.

However, this has started to change dramatically in recent years as shown by the numbers in the tables and the election results in November 2019 reflected this change in perceptions. The presidential election saw Geingob re-elected as President but with 56.3 percent of the vote compared to 86.7 percent in 2014. Independent candidate Panduleni Itula received 30.2 percent attracting urban votes especially from Windhoek and the coast.

The parliamentary election saw SWAPO's share of the vote cut from 80.0 percent to 65.4 percent which means it ended up holding 63 seats in the 96 seat National Assembly compared to the previous 77. This means SWAPO lost its two-thirds majority and therefore the ability to change the Constitution. Turnout was 60.8 percent in the Presidential election and 60.4 percent in the National Assembly elections but this is calculated on the basis registered voters not the number of eligible members of the population. In the last elections, therefore, SWAPO therefore has a mandate from only one-third of all registered voters.

Namibia's Labour Force Data

Since Independence, Namibia has published sixteen nationally representative sets of data which provide a detailed breakdown of employment trends: the 1991, 2001 and 2011 Population and Housing Census (PHC), the 1993/94, 2003/04, 2009/10 and 2015/16 Namibia Household Income and Expenditure Surveys (NHIES), and the 1997, 2000, 2004, 2008, 2012, 2013, 2014, 2016 and 2018 Namibia Labour Force Surveys (NLFS). The absence of quality regular labour force data represented a major gap in Namibia's already rather skimpy data coverage[5]. However, with the advent of the Namibia Statistics Agency (NSA), this situation started to change. The NSA's strategic plan committed itself to the "Production of an annual labour force survey, while investigating the feasibility of a quarterly labour force survey, in line with one of the NDP4's overarching goals to create jobs[6]." By contrast, South Africa's StatsSA produces a timely quarterly labour force survey. After its creation, the NSA started strongly, publishing annual labour force surveys in 2012, 2013 and 2014 but this then became every two years 2016 and 2018.

The PHC is a comprehensive dataset which attempts to count each individual resident in Namibia at a particular point in time. The NHIES and NLFS, on the other hand, are sample surveys which collect data from a sample of households and individuals and then use statistical techniques to "gross up" the responses to provide a representative national picture.

An important point to remember about Namibia's first census is that it excluded Walvis Bay which, at the time, was still being claimed by South Africa. The enclave was only returned to Namibia in 1994. The 1993/94 NHIES was the first national survey to collect data for the whole of Namibia including Walvis Bay. Comparison between the 1991 PHC and other datasets is therefore not straightforward.

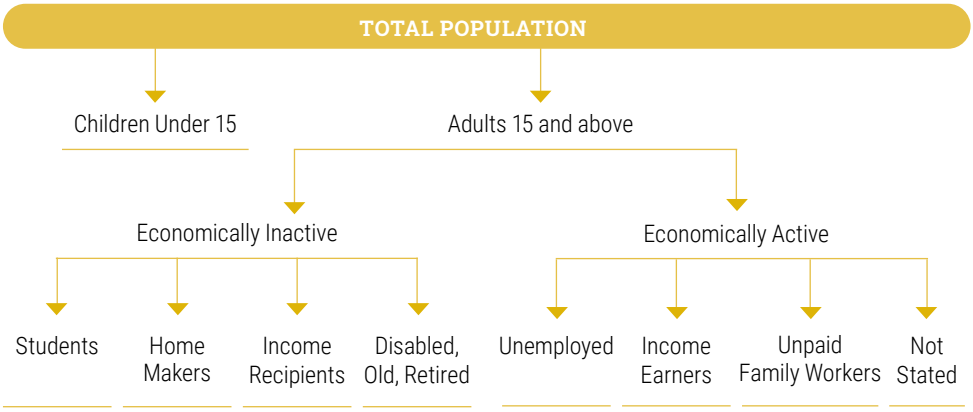
Before examining the numbers on employment and unemployment, it is important to understand how they are calculated and what they mean. Namibia's employment statistics are calculated according to internationally accepted definitions and methodologies. The entire population of residents is broken down into those under 15

[5] See "The Big Issue", Economic Eye, *The Namibian*, 11 August 1998

[6] See http://www.nsa.org.na/files/files/NSA%20Strategic%20Plan.pdf page 19

years of age and those 15 years old and more. The latter group is then divided between economically inactive people who are those not available for work. They include students, home makers, retired people, disabled people who cannot work, and other income recipients who are not in paid employment but who receive income from rents and other investments. These economically inactive people are not counted as part of the country's labour force. The term economically active then applies to the remaining group of people 15 years and older who are available for work. This is also known as the labour force. These include employed people (those who worked for at least one hour for pay, profit or family gain during the previous seven days), contributing family workers (formerly referred to as unpaid family workers i.e. those who worked without pay on the family farm or in the family enterprise) and unemployed people (those who were not in any paid employment or self-employment during the previous seven days). All these categories are mutually exclusive meaning that individuals cannot be placed in more than one category. Subcategories therefore add up to the categories they belong to. Within the category of unemployed will be two groups of people: those who are unemployed but who are actively looking for work and those who are unemployed but who are not actively looking for work ("discouraged workers") and this gives rise to two definitions of unemployment: the strict rate of unemployment (which is the preportion of those unemployed people actively looking for work within the entire labour force) and the broad rate of unemployment (which is the preportion of those unemployed people who may or may not actively be looking for work within the entire labour force). Because in any economy there are always likely to be discouraged workers, there are always two rates of unemployment and the broad rate will always be higher than the strict rate.

Breakdown of Population into Employment Categories



Source: NLFS

Namibia produces a range of statistics that yield information on employment. The main set of statistics on employment is the Namibia Labour Force Survey (NLFS) which is a sample survey and which, since 2012, has been conducted at least once every two years the latest being for 2018. The Namibia Household Income and Expenditure Survey (NHIES) is another survey containing useful information on employment and this is conducted every five years the latest being for 2015/16. However, due to its proximity with the 2016 NLFS it was decided not to present information on the labour force in the summary report. The Population and Housing Census (PHC) is a census and counts every resident in the country rather than being based on a sample and is conducted every ten years the last one being for 2011. The NLFS, NHIES and PHC all use the same international definitions laid down by the International Labour Organisation (ILO) which is a UN agency. Key employment statistics have been extracted from all past NLFSs, NHIESs and PHCs since 1991 and are presented in the tables below.

TABLE 5.6

Key Employment Statistics (1991-2018)

	'91 PHC	'93/94 NHIES	'97 NLFS	'00 NLFS	'01 PHC	'04 NLFS	'08 NLFS
Population	1,409,920	1,389,017	1,560,419	1,669,640	1,830,330	1,727,697	1,789,933
15 Years and over	821,533	795,471	931,384	888,009	1,100,425	888,348	1,107,647
Economically active	479,779	434,678	498,324	541,447	594,849	493,448	531,014
Economically inactive	340,965	353,802	421,824	346,157	432,883	393,880	428,173
Employed	387,254	350,280	401,203	431,849	409,591	385,329	331,444
Unemployed	91,765	84,398	97,121	105,598	185,258	108,119	199,570
Unemployment rate (broad)			34.5%	33.8%		36.7%	51.2%
Unemployment rate (strict)	19.1%	19.4%	19.5%	20.2%	31.1%	21.9%	37.6%

Source: NSA

TABLE 5.6

Key Employment Statistics (1991-2018)

	'09/10 NHIES	'11 PHC	'12 NLFS	'13 NLFS	'14 NLFS	15/16 NHIES	'16 NLFS	'18 NLFS
Population	2,006,398	2,113,077	2,085,927	2,127,013	2,237,894	2,280,716	2,324,388	2,413,643
15 Years and over	1,297,841	1,324,234	1,315,662	1,384,054	1,422,600	1,450,652	1,478,193	1,531,967
Economically active	981,450	847,415	868,268	980,781	983,843		1,026,268	1,090,153
Economically inactive	374,171	379,370	403,103	403,273	438,757		451,925	441,814
Employed	608,003	534,912	630,094	690,019	708,895		676,885	725,742
Unemployed	310,447	312,503	238,174	290,762	274,948		349,383	364,411
Unemployment rate (broad)	33.8%	36.9%	27.4%	29.6%	27.9%		34.0%	33.4%
Unemployment rate (strict)	22.1%	26.8%	16.7%	19.0%	18.4%		23.4%	19.8%

Source: NSA

It can be seen that Namibia's population has grown from approximately 1.4 million people in 1991 (which excluded Walvis Bay which had not yet been returned to Namibia) to an estimated 2.4 million people in 2018. The labour force (the economically active population) has grown from 479,779 people in 1991 to an estimated 1,090,153 people in 2018. In other words, whereas the population has increased by over 71 percent, the economically active population has grown by 127 percent. Interestingly, the strict rate of unemployment (i.e. excluding discouraged workers) in 2018 was almost the same as in 1991 (19.8 percent compared to 19.1 percent.) The broad rate of unemployment (i.e. including discouraged workers) in 2018 was almost the same as in the first year the figure was calculated in 1997 (33.4 percent compared to 34.5 percent).

The table above provides information from the last five NLFSs on employment by sector and the data for these last five surveys use consistent definitions of sectors although there are some surprising differences in sectoral employment from year to year which cannot be explained by developments in the economy.

For example, it is hard to understand how employment in manufacturing rose from 28,409 in 2012 to 45,057 in 2018. The five largest sectors by employment in 2018 were Agriculture, Forestry and Fishing, Accommodation and Food Service, Wholesale and Retail Trade, Private Households and Education. These figures suggest employment grew from 630,092 in 2012 to 725,741 in 2018, a rise of some 95,649. This is fine as far as it goes but in fact this does not say very much about employment and unemployment since the definition used of employment (those over the age of 15 who worked for at least one hour for pay, profit or family gain during the previous seven days) is a rather limited definition and says little about the quality of the employment which has been generated or the number of hours worked.

Thankfully, the NSA has responded to past feedback and now produces more detailed statistics on the nature of this employment providing information on how many of these employed people receive paid leave and also paid sick leave. It also provides information on how many of the employed can be considered to be informally employed. The criterion chosen by the NLFS to distinguish between formally and informally employed people is based on "the provision of some form of social protection". By subtracting the number of informally employed people by sector from the total number of employed people by sector, a clearer idea can be gained of the amount of formal employment the economy has created and this is presented in the table below. Unfortunately, this additional information has only been included since the 2013 NLFS and 2012 is therefore excluded.

TABLE 5.7

Employment by Sector 2012-2018

	'12 NLFS	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
Agriculture, forestry and fishing	172,530	215,311	209,906	135,832	167,242
Mining and quarrying	11,240	13,558	14,539	14,825	12,087
Manufacturing	28,409	32,769	28,706	44,419	45,057
Electricity and related industries	2,161	2,385	3,053	5,018	3,278
Water supply and related industries	2,775	2,359	2,344	4,512	4,095
Construction	42,577	47,859	56,747	63,005	45,057
Wholesale and retail trade	74,805	79,391	97,099	65,492	80,852
Transport and storage	41,853	25,659	26,565	22,175	24,710
Accommodation and food service	22,680	36,767	29,179	47,840	83,056
Information and communication	6,073	5,591	4,081	5,973	7,141
Financial and insurance activities	12,645	14,609	13,896	15,525	13,861
Real estate activities	1,583	617	677	1,163	1,050
Professional, scientific and technical activities	7,265	7,164	6,626	12,140	8,648
Administrative and support service activities	29,861	35,160	31,572	40,499	29,951
Public administration and defence, compulsory social security	32,313	31,943	41,889	30,260	34,174
Education	37,535	41,797	41,510	41,422	46,923
Human health and social work activities	20,242	16,580	21,706	19,058	19,527
Arts, entertainment and recreation	3,218	3,932	2,342	4,143	4,910
Other service activities	9,972	14,020	12,480	43,211	20,865
Private households	69,124	57,668	67,057	59,113	72,185
Extraterritorial organisations and bodies	589	511	135	1,232	1,035
Don't know	642	-	601	28	37
Employed population	630,092	685,650	712,710	676,885	725,741
Employed population excluding agriculture	457,562	470,339	502,804	541,053	558,499

Source: NLFS 2012, 2013, 2014, 2016 and 2018

TABLE 5.8

Formal Employment by Sector 2013-2018

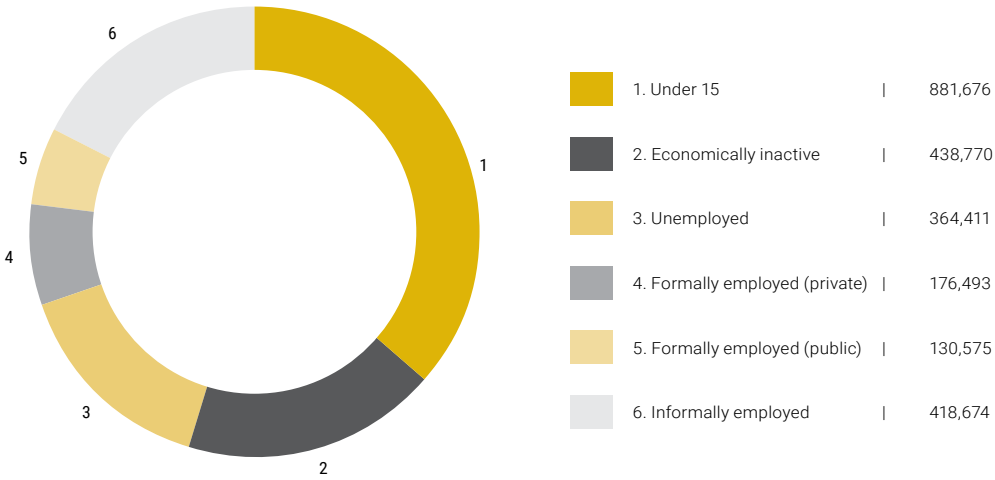
	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
Agriculture, forestry and fishing	35,771	148,875	14,191	20,705
Mining and quarrying	13,558	2,512	7,786	10,057
Manufacturing	25,077	4,082	15,628	24,013
Electricity and related industries	2,385	1,534	2,482	2,870
Water supply and related industries	2,359	1,785	2,407	3,055
Construction	36,788	6,276	15,590	15,619
Wholesale and retail trade	38,426	13,575	21,806	41,900
Transport and storage	25,659	8,806	10,212	13,961
Accommodation and food service	22,162	4,474	14,918	26,100
Information and communication	5,591	2,711	3,959	5,238
Financial and insurance activities	14,609	4,500	10,597	12,325
Real estate activities	3,204	285	412	475
Professional, scientific and technical activities	7,164	2,763	8,880	7,160
Administrative and support service activities	35,160	9,312	15,394	20,492
Public administration and defence, compulsory social security	31,943	34,766	21,573	31,066
Education	41,797	35,890	27,078	39,772
Human health and social work activities	16,580	15,087	12,494	16,026
Arts, entertainment and recreation	3,932	662	1,780	2,113
Other service activities	5,408	914	12,979	6,882
Private households	4,027	5,079	6,051	6,511
Extraterritorial organisations and bodies	511	81	595	707
Don't know	-	601	-	20
Formally employed population	365,703	304,570	226,812	307,067

Source: NLFS 2013, 2014, 2016 and 2018

Again, there are some surprising numbers and changes in sectoral totals from year to year. The overall picture suggests that the number of formally employed people declined from 365,703 in 2013 to 307,067 in 2018. If government employment of 86,864 people is excluded (adding together those in Public Administration and Defence, Compulsory Social Security, Education and Human Health and Social Work Activities) in 2018, the number of formally employed drops to 220,203. If Public Enterprises and Parastatal employment of 30,654 is excluded, it looks like just 189,549 people are formally employed outside the government and parastatal sector. This is an exceedingly small number of people in an economy of 2.4 million people and suggests Government has dramatically failed to create a business environment that incentivises the private sector to deliver the decent jobs that people so desire.

CHART 5.1

Population Breakdown by Employment Status (2018)



Source: NLFS 2018

The chart presents another way of picturing Namibia's dire employment situation. It shows the number of people in each category according to the latest Namibia Labour Force Survey of 2018. It can be seen that, out of a population of 2.4 million people, only 307,000 people are formally employed of whom about 130,000 are public sector employees in central or local government or in State-Owned Enterprises and just 176,000 are formally employed in the private sector.

UNEMPLOYMENT AND EDUCATIONAL ATTAINMENT

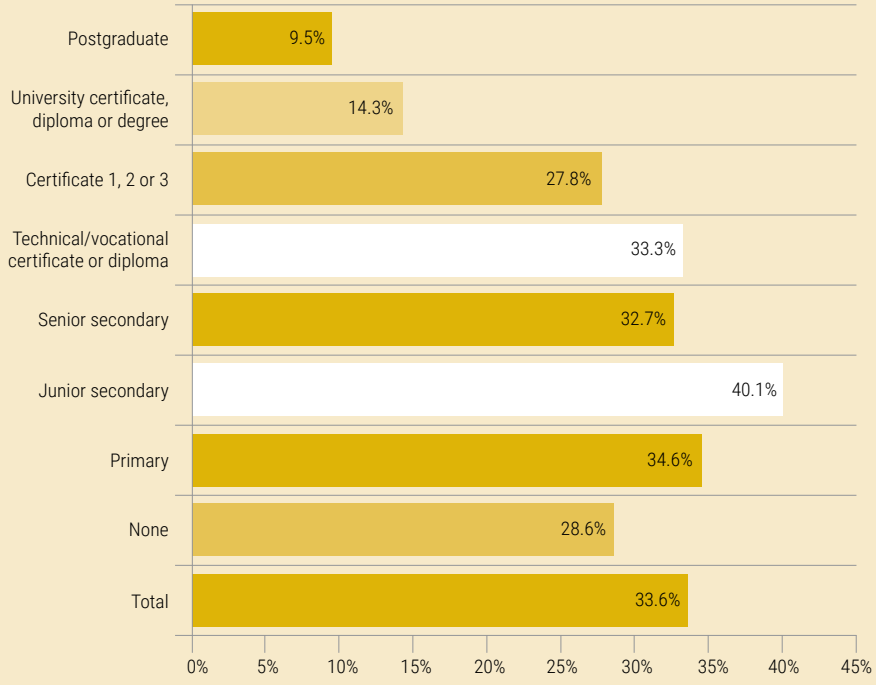
It is commonly accepted in Namibia that the higher people's levels of educational attainment, the greater their chances of finding employment. Indeed, most surveys have shown that rates of unemployment have tended to be higher for those with the least education. However, the 2018 Labour Force Survey suggests this link is not as clear-cut as previously believed. Clearly, those who have university certificates, diplomas or degrees or postgraduate qualifications tend to experience significantly lower levels of unemployment.

However, graduating from primary to secondary and then senior secondary education seems to bring little benefit. Surprisingly those with technical or vocational qualifications do not seem to enjoy much of an advantage. Although female unemployment is marginally higher across most educational groups, the overall pattern is the same.

This may be a reflection of the growing skill-intensity of the Namibian economy, the enormous size of its public sector, and the persistently poor quality of primary and secondary education. The unemployment rates of those with technical or vocational qualifications is more puzzling. More mystifying still is the almost complete lack of research on labour market issues in Namibia.

CHART 5.2

Unemployment Rate by Educational Attainment in 2018



Source: NLFS 2018

EMPLOYMENT AND THE PUBLIC SECTOR

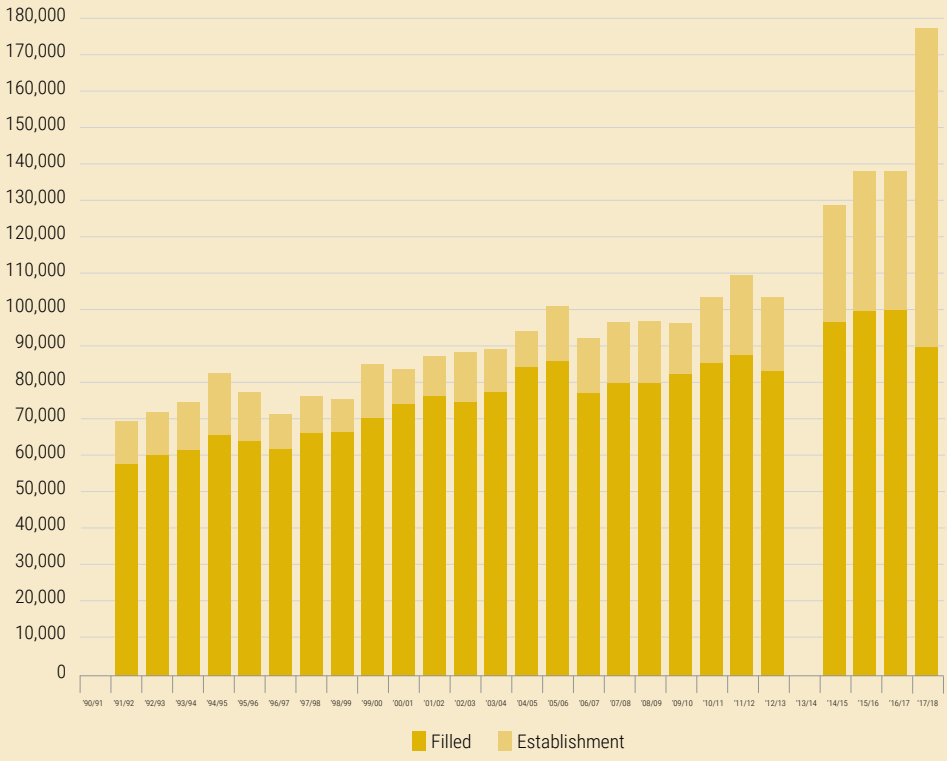
Government Employment

The large number of people employed by Government has been the subject of intense concern and discussion since Independence. There is, however, no reliable source of information on exactly how many public servants Namibia has. The chart shows numbers included in national budget documents since Independence and includes both the number of posts within the Government establishment as well as the number of posts actually filled.

At last count in 2017/18 it looked as though Namibia may have had approximately 90,000 public servants, 10,000 less than the year before and far fewer than the number of establishment posts which made provision for just under 180,000. Government has not included these numbers in the budget estimates since 2018/19. The Government Institutions Pension Fund (GIPF) stated that it had 101,917 active members at 31 March 2019.[7]

CHART 5.3

Public Sector Employment (posts funded through national budget)



Source: Ministry of Finance

[7] GIPF Annual Report 2019

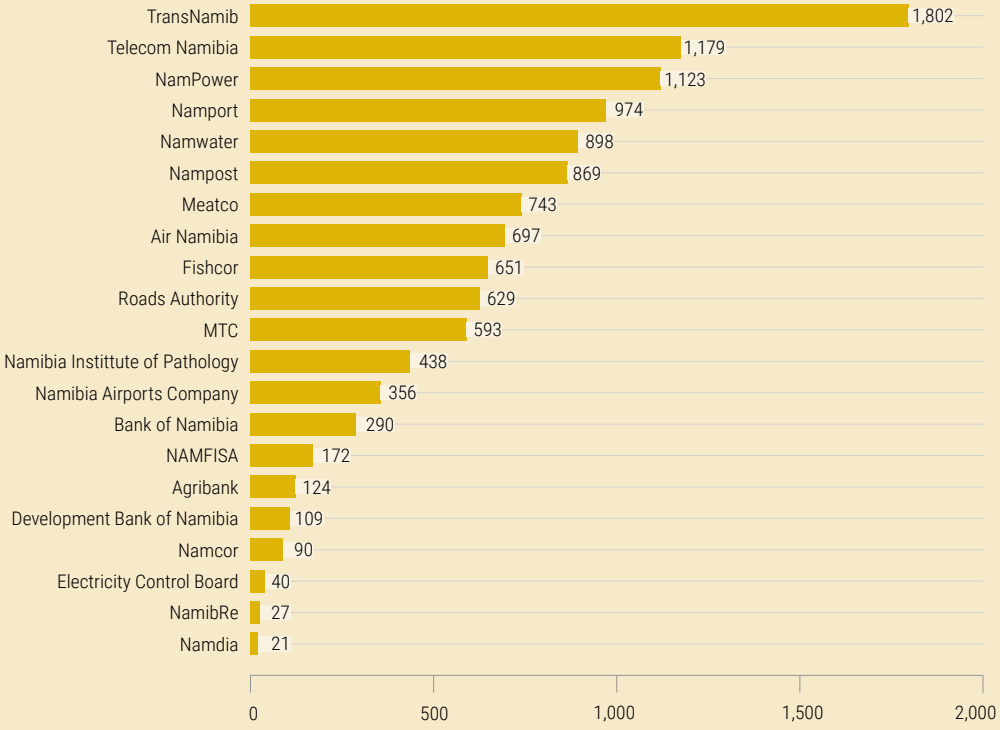
Public Enterprise Employment

As described in Chapter 20: Public Enterprises, the number of Public Enterprises has grown tremendously since Independence. Although the number of people they employ has also grown, some of this growth is due to people being transferred from central government to parastatal structures rather than due to net new employment. One striking trend has been that employee numbers in Public Enterprises once they have been created have hardly grown. Many commercial Public Enterprises have in fact reduced the size of their workforces over time.

The chart shows employment by the largest Public Enterprise employees using the latest available annual reports. In total these Public Enterprises employed approximately 11,000 people. If other secretive state-owned entities such as August 26 Holding Company and its subsidiary Windhoek Maschinen Fabrik, total numbers could be as high as 12,000. The Namibia Labour Force Survey of 2018 estimated that 30,654 people were working for State-Owned Enterprises or parastatals.

CHART 5.4

Public Enterprise Employment



Source: Latest Available Company Annual Reports and Websites

The employment data that exists is of such poor quality that it is hard to tell any very convincing and consistent story. Many of the changes in sectoral employment are hard to explain with reference to known developments in the economy. The dramatic changes in *agriculture, wholesale and retail trade, real estate, renting and business services,* and *community, social and personal services* may simply be a reflection that particular activities have not been classified consistently in different surveys. Another explanation is that the numbers reflect Namibia's informal economy where large numbers of people make ends meet through casual arrangements in a wide variety of activities and which vary from week to week. More recently as described above, Namibia Labour Force Surveys have sought to distinguish the formally from the informally employed.

The last four NHIE Surveys show a steady increase in the proportion of households whose main source of income consists of salaries and wages and an equally steady decline in the proportion of households dependent on subsistence agriculture. The increase in salaries and wages seems to be at odds with the employment trends described above. A steady if not spectacular increase in the number of households reliant primarily on income from business activities is also apparent while over one tenth of households rely on pensions and a further tenth on remittances and grants.

TABLE 5.9
Households by main source of income

	'93/94 NHIES	'03/04 NHIES	'09/10 NHIES	'15/16 NHIES
Salaries and wages	43.9%	46.3%	49.2%	53.6%
Subsistence farming	34.7%	28.9%	23.1%	10.6%
Commercial farming	n/a	0.7%	0.6%	0.3%
Pensions	11.3%	9.2%	11.1%	11.0%
Remittances and grants	4.3%	2.8%	4.6%	9.6%
Drought and in kind receipts	n/a	2.4%	1.7%	2.7%
Business income	5.7%	7.1%	8.8%	9.1%
Other	0.1%	1.6%	1.0%	3.0%
Total	100.0%	100.0%	100.0%	100%

Although formal private business registrations suggest reasonable rates of business formation, they do not seem to have created corresponding levels of formal jobs. Although self-employment appears to have mushroomed, formal self-employment remains confined to relatively small numbers of highly skilled individuals. It looks as if the surplus labour from the rural and communal areas has steadily moved to the urban areas where people get by through casual labour and a variety of informal sector activities and crime. The PHCs show that Namibia's population has become steadily more urbanised. In 1991 those living in urban areas made up 28 percent of the total population. By 2001 this had grown to 33 percent and by 2011 the urban population was 42 percent of the total population. However, the quality and infrequency of Namibia's past employment statistics makes it difficult to draw hard and fast conclusions about what is really happening. It is a shame that the NSA did not succeed in producing annual labour force statistics.

KEY EMPLOYMENT LEGISLATION – HELPING OR HINDERING FORMAL EMPLOYMENT CREATION?

- Employees Compensation Act (Act No. 30 of 1941)
- Public Service Commission Act 1990 (Act No. 2 of 1990)
- Labour Act 1992 (Act No. 6 of 1992)
- National Vocational Training Act 1994 (Act No. 18 of 1994)
- Social Security Act 1994 (Act No. 34 of 1994)
- Public Service Act 1995 (Act No. 13 of 1995)
- Affirmative Action (Employment) Act 1998 (Act No. 29 of 1998)
- Labour Act 2004 (Act No. 15 of 2004)
- Labour Act 2007 (Act No. 10 of 2007)
- Employment Service Act 2011 (Act No. 8 of 2011)
- Labour Amendment Act 2012 (Act No. 2 of 2012)
- Public Service Amendment Act 2012 (Act No. 6 of 2012)

Since Independence, Namibia has enacted a wide range of employment legislation. The main acts passed by Parliament are listed above. However, these pieces of legislation have rarely if ever been subjected to rigorous economic scrutiny to assess costs and benefits prior to or after being enacted. They have been the outcome largely of a desire to eradicate unacceptable pre-Independence employment practices and to strike a balance between placating the ruling party's strong trade union affiliates in the National Union of Namibian Workers (NUNW) and not scaring off investors[8]. In an economy dominated by informal, seasonal and subsistence farming employment practices and characterised by low levels of skills and high levels of under- and unemployment, it is questionable how appropriate these pieces of legislation are.

Minimum wages have been introduced for four categories of workers in the economy: agricultural workers, construction workers, security guards and domestic workers. A new Vocational Training Levy was introduced on 1 April 2014 which applies to companies with an estimated payroll greater than N$1 million. The Employment Service Act came into effect in September 2015. All employers with 25 or more employees are compelled to report job vacancies to the new Employment Service Board and give consideration to candidates on its Namibia Integrated Employment Information System (NIEIS). In theory employers are not allowed to fill a vacancy unless they can show that candidates put forward by the NIEIS have been considered in good faith. Employers will also have to report to the Employment Service Bureau and justify why jobseekers have not been appointed. This comes in addition to the annual reporting to the Employment Equity Commission (EEC) and other obligations. No systematic research exists on how effectively Namibia's employment regulations have been enforced or the degree to which they have encouraged or discouraged formal employment creation. Namibia's poor record of formal employment creation suggests they have not helped create the jobs required to make a serious impact on poverty.

[8] One exception was "Quantifying the Effects of the New Labour Act 2004" by Kristina Lejonhud and Ndeutalala Haimbodi, NEPRU Working Paper No.102, September 2005. However, this work was commissioned by the Namibian Employers' Federation which somewhat compromised its findings. The exercise has never been repeated.

EMPLOYMENT EQUITY – WHAT PROGRESS?

The Employment Equity Commission (EEC) came into being in 1999 following the passing of the Affirmative Action (Employment) Act 1998. It was headed by Vilbard Usiku from the beginning until his retirement after 20 years at the helm in March 2019 when he was replaced with Otniel Podewiltz. Throughout the years the EEC has produced an annual report containing details on compliance with the Act. Employers with 25 or more employees are obliged to prepare Affirmative Action Plans (AAPs) for a three-year period and these need to be approved by the EEC. Thereafter, employers must submit AA reports annually. The latest EEC annual report for 2017/18 highlights an improved rate of compliance with the number of AA reports being submitted reaching 923, a five percent increase over the previous year, and registered employers responsible for 277,745 employees.

The report states:

> Even though the previously racially disadvantaged comprised 94 percent of the total workforce reported on during the 2017-2018 review period, they accounted only for 30 percent of Executive Directors, while 21 percent were women and 13 percent non-Namibians. The previously racially disadvantaged accounted for 63 percent of managerial positions. However, White employees who comprised only four percent of the workforce accounted for 29 percent of positions at the management levels. This disproportionate racial composition of managers has been consistent over the years and is therefore a cause for serious concern as it became apparent that racial prejudice continues to influence employment decisions in favour of White candidates and thus perpetuating White controlled management.

TABLE 5.10
Key EEC Statistics (2017-2018)

Nature of complaint	Still under investigation	Charged	Charged and finalised	Withdrawn	Total
Failure to submit AA report	1	0	8	1	10
Late submission of further AA report	43	15	15	9	82
Failure to rectify identified shortcomings	0	0	0	1	1
Total	**44**	**15**	**23**	**11**	**93**

Source: EEC

The EEC states that 62 new cases were registered during the year with 14 registered employers being charged, two charges withdrawn, one employer paid an admission of guilt fine and 45 cases were still under investigation. A total of 32 cases registered during the previous period were finalised with 22 registered employers paying admission of guilt fines whilst ten charges were withdrawn. The average admission of guilt fine paid was N$4,000.00 and the highest was N$12,000.00.

Although after 20 years no serious analysis has been conducted on the costs and benefits associated with compliance, the existence of the EEC has the effect of applying gentle pressure on formal employers to move in the right direction with a light rap over the knuckles if they fail to comply. Not only does the EEC impose penalties but it also recognises good employers for progress made. Although problems undoubtedly exist, they are compounded by low levels of formal employment growth and the fact that many employers are still relatively small privately or family-owned businesses rather than large concerns with HR departments.

A CONFUSED RESPONSE TO COVID

The onset of the Covid pandemic saw a rapid response by Government in the areas of health, border control, monetary and fiscal policy and also labour regulations. While early on Finance Minister Shiimi had promised to relax labour regulations in his announcement of 1 April, Labour Minister Utoni Nujoma issued the Labour Directive Relating to Covid on 20 April the aim of which was to prevent companies from laying off workers and obliging employers to negotiate any changes to workers' terms of employment.

The Labour Directive was received with dismay by business and employers' organisations. It is possible many employers had already moved to retrench workers or reduce pay in accordance with the Labour Act but the unintended consequences of the Directive might have been to push more firms to the wall, preventing them from quickly slashing costs as their cash flow dried up and they were not able to take on more debt after years of recession and low profitability.

The Minister's announcement obliged employers to negotiate the temporary 40 percent cut in wages with employees and labour unions rather than impose them unilaterally. In response to the Labour Directive of 20 April, two employers' organisations, the Namibian Employers' Federation and the Namibian Employers Association, plus several individual employers launched an urgent case in the High Court on 18 May to have the suspension of parts of the Labour Act 2007 declared unconstitutional. On 24 June the High Court ruled in their favour. The whole episode illustrated the confusion that exists at the heart of government about labour issues and the gulf that exists between government and employers.

NAMIBIA'S INFORMAL SECTOR

One distinguishing feature of developing economies is that a considerable amount of economic activity takes place through economic agents or units that operate outside any recognised institutional framework in the so-called informal economy. The only comprehensive survey carried out on Namibia's informal sector was the 2001 Informal Sector Survey[9]. This survey yielded a number of interesting results. The survey counted 85,302 informal economy operators of which 40,408 were male and 44,894 were female, the majority of whom were aged between 25 and 49 years. Some 56.6 percent of these depended solely on income from their informal sector enterprises.

An estimated 59.1 percent of enterprises started their activities with own savings while 9.4 percent borrowed from and 12.4 percent received some form of assistance from friends and relatives. Bank credit accounted for only 1.1 percent of start-up capital while 13.4 percent did not require any starting capital at all. A majority – 52.7 percent – got going with start-up capital of under N$500. The need for additional income was cited by 48.6 percent of all operators as the main reason for engaging in the informal economy while 29.3 percent said they did so because they could not find any other work. Only 5.6 percent stated that their business provided good income opportunities and 4.4 percent were in the informal sector because they wanted to be their own boss. Most operators, 87.6 percent, did not have employees while 11.0 percent operated family enterprises.

[9] "The Namibia Informal Economy Survey 2001: Report of Analysis", Ministry of Labour, October 2004

The most popular activity by far was Wholesale and Retail Trade, Repair of Motor Vehicles followed by Manufacture of Food and Beverages. The vast majority of operators, approximately 84.2 percent, generated less than N$1,000 a month in gross revenues from their activities. Clearly most informal sector operators were "subsistence entrepreneurs" forced by circumstances to survive as best they can in the informal sector for lack of alternatives.

TABLE 5.11
Distribution of Informal Sector Operators by Industry

Activity	Total	Female	Male
Growing of crops	5,906	3,957	1,948
Farming of animals	2,932	700	2,231
Growing of crops and farming of animals	267	143	124
Other agricultural activities	583	144	439
Fishing	1,058	588	470
Mining and quarrying	280	170	111
Manufacture of food products and beverages	16,109	9,076	7,033
Manufacture of wearing apparel	1,860	1,355	505
Manufacture of wood products	3,009	1,670	1,339
Other manufacturing	1,234	619	615
Construction	663	105	558
Wholesale and retail trade, repair of motor vehicles	40,060	17,649	22,411
Hotels and restaurants	8,708	7,504	1,204
Transport storage and communication	667	110	557
Other business activities	196	69	127
Other service activities	1,748	1,013	735
Not recorded	22	22	0
Total	**85,302**	**44,894**	**40,408**

Source: MoL

POVERTY AND INEQUALITY

From the beginning, reducing poverty has been a consistently stated goal of Government and included in all National Development Plans, manifestos and most other policy documents as well as the Millennium Development Goals which Namibia signed up to in 2000[10]. The most comprehensive view of poverty is presented by the Namibia Household Income and Expenditure Surveys (NHIES), the first of which in Namibia was conducted by the National Planning Commission in 1993/94 with Swedish assistance.

Ten years later, a second HIES was conducted, again with significant Swedish support. The frequency of these surveys has been increased in accordance with best international practice so that they now take place every five years and the last NHIES was conducted in 2015/16. These surveys provided the most in-depth information about earning and spending patterns based on information from some 10,000 households over the period of a year and statistically chosen from every region to provide a representative picture of the nation.

Demographically the picture painted by the survey did not differ dramatically from the 2011 Census. In 2015/16 about 53.1 percent of all Namibians lived in rural areas. Khomas was the most highly populated region and Omaheke the least populated. Erongo had the smallest average household size while Kavango, Ohangwena and Omusati had the largest. Rural households were larger than urban ones by 4.9 persons to 3.6 persons. The average household size has steadily declined from 5.7 in 1993/94 to 4.2 in 2015/16. Erongo and Omaheke had the highest and Oshana the lowest ratios of males to females, evidence of Namibia's internal labour migration patterns. Only two percent of the population are not Namibian citizens.

In terms of literacy, which the survey defined to be the ability to "read and write with understanding in any language", Namibia had a literacy rate of 87.4 percent for those above 15 years old. There seemed to be few differences between male and female literacy rates in any region of the country with males slightly less literate than females, a fact which makes Namibia stand out from the crowd. However, urban literacy was higher than rural literacy (94 percent compared with 81 percent) and the literacy rate varied dramatically by region. Khomas had a literacy rate of 95.5 percent but Kunene only 62.8 percent.

With the exception of the lack of difference between male and female literacy rates, these are all mostly unsurprising characteristics often observed in countries undergoing rapid economic and social change. The most striking results came in the area of household consumption and income. The results of this fourth household income and expenditure survey showed that during the twenty-two years from 1993/94 to 2015/16 the number of poor households and the degree of inequality both fell substantially.

If poor households are considered those that consume more than 60 percent of their income on food (which is the definition used by the NPC), the later survey showed that the number of poor households dropped in the years between the first and latest surveys from 38 percent to 17.4 percent while the number of severely poor households is 10.7 percent. The proportion of severely poor urban households stood at 4.8 percent compared to 15.9 percent of rural households.

Prior to these findings, Namibia enjoyed the unenviable reputation of having the most unequal income distribution in the world – worse even than South Africa and Brazil. The so-called Gini coefficient which measures inequality and ranges from 0 (perfectly equal) to 1 (completely unequal) was estimated to be 0.70

[10] "The Namibia Informal Economy Survey 2001: Report of Analysis", Ministry of Labour, October 2004

based on the 1993/94 data. That fell to 0.60 by 2003/04, to 0.58 by 2009/10 and to 0.56 by 2015/16. It is hard to explain why income inequality might have fallen so sharply between 1993/94 and 2003/04 but then remained so stable. More detailed research has thrown the finding that inequality fell between 1993/94 and 2003/04 into doubt (see below) but little research has been done on the issue since.

TABLE 5.12
Inequality Rates for Namibia

1993/94	2003/04	2009/10	2015/16
0.70	0.60	0.58	0.56

Sources: NHIES 1993/94, 2003/04, 2009/10, 2015/16

These findings have led to a certain amount of disbelief because no one has been able to come up with an intuitively convincing explanation why such a dramatic fall in poverty has taken place[11]. Formal employment growth has hardly risen and the rate of unemployment appeared to have worsened. Government transfers may offer some explanation but the value of the social pension hardly rose in real terms between 1993/94 and 2009/10 (although coverage probably did improve) although it has risen since. Furthermore, the years between the first three surveys saw the terrible impact of HIV/AIDS really take its toll. A variety of explanations can be put forward.

The first is that the data has been massaged by government to make things look better than they really are. Although the Central Bureau of Statistics (now the nominally independent Namibia Statistics Agency) was part of the National Planning Commission and data has to be approved by Cabinet before being released, few really believe Government has been guilty of statistical manipulation. Its surveys are carried out according to international standards with the help of international experts.

The second is that poverty and inequality was grossly overestimated in 1993/94. International experience shows people are reluctant to disclose details of their incomes to anyone, let alone statisticians. The 1993/94 survey found a massive N$2 billion discrepancy between private consumption calculated from Namibia's estimates of Gross Domestic Product (GDP). The 2003/04 survey yielded a similarly large gap. While the survey indicated total private consumption of N$15.6 billion, Namibia's GDP at the time suggested it was nearer N$19.2 billion. The 2009/10 NHIES suggested private household consumption was almost N$29 billion while the national accounts put private consumption expenditure nearer N$50 billion.

[11] See "A Statistical Mystery", *Insight Namibia*, May 2006

The third is that the country's employment statistics are misleading and that more people are employed earning more money than is believed to be the case. It could be that informal employment, which is harder to capture in surveys, provides the explanation. While formal employment has stagnated, people are still busy making ends meet by doing what they can outside Namibia's increasingly regulated formal labour market. The 2015/16 survey showed that wages and salaries were the main source of income for more than 53 percent of households. Business made up over 9 percent while subsistence farming accounts for 23 percent and pensions another 11 percent. However, none of these numbers have changed dramatically since the previous survey although subsistence farming has declined steadily in importance from the 35 percent it assumed in 1993/94.

The fourth is that things were so bad shortly after Independence that it didn't take much in the way of policy changes to make a big difference to people's lives. Given the freedom of mobility to look for better opportunities as well as vastly expanded public services, people have been able to make better lives for themselves without big rises in formal employment.

The fifth is that Namibia's economic model of modest growth based on a few primary industries and tourism combined with high taxes and a big public sector does indeed deliver the goods as far as spreading more income around more people and reducing poverty.

A sixth is that urban poverty had been underestimated because it was based on food consumption. Unlike their rural counterparts, urban households have to spend a lot more on non-food items – rent, water electricity, transport – and therefore have less left over for food. The urban poor simply go hungry, a characteristic which would not have been picked up by the survey.

WORK BY IPPR

In the final analysis, the 2003/04 NHIES raised more questions than it answered. These questions were further interrogated by a series of papers by the Institute for Public Policy Research (IPPR)[12]. Instead of using the definition of poverty based on how much of a household's consumption went on food, the IPPR developed an absolute poverty line based on the cost-of-basic-needs approach. It then applied this to individuals rather than households using the same raw data as the NPC. This approach confirmed that poverty had indeed dropped. The number of people living in poverty in Namibia decreased from 58 percent of individuals in 1993/94 to 38 percent of individuals in 2003/04. It also found that poverty was more than twice as common in rural as in urban areas. Among the urban population, poverty decreased from 31 percent to 17 percent while in rural areas poverty dropped from 69 percent to just below 50 percent.

This IPPR research was followed by a PhD thesis by the same researcher which conducted a more detailed comparison of the 1993/94 and 2003/04 datasets[13]. The 2009/10 NHIES also adopted this cost-of-basic-needs approach but applied it to households rather than individuals. This approach showed that 19.5 percent

[12] See Key References at the end of this chapter.

[13] Poverty Reduction with High Inequality and Growth: Evidence from Post-Independence Namibia, thesis presented for the degree of doctor of philosophy in the School of Economics at the University of Cape Town by Matthias F Schmidt February 2012.

of Namibian households were poor and 9.6 percent severely poor. The difference between urban and rural households was again evident. Some 27 percent of rural households were poor and 13.6 percent severely poor compared to 9.5 percent and 4.4 percent for urban households respectively.

TABLE 5.13
Poverty Rates for Namibia

Percentage share of poor individuals	'93/94	'03/04	'09/10*	'15/16*
Namibia	58%	38%	19.5%	17.4%
Urban Areas	31%	17%	9.5%	8.6%
Rural Areas	69%	49%	27%	25.1%

**households*

The difference in poverty rates among Namibia's thirteen regions was also striking. In 2009/10 the highest poverty rate was found in Kavango with 43.4 percent of households considered poor. Erongo had the lower level of poverty with 5.1 percent. All regions with the exception of Caprivi (Zambezi) saw a significant improvement in poverty levels between 2003/04 and 2009/10.

TABLE 5.14
Household Poverty Rates by Region

	'93/94	'03/04	'09/10	'15/16
Kavango	58%	64%	43.4%	28.0% - 42.8%
Caprivi (Zambezi)	75%	37%	41.7%	28.0% - 42.8%
Oshikoto	70%	49%	33.9%	8.9% - 15.3%
Ohangwena	78%	56%	23.7%	8.9% - 15.3%
Otjozondjupa	47%	39%	22.9%	15.4% - 27.9%
Omaheke	61%	41%	20.9%	28.0% - 42.8%
Hardap	42%	42%	17.2%	8.9% - 15.3%
Kunene	73%	37%	16.8%	28.0% - 42.8%
Karas	44%	33%	15.3%	4.4% - 8.8%
Oshana	70%	26%	13.5%	8.9% - 15.3%
Omusati	64%	38%	12.6%	15.4% - 27.9%
Khomas	22%	8%	7.6%	4.4% - 8.8%
Erongo	33%	14%	5.1%	4.4% - 8.8%

Sources: NHIES 1993/94, 2003/04, 2009/10, 2015/16

The NHIES 2015/16 underlines the difference in living standards between those households where the main source of income is from wages and salaries and those which rely on other sources of income, particularly those which rely on subsistence farming or pensions.

TABLE 5.15
Household Poverty Rates by Main Source of Income (NHIES 2015/16)

	Poor	Severely Poor
Salaries and Wages	10.2%	4.6%
Household Business	17.3%	7.4%
Other Income Source	27.0%	15.9%
Subsistence Farming	31.2%	14.6%
Pension	32.6%	17.6%

Although it is often stated in public that unemployment and poverty in Namibia are on the increase, other statistically rigorous surveys such as the Afrobarometer Survey have in the past attested to the fact that most people perceived things were getting better and would continue to improve in future. However, that changed in the 2019 Survey. The five-yearly NHIES is a welcome addition to the policymaker's arsenal of information on poverty but more work needs to be done to pin down which policies have been most effective in moving Namibia closer to its long-term national development objectives.

POVERTY REDUCTION WITH HIGH INEQUALITY AND GROWTH: EVIDENCE FROM POST-INDEPENDENCE NAMIBIA

by Matthias F Schmidt

Abstract

This thesis examines poverty reduction and inequality changes in Namibia following the country's independence in 1990. Having emerged from decades of South African rule and Apartheid policies, Namibia presents an interesting case for this kind of applied research. The country is defined by widespread poverty and one of the highest degrees of income inequality in the world. While there is much speculation regarding the trends and underlying drivers of inequality and poverty after independence, little rigorous analysis has been done in this regard. This research aims to provide a better understanding of welfare changes following the liberalisation after independence. The research is based on the only two available Namibian household expenditure surveys from 1993/94 and 2003/04. To this point they have not been subjected to a detailed comparative analysis. Following careful adjustments of the two datasets in order to ensure comparability, and establishing a common cost-of-basic-needs poverty line, it is found that consumption poverty decreased significantly over the ten-year period under review. Inequality, on the other hand, remained largely unchanged. This is contrary to previous findings. Based on a range of measures, it is furthermore shown that growth favoured the poor over the ten-year period following Independence, having had a significantly larger impact on poverty reduction than on inequality. Decomposing households by the different economic sectors highlights the dominance of within-sector welfare changes, in particular among subsistence farmers.

Two potential drivers of poverty reduction are examined in more detail: firstly, changes in the returns to household assets, including human capital; and secondly, internal migration. In order to assess how changes in household assets and their returns may be related to the observed pattern of poverty reduction and inequality, both parametric and semi-parametric regression analyses are employed. The findings point, among others, towards the strong and growing link between educational attainment and welfare, while also providing evidence that ethnicity continues to be a strong predictor of welfare more than a decade after the end of apartheid policies. Finally, vast regional inequalities and evidence of large-scale rural-urban and interregional migration are traced. It is nonetheless shown that intra-regional changes are dominant as determinants of the national patterns in poverty and inequality. I test the hypothesis that the returns to movable household assets converged between regions over time as a consequence of migration using an Oaxaca-Blinder decomposition analysis. While differences in mean welfare between regions continue to be largely due to differences in mean household endowments, there is indeed strong evidence for convergence of returns between leading and lagging regions.

The thesis concludes by synthesising the findings and discussing their collective implications.

Useful References

"The Estimation of Poverty Trends in Post-Independence Namibia", Matthias Schmidt, IPPR Briefing Paper No.45

"Access to Public Services in Namibia: Has There Been Pro-Poor Growth?", Matthias Schmidt, IPPR Briefing Paper No.47

"Poverty, Inequality and Growth Linkages: National and Sectoral Evidence from Post-Independence Namibia", Matthias Schmidt, IPPR Briefing Paper No.48

"Poverty and Inequality in Namibia: An Overview", Matthias Schmidt, IPPR, October 2009

"The Namibia Informal Economy Survey 2001: Report of Analysis", Ministry of Labour, October 2004

"The Gini Coefficient: A Monkey Finally Off the Back?", CIH Economic Opinion Piece, Rowland Brown, 24 November 2011

A market garden in Usakos central Namibia

CHAPTER

6 Sector Agriculture

Far from being the engine of growth and poverty reduction, the performance of Namibia's agriculture sector since Independence has been poor and growth in agriculture has been lower than growth in the overall economy. For a sector that has a direct impact on the lives of so many, this is cause for concern. Agriculture's performance can be put down to characteristics absent in most other sectors of the economy: unclear property rights, limited opportunities for Foreign Direct Investment, capital constraints, climatic uncertainty and Government-directed production. There is no evidence to suggest that Namibian consumers have suffered unduly as a result of public policies, but neither does there appear to be unambiguous evidence that any of Government's main initiatives – the Livestock Levy, the Green Scheme, and the National Horticulture Development Initiative – are delivering the hoped for results. The dynamism that exists in the sector – in table grapes, charcoal and dairy products for example – has come about as a result of innovation and private investment. It is possible that encouraging greater private investment, through land privatisation for small farmers and greater opportunities for Foreign Direct Investment, has the potential to radically alter Namibia's agricultural potential and thereby help the country improve its supply response to higher world food prices. Unfortunately, both options bring with them serious political drawbacks.

Agriculture

KEY EVENTS

YEAR	EVENT
1990	– Gert Hanekom appointed Minister of Agriculture, Fisheries, Water and Rural Development – Jan de Wet elected president of NAU – Namibia National Farmers Union established to represent subsistence farmers
1991	– Land Conference held – Separate Ministry of Fisheries created – Namibia receives 60,000 tonne beef quota to EU for five years – Phillip Stoffberg appointed CEO of Meatco
1992	– Anton von Wietersheim appointed Minister of Agriculture – Affirmative Action Loans Scheme established – Agronomic Industry Act passed and Namibian Agronomic Board established
1993	– Anton von Wietersheim resigns and then dismissed – Nangolo Mbumba appointed Minister of Agriculture
1994	– Namibia negotiates annual 13,000 tonne beef quota to EU
1995	– National Agricultural Policy published – Agricultural (Commercial) Land Reform Act passed
1996	– Helmut Angula appointed Minister of Agriculture – Sunflower seed and oil no longer controlled products – N$20 million included in budget for land purchases
1997	– NamWater created to supply bulk water leaving Ministry of Agriculture, Water and Rural Development in charge of rural water supply
1998	
1999	– Namibia Grape Company formed – Farm Assured Namibia scheme launched by Meat Board
2000	– Namibian beef quota to EU reaffirmed under Lomé IV
2001	– National Resettlement Policy published
2002	– Communal Land Reform Act passed
2003	– Karas Abattoir and Tannery replaces Ostrich Production Namibia in Mariental – Cabinet decides to embark on Green Scheme – Budget allocation for land purchases rises to N$50 million
2004	– Paul Smit appointed acting Minister of Agriculture – Dar Es Salaam Declaration on Agriculture and Food Security for SADC – Export levy on live cattle, hides and skins introduced – National Horticulture Development Initiative launched – African Development Bank lends N$209.76 million to Tandjieskoppe project – Land Acquisition and Development Fund created – Raimar von Hase elected president of NAU
2005	– Dr Nickey Iyambo appointed to renamed Minister of Agriculture, Water and Forestry – Green Scheme Agency created – Witvlei Abattoir taken over by Witvei Meat
2006	– Export levy on live goats introduced – Export ratio on live sheep introduced – Witvlei Meat established from Witvlei Abattoir – US Department of Agriculture approves duty and quota free access to US for Namibian table grapes – Land Tax introduced – Kobus du Plessis appointed CEO of Meatco – Meatco's Windhoek plant closes for five months due to low throughput
2007	– Interim Economic Partnership Agreement signed with EU
2008	– Brukkaros Meat Processors takes over from Karas Abattoir and Tannery – Mahangu becomes a controlled grain – Cabinet decides to maintain Namibia Development Corporation – Green Scheme policy reviewed – Meatco abattoirs and Witvlei abattoirs association formed – Ryno van der Merwe elected president of NAU

2009
- Agra Cooperative decides to demutualise
- Revamped Green Scheme launched
- !Aimab Superfarm inaugurated by Namibia Dairies

2010
- Cabinet agrees on flexible ad valorem live sheep export levy
- John Mutorwa appointed Minister of Agriculture, Water and Forestry

2011
- Agra votes to become limited company
- AGRIDEVBUS established to manage Green Scheme projects

2012
- Namib Poultry Industries inaugurates chicken factory
- Government decides on new structure for Meatco
- Derek Wright elected president of NAU

2013
- Government withdraws increases in land tax
- Meat Board Seal of Quality certification launched

2014
- Farmworkers minimum wage increased

2015
- John Mutorwa re-appointed Minister of Agriculture, Water and Forestry
- Utoni Nujoma appointed Minister of Land Reform
- Government takes stake in Meatco

2016
- President Geingob declares State of Emergency due to drough

2017

2018
- John Mutorwa reshuffled and replaced by Alpheus !Naruseb as Minister of Agriculture, Water and Forestry
- Second Land Reform Conference takes place

2019
- Meatco exports beef to China
- President Geingob declares State of Emergency due to drought
- Piet Gouws elected president of NAU

2020
- Calle Schlettwein appointed Minister of Agriculture, Water and Land Reform
- Meatco exports beef to US

Introduction

Despite land dispossession during the colonial period, years of steady economic growth, urbanisation and economic diversification, the agriculture sector remains an extremely important part of the Namibian economy, far more important than its contribution to GDP alone would suggest. A large number of people continue to depend on agriculture, one way or another, and Namibia remains a predominantly rural society although this is steadily changing and the long-term trend for Namibia as a whole is towards greater urbanisation and less dependence upon agriculture as a source of income. The 2011 Population and Housing Census showed that 58 percent of the population were still to be found in the rural areas, down from 72 percent in 1991. According to the 2015/16 Namibia Household Income and Expenditure Survey (NHIES), out of a total of 249,827 rural households, 22.4 percent relied on subsistence agriculture as their main source of income, down from 51 percent in 1991. In 2015/16 half the proportion of rural households relied on commercial farming as their main source of income compared to 2003/04.

TABLE 6.1
Importance of Agriculture in Namibia

	'91	'01	'11	'15/16
Rural population as percentage of total population	72%	67%	57%	53%

	'93/94	'03/04	'09/10	'15/16
Rural population	987,691	1,195,706	1,282,837	1,212,091
Rural households	161,962	221,136	247,813	249,827
Average rural household size	6.1	5.4	5.2	4.9
Percentage of rural households' main source of income - commercial agriculture	n/a	1.2%	0.9%	0.6%
Percentage of rural households' main source of income - subsistence farming	51%	48%	40%	22.40%

Source: Population and Housing Census 1991, 2001 and 2011, Namibia Household Income and Expenditure Surveys 1993/94, 2003/04, 2009/10 and 2015/16

Climate

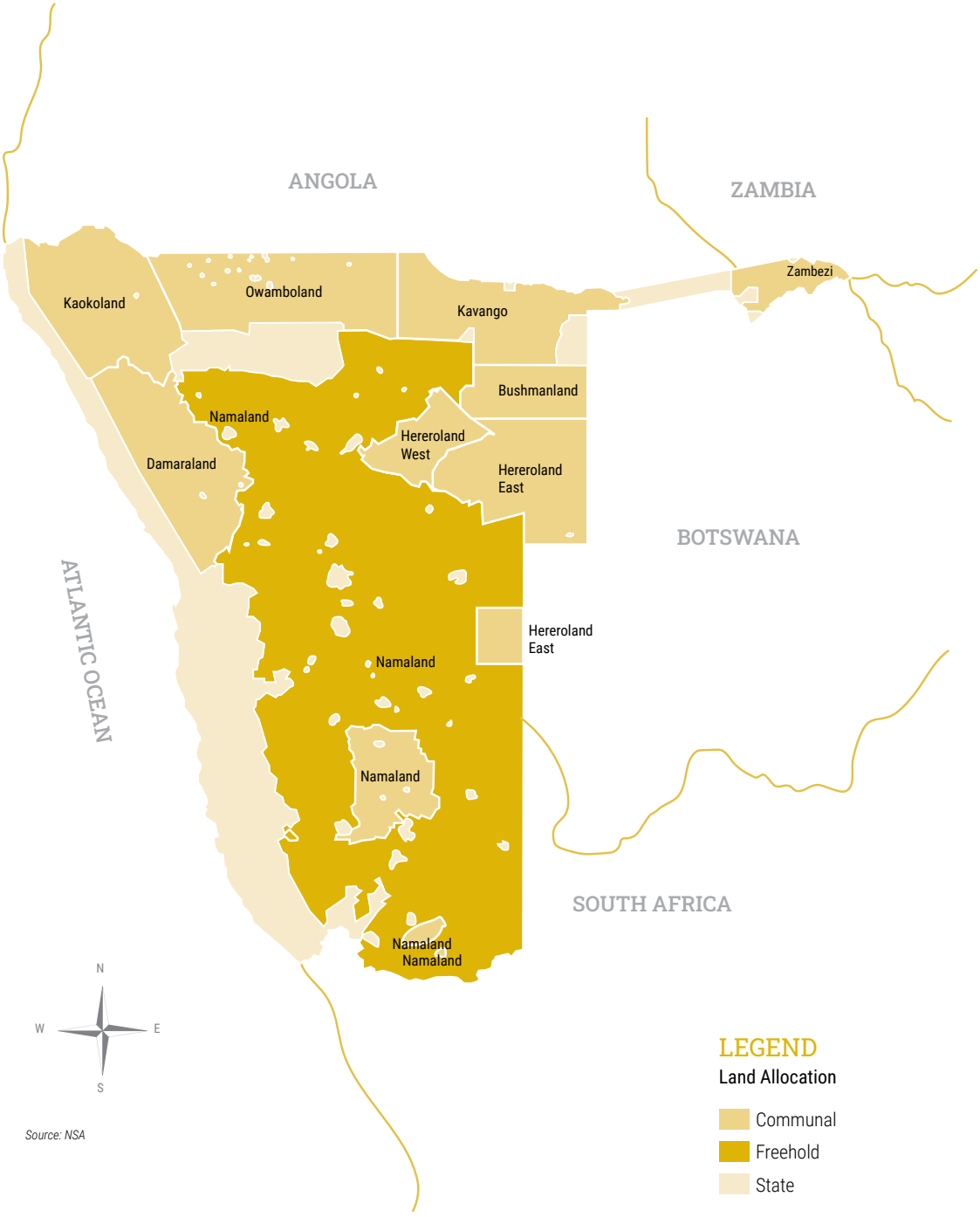
The two main factors which determine agricultural productivity in Namibia are climate and land ownership. Namibia covers an area of some 824,292 km^2. The country is bounded by two major deserts, the Namib along the west coast and the Kalahari along the border with Botswana. The only perennial rivers are to be found at the country's borders: the Orange River on the southern border with South Africa, and the Kunene, Okavango, Kwando and Zambezi rivers on the northern borders with Angola, Zambia, Zimbabwe and Botswana. Namibia is the most arid country south of the Sahara Desert with low average and highly variable rainfall. Drought is always a possibility and the lack of water is an ever-present constraint in most parts of the country. This climate means that the potential for arable agriculture is generally limited to the north of the country where water is less scarce. In the central regions agricultural potential is confined mainly to livestock farming while in the more arid south only extensive sheep and goat farming is possible without irrigation. To this challenging environment come the additional challenges associated with climate change. There seems little doubt that climate change is set to make a considerable impact on the agricultural sector as well as the wider economy[1].

Land Ownership

Approximately 41 percent of Namibia's land area consists of communal tenure farms operated by family units on land to which they have user rights but no title while a further 44 percent of the total land area is made up of commercial farms operated by individuals who hold title to the land. Two important pieces of legislation have been passed since Independence – the Agricultural (Commercial) Land Reform Act of 1995[2] and the Communal Land Reform Act of 2002[3] – which have both had a major impact on the sector. An overview of Government's attempts at changing land ownership patterns is presented in Chapter 21: Commercial Land Reform. and land reform have been the responsibilities of two separate ministries for most of the time since Independence, but in 2020 they were brought together under a restructured Ministry of Agriculture, Water and Land Reform under Minister Calle Schlettwein.

[1] See, for example, "The Economic Impact of Climate Change on Commercial Agriculture in Namibia", Louise Brown, University of New York and NNF, 2015
[2] Agricultural (Commercial) Land Reform Act 1995 (Act No.6 of 1995)
[3] Communal Land Reform Act 2002 (Act No.5 of 2002)

MAP 6.1 LAND USE IN NAMIBIA
(from NSA using pre-independence colonial names)



Source: NSA

Veterinary Cordon Fence and Meat Exports

Meat production – primarily beef, lamb and goat – has long been the mainstay of both commercial and communal agriculture. Partly as a result of the two systems of land tenure, Namibia is physically divided into two distinct animal disease zones by means of a Veterinary Cordon Fence (VCF), which runs from east to west along the southern boundary of the Northern Communal Areas (NCA). The fence serves to control the spread of animal diseases from the northern "endemic" area to the southern "Foot and Mouth Disease" (FMD) free area. Due to the FMD surveillance status of the NCA, the marketing of livestock in these areas is restricted to either slaughter for local consumption or slaughter at export abattoirs under strict quarantine conditions. The movement of animals southward across the fence is strictly prohibited, while the movement of meat is subject to quarantine restrictions. However, although the VCF serves a valuable function in the modern economy, the "Red Line" (as it was known) remains a political symbol of past divisions and the northernmost extent of German colonial occupation, land dispossession and the former "Police Zone" which included central and southern Namibia.

The NCA have always been closed to fresh meat exports to the European Union (EU) and other high-income markets due to their proximity to FMD infected areas where free-roaming buffalo are present. Meat-exporting countries around the world have put many precautions in place to prevent outbreaks of FMD and thus preserve market access for their livestock sectors. Since Independence, the Namibian Government has believed that the VCF negatively impacts on growth opportunities in the livestock sector for farmers in the NCA who are penalised by the cost of compliance with FMD regulations as well as by the relative lack of marketing infrastructure. Government has taken numerous steps to address this issue.

Institutions

The Ministry of Agriculture, Water and Land Reform is responsible for formulating and implementing agricultural policy in Namibia and operates in a policy environment containing a number of important public agencies and influential industry representatives shown in the table. A National Agriculture Policy White Paper was published in 1995 but was never given a particularly high profile or taken much notice of. The Policy set out the view that agriculture provides the foundation of enhanced national economic development and consequent industrialisation but side-stepped the sensitive question of whether Namibia should aim for food security or food self-sufficiency. Economic orthodoxy places food security (ensuring all people have access to sufficient food) above food self-sufficiency (ensuring the country produces sufficient quantities of staple foods to cover domestic consumption) in importance. This is because there is little point in achieving self-sufficiency if the cost of doing so is such that either domestic consumers cannot afford to buy the food they need or domestic taxpayers have to foot the bill for the subsidies required to render the food affordable. However, food self-sufficiency is perhaps easier to understand and often politically more attractive. Although in countries where food production is cheap the two aims may not be in conflict, in Namibia's case the general view among economists has been that aiming for food self-sufficiency would be an expensive road to go down.

TABLE 6.2

Key Agricultural Organisations in Namibia

Organisation	Function
Ministry of Agriculture, Water and Land Reform (MAWLR)	The Government ministry responsible for formulating and implementing agriculture policy in Namibia.
Abattoirs Association of Namibia (AAN)	The industry body representing abattoirs.
Agra Cooperative	Originally an agricultural cooperative serving farmers with inputs which demutualised in 2012.
Agricultural Bank of Namibia (Agribank)	Provides long-term finance to the commercial and communal farming sectors.
Agricultural Employers Federation (AEF)	The industry body representing commercial farmers on employment issues.
Agricultural Trade Forum (ATF)	A multi-stakeholder private sector focus group on agricultural trade issues which is a sub-committee of the Namibia Trade Forum.
Dairy Producers Association (DPA)	An association of 17 dairy farmers supplying raw milk to Namibia Dairies.
AGRIBUSDEV (formerly Green Scheme Agency)	Acts as Government's operational arm in implementing Green Scheme projects.
Karakul Board of Namibia	The arms-length Government agency established to promote the karakul industry.
Livestock Producers Association (LPA)	The NAU-affiliated body representing livestock producers.
Meat Board of Namibia	The arms-length Government agency established to promote the meat industry.
Meatco	A commercial membership organisation for meat producers.
Namibia Agricultural Union (NAU)	The industry body representing commercial farmers.
Namibian Agronomic Board (NAB)	The arms-length Government agency established to promote the agronomic industry.
Namibia Industrial Development Agency (NIDA formerly Namibia Development Corporation NDC)	Owns and operates agricultural projects on behalf of Government.
Namibian Emerging Commercial Farmers Forum (NECFF)	Represents new black Namibian commercial farmers.
Namibia Farm Workers Union (NAFWU)	The NUNW-affiliated trade union representing farm workers.
Namibian Grain Producers Association (NGPA)	The NAU-affiliated body representing commercial grain producers.
Namibia National Farmers Union (NNFU)	The industry body representing communal farmers.
Namibian Orange River Table Grape Association (NORTGA)	The industry body representing table grape producers.

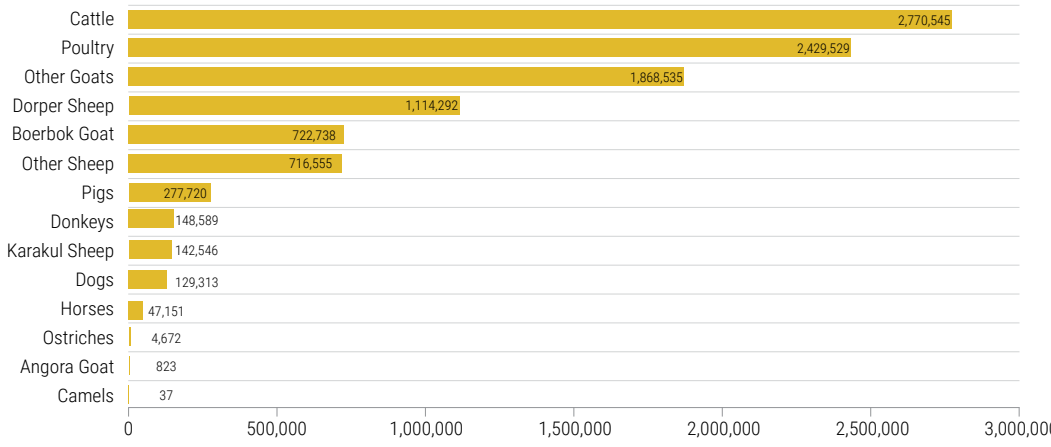
Source: Author

The Livestock, Meat, Dairy and Poultry Sector

Namibia's agriculture sector is based on production from approximately 6,000 privately-owned commercial farms in the central and southern parts of the country plus the output of approximately 250,000 farming households on communally-owned land, predominantly in the NCA. The commercial farms tend to focus on cattle and rain-fed crop production in the central parts of the country while in the south sheep, including karakul, and irrigated crop production dominate. Increasingly, commercial farmers have also turned to producing game (including springbok and kudu) while ostrich farming has also been popular for periods. Namibia's commercial livestock sector focuses on the export market. Communal production focuses on cattle, mahangu and maize in the north and sheep and goats in the central and southern parts of the country. Historically Namibia has been a net exporter of livestock, meat products, hides and skins and a net importer of crops and horticultural products, a pattern which reflects the relative efficiency of production of different agricultural products. As in other sectors, agricultural trade was historically characterised by extremely close integration with (and almost complete dependence on) markets in South Africa. Namibia's meat industry launched the Farm Assured Namibian (FAN) meat scheme in September 1999 to reassure consumers of the organic nature of Namibian meat. The Meat Board launched its Seal of Quality certification in January 2013 for abattoirs, butcheries and retail outlets.

CHART 6.1

Livestock Census 2015 (numbers)



Source: Meat Board of Namibia

The chart presents estimates from Namibia's 2015 livestock census carried out by the Meat Board of Namibia showing the predominance of cattle, sheep, goats and poultry. It does not show the distribution of livestock across the different regions of the country. At Independence, there were just over two million head of cattle in Namibia, about half in the commercial areas and half in the communal areas. By 2015 the overall herd size had increased to almost 2.8 million, over two-thirds of which were to be found in the communal areas. This trend can be explained by a combination of factors including, on the one hand, tougher business conditions (as subsidies were reduced or eliminated, tariffs lowered and competition increased), land reform (which in many cases led to lower levels of output), and diversification into other land uses (such as game ranching and tourism) in the commercial areas and, on the other, rising incomes and greater incentives to rear cattle in the communal areas. The overall number of sheep, including karakul, dorper and other breeds, declined considerably in the decade following Independence, but this was due to the reduction in commercial karakul flocks as the international market collapsed in the early 1990s. The overall number of goats, including angora, boerbok and other breeds, has remained somewhat more stable than sheep but estimates of numbers were revised up significantly after 2001. About three goats out of every four are to be found in the communal areas. Namibia went through something of an ostrich boom in the mid to late 1990s and early 2000s as low cholesterol ostrich meat enjoyed a temporary rise in demand from rich countries. However, intense competition from new producers brought this boom to an end and now only relatively few ostriches remain in Namibia.

Since the 1920s Namibia has been one of the few countries in the world with a karakul industry. Specially bred karakul sheep are slaughtered at birth and their pelts sold at auctions, mainly in Europe. Namibia's karakul industry, which was the largest in the world, went into steep decline in the years immediately after Independence as international demand for natural skins all but collapsed and lower-cost producers took Namibia's market share. From the mid-1990s, production stabilised at around 140,000 pelts a year from its pre-Independence levels of some 500,000 defying pressure from animal rights campaigners. Pelts were sold under the brand name Swakara exclusively at Denmark's Kopenhagen Fur auction house twice a year in March and September. In March 2019 all of Namibia's 32,975 Swakara pelts were reportedly sold at an average price of N$452.53 including 18,952 black, 8,877 white, 1,830 spotted, 2,162 grey, 452 brown, and 702 diverse pelts[4].

The Meat Board of Namibia regulates the sale of live animals to local and foreign markets including local abattoirs (north and south of the VCF), butchers as well as South Africa. The chart shows trends in the destination of live cattle produced by Namibia's farming sector and includes animals marketed within the NCAs to abattoirs there. On average, sales to South Africa have dominated overall sales of live cattle followed by sales to Meatco's export abattoirs, to abattoirs in the NCAs and lastly to local butchers who absorb only a small percentage of total sales. Meatco's exports of cuts and canned meat are directed primarily at the South African market but a significant proportion is also sold overseas.

Shortly after Independence, Namibia became a member of the African, Caribbean and Pacific (ACP) group of countries under the European Community's Lomé IV Convention and gained a beef quota to the EU of 60,000 tonnes for the period 1990 to 1995. This was later renewed and Namibia has enjoyed an annual quota of 13,000 tonnes of beef cuts on and off the bone ever since. However, it is only in later years that Namibia started to fully meet this quota. Since Independance, the UK and Norway have been the largest European importers of Namibian beef.

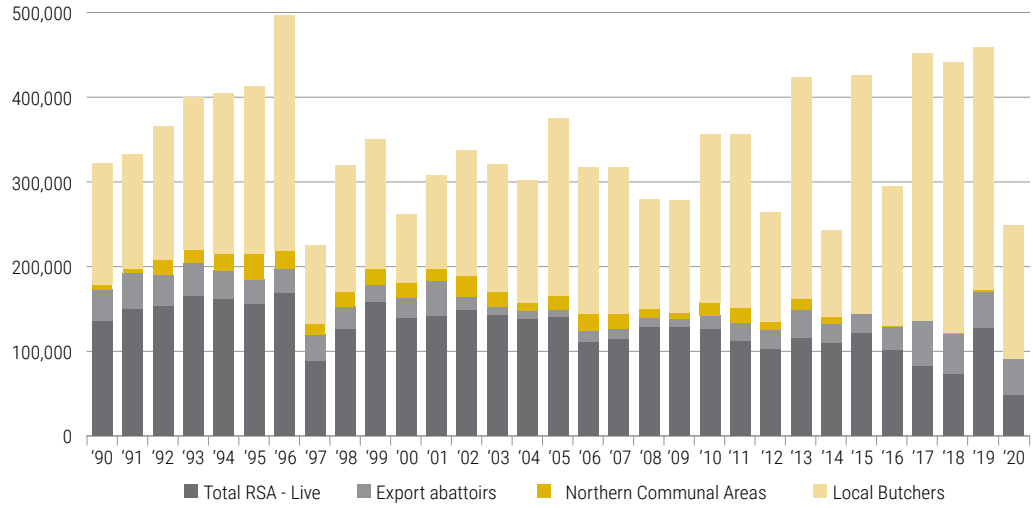
In 2016, the Cotonou successor to the original Lomé Convention was replaced with a new approach called Economic Partnership Agreements (EPAs) which includes aid and trade elements but also strives to be World Trade Organisation (WTO) compliant. Namibia's EPA was originally supposed to be concluded at the end of 2007 but this was not achieved giving rise to the danger that its beef quota would be eliminated. Last minute negotiations, however, achieved a stay of execution and the beef quota was extended until the end of October 2008.

[4] See "Swakara Pelts Sold Out", *The Namibian*, 16 April 2019

The Namibian government regularly protested that, by setting deadlines, the EU was not behaving like a development partner. Subsequently, the deadline for negotiations was set for 1 October 2014 by the European Parliament, much to the Government's dismay[5]. As described in Chapter 23: International Trade, Namibia ended up agreeing an EPA with the EU in July 2014 but it took until 2016 for the deal to be ratified by Namibia's Parliament allowing implementation to begin in October 2016.

CHART 6.2

Cattle Marketed (numbers)

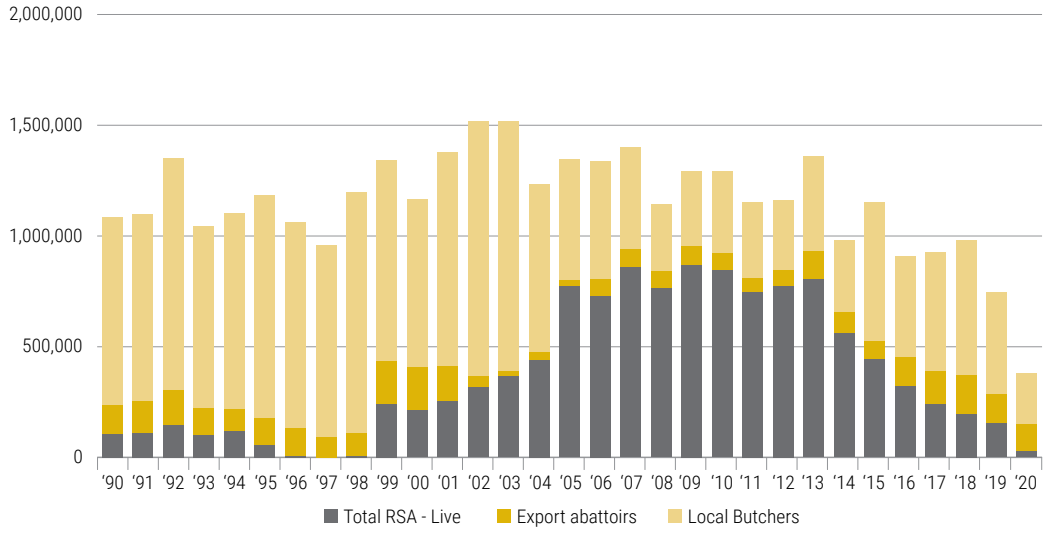


Source: Meat Board of Namibia

The charts show the destinations of live cattle and sheep marketed by farmers in Namibia including local abattoirs and butchers as well as South African buyers.

CHART 6.3

Smallstock Marketed (numbers)



Source: Meat Board of Namibia

[5] See "EU Deadline for EPAs Regrettable: Schlettwein", *The Namibian*, 25 April 2013

TABLE 6.3

"A" Class Abattoirs in 2020

Abattoir name	Class	Markets	Location
Zamco	A		Katima Mulilo
Farmers Meat Market Abattoir	A		Mariental
Meat Corporation of Namibia	A	EU, UK, Norway and South Africa	Windhoek
Beefcor Meat Suppliers	A	EU and South Africa	Okahandja
Meatco Okahandja Abattoir/Cold Store	A	EU and South Africa	Okahandja

Source: Meat Board of Namibia

At the end of 2020 there were 43 licenced abattoirs scattered around the country but the vast majority of livestock is slaughtered at Namibia's five operational export abattoirs in Windhoek. Okahandja, Mariental and Katima Mulilo which are regulated by the Directorate of Veterinary Services within the Ministry of Agriculture. Historically, the largest abattoirs in Namibia have been owned and operated by Meatco, a "national utility corporation" or farmers' cooperative whose corporate status has always been something of an anomaly. Meatco's operations were clarified by the Meat Corporation Act of 2001[6] but the issue of ownership and control was not. Although it was not formally owned by Government, it was included in the SOE Governance Act of 2006[7] as an SOE. Meatco operated five abattoirs in total: in Windhoek and Okahandja which are approved for export to the EU, and Katima Mulilo, Rundu and Oshakati, which can export to South Africa and other markets. Meatco also owns and operates the Okapuka Tannery outside Windhoek which can process up to 1,000 cattle hides daily and exports hides, mainly to Italy. In July 2008 Meatco announced it was to take over two abattoirs owned by Namibia Allied Meat Company (Namco) at Keetmanshoop and Windhoek. In early 2008 Government announced its intention to review the status of Meatco and appointed a consortium of consultants including Shangalao Capital, Shikongo Law Chambers, and Conradie and Damaseb in September. After protracted wrangling, Government decided to restructure Meatco so that 70 percent of its ownership was vested in a producers' cooperative while Government itself would take ownership of the remaining 30 percent and hold veto rights. This was not in line with the recommendations of the Meatco Working Group which had proposed a cooperative, wholly owned by participating Namibian livestock producers, as a holding entity of a public company responsible for operating and trading. However, the two Bills that surfaced towards the end of 2012 to give effect to these changes – the Meat Company of Namibia Bill and the Namibia Livestock Cooperative Pty Ltd Bylaws – raised a host of other complications and did not become law[8]. However, in June 2015 at its AGM, Meatco chair Martha Namundjebo-Tilahun announced that Government would take up its 30 percent stake[9]. Following Advocate Vekuii Rukoro's resignation in December 2017, Jannie Breytenbach was appointed Acting CEO in February 2019 but was replaced in October 2019 by insider Angus Claassen and then again in January 2020 by Mwilima Mushokabanji, who had previously headed the Namibia National Farmers Union. Meatco achieved notable firsts in 2019 and 2020 when it exported beef to China and the US respectively, thus making Namibia the first country in Africa to achieve this. However, Meatco's financial performance has deteriorated and Meatco's financial statements are invariably complex and difficult to fathom. In recent years Meatco's auditors have emphasised the need for the company to pursue a profitability strategy.

[6] Meat Corporation of Namibia Act 2001 (Act No.1 of 2001)
[7] State-Owned Enterprises Governance Act 2006 (Act No.2 of 2006)
[8] See "Meatco's Ownership in Limbo", The Namibian, 26 February 2013
[9] See "Government Stake in Meatco Finally a Reality", New Era, 30 June 2015

The !Uri!Khubis abattoir in Witvlei was set up by well-known businessman Aaron Mushimba with money from the GIPF's Development Capital Porfolio but folded in 2005 owing more than N$120 million to Agribank and the GIPF. It was resurrected in August 2006 in a deal involving both Namibian and Norwegian investors led by Namibian entrepreneur Sydney Martin through a new company Witvlei Meat. Witvlei Meat[10] then rented the facility from Agribank but took up the option to buy at below the market price. Cabinet instructed Agribank not to go ahead with the sale and this led to a court case in which Agribank claimed the lease had ended in 2010 and approached the High Court in early 2013 to have the company evicted[11]. The Court ruled in favour of Agribank but Witvlei Meat appealed to the Supreme Court which ruled that Witvlei Meat should be allowed to continue renting and enjoy the option to buy. A purchase agreement was entered into but Witvlei Meat allegedly breached these terms and the deal lapsed in June 2015. The abattoir had already closed down overnight in December 2014 and Agribank had to decide on the future of the plant[12]. Agribank ended up taking Witvlei Meat to court in June 2016 and but it took until October 2019 to rule that Witvlei Meat should be evicted[13].

Ostrich Production Namibia (OPN) was established in Keetmanshoop in 1998 again with the support of the GIPF to exploit the then burgeoning ostrich industry but folded in 2003 when Namibia's ostrich industry collapsed. A new company Karas Abattoir and Tannery (KAT), 95 percent owned by the GIPF took its place focussing on sheep and springbok but ended up being taken over by Brukkaros Meat Processors (BMP), jointly owned by South Africa Lerich Kabools, the South African Dorper Tannery company, and Namene Fishing, at the beginning of 2008 amid a certain amount of controversy[14]. BMP obtained EU registration in January 2009 and aimed to export beef to the EU[15]. However, in August 2018, BMP announced it would retrench 180 workers and close down.

Farmers Meat Market, owned by Namibian meat processing specialist Hartlief[16], runs an EU approved abattoir at Mariental specialising in lamb and springbok. In September 2017 it stopped slaughtering for the export market but resumed in August 2018. Nature Namibian Meat Producers (NNMP), owned by Matheus Shikongo, Albie Smit and South African national Sarel Oberholzer, opened an abattoir at Aranos in November 2004.

In 1997 the merger between Rietfontein Dairies and Bonmilk created Namibia Dairies, still the largest dairy and juice manufacturing company in Namibia. Namibia Dairies pioneered the production of extended-shelf-life (ESL) milk in southern Africa, and long-life milk in Namibia under Infant Industry Protection (IIP) granted by Government. Namibia Dairies produces a diverse range of products which includes fresh and traditional liquid milk products, yoghurt, soft cheese, dairy blends, water and fruit juices. With its own fodder production, dairy farm and strategic raw milk-producing partners, Namibia Dairies forms an integrated network of milk supply, processing, and value adding production, and has the largest national cold-chain distribution in Namibia. Namibia Dairies operates one of the most modern dairy farms in the world – the N$80 million !Aimab Superfarm located outside Mariental completed to great fanfare in 2009. In 2007 well-known businessman and farmer Sydney Martin launched his own brand of fresh milk and went on to criticize the establishment of !Aimab under government protection[17]. Despite IIP, however, Namibia's dairy industry has constantly complained about what it sees as unfair competition from cheaper imports of UHT milk and this led to severe cutbacks in production at !Aimab in 2013[18]. The situation again became critical in 2015 when several industry leaders made appeals for Government support[19]. In 2019 the Ministry of Agriculture announced it would table legislation allowing it to control the import and export of dairy products and dumping by countries exporting surpluses[20]. However, by the end of 2020 no such legislation had been passed by Parliament.

[10] See "Witvlei Abattoir Gets New Lease of Life", *The Namibian*, 2 August 2006
[11] See "Business as Usual at Witvlei Meat", *The Namibian*, 13 March 2013
[12] See "Agribank Calls for Calm While Deciding Witvlei Abattoir's Fate", *New Era*, 29 January 2016
[13] See "Witvlei Abattoir Troubles Drag On", *The Namibia*n, 28 October 2019
[14] See "Was KAT Sale Invalid?", *The Namibian*, 6 June 2008
[15] See http://www.bmp.com.na/about-us.php
[16] www.hartlief.org

In April 2012, Namib Poultry Industries, owned by the privately-held Namib Mills Investments (NMI) Group, completed its long-planned chicken plant established to supply the Namibian market with a range of chicken products. Located outside Windhoek, the project consists of a breeder, a hatchery, a broiler farm and an abattoir slaughtering 250,000 birds a week producing fresh and frozen chicken and chicken products. The cost of N$510 million was financed with the help of the IDC of South Africa and Bank Windhoek. NMI had obtained IIP several years before and this was confirmed again in writing in 2011 to the project's financiers. However, NMI only attempted to have it enforced by Government after the factory became operational. Import restrictions were imposed in April 2013[21]. This was challenged in mid-2014 by the South African Poultry Association and five South African poultry producers. The case was dismissed by the High Court in July 2016 because the action had taken so long to mount, a ruling that was dismissed on appeal by the Supreme Court in January 2018 opening the way for further challenge to the restrictions[22].

Major Policy Initiatives in Livestock and Meat

The agriculture sector has been subject to a great many policy initiatives since 1990. The following paragraphs highlight the main initiatives in livestock and meat as well as crops and horticulture and also provide a brief summary of some of the trade issues that have affected Namibian agriculture.

Veterinary Cordon Fence and National Marketing Scheme

Increasing the number of livestock slaughtered and marketed from the NCAs was one of Government's most immediate challenges in the agriculture sector in the years following Independence. In 1992 Meatco was charged with implementing the National Marketing Scheme which introduced uniform pricing for livestock marketed throughout the country and initially led to an increase in the head of livestock marketed from barely 5,500 in 1990 to a peak of 29,690 in 1995 after which numbers declined substantially. At the same time Government launched the Communal Farmers' Advances and Loan Scheme in 1992 which later became the National Agricultural Credit Programme run by Agribank. The Meat Board ended up equalising carcass prices north and south of the VCF in April 2005.

Government planned to erect a national border fence between Namibia and Angola in a final effort to move the VCF as close as possible to the border, unlocking a vast area for international cattle and small stock marketing and removing the dualism in the livestock sector created by the erection of the VCF during the colonial era. The likely implementation framework for the trans-location of the VCF to the Angolan border was thought to be up to ten years. In September 2009, the Millennium Challenge Account (MCA), a major US funding initiative open to low and middle income countries that meet certain good governance standards[23], entered into force which included a US$47 million programme to support agriculture, including livestock marketing from the NCAs. These measures included the construction of veterinary stations and the tagging of animals to move to FMD free status, training and extension in livestock production and marketing, improved livestock marketing practices and infrastructure. The approach to the required cross-border control measures were discussed with the Government of Angola and technical assistance is provided by the Food and Agriculture Organisation

[17] See "Local Businessman Criticises Large Agriculture Monopolies", The Namibian, 30 June 2009
[18] See "Dairy Industry Collapses", Informante, 27 February 2013
[19] See "Local Dairy Industry on Verge of Collapse", New Era, 14 August 2015
[20] See "Govt to Control Dairy Products Trade", The Namibian, 4 November 2019
[21] See Government Gazette No. 5167, 5 April 2013
[22] See "Attack on Chicken Import Limits Revived", The Namibian, 18 January 2018
[23] See www.mca.gov.na

(FAO). At one stage preparations were made for the establishment of a Namibia-Angola Task Force to work on issues related to veterinary health and FMD control including the movement of the VCF northwards to the Angolan border. In October 2018, the Second Land Reform Conference agreed a resolution which would see Government remove the VCF but, given the limited funds devoted to this objective, even the Minister of Agriculture is sceptical it will be accomplished[24].

10. Removal of the Veterinary Cordon Fence

- Government to gradually remove the Veterinary Cordon Fence taking into consideration various factors.
- The abattoirs in communal areas should be renovated and upgraded to Class A abattoirs (suitable for export).
- There should be special arrangements for procurement of the Northern Communal farmers produce through the public procurement system.
- Government should start the process to gradually remove the VCF.

Second Land Reform Conference Resolution, October 2018

Increasing Value Added in the Livestock Sector

Government long held the view that Namibia's traditional exporting of live animals to South Africa was detrimental to the long-term development of the Namibian economy and that policy should encourage greater local value addition. This culminated in an announcement in October 2002[25] that from October 2003 live cattle and small stock would face a 15 percent export levy and that a levy of 30 percent would be imposed on the export of raw hides and skins. Following delays arising partly from the generally unfavourable reaction from producers as well as the Namibian Economic Policy Research Unit (NEPRU)[26], the Minister of Finance finally introduced the export levy on cattle and also hides and skins on 1 April 2004[27]. The introduction of the 15 percent levy on live goats was eventually introduced in September 2006 while the 15 percent levy on live sheep was dropped in favour of an export ratio which, from September 2006, was set at 6:1, six sheep having to be slaughtered locally for every one sheep exported. However, in February 2007 the NAU and the Livestock Producers Association (LPA) requested the Meat Board to undertake a study on the impact of the small-stock marketing scheme on producers. The study was completed by PriceWaterhouseCoopers in November 2007 and recommended replacing the ratio with a straight export fee of N$19 per head. A further study by the Institute for Public Policy Research (IPPR) showed that there was a clear trade-off between allowing small-stock producers to obtain the best prices for their animals and encouraging more local slaughtering. It concluded that the scheme was costing far more than it was benefiting the national economy[28]. After that, however, the Abattoirs Association of Namibia (AAN) suggested a levy of N$70 per head. In February 2009 a compromise of N$40 per sheep was reached at a meeting of the NNFU, LPO and the Namibia Emerging Commercial Farmers Forum (NECFF) and the AAN under the chairmanship of NAU President Ryno van der Merwe but this was not accepted by all abattoirs. The controversy continued until July 2010 Cabinet ended up endorsing a flexible 15 to 30 percent *ad valorem* levy on the export of live sheep which could be adjusted depending on impact. At the request of the Ministries of Trade and Industry and Agriculture, Water and Forestry, the industry came up with alternative proposals in 2013 but these were never accepted by Government. The levy has had a significant detrimental impact on the livestock industry and this was finally recognised by Agriculture Minister John Mutorwa who asked the industry for new proposals by August 2015. The Export Levy Act which came into force in 2016 omitted measures relating to meat and meat products.

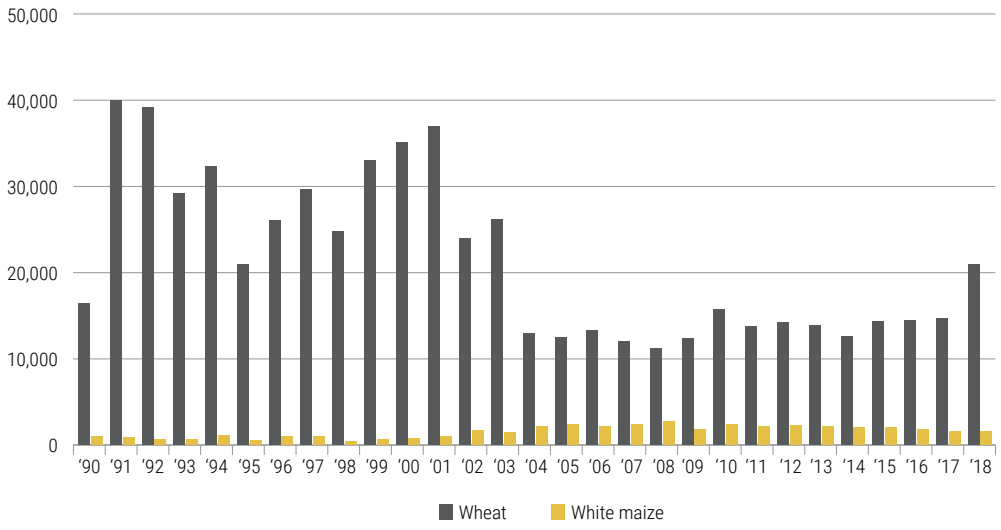
[24] See "N$15m Red Line Budget Irks Schlettwein", *The Namibian*, 17 June 2020
[25] Cabinet Resolution 19/14.03/009 October 2003
[26] See NEPRU Quarterly Economic Review No. 49 December 2002
[27] Government Gazette 1 April 2004 No.3181
[28] See IPPR Briefing Paper No. 40 "Adding Value with Mutton: Is Pricing Everything?"

The Cereal and Crop Sector

In production of basic staple grains, Namibia has historically been a net importer, especially of maize and wheat since mahangu is not a major export crop in the region. The chart shows that domestic production has varied considerably year by year and that imports have always been required to meet domestic demand.

CHART 6.4

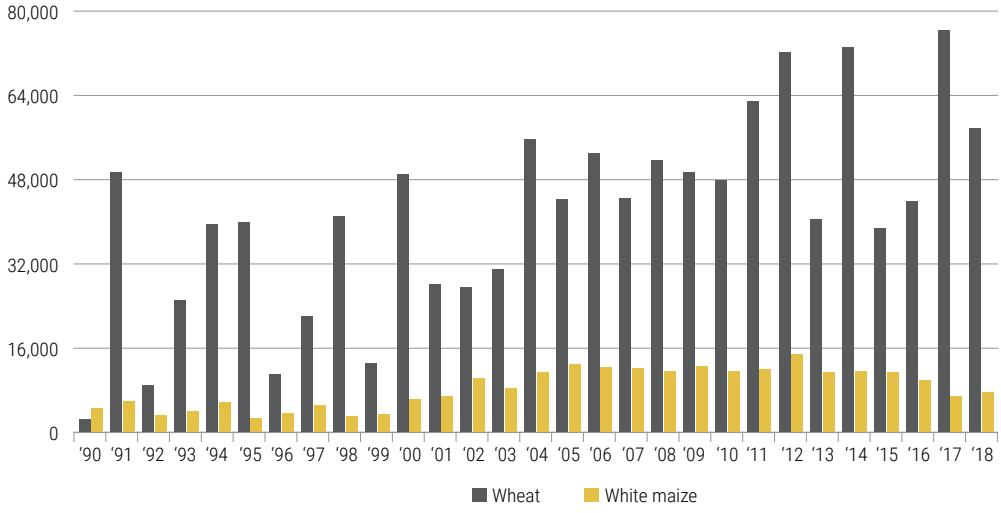
White Maize and Wheat Area Planted (ha)



Source: Namibian Agronomic Board

CHART 6.5

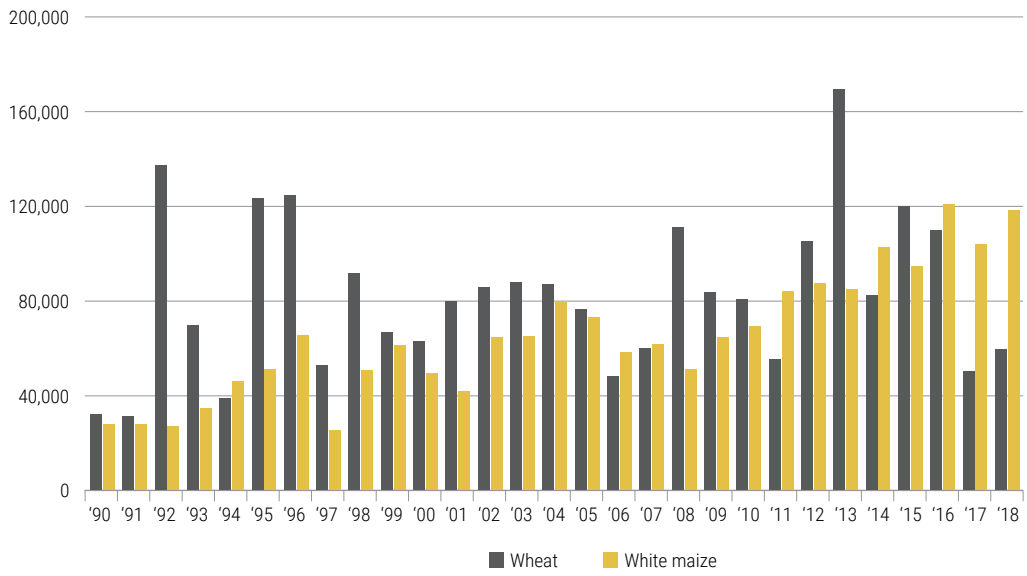
White Maize and Wheat Production (tonnes)



Source: Namibian Agronomic Board

CHART 6.6

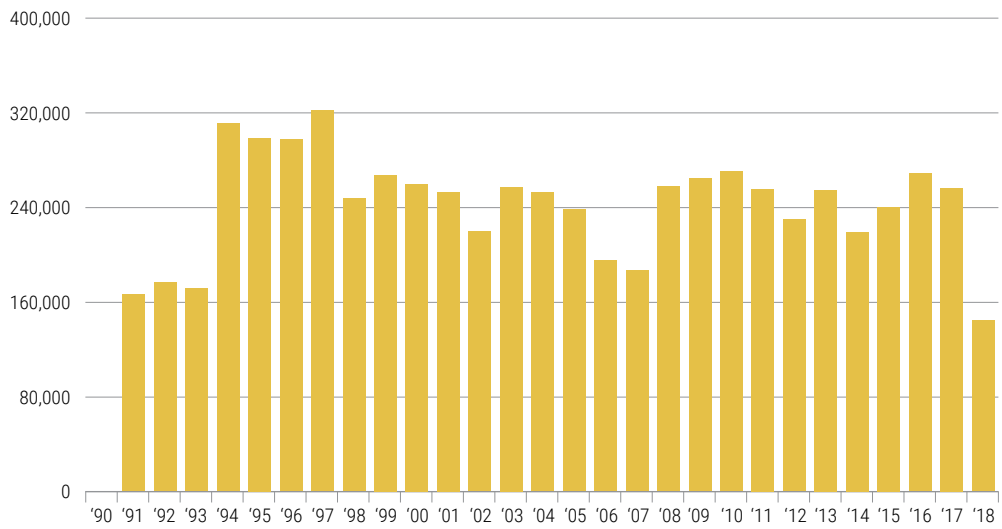
White Maize and Wheat Imports (tonnes)



Source: Namibian Agronomic Board

CHART 6.7

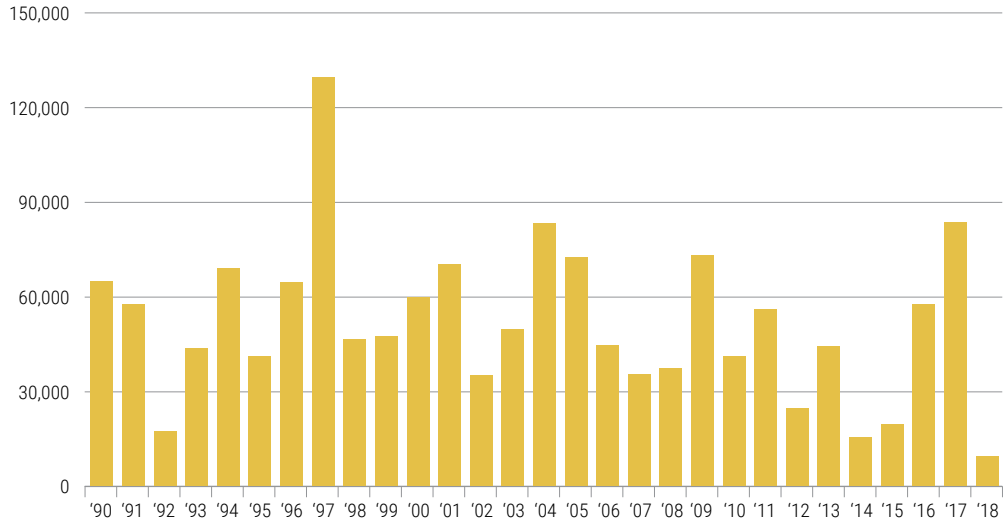
Mahangu Area Planted (ha)



Source: Namibian Agronomic Board

CHART 6.8

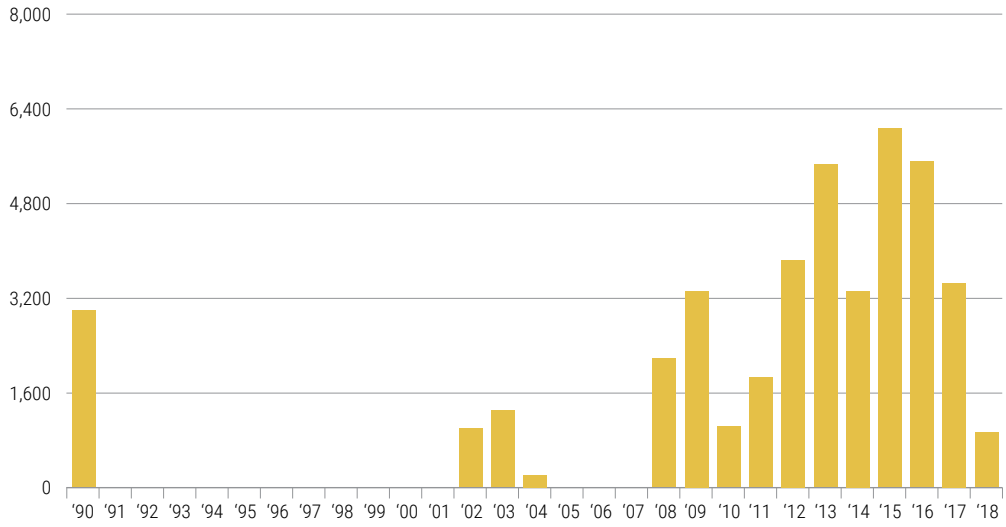
Mahangu Production (tonnes)



Source: Namibian Agronomic Board

CHART 6.9

Mahangu Imports (tonnes)



Source: Namibian Agronomic Board

Controlled Grains

Under legislation passed in 1992[29], the Namibian Agronomic Board (NAB) acts as the official marketing agency of controlled grains. Controlled grains include white and yellow maize (and products thereof), wheat (and products thereof) and, after 15 May 2008, mahangu or pearl millet (and products thereof). White maize, wheat and pearl millet are primarily for human consumption while yellow maize is grown for cattle feed. Control over sunflower seed and oil was abolished on 1 September 1996. The NAB is not required to maintain statistics on uncontrolled crops by producers who do not have to register but it does produce estimates of certain uncontrolled crops including cotton, groundnuts, lucerne, sorghum and sunflower seeds.

There are several thousand maize producers in Namibia, most of whom are small communal farmers, mainly in the Caprivi. However, there are also some 250 large-scale commercial farmers. Together these farmers produce about half the country's demand for white maize for human consumption. About half of this local output is through rainfed production and the other half is through irrigation.

Wheat producers are far less numerous, all of whom are large-scale commercial farmers using irrigation to meet some 15 percent of local demand. Some 34 millers are registered with the NAB, all of which are private companies. They range from large companies such as Namib Mills with operations in Windhoek, Otavi and Katima, Pentagon (renamed Kavango Mills) in Rundu, and Bokomo in Windhoek, all of whom can mill white and yellow maize as well as wheat, to smaller millers in every region of the country, some of whom specialise in just milling white maize.

Like maize, there are thousands of mahangu producers in the north of Namibia, again mostly small communal farmers located mainly in former Ovamboland. Historically mahangu has been the preferred staple diet of the inhabitants of this part of the country. However, in 2002 commercially available mahangu products were introduced by Namib Mills under the brand name "Meme Mahangu".

TABLE 6.4
Grain Processors in Namibia

Region	White Maize	Wheat	Mahangu
//Karas	1	1	0
Kavango East	2	1	1
Kavango West	2	0	1
Khomas	2	2	2
Kunene	1	1	0
Omaheke	1	0	0
Ohangwena	1	0	3
Omusati	1	0	1
Oshana	1	0	5
Oshikoto	2	0	0
Otjizondjupa	4	1	1
Zambezi	2	0	0

Source: Namibian Agronomic Board

[29] Agronomic Industry Act of 1992 (Act No.20 of 1992)

Namibian producers of controlled grains enjoy a guaranteed local market for all the saleable output they can produce. Namibian millers buy grade I and II for human consumption while grade III is sold as animal feed. Local millers are obliged to purchase their grain from local producers during the "closed-border" part of the year from May onwards. They buy this locally-produced grain at prices determined through annual negotiations which involve face-to-face meetings bringing together the representatives of the producers and the millers. This meeting is normally facilitated by the CEO of the NAB. The price is an import-parity price based on the price of grain traded on SAFEX, the grain exchange of the Johannesburg Securities Exchange. This price is set by the industry but noted and administered by the NAB, an arrangement which is designed to ensure that smaller producers do not suffer from the undue market power of monopsonist local millers. A floor price based on a five- year moving average of the SAFEX price is set by the NAB which guarantees producers a certain minimum price.

Once all locally produced grain has been purchased, local millers are free to source grain from anywhere they choose during the "open border" part of the year. The larger millers have sophisticated purchasing operations sourcing grain from as far as the US and Argentina as well as from southern Africa and employ highly qualified advisors to help them reach the best deals.

Local producers sell directly to local millers and local millers sell directly to local retailers. All retailers in Namibia are obliged by an NAB regulation backed by a Cabinet resolution to buy controlled grain products from local millers. While this arrangement might be expected to raise costs to consumers, studies commissioned by the NAB have found no evidence of price collusion or the exploitation of undue market power by producers, millers or retailers[30]. The NAB firmly believes the industry is a competitive one which benefits Namibian consumers. The only time when consumers may overpay for controlled grain products is when the price floor becomes binding. The NAB believes this is a necessary measure to ensure the health of a local farming and milling industry. Although there are some very large millers with significant economies of scale in South Africa, there is little evidence that South African millers are generally more efficient than Namibian local millers. Mahangu was added to the list of controlled grains from 15 May 2008, thereby allowing mahangu producers the same benefits as maize and wheat producers, that is to say a guaranteed market and a floor price.

Strategic Grain Storage

As part of a SADC regional food security strategy[31], the NAB was charged with implementing an integrated grain storage project, the aim of which was to minimise grain losses at homestead, community and regional levels. A Silo Advisory Committee was established by the Ministry and funding for the running and maintenance of the silos was agreed. However, this committee was abandoned and the move was towards simply holding four-month strategic grain reserves rather than the previous integrated arrangement designed to help small producers. According to the NAB, in 2020 there were 17 government-owned silos across five sites in Katima Mulilo, Rundu, Okongo, Omuthiya and Tsandi with storage capacity of 22,900 tonnes, with future expansion envisaged to hold a capacity of 96,800 tonnes. Currently, these silos store both maize and mahangu. Some observers believe that, while this may make sense for landlocked SADC countries where it may take up to four months to bring grains into the country, it makes little sense for Namibia which has a well-established system for importing grain.

[30] See "Report on the Evaluation into the Potential Effect of the Abolishment of the Current Reference Price and Import Measures Applied Within the Namibian Agronomic Sector", NAB, 2 October 2007
[31] See "the Dar Es Salaam Declaration on Agriculture and Food Security in the SADC Region" agreed at the SADC Extraordinary Summit held in Tanzania 17 May 2004

National Horticulture Development Initiative

Historically, retailers in Namibia have imported the overwhelming majority of fresh fruit and vegetables from South Africa. This led Government to gazette horticultural fresh products as controlled products under Section 2 of the Agronomic Industry Act on 30 August 2002 following the recommendations of a report published in 2001[32]. It went on to introduce the National Horticulture Development Initiative (NHDI) in 2004 designed to stimulate the development of a sustainable horticulture sector in Namibia. It was believed that increased local production would help fulfil the objectives of greater food self-sufficiency, import substitution and employment creation. A supplementary regulation further restricted the import of horticultural products from 23 June 2006 after which only holders of import permits issued by the NAB were permitted to import fresh fruit and vegetables into Namibia.

The Namibian Horticulture Market Share Promotion (NHMSP) was introduced on 1 October 2004 to increase the market share of local producers in local retail sales. Under the regulations, importers are obliged to purchase a certain minimum percentage of their requirements from local producers. The initial percentage was set at 3 percent but this has been steadily raised to a stage where it had reached an impressive 41.5 percent by the end of 2015. Importers are obliged to furnish the NAB with monthly returns to monitor their performance. NAB estimate that the final contribution of local production to local consumption could be as high as 70 percent. The Team Namibia "Buy Namibian" initiative has been used as a marketing tool for NHMSP helping to label local produce to attract the attention of local consumers. The evidence suggests that the gentle pressure applied by NHMSP has resulted in significant increases in domestic production.

All NHDI activities are financed through levies payable to the NAB. Presently a levy of 1.2 percent is due on all imports of fresh fruit and vegetables as well as on all local sales by local producers. The NHDI was restructured as a result of an evaluation conducted in 2006 which recommended that it become financially self-sufficient based on the levy income and its staff complement within the NAB was reduced to two people.

TABLE 6.5

Local Horticulture Market Share Promotion (MSP Requirements)

Date	Percentage	Date	Percentage
1-Oct-04	3.0%	1-Apr-10	32.5%
1-Jan-05	5.0%	1-Apr-11	35.0%
1-Jul-05	7.5%	1-Apr-12	37.5%
1-Sep-05	10.0%	1-Apr-13	39.0%
1-Jan-06	12.5%	1-Apr-15	41.5%
1-Oct-06	15.0%	1-Apr-16	44.0%
1-Jan-07	17.5%	1-Apr-17	44.0%
1-Jan-08	22.5%	1-Apr-18	44.0%
1-Apr-08	25.0%	1-Apr-19	47.0%
1-Apr-09	30.0%		

Source: Namibian Agronomic Board

[32] See "The Prospects of Domestic Import Substitution in Various Agricultural Commodities", DECOSA, June 2001

Detailed statistics on NHDI production up to 2018/19 are available from the NAB Annual Reports[33]. Excluding grapes, total horticulture output was 31,501 tonnes in that year while the largest components of locally produced horticultural products by volume were potatoes, onions, carrots, tomatoes, cabbages, cucumbers and butternut. However, up to sixty different products were included in the NAB database including many higher value lower volume products.

Harvesting of Gem Squash

The Green Scheme

Following on from the objectives for the agriculture sector laid out in the Second National Development Plan[34] of enhancing agricultural production, raising the volume and value of exports and maximising value addition, Government resolved to embark on a larger scale irrigation initiative called the Green Scheme in August 2003 and a Cabinet decision was taken to allocate N$1 billion for agricultural investment over a period of ten years[35]. The focus of the scheme was import substitution for the estimated N$105 million of vegetables and N$55 million of fruit imported into Namibia. The Green Scheme was to raise the area of irrigated land from 8,600 hectares to 27,000 hectares and create some 10,000 permanent and 34,800 part-time jobs over a 15-year period pushing agriculture's contribution up to ten percent of GDP. It was estimated this would require an investment of some N$7.5 billion over the period. The eventual area of land under irrigation was to be 45,000 hectares. The Green Scheme Policy[36] would involve not only public-private partnerships to stimulate private investment in the irrigation sub-sector but also to assist the creation of small-scale commercial farmers using irrigation enjoying long-term leasehold rights to land in the northern communal areas. Government support would come in the form of financing of predevelopment studies, financing of bulk water and electricity supply, water tariff incentives, concessional loans and collateral. Each of the Green Scheme projects was to be overseen by a steering committee consisting of a Regional Councillor, a representative of the Traditional Authority, the local chief agricultural extension officer, the investor and two small-scale farmer representatives. The whole initiative was to be advised and coordinated by the Green Scheme Agency (GSA) which would provide quarterly reports to MAWF and be staffed by expert consultants on five-year contracts. The GSA was established in 2005 but had no real legal status and did not receive the promised funding until a N$55 million allocation in

[33] www.nab.com.na
[34] Second National Development Plan 2001-2005 Volume I, National Planning Commission, Windhoek, 2001
[35] Cabinet 18th Meeting 06.08.02/004
[36] See Green Scheme Irrigation Policy, Ministry of Agriculture, Water and Rural Development

the 2008/09 budget under the vote of the Ministry of Agriculture. The projects commonly assumed to reside under the Green Scheme are listed in the table below. Some are old Ministry-run schemes while others are new. In 2008 the Namibia Development Corporation (NDC) was resuscitated and given the task of implementing three new irrigation schemes. An initial N$209.76 million loan from the African Development Bank in 2004 was due to help finance the Tandjieskoppe project which focussed on the production of dates, grapes and vegetables. Efforts to tap US donor funding through the Millennium Challenge Account (MCA) came to nothing in 2007 leaving Government to raise significant amounts of money to finance the programme through the budget under the vote of the MAWF.

With little progress to show and not a single project formally operating under the Green Scheme, a review was announced in 2008 and a revised Green Scheme Policy was launched in June 2009. Under the new policy, the idea of a GSA was abandoned and the Scheme was run by a unit within the MAWF while giving greater scope to private investors. In 2013, all eleven Green Scheme projects were placed under a new agency AGRIBUSDEV[37] established in November 2011 which became a fully-fledged State-Owned Enterprise in April 2013. In April 2019 the Ministry of Agriculture announced all but four of these projects would be leased out to the private sector because the agency could not afford to invest the capital required to make them viable commercial entities[38]. By July 2019 it was clear the organisation was in financial trouble and was forced to sell equipment and was unable to pay salaries[39]. In August 2020, the Mashare Berries Farming part of the irrigation project started exporting blueberries to Europe under the brand name Namib Blue.

TABLE 6.6
Green Scheme Projects in 2020

Project	Region	Project	Region
Etunda	Omusati	Ndonga Lilena	Kavango West
Hardap*	Karas	Orange River (ORIP)	Karas
Kalimbeza	Zambezi	Shadikongoro*	Kavango West
Mashare	Kavango West	Shitemo	Kavango West
Musese	Kavango West	Sikondo*	Kavango West
		Uvungu-Vungu*	Kavango West

*remains under AGRIBUSDEV

Source: AGRIBUSDEV

Table Grapes

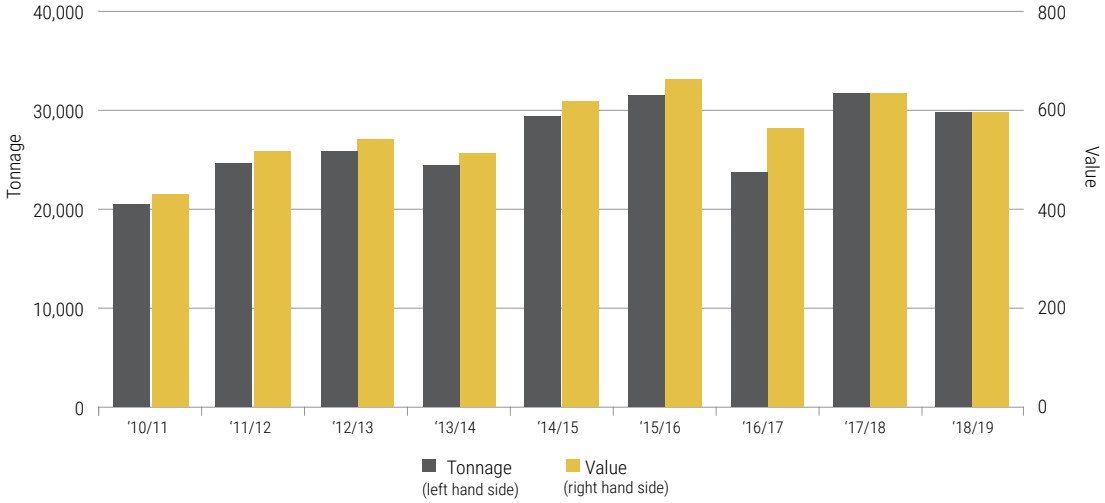
The one really significant change in domestic crop production has been in the cultivation of table grapes on irrigated farms along the Orange River. The industry took off in the mid-1990s as an extension of export-oriented table grape production by South African farmers in the Upington and Kakamas districts of South Africa. Due to specific climatic conditions, grapes from southern Namibia can earn a premium in European markets because of their availability in early November, a month ahead of any southern hemisphere competition. The seven pioneering companies operating under the Grape Valley Management Company were joined in 1999 by the Aussenkehr-based Namibia Grape Company, a consortium of 15 Namibian businessmen and the Government Institutions Pension Fund (GIPF) through its Development Capital Portfolio which put up N$60 million in loans. Under the Lomé IV Convention, Namibian grape exporters enjoyed a duty rebate of between 17.5 percent and 19 percent on grape exports to the EU. This was later changed so that 800 tonnes were allowed tariff free and any additional exports faced an 8 percent tariff. As with meat exports, health safety has been a major issue for the grape industry. In October 2006 the US Department of Agriculture announced it had approved the duty and quota-free export of Namibian table grapes to the US under the Africa Growth and Opportunity Act (AGOA).

[37] www.agribusdev.org.na
[38] See "Govt to Lease Out 7 Green Schemes", *The Namibian*, 8 April 2019
[39] See "Agribusdev Sacrifices Worker's Salaries", *The Namibian*, 25 July 2019

The US market is important because it allows Namibia to take advantage of its late harvest to export grapes during the US winter between December and March. In August 2019, the Namibia Grape Producers Association expressed its ambition to export to China. The chart shows the growth that has occurred in grape exports since 2010/11. According to the NAB, in 2018/19 Namibia exported some 29,762 tonnes of table grapes worth N$598 million.

CHART 6.10

Grape Exports (value and tonnage) **2010/11 to 2018/19**



Source:Namibian Agronomic Board

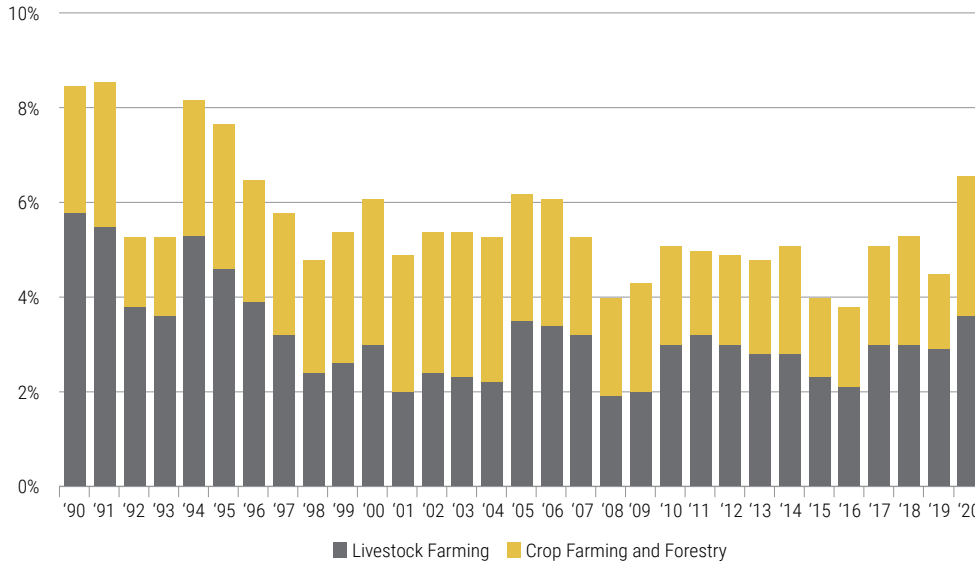
Economic Performance

Overall the growth of the agriculture sector in Namibia has been consistently lower than the overall growth of the economy. According to Namibia's national accounts, in real terms between 1990 and 2020 the national economy grew faster than the agriculture sector. For a sector that has a direct impact on the lives of so many, this is cause for concern and goes some way towards explaining the rural-to-urban migration seen over many years. For statistical purposes, the agriculture sector has traditionally been broken down into "commercial" and "subsistence" agriculture but this was changed in 2008 when the sector was divided instead into "livestock farming" and "crop farming and forestry". Taking the sector as a whole, however, it is clear that one of the major structural changes to have taken place in the Namibian economy is that slower growth in agriculture has led to a relative decline in the sector's contribution to GDP since Independence. Whereas in 1990 the agriculture sector contributed some 8.5 percent to GDP, by 2020 this had fallen to 6.6 percent of which livestock farming accounted for 3.6 percent and crop farming and forestry 3.0 percent.

According to Namibia's national accounts, in real terms between 1990 and 2020 the national economy grew faster than the agriculture sector. For a sector that has a direct impact on the lives of so many, this is cause for concern and goes some way towards explaining the rural-to-urban migration seen over many years.

CHART 6.11

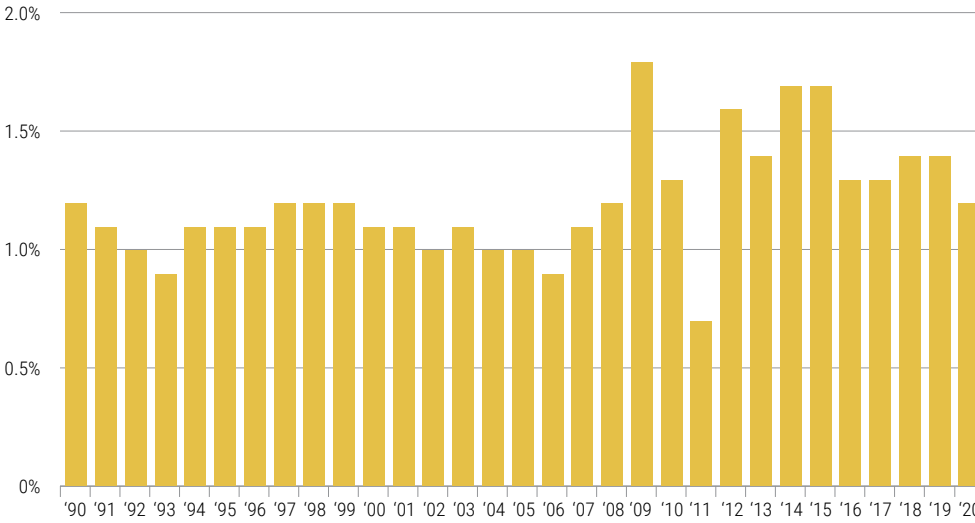
Contribution of Agriculture to GDP (as Percentage of GDP)



Source: NSA

CHART 6.12

Investment in Agriculture (as Percentage of GDP)

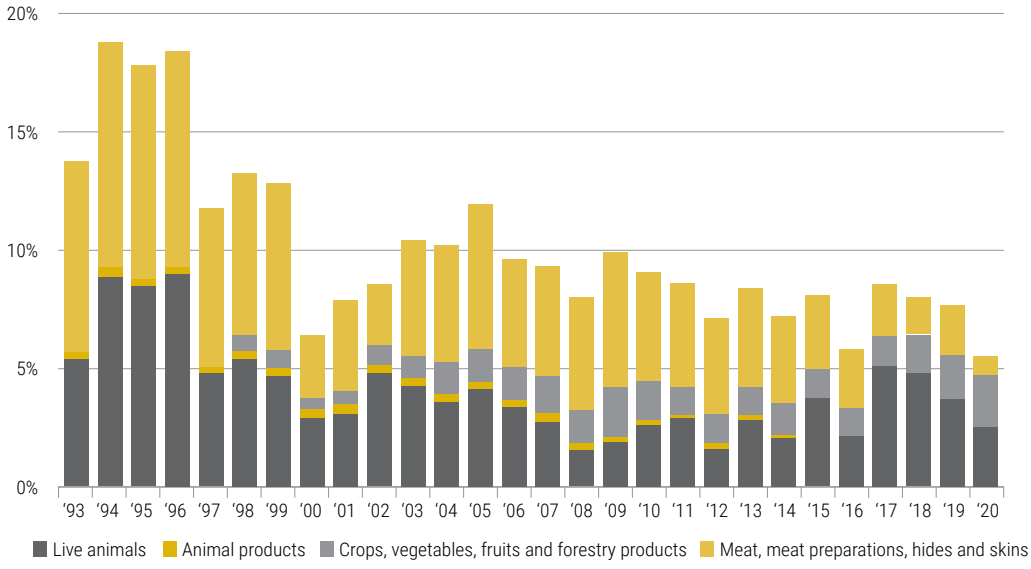


Source: NSA

Agriculture's relative decline can be put down to weak investment. Fixed investment in the agriculture sector as a whole (Gross Fixed Capital Formation in the national accounts) has remained reasonably constant since Independence varying between 0.7 percent and 1.8 percent of GDP. Anecdotal evidence suggests that a large number of part-time farmers, whose main incomes are derived from non-agricultural employment in urban areas, invest considerable amounts of money in their farms due partly to generous tax treatment.

CHART 6.13

Agricultural Exports (as Percentage of Merchandise Exports)



Source: NSA

The chart shows the pattern of Namibia's agricultural exports as a percentage of overall merchandise exports. The decline in the contribution of agriculture reflects the fall in the sector's relative importance to the overall economy. The export of live animals has declined but the export of crops, vegetables and fruits has increased since the mid-1990s, mainly thanks to grape exports.

The agriculture sector also provides employment for large numbers of people although measuring employment in the agriculture sector is always difficult given its high degree of seasonality, high levels of family and casual labour, and the effect of weather conditions. The difficult nature of determining agricultural employment, especially in the subsistence farming sector, is reflected in the employment data that is available. While on the face of it, agriculture appears to employ large numbers of people, these numbers come down substantially when unpaid family workers are stripped out[40]. Recent data no longer differentiates between communal and commercial agriculture. The 2018 NLFS estimated that 167,242 people aged 15 and above were employed in agriculture and that 112,463 people were engaged in subsistence agriculture suggesting agriculture outside subsistence agriculture employed significant numbers of people.

[40] See "Agricultural Employment: Not the Engine of Wage Employment Growth", IPPR Briefing Paper No.16, February 2003

TABLE 6.7

Employed Population in Agriculture (aged 15 or over)

	'91 PHC*	'97 NLFS	'00 NLFS	'01 PHC	'04 NLFS	'08 NLFS
Communal Agriculture	137,839	55,871	77,997	30,156	35,950	11,365
Agriculture, Hunting and Forestry	43,587	51,491	37,767	30,534	51,147	52,788
Total	181,426	107,362	115,764	60,690	87,097	52,788

	'09/10 NHIES	'12 NLFS	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
Communal Agriculture	n/a	99,469	123,732	102,149	67,797	112,463
Agriculture, Hunting and Forestry	176,102	172,530	215,311	209,906	135,832	167,242
Total	176,102	172,530	215,311	209,906	-	-

Source: NSA

Policy Issues

Growth and Diversification

Despite much talk about prioritising agriculture, state funding to the sector has not grown much in real terms and the share of public spending devoted to agriculture has been in long-term decline since the early 1990s. Agriculture Affairs and Services received proportionately less in the 2019/20 budget than it did at Independence, a mere 2.5 percent of total spending. Sectoral performance has also been modest with agriculture experiencing a steady decline in its contribution to GDP in the years since Independence. This lack of growth has gone hand-in-hand with only very limited changes in the variety of goods produced. The most important area of growth has been the emergence of grape production on the Orange River and the industry now regularly generates turnover well in excess of N$500 million. Foreign investment in agriculture is problematic as the more recent experience with tobacco demonstrates. In this case a Chinese-backed project in the Zambezi region will not go ahead because the investor does not meet conditions set by Cabinet despite seven years of negotiations[41].

Land Ownership

As described in more detail in a later Chapter 21: Land Reform, Namibia's approach to reforming land ownership seems to be producing the rather paradoxical change whereby communal land is gradually becoming more commercialised while commercial land is becoming more communal. Although it is not an issue that is often addressed head on, the commercialisation of communal land is something that many policy-makers see as a positive and possibly inevitable trend. At the 2005 Cabinet retreat in Swakopmund[42] the issue was directly and repeatedly acknowledged both in discussions and in several passages of the final record of the meeting.

[41] See "Chinese Tobacco Investor Rejects Cabinet Conditions", *The Namibian*, 28 January 2021
[42] Key Recommendations of the Cabinet Retreat, Swakopmund, November 2005

"In view of the uncertainty about land ownership, which makes investment difficult and discourages innovation and risk-taking, clarify the issue of long-term tenure for both communal and commercial farmland."

[Recommendation 13 page 20]

"Promote housing and home ownership in rural areas as well as tradable land rights in communal areas in order to encourage ownership of land, and enable civil servants such as teachers, the police and military personnel to own land and use housing finance schemes to acquire homes in rural areas."

[Recommendation 13 page 21]

"Although the reform of the Communal Land Act has partly addressed this problem with the establishment of the Land Boards, rural people will still not be able to use land as collateral to acquire finance. This is because the customary tenure system does not provide for such transactions."

[Improvement of property rights page 32]

Significantly, it was the opposition DTA party that tried to make communal land tenure an issue during two election campaigns with promises to privatise land appearing in its election manifestos[43]. If the issue were to take concrete form, it seems that cross-party consensus, which would probably be required to minimise the amount of political mischief that could be caused, might be possible. But the politics of undermining the basis of traditional authorities renders the issue a political minefield and there would have to be some mechanism in place to placate the traditional authorities.

On the communalisation of commercial farmland, Government seems to have reached the conclusion that willing-buyer willing-seller has not worked and therefore expropriation is the way to accelerate the amount of land in black Namibian hands. Unfortunately, economics seems to be taking very much a back seat to gesture politics and Government backtracked on scrapping willing-buyer willing seller arguing it was unconstitutional under Article (see Chapter 21: Commercial Land Reform)[44]. Despite efforts by some to make progress on tradable land rights that could be used as collateral, there is so far no evidence that resettled farmers are becoming self-sustaining fully-fledged commercial farmers ready for promotion to the AALS as described in Chapter 21: Commercial Land Reform. At some stage this will have an impact on agricultural production if it has not already done so.

[43] See "Spot the Difference: Namibia's Political Parties Compared" edited by Justine Hunter, NID, 2004
[44] SSee "Willing Buyer Willing Seller to Stay", *The Namibian*, 20 January 2021

Large scale horticulture at Nakayale

Hobby Farming

One of the defining characteristics of farming in Namibia is that so much of it is done as a part-time activity or hobby by people who have paid employment in urban areas. Not only has the AALS been diverted to the ends of such farmers, but the National Resettlement Programme (NRP) has also seen a considerable amount of "secondary trade" in user rights so that urban dwellers end up with access to resettlement farms. It is probably unrealistic to expect Namibians of whatever colour to repress what appears to be a well-entrenched cultural desire to have access to farmland even when they cannot be full-time farmers. The key policy issue is whether this trend is something positive that should be accommodated (or even encouraged), or whether it is something that jeopardises growth and diversification. There is plenty of anecdotal evidence that agronomic production suffers under hobby farming. While it is possible to allow cattle and sheep to be herded by cheap unskilled labourers while farm owners earn their main incomes in town, crop and horticulture production requires a far more intensive hands-on and expert approach. Most hobby farmers are reluctant to employ skilled (and therefore expensive) farm managers to do this resulting in lower agronomic output.

Value Addition

The issue of value addition in the livestock sector has parallels in the fishing and mining sectors. Government believes it can foster sustainable value addition by taxing and limiting exports. Local processors are not able to offer small-stock producers the prices they can receive in the live export market. In assessing the overall success of the initiative therefore, any benefits arising from the incomes and jobs created through additional processing must be compared to the costs imposed on producers. There is an infant industry argument which suggests that an initial period of overall loss is acceptable if processing becomes profitable over time. The question in this case is at what stage will the policy be deemed successful and at what stage might it be conceded that local processing is unsustainable without regulatory support? If local processing is not possible without regulation, it is unlikely to become internationally competitive and the scope for growth will therefore be limited.

Food Security

Agricultural policy is currently aimed at improving Namibia's levels of food self-sufficiency but it is not clear whether this will contribute much to either national or household food security. Admittedly, several initiatives, such as the Green Scheme and granting mahangu controlled crop status, are designed to assist small-scale farmers who may previously have been subsistence farmers producing primarily for own consumption. Intervention may help contribute towards household and national food security in that it may help poor farmers to feed themselves and sell surplus to the market. Whether these initiatives result in the mass of poor people being better able to feed themselves is more open to question, especially if the food produced is more expensive than imported food. Producing more expensive food will not contribute towards household food security. There appears to be considerable confusion in the public debate about the contribution the Green Scheme is likely to make to food prices in Namibia. If production is commercially oriented producing tradable food products for the market, without further measures food prices are unlikely to be affected given Namibia is a price taker on regional and international markets. The gentle nudge towards greater local production represented by the NHDI does not appear to be directed towards smaller producers and therefore has little impact on food security. There are worrying signs that the original intention of the Green Scheme of encouraging participation by small farmers is being watered down in favour of bigger farmers.

Branded Namibian products

Water Pricing

A further issue of concern is that of water pricing. Green Scheme projects are likely to considerably increase demand for water and, as a major input into the production process, the price of water will be crucial to determining the commercial viability of production. If Government decides to subsidise water to ensure the Green Scheme works, the sustainability of these subsidies have to be questioned. A further question is which groups in society ultimately foot the bill. Producing low-value crops with valuable and expensive water is economically questionable. This suggests that irrigation projects should focus on higher value crops for the market. This is one lesson from the experience with table grapes.

Biofuels

In past years, policy in many countries around the world has followed the lead set by Brazil in focussing on encouraging the growth of the biofuels industry as a source of low carbon emission fuel. There is an on-going debate surrounding the extent to which this policy shift has helped contribute towards the recent rise in world food prices. Brazil's long-established biofuels industry is based on cane sugar while that of other countries such as the US have been based on corn (maize). The potential for growing either cane sugar or maize in Namibia for the biofuels industry appears to be limited to the NCAs in the two Kavango regions and Zambezi where maize is currently grown but the experience with Jatropha was not positive[45]. There has long been talk – even in the 2004 SWAPO Party manifesto – of growing sugar cane in the Zambezi with no concrete results. However, given Namibia's present dependence on staple grain imports, the land tenure arrangement in these parts of the country, and the difficulties associated with large-scale foreign investments in agriculture, the potential for Namibia to jump onto the biofuels bandwagon appears limited. Any scheme would have to be large enough to justify the economies of scale of a processing plant and this would create tensions with local communities who still do not grow enough food for themselves. The then Ministry of Lands and Resettlement was reportedly discouraging land leases for biofuel production.

Useful References

Nangolo M and Alweendo N (2020) "Agriculture in Namibia: An Overview" Democracy Report Briefing Paper, IPPR, February 2020

Kahuika S, Tutalife C and Motinga D (2006) "Adding Value with Mutton: Is Pricing Everything?" IPPR Briefing Paper No. 40, Windhoek, November 2006

Sherbourne R (2008) "Agriculture in Namibia: Waiting for the Supply Response". IJG, 21 July 2008

Sherbourne R (2003) "A Rich Man's Hobby", IPPR Opinion Piece No.11, Windhoek, 2003

Useful Websites

Agra Namibia
www.agra.com.na

AGRIDEVBUS
www.agridevbus.org.na

Ministry of Agriculture, Water and Land Reform
www.mawf.gov.na

Namibia Agricultural Union
www.agrinamibia.com.na

Namibia Farm Workers Union
www.nunw.org.na/nafwu.htm

Namibian Agronomic Board
www.nab.com.na

Meat Board of Namibia
www.nammic.com.na

Meatco
www.meatco.com.na

[45] See" Jatropha: From Buzz to Bust in Namibia", Thomson-Reuters Foundation News, 1 June 2010

Annex

ANNEX 6.1

Meatco Key Financial Indicators

	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21
Revenue	1,256.5	1,381.5	1,382.1	1,405.4	1,610.8	1,802.6	1,694.6	1,425.1	1,340.2	1,784.3	873.3
Net profit before tax	-89.7	10.5	1.0	5.1	19.2	13.8	22.5	-64.4	-93.1	-113.7	-118.6
Taxation	27.1	-4.7	-0.4	-1.7	-4.9	-0.7	-3.2	21.4	48.1	85.7	0.0
Comprehensive profit (loss) for the year	-65.4	7.3	3.5	10.2	9.6	39.0	235.9	-51.1	-46.4	7.4	-116.1
Staff	n/a	1,350	n/a	1,032	n/a	n/a	n/a	n/a	743	794	720

Source: Meatco Annual Reports

ANNEX 6.2

Total Cereal Production and Imports

	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
Area planted (ha)	16,550	40,200	39,400	29,400	32,500	21,034	26,183	29,800	24,997	33,230	35,397	37,245	24,124	26,328
White Maize	-	2,633	5,020	3,446	2,857	3,021	1,227	1,050	1,986	1,820	n/a	n/a	n/a	n/a
Yellow Maize	1,000	900	600	700	1,100	500	1,000	977	388	608	765	1,012	1,646	1,479
Wheat	-	166,000	176,600	171,200	310,700	298,400	297,000	321,700	247,451	267,100	259,704	252,800	219,700	256,981
Production (tonnes)	2,462	49,600	8,800	25,100	39,600	40,100	10,961	22,158	41,089	13,026	49,183	28,270	27,643	30,967
White Maize	1,600	1,585	1,915	-	1,234	5,331	920	52	3,972	910	n/a	n/a	n/a	n/a
Yellow Maize	4,425	5,900	3,100	3,916	5,562	2,668	3,516	5,038	2,896	3,429	6,119	6,846	10,289	8,262
Wheat	65,000	57,700	17,200	43,700	69,100	41,100	64,500	129,500	46,616	47,500	59,817	70,400	35,200	49,644
Imports (tonnes)	32,000	31,200	137,800	69,800	38,800	123,759	125,178	52,732	92,128	66,777	62,958	80,268	85,886	88,080
White Maize	-	15,740	13,712	58,905	4,063	55,478	121,578	34,166	35,314	43,191	n/a	n/a	n/a	n/a
Yellow Maize	28,000	28,000	27,000	34,478	45,966	51,329	65,732	25,310	50,632	61,392	49,317	41,695	64,748	65,108
Wheat	3,000	-	-	-	-	-	-	-	-	-	-	-	1,000	1,300

Source: Namibian Agronomic Board and Agro-Marketing & Trade Agency

'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
13,041	12,582	13,346	12,068	11,300	12,500	15,840	13,895	14,310	14,017	12,628	14,455	14,514	14,791	21,102
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2,123	2,435	2,136	2,369	2,734	1,852	2,389	2,136	2,314	2,198	2,032	2,077	1,832	1,568	1,537
252,235	237,916	194,788	186,197	257,735	264,436	270,018	255,456	229,449	254,528	219,020	240,053	268,359	256,187	44,111
55,935	44,365	53,296	44,642	51,832	49,566	47,961	63,228	72,438	40,583	73,457	38,900	43,948	76,660	58,020
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11,340	12,987	12,312	12,163	11,626	12,448	11,511	11,930	14,819	11,312	11,600	11,411	9,822	6,863	7,508
83,428	72,392	44,450	35,512	37,301	73,272	41,166	55,921	24,695	44,141	15,302	19,428	57,644	83,515	9,277
87,434	76,534	48,247	60,141	111,714	83,903	81,111	55,305	105,742	170,234	82,527	120,650	110,229	50,483	59,608
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
79,888	73,411	58,227	61,665	51,014	64,661	69,519	84,543	87,726	85,257	103,035	95,190	121,261	104,244	118,698
204	n/a	n/a	n/a	2,185	3,336	1,034	1,860	3,863	5,485	3,332	6,096	5,541	3,469	931

Bringing Namibia's hake processing industry onshore has been one of the main successes of Namibia's fisheries policies

CHAPTER

7 Sector Fishing

Despite some notable successes during the first decade of Independence which included establishing a world-class policy and monitoring framework, developing a thriving hake industry and promoting onshore processing, the fishing industry has not fulfilled the high expectations created in the early post-Independence years. Total Allowable Catches and landings have undergone long-term declines whilst, at the same time, ever greater ministerial discretion and secrecy has led to valuable fishing quotas being allocated to individuals and companies who are little more than rent seekers looking to make a quick buck. Changes to legislation and poor policy encouraged this further until a foreign whistle-blower exposed what turned out to be the colossal Fishrot corruption scandal in the run-up to national elections in 2019. A new but rushed attempt to auction fishing quotas also flopped. As a result, the fishing sector's contribution to the economy has stagnated and generally lagged overall growth in the wider economy. The question is now whether better policies will be adopted to promote greater dynamism in an industry that is highly fragmented, secretive and politicised, and characterised by low profits and excess capacity. More fundamentally, the industry remains largely linked to foreign players with their own marketing and distribution arrangements which results in almost no separate Namibian identity in key markets abroad. Furthermore, the industry now sees itself threatened by the start of offshore phosphate mining.

Fishing

KEY EVENTS

YEAR	EVENT
1990	– Ministry of Agriculture, Fisheries, Water and Rural Development created – Gert Hanekom appointed Minister of Agriculture, Fisheries, Water and Rural Development – Territorial Sea and Exclusive Economic Zone of Namibia Act passed – TACs for pilchard and hake introduced
1991	– Ministry of Fisheries and Marine Resources created – Helmut Angula appointed Minister of Fisheries and Marine Resources – White Paper on Fisheries published – TACs for horse mackerel, rock lobster and crab introduced – Namibia given responsibility for SADC sector coordinating unit for marine fisheries
1992	– Sea Fisheries Act passed
1993	– Hifikepunye Pohamba appointed Minister of Fisheries and Marine Resources
1994	
1995	– White Paper on Inland Fisheries published – TACs for juvenile horse mackerel introduced
1996	– Namibia joins South East Atlantic Fisheries Organisation (SEAFO) – Namibia Marine Fisheries Institute established
1997	– Dr Abraham Iyambo appointed Minister of Fisheries and Marine Resources – TACs for orange roughy and alfonsino introduced
1998	– Gendor lists on NSX
1999	– Organisers of Dr Abraham Iyambo's wedding controversially solicit funds from fishing industry to finance the celebrations
2000	– Marine Resources Act passed – Fishing rights reallocated to previously disadvantaged Namibians
2001	– White Paper on Aquaculture published – Duration of fishing rights extended to 7, 10, 15 and 20 years – TACs for monk introduced – Namibia joins Reykjavik Declaration – Minister Iyambo found guilty of conflict of interest by Ombudsman
2002	– Aquaculture Act passed – Gendor bought by Novanam
2003	– Inland Fisheries Resources Act passed – Namibia joins High Seas Task Force
2004	– Revised White Paper on Fisheries published
2005	– Namfish de-lists from NSX
2006	– Hangana opens N$30 million factory
2007	– Namibia becomes chair of South East Atlantic Fisheries Organisation (SEAFO) – Talafood takes over Super Packers cc – Namsea de-lists from NSX – Namibia signs interim Economic Partnership Agreement with EU
2008	– Nascent oyster industry hit by red tide and sulphur blooms – Fishing conference organised by Ministry of Fisheries – Industry agrees to moratorium on orange roughy
2009	– Workers end two-month strike over wages at Novanam – Cadilu placed under provisional liquidation then rescued – Tunacor opens N$30 million factory – Bidvest Namibia lists on NSX
2010	– Bernard Esau appointed Minister of Fisheries and Marine Resources – Process of extending and awarding fishing rights begins
2011	

2012
- Right extensions and new right holders announced
- Silvanus Kathindi resigns as MD of Etale

2013

2014
- Minister of Fisheries and Marine Resources Bernard Esau taken to court by Bidfish
- SADC countries and EU extend agreement for quota- and tariff-free access into the EU market.
- Gendev opens first onshore horse mackerel factory

2015
- Marine Resources Amendment Act passed to give Minister more powers over allocation of TACs
- Moratorium on phosphate mining expires

2016
- Minister holds meeting with industry on quota allocations

2017

2018
- Tunacor takes over Namsov
- Applications for new quota holders submitted

2019
- Fishrot scandal becomes public
- Minister of Fisheries Bernard Esau arrested and replaced by Albert Kawana

2020
- High-Level Panel on Namibian Economy recommends auctioning fishing quotas
- Albert Kawana reappointed Minister of Fisheries and Marine Resources
- Auction of fishing quotas fails

Introduction

Namibia has one of the most productive fishing grounds in the world, located in the central region of the Benguela system with a coastline stretching for 1,572 km from the Orange River in the south to the Kunene River in the north. Given its location, the Benguela current system – one of four eastern boundary upwelling systems in the world – directly influences the productivity of Namibia's waters. South easterly winds drive coastal upwelling, forming the Benguela Upwelling System. The cold, nutrient-rich waters that upwell from around 200-300 metre depths fuel high rates of phytoplankton growth and sustain the productive Benguela ecosystem. As a result, Namibian waters are characterised by a high degree of biological productivity. Thanks to these pre-conditions Namibia ranked as the fifth largest African capture fisheries nation by tonnage in 2016 after Morocco, Nigeria, South Africa and Mauritania and 36th worldwide according to the most recent data from the World Bank[1]. By tonnage Namibia's fisheries are slightly smaller than neighbouring South Africa's and slightly larger than neighbouring Angola's. Marine fisheries constitute the bulk of Namibian fisheries. In the last five years for which data is available, marine landings have averaged about 475,000 tonnes, which accounts for the overwhelming bulk of total fisheries landings. Inland fisheries in the northern perennial rivers and floodplains yield about 8,000 tonnes annually and approximately 2,250 tonnes are produced through aquaculture, particularly mariculture, which is still in its infancy. This chapter on Namibia's fishing industry is therefore primarily a story about its marine fishing industry.

[1] See World Bank databank under capture fisheries production

Policy Developments

Commercial exploitation of Namibia's fisheries and marine resources is carried out in accordance with three White Papers and several pieces of legislation and is overseen by the Ministry of Fisheries and Marine Resources (MFMR).

The most recent policy "Namibia's Marine Resources Policy: Towards Responsible Development and Management of the Marine Resources Sector" was published in August 2004 and replaced the earlier policy "Towards Responsible Development of the Fisheries Sector" introduced by Namibia's first Minister of Fisheries Helmut Angula in December 1991. The MFMR was separated from the Ministry of Agriculture, Fisheries, Water and Rural Development in 1991 and has only had five ministers since then: Helmut Angula (1991-1995), Hifikepunye Pohamba (1995-1997), Dr Abraham Iyambo (1997-2010), Bernard Esau (2010-2019) and Albert Kawana (2019-present). The Inland fisheries policy was outlined in the "White Paper on the Responsible Management of the Inland Fisheries of Namibia" in 1995 while Government set out its policy on aquaculture in its "Aquaculture Policy" of 2001. A new Namibia Fisheries Policy was being drafted which was to mainly target interventions to promote value addition, marketing and investment in the industry. This chapter deals exclusively with the marine fisheries sector and does not deal with inland fisheries or aquaculture.

The Territorial Sea and Exclusive Economic Zone of Namibia Act[2] which established Namibia's 200 nautical mile Exclusive Economic Zone (EEZ) in accordance with international law[3] was one of the first pieces of legislation passed by Namibia's new Parliament in 1990. This was followed not long after by the Sea Fisheries Act[4] which was replaced in 2000 by the Marine Resources Act[5]. This Act was amended in 2015, in hindsight controversially[6]. Inland fisheries are governed by the Inland Fisheries Resources Act[7] while Namibia's aquaculture industry is governed by the Aquaculture Act[8].

The policy and legislation governing Namibia's sea fisheries resource make provision for the allocation of rights by the Minister of Fisheries and Marine Resources to qualifying companies and individuals for the following range of marine species:

- **Small and large pelagic** (or surface dwelling) fish, primarily pilchard, tuna and tuna-like species albacore, big-eye tuna and swordfish as well as short-fin mako and blue sharks
- **Midwater fish**, primarily horse mackerel and juvenile hake
- **Demersal fish**, primarily hake and monkfish
- **Deep sea fish**, primarily orange roughy
- **Crustaceans**, primarily rock lobster and deep-sea red crab

[2] Territorial Sea and Exclusive Economic Zone of Namibia Act (Act No. 3 of 1990)
[3] United Nations Law of the Sea Convention 1982
[4] Sea Fisheries Act (Act No. 29 of 1992)
[5] Marine Resources Act (Act No.27 of 2000)
[6] Marine Resources Amendment Act (Act No.9 of 2015)
[7] Inland Fisheries Resources Act (Act No.1 of 2003)
[8] Aquaculture Act (Act No.18 of 2002)

Quotas and Right-holders

Annual Total Allowable Catches (TACs) for pilchard, horse mackerel, hake, rock lobster and crab were introduced shortly after Independence in 1990 to limit how much of each species can be caught each year. A separate TAC for juvenile horse mackerel was introduced in 1995 and this was followed by the introduction of a TAC for the deep-sea species orange roughy and alfonsino in 1997. From 1999 the fishing of alfonsino was no longer economically viable and the only operating company Gendor withdrew from the industry while the fishing of orange roughy was discontinued after 2009. A TAC for monkfish was established in 2001. A pilchard TAC of zero was set in 2002. However, following a poor catch in 2017, a moratorium was imposed in 2018 which was still in force in 2020.

TABLE 7.1

Fisheries Subject to TACs

Fishery subject to TACs	Year of introduction
Pilchard	1990
Hake	1990
Horse mackerel	1991
Crab	1991
Rock lobster	1991
Juvenile horse mackerel	1995
Orange roughy	1997
Alfonsino	1997
Monk	2001

Source: MFMR

The quotas and TACs are policed by the MFMR's Fisheries Inspectorate[9]. Once fish are caught they must be landed and weighed regardless of whether they are frozen or processed at sea or not, a process which is monitored by the MFMR and which forms the basis of the Ministry's fisheries statistics[10]. Monitoring takes place both on board vessels and on shore when the catch is landed. Companies can be penalised for illegal or over-fishing and are obliged to pay by-catch fees for fish caught which belong to species other than those for which their quotas apply.

In the past, foreign vessels have been caught fishing illegally in Namibian waters, creating a huge risk of overfishing and the depletion of marine resources as well as losses in revenue. Keeping illegal, unreported and unregulated (IUU) fishing vessels from plundering Namibia's rich resources is therefore of the utmost importance and requires investment in the country's coastal monitoring system and surveillance capacity as well as strictly enforced rules and regulations. In the past Spanish and Angolan trawlers have been seized for illegal fishing. The most recent incident involved six Chinese fishing vessels[11].

[9] MFMR has two patrol vessels FPV Nathaniel Maxuilili and FPV Anna Kakurukaze Mungunda plus two fixed wing aircraft "Sea Eagle I" and "Sea Eagle II" as well as one research vessel FRV Mirabilis

[10] The MFMR used to release an annual report containing data although often with some delay. This has been discontinued and the latest available report is for 2012/13.

[11] See "Chinese Trawlers Seized for Illegal Fishing", *New Era*, 30 March 2020

It is important to understand that rights and quotas are not assets that companies can include on their balance sheets since they are not tradeable[12]. In cases where quotas are not exploited, by law they revert back to the MRMR. It is common knowledge that fishing companies often coordinate with other industry players to exploit their quotas in case they are not made use of. The purchasing of the quota follows a process in which the purchasing company registers the holding company's quota. In case a company aims at exploiting a fishing right held by another company, a joint venture can be formed with the respective right holder or a stake in the company can be bought. Companies that own fishing rights generally have to be 51 percent Namibian-owned.

Under the 1991 policy, fishing rights were allocated for periods of three, seven and ten years. Back then quotas were allocated on a vessel quota system, based on the method of fishing and the vessel capacity. This system was replaced in 1996 with a pro-rata allocation taking criteria such as investment and employment on- and offshore into consideration. Quotas were then allocated to right holders every year following the setting of an annual Total Allowable Catch (TACs) by the Minister through the Marine Resources Advisory Council (MRAC) for each regulated species based on the MFMR's scientists' best estimate of available biomass[13] combined with data on catches from the fishing fleet itself. The industry has generally been satisfied with the determination of TACs, which account for less than the replacement yield of the fish stocks (the rate at which fish stocks can replenish themselves) to prohibit over-fishing in Namibian waters.

In 2001, following the introduction of the new Marine Resources Act, the duration of rights was extended to seven, ten, 15 years and 20 years[14]. In 2010 there were 155 harvesting rights present in the industry. During the same year the Ministry embarked on a review of all exploitation rights that were due to expire on 31 December 2010. As a result of this review, rights were extended and new rights were granted after 1,428 new applications were received[15]. In total 183 new rights were issued, adding to the existing 155 right holders. The Minister tried to accommodate the many applicants by no longer awarding rights to individuals but rather to groups of companies, which could consist of up to ten shareholders. The MFMR instructed five right-holders to form a joint venture, which was subsequently issued with a quota. Therefore, the new right-holders distinguished themselves from the old right-holders in that they all shared a quota. This structure led to even more opaque shareholding and right-holding structures, with up to 60 shareholders participating in one quota. After the round of rights were allocated in 2011, fishing rights were once again reviewed starting in 2018 after which the MFMR reportedly received 5,200 applications leading to spike in company registrations. This review dragged on into 2019 and nothing had been announced by the time the Fishrot scandal broke in November 2019.

Ministerial Discretion

The fishing industry has long perceived the quota allocation process to be somewhat arbitrary and unpredictable and not based on the requirements as outlined in the White Paper[16]. According to an industry invitation on the part of the MFMR[17], the Ministry openly admitted that fishing quotas, which were granted in 2011, were awarded without taking into account the investment and employment aspect in Namibia.

[12] Some countries (Iceland and Norway) operate a system of Individual Transferable Quotas or ITQs which can be traded by right holders but this is a controversial issue in international fishing.
[13] From the National Marine Information and Research Centre (NatMIRC) based in Swakopmund with a branch in Lüderitz.
[14] Although so far no company has been granted a 20 year right since none of the applicants has met the criteria which include the employment of 5,000 people on shore.
[15] See "Fishing Rights Applications in Home Stretch", *The Namibian*, 14 September 2011
[16] The White Paper states that "When considering applications, the Government takes into consideration the applicant's competence in fishing and operating the vessel, the extent to which Namibians are or will be involved, and investment in the sector as well as required development."
[17] MFMR's Invitation to Stakeholder consultative workshop, 15.01.2016

The Minister was further accused of granting quotas to non-right-holders, who had no means (financially and geographically) of exploiting the quotas. A number of individuals have at times received hake allocations of 500 tonnes, an allocation which is insufficient to run a vessel economically. Some right holders reportedly continued to do little more than sell their rights to others and pocket the money instead of becoming actively involved in the fishing industry, something which is expressly contrary to stated MFMR policy. The whole system of allocating quotas had been the subject of endless public criticism for many years in the run up to Fishrot in 2019 and was widely seen as little more than a "get rich quick" scheme for the well-connected who sold their rights to those who could do something productive with them.

NAMSOV vs MFMR

In December 2014, legal action was taken by Namsov Fishing Enterprises (Pty) Ltd. and Atlantic Harvesters of Namibia (Pty) Ltd. against the Minister of Fisheries and Marine Resources following a quota apportionment of the reserve quota to non-right-holding fisheries and a significantly lower own quota receipt after the Minister had allegedly promised a higher quota. The applicants, both wholly owned subsidiaries of Bidvest Namibia Fisheries, took the Ministry to court requesting that the allocated quotas be reviewed and cancelled. The claimants scored a partial success, with the Ministry's quota allocation to non-right holders being found 'unlawful and irregular'. However, the allocation was not set aside, rendering the ruling a purely symbolic one.

Total allowable catches (TACs) are set by the MFMR, with the bulk being distributed at the start of every calendar year and a certain percentage (the reserve quota) being withheld for a later allocation throughout the year. On 2 July 2014, Fisheries Minister Esau announced the allocation of a reserve quota, distributing 102,200 tonnes to right- as well as non-right holders. With a relative distribution of 1.23 percent to Namsov, the allocation was significantly lower than its overall share of 12.7 percent of the initial allocation of the year's main quota. According to Namsov and its legal representative, shortly after this announcement and after inquiries on the part of Namsov, the Minister promised to increase the allocation to Namsov and Atlantic Harvesters. The Minister disputed this promise. Later in July 2015, however, he revised up the initial distribution of the reserve quota for both claimants, but still fell short of his alleged promise (by 8,328 tonnes for Namsov and 1,445 tonnes for Atlantic Harvesters respectively)[18].

On 3 December 2014, High Court Judge Ueitele ruled that the quotas which had been allocated to the National Fishing Corporation, the Namibian Large Pelagic & Hake Long-lining Association and the Small Pelagic Fishing Association of Namibia were unlawful because allocating to those who have no capacity to exercise fishing rights was not in line with the Marine Resources Act.

[18] See High Court of Namibia Judgement, Case No: A 241/2014, January 2014

However, the allocations were not set aside, due to the claimants' taking the case to court[19]. The judge further ruled that the Minister did not reduce the quota initially promised to the claimants. According to the judge, the alleged promise itself was unlawful and illegal as it: 1) exceeded the initial reserve quota and 2) would have taken considerations on the part of Namsov and Atlantic Harvesters into account to increase the quota, thereby acting against the Marine Resources Act[20]. As such, the alleged promise was unlawful in the first place and could not be taken as a basis for a court review.

After Namsov's partially successful legal challenge of the quota allocation, the Minister rushed to amend the Marine Resources Act 2000, more specifically the regulation surrounding the issuance of quotas, so as to give more power and discretion to the Minister in the allocation of quotas, ensuring that he would not again be sued for his decision regarding the allocation. The new law gave him the power to allocate quotas to fisheries which contributed to "governmental objectives, policies and strategies"[21]. According to the Minister, the amendments were further meant to accommodate newcomers to the industry and also reflect big industry players' (such as Namsov's) reluctance to add more value, and thus investment and employment, to the fishing sector through more on-shore operations. The amendments also enabled the Minister to strengthen the state-owned fishing firm, the National Fishing Corporation, through higher quota allocations[22] and thereby to further cement the Minister's power over the industry.

At the time Esau was severely criticised by the Namibian Chamber of Commerce and Industry (NCCI) for not consulting the Chamber regarding changes to the law. Furthermore the Minister's decision to give fishing rights to selected individuals and entities, from whom he had benefited in the past, was hotly debated. These individuals for instance included the Executive Director of Paragon, with whom the Minister had travelled to the FIFA World Cup in 2014. In July 2015 the amendments were passed by the National Assembly as well as the National Council. On 10 September 2015 President Geingob signed the Marine Resources Amendment Act into law thereby allowing the Minister to further allocate quotas to non-right-holders[23] as well as to exercise more discretion with respect to the awarding of quotas[24].

At the time of these changes supporters argued that the amendments would help foster Namibianisation in the sector and decrease certain companies' dominance which would in turn trigger greater competition among fishing companies. Critics, however, argued that the amendments would lead to a less transparent and efficient allocation of quotas and would also pave the way for abuse and corruption through the allocation of quotas to selected individuals. Furthermore, the fact that "paper-quota holders" would be allowed to on-sell their quotas to companies constantly on the lookout for higher quotas to ensure commercial viability would increase the operational costs for market players and strain the financial position of the operating

companies. The new Act would also lead to a less predictable distribution of quotas through the MFMR's holding of a reserve quota. The resulting uncertainty would threaten investment in the industry and decrease the overall attractiveness for doing business in the sector.

Due to the controversy around the quota allocation process, Minister Esau called for an industry meeting at the end of February 2016 to lay down the Namibia Fisheries Policies for the quota allocation process and the respective preconditions for obtaining a quota. The stakeholder meeting aimed to serve as a platform to "determine a formula based on a set of criteria taking into considerations […] the Marine Resources Act of 2000"[25] and to agree on the respective requirements. In this respect the pro-rata distribution of the quota was to be reviewed and a score card system was discussed similar to what South Africa had already implemented.

THE FISHROT SCANDAL

On 12 November 2019, WikiLeaks began publishing what it called the Fishrot Files, a collection of thousands of documents and email communications by employees of one of Iceland's largest fishing companies, Samherji, that indicated that the company had paid hundreds of millions of Icelandic krona to high-ranking politicians and officials in Namibia with the objective of acquiring a highly coveted fishing quota. That same day, Jóhannes Stefánsson, the former general manager of Samherji in Namibia and a whistle blower cooperating with anti-corruption authorities in Namibia and other countries, stated on the investigative TV-programme Kveikur on RÚV that Samherji's CEO and biggest shareholder, Þorsteinn Már Baldvinsson, had authorised the bribe payments.

In response to the allegations, Samherji published a statement on 12 November where Stefánsson was accused of solely being behind the alleged bribes and that other high ranking staff members were unaware of his actions. Although Stefánsson did admit to being part of the scheme, further records showed that he never had control of the company's bank accounts in Cyprus, through which the money flowed, and that the alleged bribes continued for three years after he left the company. On 13 November, Namibia's Minister of Fisheries since 2010, Bernhard Esau, and Minister of Justice, Sacky Shanghala, were forced to resign due to their involvement in the scandal.

[19] See ibid.
[20] See ibid.
[21] See FIS Article, http://www.fis.com/fis/worldnews/worldnews.asp?monthyear=7-2015&day=14&id=77858&l=e&country=&special=&ndb=1&df=1, 24.07.2015
[22] Government Gazette 24 September 2015, Amendment of section 39 of Act no. 27 of 2000
[23] Government Gazette 24 September 2015, Amendment of Section 1 of Act No. 27 of 2000
[24] Government Gazette 24 September 2015, Amendment of Section 3 of Act No. 27 of 2000
[25] MFMR's Invitation to Stakeholder consultative workshop, 15.01.2016

On 14 November, the board of Samherji announced that Þorsteinn Már Baldvinsson had temporarily stepped aside as CEO and would be replaced by Björgólfur Jóhannsson while the company conducted an internal investigation into the allegations. Baldvinsson was reinstated to his CEO position in April 2020. James Hatuikulipi, MD of Investec Namibia (who had also been chair of the board of Fishcor since 2014 and was a cousin to Esau's son-in-law), resigned on the very same day and Public Enterprise Minister Leon Jooste announced further action would be taken. On 1 December, *Al Jazeera*, which had been working on the story in collaboration with *The Namibian* newspaper, broadcast a documentary "Anatomy of a Bribe" (https://www.youtube.com/watch?v=_FJ1TB0nwHs) showing footage of Esau, Shanghala and others discussing the deal at the heart of the scandal. The "Fishrot Six" – Esau, Shangala, Hatuikulipi plus Ricardo Gustavo, Tamson "Fitty" Hatuikulipi and Pius Taxa Mwatululo – were taken into custody on 27 November. In the Fishrot case, the six accused are charged with corruption, fraud, money laundering and tax evation in connection with allegations that they were involved in a scheme in which entities linked to Samherji paid them at least N$103 million during the period from 2014 to 2019 to obtain access to Namibian fishing quotas allocated to the company Namgomar Pesca Namibia under a fisheries cooperation agreement between Namibia and Angola. In early 2021, the Prosecutor-General Martha Imalwa charged more individuals and entities including three Icelanders linked to Samherji – Adalsteinn Helgason, Egill Helgi Árnason and Ingvar Júlíusson.

In February 2020, all except Gustavo were charged in a second case, known as the Fishcor case, along with the state-owned fishing company's chief executive officer, Mike Nghipunya as a co-accused. In the Fishcor case the six accused are charged with counts of corruption, fraud and money laundering. The charges stem from allegations that two Icelandic-owned companies, which were given access to horse mackerel quotas allocated to Fishcor, paid N$75.6 million that was meant for the state-owned company to Hatuikulipi, who was the chairperson of Fishcor's board of directors, Shanghala, Nghipunya and Esau or to entities of their choice between August 2014 and December 2019. The State is also alleging that all six of the accused defrauded Fishcor or the Namibian government by channelling N$75.6 million to themselves or entities of their choice. The two cases, which were merged in 2021, are expected to come to trial in late 2022.

The Fishrot scandal is the greatest test of Namibia's institutions since Independence – its courts, the Prosecutor General and the Anti-Corruption Commission. President Geingob's lawyer Sisa Namandje has also been implicated in the scandal but has denied any impropriety. More widely, it remains to be seen whether the case will change the opaque and secretive nature of the fishing industry and Government's policies towards it and licencing in other sectors too. There is also a danger of a backlash against foreign investors which Namibia desperately needs. Hopefully the right lesson will be learnt, that the wrong policy environment attracts the wrong kind of investors. If Namibian institutions prove their worth, the Fishrot scandal might yet bring about some good.

The tables below provide a comprehensive list of current right holders in all the species for which rights are granted.

TABLE 7.2

Fishing Rights Holders as of 2015[26] and 2020

2015	
Controlled Species	**Rights Holder**
Demersal Hake (50)	Agatha Bay Fishing
	Ark Fishing Industries
	Atab Fisheries Consortium
	Aluta Marine Fishing
	Alumni Fishing
	Benguella Sea Products
	Cadilu Fishing
	Compass Investments
	Consortium Fisheries
	Diaz Fishing
	Ehanga Holdings
	Empire Fishing Company
	Ekikimbo Fishing
	Escalate Investment
	Demersal Fishing
	Fidcoh Joint Venture
	Green Rose Trading
	Hatutungu Fishing Company
	Helgoland Fishing Company
	Huab Fishing
	Karee Investments Forty Seven
	Kumwe Fishing
	Kuiseb Fish Products
	Lalandii Holdings
	Marco Fishing
	Morcar Fishing
	Mbashe Fishing
	Mekarilakha Fishing
	Namboty Group of Companies
	Token Fishing
	Tunacor Fisheries
	Namibia Marine Resources
	Namibian Fishermen Association
	National Fishing Corporation

2020	
Controlled Species	**Rights Holder - New Entrants**
Demersal Hake	1. Hakexellent Fishing (Pty) Ltd
	Eendume Domomufitu Fishing (Pty) Ltd
	Oshiwana Penduka Marine Products cc
	Namibian Hake Fishing (Pty) Ltd
	Tswaragano Fishing (Pty) Ltd
	Dakaza Fishing (Pty) Ltd
	2. Kanbosawu Fishing (Pty) Ltd
	/Khanigobes Fishing (Pty) Ltd
	Boat & Catrol Fishing Company (Pty) Ltd
	Sulainman Fishing Enterprises (Pty) Ltd
	Abagus Fishing (Pty) Ltd
	Women Folk Fishing (Pty) Ltd
	3. Nam Biscay Fishing (Pty) Ltd
	Hashem Investment (Pty) Ltd
	Hipo Isle Fishing (Pty) Ltd
	/Haihab Fishing (Pty) Ltd
	Khan Seafood Processors (Pty) Ltd
	Trilliant Investment cc
	4. Tonor Fishing (Pty) Ltd
	Ombara Fishing (Pty) Ltd
	Runone Women Investment (Pty) Ltd
	Trovac Fishing (Pty) Ltd
	Otjomavare Fishing Enterprises (Pty) Ltd
	Namhook Holding (Pty) Ltd
	5. Spreader Fishing (Pty) Ltd
	Greatland Investment cc
	Swakopmund DRC Women Empowerment Fishing cc
	Noble Fishing (Pty) Ltd
	Mefuta Enterprises (Pty) Ltd
	Mega Catch Fishing (Pty) Ltd

[26] Based on the MFMR's 2013 Directory, Holders of the rights of exploitation for commercial fishing

	Nautilus Fishing Industries	
	Neoplan Fishing and Marine Products	6. Noros Fishing (Pty) Ltd
	Novanam Fishing Industries of Namibia	Noonga Fishing (Pty) Ltd
	Oceans Gate Investment	One Basket Investment (Pty) Ltd
	Ombaye Fishing	Sancom Investment Fishing cc
	Omaru Fishing	Red Sand Fishing (Pty) Ltd
	Omankete Investments	Ongete Fishing (Pty) Ltd
	Omuhuka Holdings	
	Ompagona Fishing Company	7. Zeskk Fishing Group (Pty) Ltd
	Oryx Fisheries	Zawe Fishing (Pty) Ltd
	Osona Fishing Company	Searich Investment (Pty) Ltd
	Overberg Fishing Company	Kuzam Investment (Pty) Ltd
	Ozohi Fishing	Emancipate Investment (Pty) Ltd
	Southern Namibia Hake Fishing Association	Karibu Fishing (Pty) Ltd
	The Rainbow Fishing Company	
	Walvis Bay Small Boat Owners Association	8. Beliphasiwa Fishing (Pty) Ltd
Demersal Monk and Sole (13)	Belinda Fishing Namibia	Bethesda Fishing (Pty) Ltd
	Caltop Investments	Linyenga Fishing Marine Group (Pty) Ltd
	Frebeca Fishing	Phaline Trading Group (Pty) Ltd
	Gazania Investments 170	Sankara Fishing (Pty) Ltd
	Helgoland Fishing Company	Wavena Fishing and Processing (Pty) Ltd
	Itungwehe Fishing	
	Milestone Fishing Enterprises	9. Newgrounds Fishing (Pty) Ltd
	National Fishing Corporation	Athwart Investment (Pty) Ltd
	Nexus Fishing Company	Blue Aqua Ten Investments (Pty) Ltd
	Overberg Fishing Company	Ditsa Baseri Fishing (Pty) Ltd
	Oviwana Fishing	Laridae Investments (Pty) Ltd
	Twafika Fishing Enterprises	Prime Genesis (Pty) Ltd
	Voorbok Fishing Company	
Linefish: Skiboats (6)	Artisanal Fishing Association	10. Beki Kumata Holding (Pty) Ltd
	Oshatu Fishing	Betusace Investment (Pty) Ltd
	Western Fishing	Kilifi Fishing (Pty) Ltd
	Hanganeni Association	Kuhuga Holdings (Pty) Ltd
	M Leippert	Maritime Enterprises (Pty) Ltd
	JD van Heerden	Tamovi Investment (Pty) Ltd
Larger Linefish Vessels (14)	AJ Almacin	
	Elvando Fishing	11. Kekaritz Fishing (Pty) Ltd
	Fox Fishing Company	Ketameko Fishing (Pty) Ltd
	Freddie Visserye	Kai Dab Fishing (Pty) Ltd
	Helifax Fishing	S.S. M.M. Investment (Pty) Ltd
	Heron Fishing	Hallie Investments Number 3220 (Pty) Ltd
	Kandi Fishing Company	Walvis and Luderitz Fishing (Pty) Ltd
	Kowloon Fishing Company	

	MP Nash		12. Thalassic Fishing (Pty) Ltd
	Mjito Fisheries Joint Venture		AEG Fishing (Pty) Ltd
	Namibian Snoek Supplies		Oslo Trading (Pty) Ltd
	Terona Fishing		Abuche Investment (Pty) Ltd
	Ocean Adventures Fishing		Cidalia's Investments (Pty) Ltd
	Trip Seamount Fishing		Greendoor Investment 20 (Pty) Ltd
Midwater Trawl - Horse Mackerel (22)	Arechanab Fishing		
	Atlantic Harvesters of Namibia	Horse Mackerel	1. TOMP-Global Fishing (Pty) Ltd
	Atlantic Sea Products		TOV Investment (Pty) Ltd
	Camoposatu Investment		Oranje Cultural Fishing (Pty) Ltd
	Cerocic		Mbunza Fishing (Pty) Ltd
	Diaz Fishing Company		Global Innovation Fishing (Pty) Ltd
	Emeritus Fishing		Pental Fishing (Pty) Ltd
	Erongo Sea Products		Global Fishing Enterprises (Pty) Ltd
	Gazania Investment 179		
	Gendev of Namibia		2. Rukatuka Investment (Pty) Ltd
	Hefdy Group of Companies		Kaza Fishing (Pty) Ltd
	Joka Two Fishing JV		Tulikwateseni Fishing (Pty) Ltd
	Kuiseb Fish Enterprises		Kamakupa Fishing (Pty) Ltd
	Mack Fishing		Ruguru Investment (Pty) Ltd
	Mediva Fisheries		Hompa Fishing (Pty) Ltd
	Namsov Fishing Enterprises		
	Omualu Fishing		3. SMEDT Alliance Fishing (Pty) Ltd
	Ongwe Fishing		Mindvalley Investment Group (Pty) Ltd
	Sinco Investment 27		Daures United Fishing (Pty) Ltd
	SPOTO Fishing ex Karee Investment 48		
	Yukor Fishing JV		4. Calmo Marine (Pty) Ltd
	Venier Investment		ABF Fishing (Pty) Ltd
Red Crab (7)	Amstai		Catchnet Marine (Pty) Ltd
	Aquamarine Fishing of Namibia		Leverage Fishing (Pty) Ltd
	Kalapuse General Dealer		Moza Fishing (Pty) Ltd
	Kenmacri Investments		Ombuumbuu Investment (Pty) Ltd
	Tukondja Trading Enterprises		Etala Investment (Pty) Ltd
	Noordburg Seafood Processors		TG Twelve Premier Fishing (Pty) Ltd
	Oshimada Fishing		
Rock Lobster (21)	Atushe Lobster Company		5. Ketwa Holdings (Pty) Ltd
	Seaflower Lobster Corporation		Kepata Fishing (Pty) Ltd
	Aloe Fishing Company		Twavaza Trading (Pty) Ltd
	S Andrews		EDDD Investment (Pty) Ltd
	Blomeha Fishing		West Atlantic Prime Fishing (Pty)
	Ekwato Fishing		AMRUH Fishing (Pty) Ltd
	Epoko Fishing Company		
	Golden Horizon Fishing JVC		6. Bezzi Fishing (Pty) Ltd

	Ka-Wohl Fishing Enterprises	Eshito Fishing (Pty) Ltd
	Langusta Fishing Company	Bukalo Zambezi Fishing Enterprises (Pty) Ltd
	JA Lawrence	ISWE Fishing (Pty) Ltd
	Ludzcom Fishing	Zushwi Traders (Pty) Ltd
	Luderitz Fishermen Trust	Zavet Fishing (Pty) Ltd
	Luderitz Pioneers	
	Martin's Den Fisheries	7. Jurel Shoal Fishing (Pty) Ltd
	Omulonga Fishing Company	Jodari Bay Investment (Pty) Ltd
	A Plaatjie	Namib Sand Fishing (Pty) Ltd
	PRIM Fishing	Golden Fin Fishing Master Group (Pty) Ltd
	R&FO Fishing	Homba Fishing (Pty) Ltd
	RPMG Fishing	Wato Trading Enterprises (Pty) Ltd
	JA Schroeter	
Small-Scale Operators (4)	D Shoombe	8. Tulip-Nam Fishing (Pty) Ltd
	Shoremilkol	Tumelo Fishing Investment
	RI van Ast	Topcatch Fishing Group (Pty) Ltd
	D Victor	Uukwandongo Fishing (Pty) Ltd
Small Pelagic – Pilchard (22)	Buccaneer Fishing Company	Earthly Foods (Pty) Ltd
	AC van Dyk Coenrad	Socio Partners Investment (Pty) Ltd
	Consortium Fisheries	
	Dun-Al Fishing	9. Otonaka Fishing (Pty) Ltd
	Meyiga Fishing Industries	Ombua Ya Kandokojo
	Auob-Eigelaar Joint Venture	TC Holdings (Pty) Ltd
	Etosha Fishing Corporation	Omburo Fishing (Pty) Ltd
	GENMIR Marine Resources	Nadusa Fishing Group (Pty) Ltd
	Henties Bay People Fishing	Kaitoro Fishing (Pty) Ltd
	Hesko Fisheries Windhoek	
	Champion Ladies Fishing Company	10. Blue-Pann Fishing (Pty) Ltd
	Marine Development Company	Ngwena Marine Resources (Pty) Ltd
	Matutura Fishing Company	P.P.I. Investment (Pty) Ltd
	Mukorob Fishing	N.N.I. Investment (Pty) Ltd
	Namib Fisheries	Amanas Investment (Pty) Ltd
	!OE#GAB Fishing Enterprises	Blue Pearl Fishing (Pty) Ltd
	Oshakati Fishing	
	Sarusas Development	Demersal Monk 1. Etango Lapita Fishing (Pty) Ltd
	Silence Holdings	2. Twagongala Fishing (Pty) Ltd
	JMC Theart	3. Loketo Investment (Pty) Ltd
	Okahulo Fisheries	4. Favor Fishing Company (Pty) Ltd
	Otjiwanda Fishing	5. Shivco Trading Cc
Large Pelagic (26)	3G Investment	
	African American Trading Company	Large Pelagic 1. Hoada-di Marine Fishing (Pty) Ltd
	Agatha Bay Fishing	2. Yamukula Investment Cc
	Khoi-Khoi Enterprises	3. Nampride Fishing (Pty) Ltd

	Marine Corporation (Namibia)
	Namibia Marine Products
	Namibia Seafood Industries
	Blomeha Fishing
	Epupa Fishing
	National Fishing Corporation
	Ondjaba Fisheries
	Possessions Fishing
	National Pelagic Industries
	Oshazinga GRD Joint Venture
	Namibian Tuna Fishing
	Gongala Fishing Joint Venture
	Hoadadi Fishing JV
	Namibia Marine Products Sashimi
	Namibia Sea Food Industries Sashimi
	ManMar Investment 75
	Mercury Tuna Corporation
	Khoisan Fishing
	Premier Development Fishing
	OFO Fishing Enterprises
	Tuna 3 Fishing
	Wirlu Investment 142
Seals (8)	Seal Products
	Namibia Venison
	Cape Cross Seals
	Okakaverua Seafoods
	Keepsafe Investment
	Queen Kaleinasho Company
	The Great Karas Seals
Orange Roughy and Alfonsino (5)	Uukumwe Youth Empowerment Consortium
	Atlantic Sea Products
	Consortium Fisheries
	Continental Deep Sea Fishing
	Gendor Fishing
	Glomar Fisheries
Guano (3)	Namibia Guano Islands
	Jatuhill Investment Holdings
	Local and Global Entrepreneurship
Seaweed (2)	Oponono Fishing
	Wilru Investments Eighty

	4. Sentosa Fishing (Pty) Ltd
	5. Tidle Wave Investment 155 (Pty) Ltd
	6. Bahari Fishing (Pty) Ltd
Line Fish	1. Chief Cornerstone Fishing (Pty) Ltd
	2. Reels Hook Fishing Namibia (Pty) Ltd
	3. Wayama Agri-fishing (Pty) Ltd
	4. Anikab Fishing (Pty) Ltd
	5. Legatum Investment (Pty) Ltd
	6. Privea Trading (Pty) Ltd
	7. L.Y.G Fishing (Pty) Ltd
Rock Lobster	1. Etango Lapita Fishing Cc
	2. Khumo Ya Rona Ke Fishing (Pty) Ltd
	3. Kate Holding (Pty) Ltd
	4. Okankolo Fishing (Pty) Ltd
	5. Picta Fishing (Pty) Ltd
	6. Ocean Line Fishing (Pty) Ltd
	7. Otjikaambuti Fishing (Pty) Ltd
	8. Ovahimba Fishing (Pty) Ltd
	9. Bakgalgadi Fishing (Pty) Ltd
	10. Ganbrou Fishing (Pty) Ltd
	11. Southern Tropical Fishing (Pty) Ltd
	13. Namib Trawling (Pty) Ltd
	14. Namibia Women Fishing Company (Pty) Ltd
	15. Rock Lobster (Pty) Ltd
Crab	1. Ocean Masters Fishing (Pty) Ltd
	2. Abyssal Plain Fishing (Pty) Ltd
	3. Bornfree Fishing (Pty) Ltd
	4. Kehna Investment (Pty) Ltd
	5.Namibia Red Crab Fishing (Pty) Ltd
Seals	1. Keepsafe Investment cc
	2. Queen Kaleinasho co.(Pty) Ltd
	3. The Great Karas Seals cc
	4. Uukumwe Youth Empowerment Consortium (Pty) Ltd
Seaweed	5. Name missing
	6. Oponono Fishing (Pty) Ltd
	7. Wilru Investments Eighty (Pty) Ltd
Guano	8. Jatuhill Investment Holdings (Pty) Ltd
	9. Local and Global Entrepreneurship cc

Source: MFMR

This 2015 and 2020 table provided by the MFMR represents the most comprehensive list of companies directly involved in exploiting Namibia's marine resources. However, there is no easily accessible database on who owns these companies or the links they may have to each other. One source of more detailed information on Namibia's fishing industry was the Fishing Industry Handbook for South Africa, Namibia and Mozambique[27]. This publication, which has been used as far as possible to supplement the information provided by the MFMR, was last issued in 2012 and does not provide a comprehensive account of ownership. The industry as a whole is completely opaque and secretive as are the criteria used to allocate rights.

It is important to note that the number of right holders appears large compared to the size of the resource. The rationale for this is that a larger number of smaller right holders enables greater involvement in the industry by Namibians, especially previously disadvantaged Namibians. The cost of meaningful participation in the industry, which is capital intensive and highly risky, is already high. If policy had opted to grant fewer but larger rights, Namibian participation by newcomers would have been rendered all but impossible. Nevertheless, the increasing number of right-holders (and the jump from 155 to 338 in 2012) leads to continuously smaller quota allocations, which made it difficult for established industry players to maintain their operations at pre-2012 levels and to fish in an economically viable way. Understandably therefore, many of the established operations awaited the outcome of the allocation of new rights in 2018 with some trepidation. The process of allocation was interrupted by Fishrot and no official list of new quota holders had been published by the end of 2020.

Government owns one operational fishing entity called the National Fishing Corporation (Fishcor), whose operational arms are Seaflower White Fish and Seaflower Lobster companies. In commercial terms, these companies have not historically been particularly successful[28] but allowed Government to keep its promise of "retaining low-key involvement in the operational parts of the sector" according to the White Paper[29].

The most important operations with onshore factories processing pelagic, mid-water, demersal and deep-water fish can be best viewed by a physical inspection of Walvis Bay and Lüderitz. Most of the onshore fish processing industry is based in Walvis Bay with only NovaNam, Seaflower White Fish (Fishcor) and the much smaller Marco Fishing in Lüderitz. One of the largest onshore seafood processors, Seawork, is unusual in that it is not a right holder itself.

Marine Species

Namibia's 200 nautical miles Exclusive Economic Zone (EEZ) has a biomass containing about 20 different species. Out of the 20 species commercially exploited in Namibia, eight species are regulated through Total Allowable Catches (TACs), set by the MFMR annually, in accordance with Namibia's Marine Resource Policy towards Responsible Development and Management of the Marine Resources Sector. These are pilchard, hake, horse mackerel, crab, rock lobster, juvenile horse mackerel, orange roughy and monk.

For the local fisheries, the most important species are hake and horse mackerel. According to data on landed fish, horse mackerel accounts for the largest fishery by volume. In contrast, hake is the most important fish species according to value and employment generation. Whereas hake contributed to an average N$3.8 billion per annum between 2010-2019, horse mackerel accounted for N$ 2.5 billion in the same period. The local hake industry further accounts for roughly 70 percent of the employment created by all Namibia's fisheries combined.

[27] *Fishing Industry Handbook: South Africa, Namibia and Mozambique* 40th edition 2012, George Warman Publications
[28] According to New Era, Fishcor struggled financially in 2014 and had to be bailed out by the government. Fishcor received a 10,000 metric tonne horse mackerel fishing quota, which it could sell onto other companies. The company itself only possesses hake fishing rights. https://www.newera.com.na/2015/07/31/fishcor-sailing-namibias-troubled-waters/
[29] Section 3.3.1 of the White Paper adds "however, any company in which the State has a direct interest would be expected to compete with other companies on a normal commercial basis."

Harvesting oysters at Walvis Bay

Following variations in the recorded biomass for hake, TACs for hake were subject to large fluctuations of up to 50 percent in past years, with allocations ranging from 130,000 to 210,000 metric tonnes making it difficult for the fisheries to plan their operations. TACs for horse mackerel were steadier over the last years but showing a steady downward trend. Over the last five seasons, the total allowable catch for horse mackerel has not been realised by a significant margin.

Thanks to generally well managed TACs, the state of Namibia's fish stocks has generally been stable with the exception of orange roughy, crayfish and pilchards. For the main industry species, however, both landings and sizes have been good over the past few years. The catch per unit effort in both horse mackerel and hake has been extremely high over the past two years, signifying healthy and well managed fish stocks. The monk fishery is similarly healthy, with similarly favourable catch rates. The lobster industry has performed poorly for a number of years but a notable recovery was seen in 2014/15. It is currently unclear what prompted this recovery or if it will be sustained.

Pilchard stocks remain a concern to the industry. The pilchard population was seriously reduced due to negative environmental conditions, known as the Benguela Nino, in 1993 and 1995 as well as due to massive overfishing in the period prior to Namibian independence. This resource has never recovered from this overfishing and as such only very minor quotas have been assigned in some years, just to keep the fishery open and industry players ticking over. During the past three years a TACs of zero has been set for pilchard to allow stocks to recover.

Pelagic

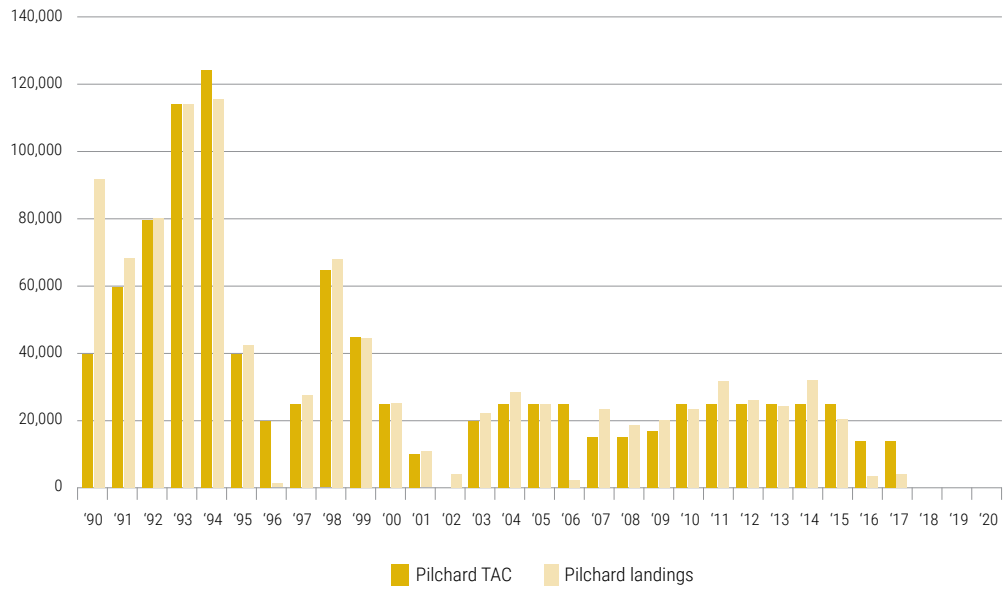
The small pelagic fishery refers to the part of the industry that catches and processes species of fish living near the surface of the ocean, primarily pilchards, anchovy, and immature horse mackerel. These fish are caught using the purse-seine fishing method which involves using nets to encircle large groups of fish and then hauling the net on board. The fishing season generally runs from April to August each year. Small pelagic fish are either ground up for fishmeal and fish oil or, if they are of sufficient quality, they are canned in Walvis Bay.

Pilchard surveys were conducted regularly since 1990 with two surveys currently being undertaken each year, usually in March and October. Ever since the 1960s pilchard landings have drastically declined, decreasing from over 800,000 tonnes in 1968 to less than 4,000 tonnes in 2017. Both TACs and landings rose slightly after Independence to around 100,000 tonnes but then collapsed again in the mid-1990s. Following the sharp reduction in the pilchard TACs in 1995, Namibian vessels started catching pilchards in Angolan waters.

By 1996, however, these amounted to little more than 3,000 tonnes and were not sufficient to make up for the drastic scarcity of pelagic fish in Namibian waters. After staging something of a recovery during the subsequent two years, the TACs was reduced to zero in 2002 with pilchard landings resulting purely due to by-catches. Although TACs were set for many years after that, since 2018 a complete moratorium has been in place. To limit pilchard by-catches by the mid-water fleet, the MFMR has generally prohibited trawling in waters shallower than 200 metres. The perplexing performance of pilchard stocks has held back the growth of onshore processing since prior to the collapse in fish stocks, the production of canned pilchards and fish oil and meal constituted the mainstay of the onshore industry.

CHART 7.1

Pilchard TACs and Landings (tonnes)



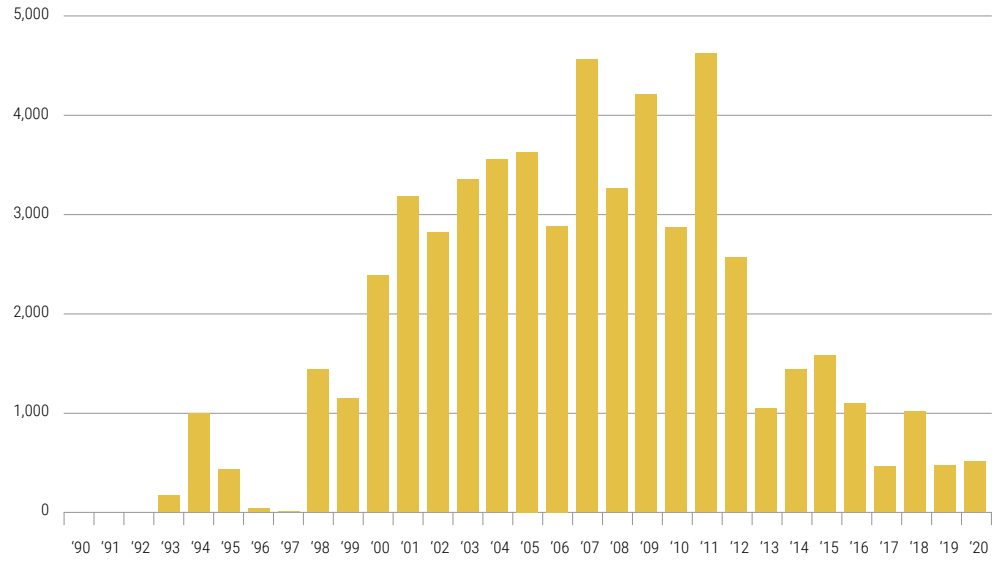
Source: MFMR

The heyday of pelagic industry seemed to be well and truly over and by the end of 2015 there were only two fish meal plants present owned by Etosha and United Fishing Enterprises. The South African Oceana Group[30] held a 44.9 percent stake in Etosha. Other shareholders were GIPF (30.27 percent), private individuals (4.19 percent) and Etosha employees (0.68 percent) as well as four right holders, which all-together held 19.96 percent in the company. United Fishing Enterprises was wholly owned by Namsov Fishing Enterprises[31] which was part of the Bidvest Group but was sold to the Tunacor Group in 2018.

[30] www.oceana.co.za
[31] www.namsov.com.na

CHART 7.2

Tuna Catches (tonnes)



Source: MFMR

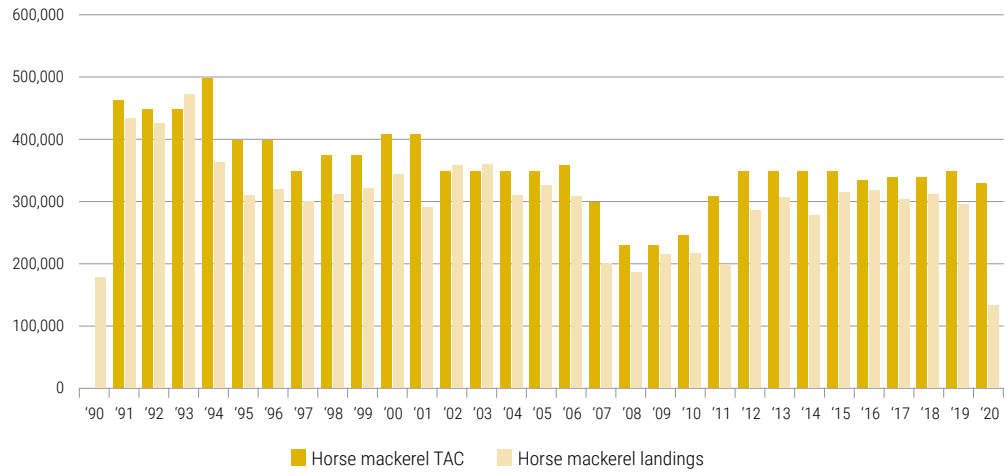
Large pelagic tuna fish has been targeted in Namibian waters since 1991 using two fishing methods, pole and long-lining. Pole tuna is used for canning, some of which has taken place in Walvis Bay, while long-line tuna fish is used for sashimi – raw fish which is a Japanese delicacy – and fetches three times the price of pole tuna. Growth in tuna catches rose rapidly from 1991 to 1994 but then fell. Landings started to rise again only from 1997 but peaked in 2007 after which catches have declined substantially. Long-lining, where fish are caught by dropping a long line with bait held by floats, has virtually completely given way to fishing with poles or rods. Canning of tuna fish in Walvis Bay took place between 1993 and 1997 but has since been discontinued. Namibian pole tuna is now canned abroad.

Mid-Water

The mid-water fishery consists of those fish that live at various levels between the seabed and the surface, overwhelmingly horse mackerel. Mid-water fish are caught by factory trawlers which use large nets to drag the fish up to the vessel where the fish are processed. The mid-water industry differs from the rest of the fishing industry in that it is still heavily reliant on chartered vessels. Those who possess fishing rights, the concession holders, charter mostly foreign-owned and registered mid-water trawlers and pay some 85 percent of the catch to the boat owner in return. Only a small number of quota holders actually own their boats. The fishing season runs from January to December. Mid-water horse mackerel is mainly frozen whole at sea but a small amount is dried onshore.

CHART 7.3

Horse Mackerel TACs and Landings (tonnes)



Source: MFMR

In terms of tonnage landed, the mid-water fishery is by far the largest part of the Namibian fishing industry. The TACs for horse mackerel declined steadily over the course of the 1990s and was considerably higher than landings for most of this time. The 1991 White Paper on Fisheries estimated that the long-term sustainable off-take of horse mackerel was between 400,000 and 450,000 tonnes but current TACs and catches are well below that level and have come down further from 350,000 tonnes they reached for a while and landings have been consistently well below TACs. For many years the dominant player in the mid-water fishery was Namsov Fishing Enterprises which was owned through Bidvest Namibia by the Bidvest Group of South Africa[32]. However, following the reduction in its quota. Namsov's financial performance declined and it was eventually bought by the Tunacor Group in July 2018.

Demersal

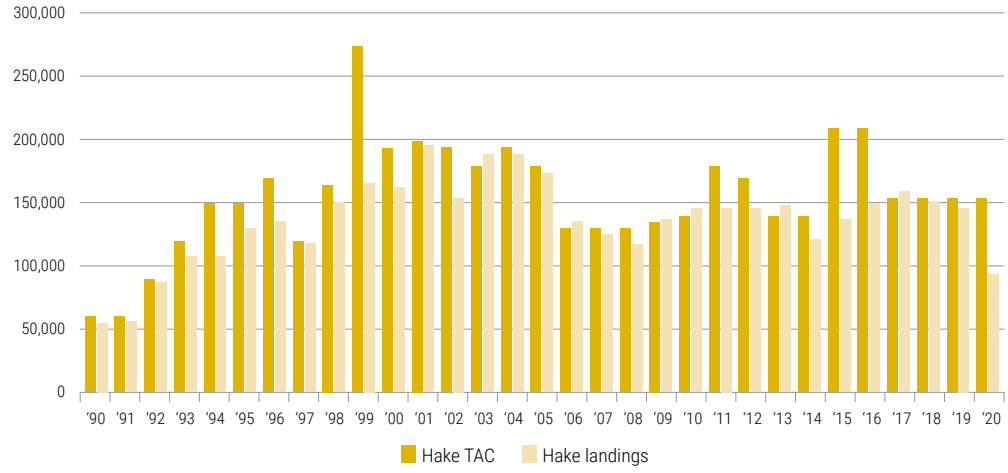
The demersal fishery involves the exploitation of species that live near or on the bottom of the sea. These are predominantly hake but include significant and growing quantities of monk and sole which are targeted by monk right holders but also caught in significant quantities as a by-catch by hake bottom trawlers. The hake season runs from May to April but in 2008 the month of October was declared an off-season period and fishing was prohibited to allow spawning to take place undisturbed. Demersal hake is caught by trawlers with nets or by long-lining and catches can either be frozen on board or landed wet for processing on shore and possibly for transport on ice by air to consumers. The annual hake quota of each right holder is divided into a wet quota (70 percent) and a freezer quota (30 percent) allocation so the division between frozen and wet fish is predetermined and monitored by the MFMR[33]. Larger fish are easier to land wet and process on shore so the industry and the MFMR is always alert to the proportion of larger fish caught. No demersal fish were landed wet at Independence and all processing of demersal fish took place offshore. The proportion of demersal fish landed wet has increased from a mere five percent in 1992 to 70 percent in recent seasons.

[32] www.bidvest.co.za

[33] For the 2013/14 season the split was a 98,000 ton wet against a 42,000 ton freezer allocation.

CHART 7.4

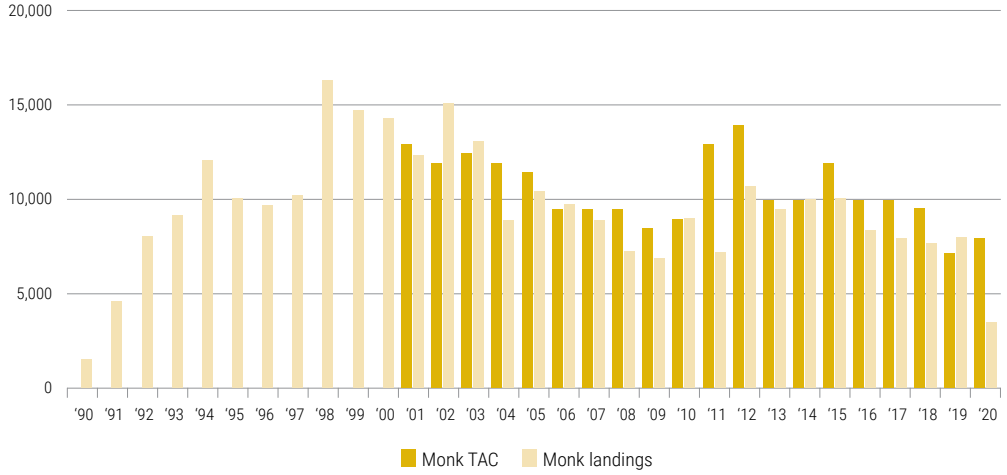
Hake TACs and Landings (tonnes)



Source: MFMR

CHART 7.5

Monk TACs and Landings (tonnes)



Source: MFMR

Hake TACs and landings rose steadily over the course of the first decade of Independence with the exception of 1997. Since 1999, when landings fell far short of the TACs, TACs and landings have declined somewhat but started to rise again after 2009 but this rise was not sustained and the TACs has stabilised at 154,000 in the past four years. Hake has certainly not achieved the potential some believed it was capable of several years ago[34]. The 1991 White Paper on Fisheries estimated that the long-term sustainable off-take of hake was between 250,000 and 300,000 tonnes a year. The industry is complex with many players.

[34] See, for example, "Namibia's Great White Hope", IPPR Briefing Paper No.7, August 2001

MAJOR OPERATING COMPANIES IN THE HAKE AND MONK FISHERIES

The table presents details of the major players in the hake and monk industry at the beginning of 2016. Most quota holders receive quotas for wet fish (to be processed on shore) and freezer fish (frozen on board) but certain companies specialise in freezer trawling. Some companies which don't own freezer trawlers nonetheless receive a freezer quota which they generally sell to companies with freezer trawlers for cash.

Trawling involves throwing large nets into the sea and dragging these nets until they are full of fish after which they are brought on board. Freezer trawling involves freezing the fish on board as soon as they are caught. Freezer trawlers can remain at sea until they are full. Wet fish trawlers, on the other hand, cannot go longer than eight to ten days before the quality of the fish caught (stored on ice) starts to deteriorate. Even then there is a discernible difference in quality between fish caught on the first and the last day out.

Long-lining involves laying lines typically 25 nautical miles long with 25,000 hooks each of which has been baited by hand. The line is laid overnight and winched in the morning. Vessels typically go out for five days and must keep the fish caught at a precise temperature so that their freshness is not compromised. Even then fish caught on different days fetch different prices in the market, a premium being paid for freshness, especially in Spain. There is an old debate about the relative labour intensity of trawling versus long-lining with long-lining thought to involve two to three times as much labour for every ton of fish caught. The best long-lining opportunities lie closer to Lüderitz which puts operators from Walvis Bay at a disadvantage given the extra day of sailing to and from the fishing grounds. Long-liners and trawlers compete for space at sea and trawlers have been known to cut lines of long-lining vessels.

Of all companies in the Namibian fish sector, only the Bidfish/Namsov group is listed on the stock-exchange. None of the other operating companies involved in hake or monk fishing are individually listed on a stock exchange and most are owned by a combination of individual shareholders backed by larger fishing companies, primarily family-owned and privately held companies from Spain. Some of these links are long-term while others are more flexible or opportunistic. The associations between fishing, fish processing and quota holding companies change from time to time. The trick has been for the operating companies to tie quota holders into long-term arrangements to secure fishing rights and a steady supply of raw fish to high fixed cost factories. The table shows the best available information on company groupings at the beginning of 2016. The information has mostly been gathered through personal interviews with industry players and updated where possible, as no other source of information was available.

TABLE 7.3

Major Operators in White Fish Industry in 2016

Group	Main Shareholders	Right Holders	Joint Venture Partners and Associations
Corvima (5 hake long-liners + 3 large pelagic long-liners)	Caladero SA José Luis Bastos	Agatha Bay Namibia Fishermen's Association	-
Pereira Fishing Co. (4 vessels)	-	Hatutungu Fishing Southern Nam. Hake Association Alumni Fishing Research Cuota Itungwehe	Blue Sea Fishing
Gendev Fishing Group Pty Ltd	Gendev Fishing Resources Pty Ltd Camoposato Investments (Pty) Ltd. Vernier Investments (Pty) Ltd. Eco Fish Processors (Pty) Ltd. Guinas Investments (Pty) Ltd. Suiderland Development Corporation Ltd. Dun-Al Fishing (Pty) Ltd Pelagic Fishing Enterprises (Pty) Ltd Liper Fishing (Pty) Ltd	For Horse Mackerel: Gendev Fishing Resources (Pty) Ltd Vernier Investments (Pty) Ltd Camoposato Investments (Pty) Ltd For Pelagic: Dun-Al (Pty) Ltd Genmir Marine Resources (Pty) Ltd Silence Holdings (Pty) Ltd Champion Ladies (Pty) Ltd	Horse Mackerel: Hodago Fishing (Pty) Ltd (Comprised of Gendev Fishing Resources (Pty) Ltd 45% & Kuiseb Fishing Enterprises (Pty) Ltd 45% & Venmar Fishing (Pty) Ltd 10%)
Iberconsa/ Ivo de Gouveia Family Trust (IGFT) (5 wet trawlers, 2 freezer trawlers, 2 Monk trawlers)	Iberconsa IGFT Rainbow Fishing Ark Fishing Cadilu Fishing (20%) Ompagona Overberg	Rainbow Fishing Ark Fishing Cadilu Fishing Ompagona Fishing Overberg Fishing Southern Nam. Hake Association	Aluta Marine Fishing Semoy Fishing W/Bay S.B.O. Ass. Namboty Ekikimbo Fishing Caltop

Group	Main Shareholders	Right Holders	Joint Venture Partners and Associations
Hangana (Eight wet-fish trawlers)	Ohlthaver & List	Consortium Fisheries Token Fishing Kuiseb Fishing	-
Pescanova (4 freezer trawlers + 11 wet-fish trawlers + 2 long-liners)	Broadbill Investment Partners Manuel Fernandez de Sousa Carolina Herrero Masaveu Damm (Spanish brewery)	Novanam Fishing Nautilus Fishing Kumwe Fishing Fidcoh Joint Venture Green Rose Trading Lalandii Holdings Omuhuka Fishing	Novanam
Fishcor (3 wet-fish vessels, 6 vessels for catching lobster)	Government	Fishcor	Seaflower White fish Seaflower Lobster
Frebeca Group (8 vessels)	Freddie Fish Processors (40%) Benguella Fishing Company & Caroline (60%)	Frebeca Milestone	-
Benguella Group (1 long-liner)	Ocean investments Dynamic Solutions Strategic Investments Benguella Staff Share Trust	Benguella Sea Products Benguella Fishing Company	-
Merlus (3 wet-fish trawlers, 3 Hake freezer trawlers, 4 Monk freezer trawlers, 1 long-liner, 1 crab vessel)	Diamantino Correia & Partners Julio Lloves & Partners	Helgoland Fishing Oryx Fisheries Epata/ Demersal Oviwana Fishing Nexus Fishing Kalapuse General Dealer cc Noordburg Seafood Processors	Mersonagate J.V (comprised of Oceans Gate Investment, Osona Fishing Company JCS and Merlus) Ehanga J.V. (comprised of Namcrab Fishing & Co., Noordburg Seafood Processors and Kalapuse General Dealer)

Group	Main Shareholders	Right Holders	Joint Venture Partners and Associations
Tunacor (5 wet-fish trawlers, three freezer trawlers)	Sidney Martin (from Beluga Fishing, 51%) Olavi Hamutumwa (Kaume Group, 49%)	Karibib (Tunacor Fishing) Empire Fishing Compass Investment Huab Fishing (Erongo) Ombaye Fishing (Namcoast) ATAB Fishing Namcost Fishing (Ombaye) Morcar Fishing Diaz Belinda Fishing Voorbrok Tumina	
Seawork Fish Processors (5 wet-fish trawlers)	Peter Pahl Chris Matte All-fish GmbH Pierre Marrais	Omankete Fishing Nam. Mar. Res. Omaru Consortium Escalate Investment Mbashe Fishing Green Rose Fishing	Omankete Nam. Mar. Res. Omaru Consortium Escalate Investment Mbashe Fish Co. Green Rose Fishing
Namsov (3 factory trawlers (plus 25% of a 4th), 3 purse-seiners, two oyster work boats, 2 purse-seiners for Fishing in Angola)	Bidfish (70%) Nam. Nam. Direct (30%) (including the Namsov Community Trust)	Horse Mackerel: Namsov Fishing Enterprises (100%) Trachurus Fishing (51%) Pelagic: NamSea (100%) Pesca Fresca (49%) Monk: Twafika Fishing (75.1%) Oyster: Tetelestai (100%)	Monk: Labour Investment Holdings (Pty) Limited (25%) Tunacor

1 **Corvima:** is a joint venture between José Luis Bastos and Spanish fishing company Caladero SA *(www.caladero.com)*. Corvima also operates hake long-lining wet-fish vessels and flies fresh fish to markets mainly in Europe. The managing director is José Luis Bastos.

2 **Pereia Fishing Co:** *(www.pereiraoceanproducts.co.za)* is a Spanish fishing company operating on three continents (Africa, Asia, South America) and owns the majority in Blue Sea Fishing. The fleet currently consists of four vessels, one of which it manages and operates on behalf of Omalulu Pty. Ltd. Pereira also has its own cold storage facility in Walvis Bay, with a capacity of 18,000 cubic metres, as well as a fully equipped quality control and sampling laboratory. Pereira Seafood Company employs approximately 130 staff. The managing director is Ignacio Gutierrez.

3 **Gendev Fishing Group:** *(www.gendevfishinggroup.com)* experienced restructuring with a change in leadership as well as shareholding. In 2015, Pau Iilonga was appointed chairperson of the group and Volker Paulsmeier was made CEO. The company became 72 percent Namibian-owned, with Gendeve Fishing Resources (Pty) Ltd, Guinas Investment (Pty) Ltd, Dun-Al Fishing (Pty) Ltd, Camoposato Investments (Pty) Ltd, Vernier Investments (Pty) Ltd and Eco Fish Processors (Pty) Ltd as shareholders. The group specialises in catching, canning, fishmeal processing and the marketing of pelagic products such as tinned pilchard and fishmeal. The hake operations are conducted in conjunction with Liper Fishing. However, they only account for a small portion of the business, whereas pelagic and horse mackerel constitute the bulk. Pioneering in on-shore value addition of horse mackerel, Namibia's first land-based horse-mackerel processing factory was set-up by Gendev and inaugurated in 2014. The group operates one long-liner for hake, two trawlers for horse mackerel and two purse seiners for pelagic fish. The group employs approximately 680 people for its horse mackerel operations and 125 for hake.

4 **Iberconsa:** *(www.iberconsa.es)* is a vertically integrated Spanish seafood company, which recently underwent shareholder changes, after Portobello Capital bought a majority stake in the company. Its fleet covers the coastal area of Argentina, Namibia and South Africa, with the main products being hake, squid and prawns. The company operates five wet-fish trawlers, two freezer and two monk trawlers in Namibia and is currently planning big investments to extending operations in Argentina and processing in Namibia. The Managing directors in Namibia are Ivo de Gouveia and José Luis Reyero. Ivo de Gouveia also owns majority stakes in Rainbow Fishing, Etosha, Gendev, Namsov, Cato Holding and Overberg. One major right- and share-holder of the group is Cadilu Fishing, a company formed in 2000 as a 50:50 joint venture between Spanish fishing company Eduardo Vieira SA and Ombaye, a group of Namibian shareholders. Cadilu Fishing owns four wet-fish trawlers and has substantial wet-fish processing operations in Walvis Bay, selling to markets around the world including Australia, the US, Malaysia, Sweden and Spain.

5 **Hangana Seafood:** is a subsidiary of the Ohlthaver & List Group *(www.ol.na)* and fully Namibian-owned. Hangana is the operating company for Consortium Fisheries Limited and Kuiseb Fish Products, both of which hold hake quotas. It is one of the leading employers in the Namibian hake industry with approximately 1,286 staff. It owns eight wet- fish trawlers and exploits a freezer quota with Merlus Group. The company has in recent years invested N$180 million in a state-of-the-art mechanised fish processing plant, newer trawlers, fuel-blending equipment and a new sorting and grading facility in Walvis Bay. It markets hake under its own Hangana brand in Namibia and under a variety of brands in supermarkets in Australia, France, Germany, Italy, the Netherlands, Spain, Portugal as well as the SADC region. After having served for several years as Financial and Operations Director for the company, Herman Theron was appointed Managing Director in 2012, following Hendrik van der Westhuizen.

6 **Pescanova:** *(www.pescanova.com)* is a Spanish fishing company, which operates in 21 countries with approximately 3,400 employees. The company owns a 40 percent share in NovaNam. The Spanish-Namibian joint venture operates 11 wet-fish trawlers, four freezer trawlers and two long-liners in Namibian waters. NovaNam has a major white fish processing operation in Lüderitz. It markets under its own brand exclusively in Spain. The managing director (of NovaNam) is Angel Tordesillas. Due to financial struggles, Pescanova applied for insolvency in 2013. Talks with Bidvest Namibia and Seawork about acquiring Tunacor, failed soon after. A year later and after major restructurings the company managed to exit bankruptcy.

7 **National Fishing Corporation:** *(www.seaflowergroup.com.na)* is a state-owned fishing entity based in Lüderitz, which is comprised of the operational companies Seaflower White Fish and Seaflower Lobster companies. It has a 100 percent share in the latter, whereas it holds a 78 percent stake in Seaflower White Fish (the governor's trust owns 22 percent). Seaflower Whitefish owns three wet fish trawlers and operates a fish processing factory in Lüderitz. It markets its products mainly to EU, South Africa and Namibia. It is also a 51 percent shareholder in Seacope Freezer Fishing (Pty) Ltd which catches Seaflower's freezer quota with a Spanish-registered freezer trawler Pemba Bay. Fishcor, as per its founding Act[35[1]], has statutory fishing rights in all fisheries. In 2014 Fishcor faced financial struggles, mainly due to vessel problems, and was bailed out by the Government through the allocation of quotas, which the company then sold on to other companies. Fishcor's CEO, Mike Nghipunya, was arrested in early 2020 as part of the fallout from the Fishrot scandal and was dismissed from his post in November 2020.

8 **Frebeca Group:** is the only company which has completely specialised on Monk Fishing in Namibia. The group owns eight vessels of which it currently operates six trawlers. Caroline is a sister company of Benguella Fishing company and together they both hold a 60 percent stake in Frebeca. Freddie Fish owns the remaining 40 percent. The Managing Director of Frebeca is Wayne Hart.

[35[1]] National Fishing Corporation of Namibia Act, 1991

9 **Benguella Group:** is currently comprised of Benguella Sea Products (the operating company, which is involved in Hake fishing) and Benguella Fishing Company (involved in Monk Fishing via the Frebeca Group). After lower quota allocations in recent years, the company had to scale its operations down. It is currently operating one long-liner and employs 88 people. The company mainly exports Hake to Spain, Namibia and South Africa and ships Monk to primarily Italy, France and Spain. The general manager of the group is Andries Olivier.

10 **Merlus Group:** is a joint venture between the Managing Director Diamantino Correia and other individuals. The company operates three wet-fish, three Hake freezer trawlers, four Monk freezer trawlers, one long-liner as well as one crab vessel. Merlus holds Hake and Monk rights and quotas through wholly owned Helgoland Fishing and Oryx Fisheries. The company mainly sells into Europe but also into the Namibian and South African market. It specialises in reprocessing sea frozen fish on shore, packaging and selling under the Mascato brand through an exclusive marketing arrangement with Spanish supermarket chain Mercadona SA *(www.mercadona.es)*. Merlus currently employs around 700 people.

11 **Tunacor:** *(www.tunacor.com.na)* became a wholly-owned Namibian fishing company in 2014 after the Spanish fishing company Pescapuerta SA *(www.pescapuerta.com.)* sold its shares (49 percent) to the Namibian Kaume Group. Tunacor now officially constitutes the largest Namibian Fishing company. The Omaru Consortium, former right-holder of the Tunacor group, left the group in 2014/15 and now operates a joint venture with Seawork. Tunacor owns and operates five wet-fish trawlers and three freezer trawlers. The managing director is Antonio Mariño.

12 **Seawork Fish Processors:** *(www.seawork.com.na)* is Namibian-owned by local nationals Peter Pahl and Chris Matte, specializing in the catching, value adding and marketing of hake, with additional by-catches of monkfish and kingklip. Within the white fish industry, Seawork is an exception since it does not directly hold any fishing rights of its own, but exploits these with joint venture partners. The company deals exclusively with wet-fish processing, providing fishing and processing facilities to quota holders. It owns and operates five wet-fish trawlers and supplies its products to Europe as well as Australia, South Africa, and the USA. The company owns one onshore processing facility and has a 40 percent stake in another. The company currently employs approximately 1,500 local staff. Seawork is the main operating company of North Quay and is directed by Peter Pahl.

13 **Namsov:** was the main operating company under Bidfish and the dominant player in the mid-water fishery in Namibia. It was a large supplier of horse mackerel to countries in West Africa and the entire SADC region. Another, much smaller component of the business evolved around the fishing of monk, for which the company entered a joint venture with Tunacor. Namsov owned and operated one on-shore fish canning facility with a fishmeal plant for pilchards (United Fishing Enterprises), as well as an oyster factory and a R&D factory for horse mackerel. Following the MFMR's pledge to increase investments in Namibia and add more employment as well as value on-shore, Namsov investigated a major investment into an on-shore processing facility for horse mackerel. In 2015 the company employed around 500 employees. Managing director of the Namsov Group was Jan Arnold. In 2018 Namsov was bought by Tunacor after a controversial episode involving fishing quotas.

Deep Water

The deep-water fishery was new to Namibia and was pioneered by Andrew James and Gendor in the mid-1990s. It was based on two species that live at great depths in Namibian waters, orange roughy and alfonsino. Sophisticated techniques are required to fish at these depths and scientific knowledge about the species of fish remains far from complete. The orange roughy season lasted from May to the following April. Alfonsino is processed on board fishing vessels while orange roughy is processed on shore.

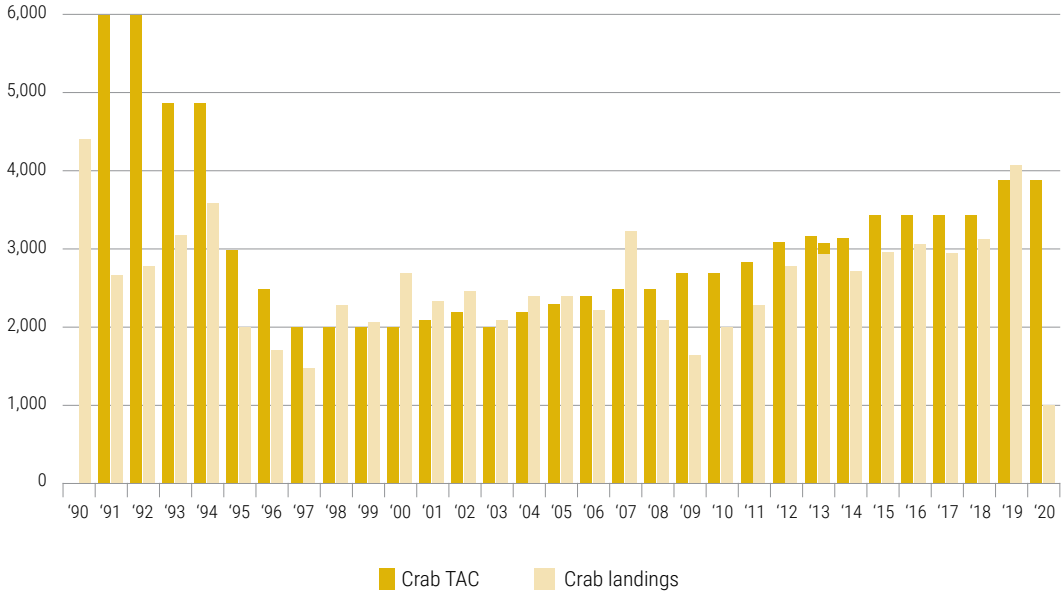
Because the state of knowledge of the new fishery was so limited, both alfonsino and orange roughy were subject to TACs. However, for alfonsino this occurred for only a single year 1997 when a TAC of 10,000 tonnes was imposed. Since then, however, alfonsino has become so scarce that it was no longer considered necessary to impose a TAC. The orange roughy TAC was first introduced in 1997 and set at 12,000 tonnes. It was gradually reduced as evidence accumulated that the species was unlikely to sustain harvesting at this level. The fortunes of Gendor, the company that pioneered orange roughy in Namibia, changed with changes in landings. Gendor listed on the NSX in November 1998. Following the acquisition of a majority share by Novanam in 2002 it finally delisted. A three-year moratorium on orange roughy was finally agreed between Government and industry in 2008.

Crustaceans

Crab is a resource shared with Angola so joint research surveys are conducted to assess the biomass of the total stock. Crab is shelled and frozen at sea. The first TACs for crab after Independence were far higher than the corresponding catches. Overoptimistic TACs continued to be a feature of the crab industry until 1998 when, for the first time, landings exceeded TACs. The crab TAC underwent a steady increase over the next two decades and in recent years landings have stabilised at around 3,000 tonnes a year. However, in 2020 landings dipped sharply.

CHART 7.6

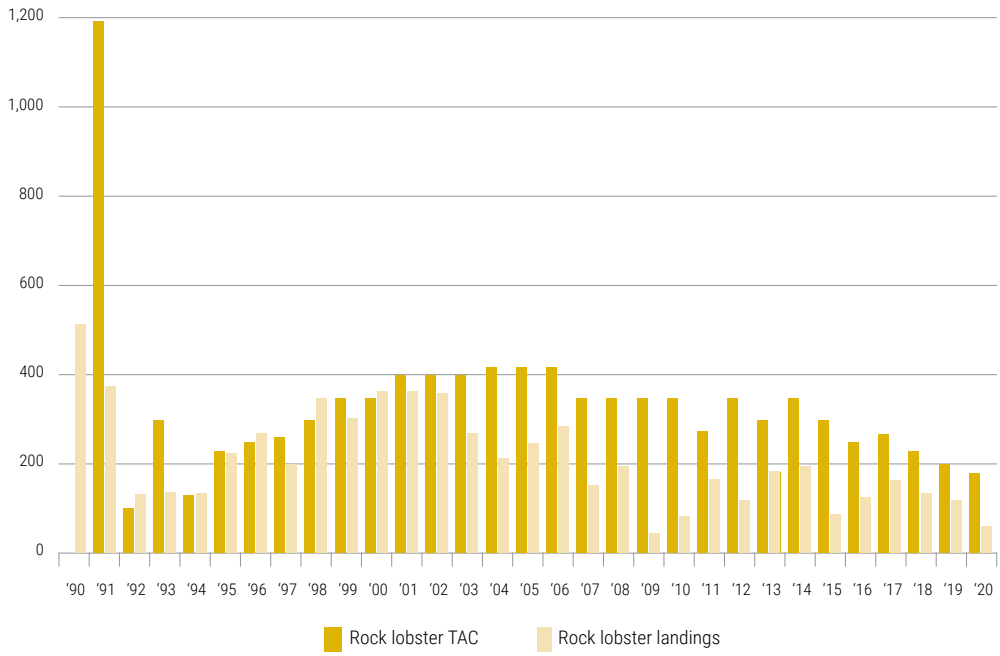
Crab TACs and Landings (tonnes)



Source: MFMR

CHART 7.7

Rock lobster TACs and Landings (tonnes)



Source: MFMR

Rock lobster is landed wet. Following the setting of an unrealistically high TACs for rock lobster in 1991, both TACs and landings grew but since the mid-2010s have steadily declined with landings falling well short of TACs in recent years.

Other Sea Products

Economically speaking, the pelagic, mid-water, demersal, deep-water, rock lobster and crab fisheries constitute by far the largest elements of Namibia's fishing industry. A number of other marine resources have been commercially exploited including guano, oysters, seals and seaweed. Guano was collected on Ichaboe Island in a way that kept the disturbance of the seabirds to a minimum and then cleaned processed and sold to the organic food production industry as fertilizer. Oysters were cultivated in baskets attached to oyster lines inland at Lüderitz, at the saltworks of Swakopmund and Walvis Bay and in the sheltered bay of Walvis Bay. All but the Walvis Bay saltworks cultivated the pacific oyster which is not indigenous to Namibia's coast. The oysters were sold fresh to local restaurants and increasingly exported overseas although the EU and US markets will remain out of bounds until the required health regulations can be satisfied. Seals are harvested at Cape Cross and at Wolf and Atlas Bay for fur, meat and fat. The culling is limited by quotas on the harvesting of bulls and pups. Two species of seaweed or kelp were allowed to be collected. Together these products have never contributed more than two percent to the total value added of the fishing industry. The quantities harvested are shown in the table in tonnes with the exception of seals which are measured by the number of seals culled. Separate figures for guano and oysters have not been published by MFMR since 2001 and seaweed is also no longer published.

TABLE 7.4

Other Marine Products (in tonnes apart from seals)

Year	Guano	Oysters	Seals	Seaweed
1990	4,130	-	9,501	-
1991	4,130	-	17,325	-
1992	4,130	-	23,400	-
1993	4,130	-	35,730	226
1994	4,130	1,553	37,853	175
1995	4,130	60	20,450	799
1996	4,130	62	16,908	936
1997	4,104	50	25,783	851
1998	4,078	37	29,475	897
1999	4,052	25	25,161	660
2000	4,026	12	41,753	829
2001	n/a	n/a	44,223	800
2002	n/a	n/a	40,000	500
2003	n/a	n/a	34,000	288
2004	n/a	n/a	31,971	n/a
2005	n/a	n/a	64,167	n/a
2006	n/a	n/a	83,047	n/a
2007	n/a	n/a	34,728	n/a
2008	n/a	n/a	47,603	n/a
2009	n/a	n/a	41,145	n/a
2010	n/a	n/a	67,799	n/a
2011	n/a	n/a	67,764	n/a
2012	n/a	n/a	57,880	n/a
2013	n/a	n/a	-	n/a
2014	n/a	n/a	28,733	n/a
2015	n/a	n/a	36,289	n/a
2016	n/a	n/a	21,154	n/a
2017	n/a	n/a	10,565	n/a
2018	n/a	n/a	20,419	n/a
2019	n/a	n/a	13,527	n/a
2020	-	-	-	-

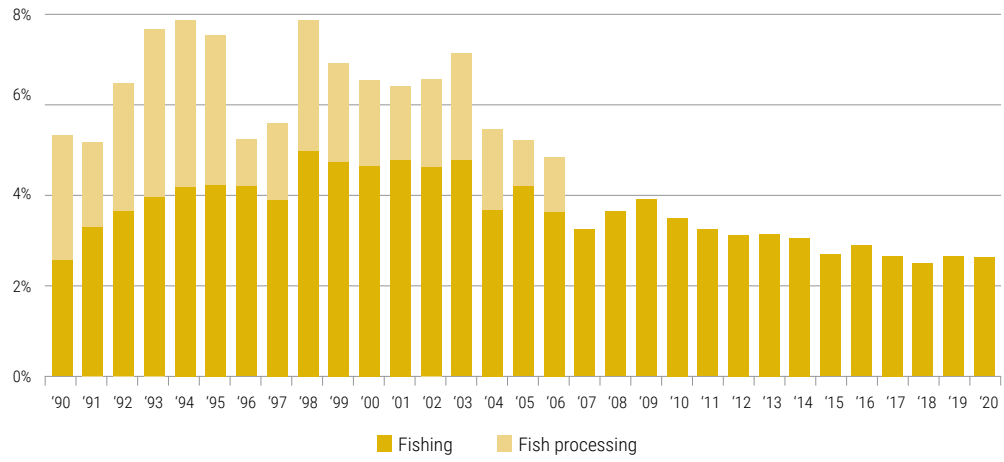
Source: MFMR

Economic Performance

The fishing industry in Namibia makes an important contribution to the country's economy. According to the MFMR, in 2019 the fishing industry landed 485,927 tonnes of fish consisting of 81,882 tonnes of unprocessed fish and 404,044 tonnes which had been processed on board with a total landed value of N$10.898 billion. After processing on shore the final value was estimated at N$11.688 billion. It is not clear how accurate these numbers are. Estimates of value added are found in Namibia's national accounts where value added is calculated separately for "fishing" and for "fish processing on shore". However, data for fish processing on shore was dropped in 2013 and is no longer separately identified which is a shame. Nonetheless it can be seen that the fishing sector's contribution towards GDP has suffered a steady decline since around the turn of the century reflecting the generally lower TACs and landings documented elsewhere.

CHART 7.8

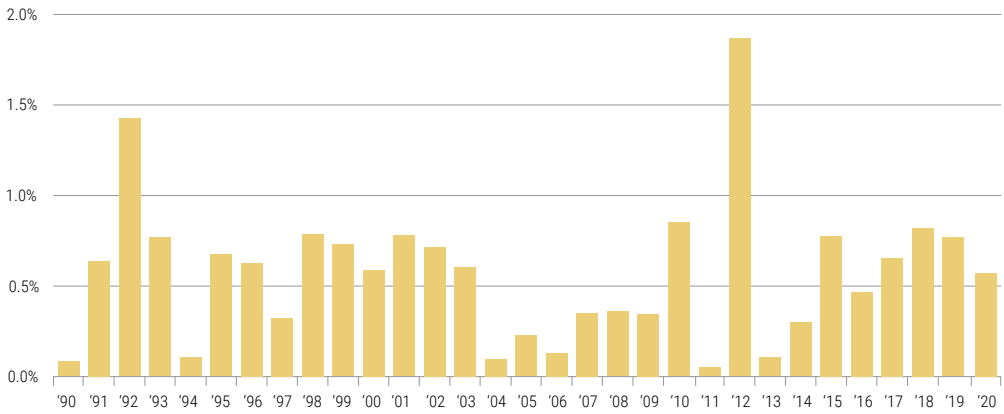
Contribution of Fishing to GDP



Source: NSA

CHART 7.9

Investment in Fishing (Percentage of GDP)



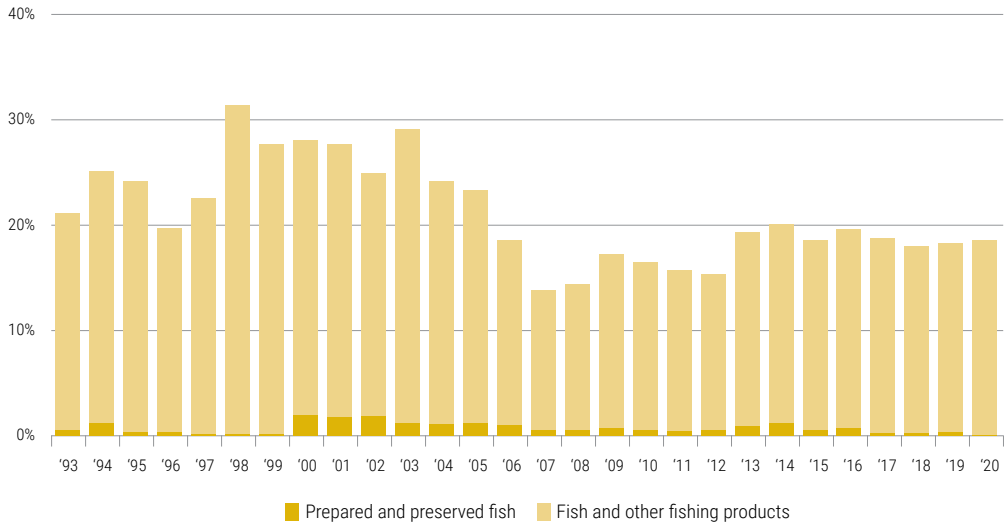
Source: NSA

The national accounts include data on fixed investment by sector including the fishing sector. It can be seen that investment was relatively strong during the 1990s but declined substantially after that picking up again after the Global Financial Crisis. Investment can be lumpy as a new vessel or fishing factory can be very expensive and take place only occasionally. The lack of investment in the year 2011 followed by a sudden increase in the following year is likely to have been a direct effect of the right-allocation process. The uncertainty surrounding the granting of fishing rights in 2011 is likely to be responsible for the lacklustre investment mood in 2011. The new fishing rights were granted from 1 January 2012 onwards and triggered investments on the part of the operating companies, thereby explaining the extraordinary growth in investments for the following year. Fixed investment in fishing appears to average around 0.6 percent of GDP a year.

Namibia is a net exporter of fish and fisheries products. According to the National Accounts, Namibia exports over 90 percent of total fish and fish product output by value, a figure which has changed little over the last decades, despite Government's campaign to encourage Namibians to eat more locally caught fish[36]. Within the last ten years, fishing has contributed between 15 percent and 20 percent to Namibia's merchandise exports.

CHART 7.10

Fishing Exports (Percentage of Total Merchandise Exports)



Source: NSA

Historically, Namibian Labour Force Surveys have separately identified employment in the fishing sector but this has not happened since 2012 and employment in fishing has been combined as employment in agriculture, forestry and fishing. The MFMR no longer provides statistics on employment in the fishing industry in its annual report. The Population and Housing Census has provided figures for employment in fishing but it is not clear whether this include both offshore and onshore employment. The l991 estimate is particularly low because the PHC figure excluded Walvis Bay which at that time had not been handed back to Namibia.

[36] The MFMR established the Namibian Fish Consumption Promotion Trust to this end.

TABLE 7.5
Employment in Fishing

'91 PHC*	'97 NLFS	'00 NLFS	'01 PHC	'04 NLFS	'08 NLFS	'09/10 NHIES	'12 NLFS	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
2,784	6,771	7,579	8,918	12,720	1,318	13,441	n/a	n/a	n/a	n/a	n/a

'04 MFMR	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15
13,035	12,016	11,862	17,050	10,444	17,050	14,184	14,756	13,526	14,514	15,412	15,171

Source: MFMR

To a large extent, Namibia's fisheries industry has been and remains a raw materials producer. Most of the production is exported as fresh, chilled or frozen products with only limited value addition being done in Namibia although premium prices can be fetched for fresh produce. Highly sophisticated products such as fish fingers or microwave ready meals from hake are not available but have been looked into by some companies. Following successive Ministers' calls for more value addition, companies appear more inventive with products such as minced fish, fishmeal, fish oil and individually quick frozen (IQF) retailer bags being sold in local as well as international supermarkets.

The table summarises the final "value added" products sold by Namibia's fishing industry.

TABLE 7.6
Namibian "Value Added" Products

Hake	Wet-fish hake processed into frozen retail and food service catering packs aimed directly at consumers through major distributors meeting individual specifications such as skin-on and skin off fillets, pin bone in and pin bone out, calibrated portions such as fillet loins, centres and belly flaps, portions moulded from baby hake fillets and minced hake
	Fresh prime quality long-line hake airfreighted fresh chilled to European supermarkets
	Frozen at sea skinless baby hake for the US market, skin-on glazed hake steaks, glazed medaillons from fillet pieces compressed into sausages, glazed skinless hake fillets portioned and packed in retail plastic bags ready for the supermarket
	Hake by-products such as tongues, tail pieces, roes, heads, backbones and minced block from offcuts
Monk	Monk tails skinless and skin-on individually wrapped portions processed at sea and packed frozen into 10kg boxes for the catering trade
	200g retail packs of frozen boneless fillets processed onshore for supermarkets (Namibian brands include Benguella and Puerta).
	400g retail packs of frozen tails sold by Tunacor under the Pescapuerta label
	Frozen fillets or de-boned tails sold in small volumes to exclusive restaurants
	Monk cheeks
Kingklip	Skin on and skin off fillets individually wrapped in bone out mostly individually quick frozen packed for supermarkets across Europe and the catering industry
	Filets by Gendev

Orange roughy	Deep skinned larger fillets in shatterpacks for the food service sector
	Bagged glazed smaller frozen skinless fillets for the retail sector
Horse mackerel	Frozen whole for African markets
	Dried
	Fish meal for the commercial production of fish farm feeds in Namibia
	Powdered soup by Kuiseb Fishing
	Efuta Maasbanker canned product range from Etosha offered in three flavours (tomato, chilli and salt water)
	Individually Quick Frozen (IQF) 1kg and 1.2kg bags by Gendev
Pilchard	Upmarket can product using pull-ring technology for the UK market by Etosha Fisheries
	425g, 215g and 155g canned whole and minced pilchards sold under the Lucky Star (Oceana) and Namibia (Gendev) brand
	Frozen pilchard cutlets by Gendev
	Individually Quick Frozen (IQF) 1kg bags by Gendev
Large pelagics	Fresh chilled albacore tuna sold to Spain
	Gilled and gutted high quality big eye and yellow fin tuna air freighted to Japan and US
	Sea frozen tuna, swordfish and shark
	Tuna loins, steaks and vacuum packs
	Blue shark loins, steaks, cutlets and fillets
	Swordfish fillets and steaks
	Tuna, marlin and swordfish exported to smokeries in Europe
	Fresh chilled swordfish exported to the US
Deep-sea red crab	Onboard large crabs are used to produce sections and claw products, medium-sized crabs are processed into legs and smaller crabs are used to produce crab flake
	Onshore value addition to crab claws
Rock lobster	Processed onshore into frozen tails and whole lobster, cooked and uncooked exported to Japan and the US
Other species	Chub mackerel purchased from Japanese and Korean long-liners which dock in Cape Town and Namibian longline shark and tuna vessels is processed into skinless boneless loins for export to Europe
	Oil-fish from Namibian and South African vessels processed into oil-fish portions, skin on and skinless fillets, skin on a skinless loins sold frozen to Europe and Russia
	Silver angel loins and bellies, pin bone out interleaved sold frozen
	Skate wings, skinless, frozen
	Frozen fillets from imported southern blue whiting and Alaska pollack

A further objective of fisheries policy has been to raise revenue for Government. In addition to corporate profits taxed, levied at the standard rate of corporate tax, the fishing industry is subject to four additional fees and levies: the quota fee (a charge per ton) which must be paid every year by the right holder in proportion to the quota allocated), the Marine Resources Fund levy (a charge per ton of fish landed), by-catch fees (a charge per ton of fish landed other than the species for which the operator holds a right) and licence fees (charged on vessels and factories). All but the Marine Resources Fund levy are collected by the MFMR and transferred to the State Revenue Fund. The Marine Resources Fund levy is an earmarked income stream allocated directly to fisheries research, development and training[37].

Since the early 1990s the Government has consciously structured the duration of fishing rights and the level of quota fees to encourage Namibianisation and the processing of fish caught in Namibian waters on land. At the beginning of each fishing season, quota holders must pay a quota fee for every ton of fish they are allocated that year. For several species, quota fees are lower if the fish are caught by Namibian-based or Namibian vessels and also if they are brought ashore for processing. Quota fees have provided a significant source of revenue for the Government from the fishing industry in addition to normal corporation tax. This policy achieved striking success in the white fish industry. It has met with less success in the mid-water fishery, where on shore drying of horse mackerel remains relatively limited.

In the aftermath of Fishrot and the publication of a critical report by the High-Level Panel on the Namibian Economy in February 2020, the MFMR and the Ministry of Finance announced in August 2020 that an auction would be held to allocate Governmental Objective fishing quota established in 2015 including 11,000 tonnes of hake, 72,000 tonnes of horse mackerel, and 392 tonnes of monk. This was to help raise revenue for Government that was struggling with a severe fiscal crisis. After initially announcing that the auction had been successful in raising significant revenue, Finance Minister Iipumbu Shiimi announced in September that Government had raised just N$8.4 million in its auction of the Government Objective Quota and blamed speculators for the shortfall between the N$628 million of the bids that had been initially accepted and the final outcome. It was a sobering lesson that auctions of this kind cannot be rushed if they are to be successful.

Workers package fish at Ohlthaver & List's factory in Walvis Bay

[37] The White Paper states that "Money from the Marine Resources Fund is utilized for the expenses of research, development and training related to marine resources. Management and administration of fund levies will be done in consultation with the Minister responsible for finance."

Policy Issues

Resource Management

Given the system of resource management adopted in Namibia, it is natural that a certain amount of tension exists between the MFMR and the fishing industry. Although both agree that the resource should be exploited according with the scientifically based concept of maximum sustainable yield (MSY), in the presence of scientific uncertainty there is perhaps a tendency for the MFMR to put more emphasis on "sustainable yields" and the industry on "maximum yields". Industry generally admits, however, that, although there have been times when it has pushed for higher TACs than those applied, successive ministers' more cautious approach has by and large proven to be the correct one. There have been instances where the ministers have set TACs which have turned out to be far too optimistic (such as the pilchard TACs in 1996, the horse mackerel TACs in the latter half of the 1990s, the hake and orange roughy TACs in 1999, the rock lobster TACs in 1991 and the crab TACs in the early 1990s) but they have reacted responsibly to new information and adjusted them accordingly.

The key to improving the ability to set an optimal TACs appears to lie in reducing the scientific uncertainty on which they are based. This involves both improving the quality of scientific data produced by MFMR scientists as well as the speed with which the data is gathered, analysed and communicated to the industry. There is a perception that the resources devoted to NatMIRC are insufficient to keep the top-class scientists that are required and that the industry would be willing to pay more for better and more timely research. However, it is critical that scientists at NatMIRC continue to be shielded from industrial or political pressures so that the advice they give is, and is perceived to be, unbiased.

Namibianisation

From 1996 onwards the MFMR's system of quota fees has been designed to promote the Namibianisation of the fishing fleet. Quota fees are lower for vessels which are permanently based in Namibia, which fly the Namibian flag, which are majority owned by Namibians and whose crew are 90 percent or more Namibian (or 55 percent in the case of a midwater trawl industry vessel). By all accounts (although the information is no longer published by the MFMR), these incentives have steadily achieved the objective of greater Namibianisation. The industry argues that the mid-water fleet is more difficult to Namibianise since it consists of much larger and more expensive freezer trawlers which require far more specialised skills to operate. Russian and Polish technicians are especially common aboard the ten or so vessels which make up the midwater fleet and are still largely foreign-owned.

Ownership

Historically, the reason for the lack of focus on production rather than the market in Namibia has come about due to the fact that marketing has always been taken care of by foreign partners. Namibia has little consumer presence in its most important markets and few, if any, own brands. According to one estimate, over 70 percent of Namibia's fish and fishery products are exported to Spain because of Spanish involvement in the Namibian industry. There is little doubt that foreign ownership has brought significant investment into the industry but at the same time there is concern that foreign ownership places limits on the degree to which Namibia can appropriate more of the value chain for itself and become involved in the larger business of packaging, branding, marketing and distribution rather than just catching with a minimal amount of onshore processing. The extent to which this could be achieved varies greatly from product to product. Certainly in many products the critical mass simply does not exist to be able to sustain such a sophisticated operation. The hake industry is the obvious candidate where this might stand the greatest chance of success.

"Shot-Gun Weddings" and BEE

Information concerning the participants of the "shot-gun weddings" between established companies and new black Namibian shareholders forced through by the Minister in 2000 as well as information on the newly-formed joint ventures in the 2011/12 allocation of fishing rights is scarce. The consensus view from the industry appears to be that, although the policy has not been an unmitigated disaster (most companies are still around), the majority of companies affected continue fighting with their "partners". It is hard to see what positive results have come out of the policy in terms of growth and jobs.

Industry Consolidation

Namibia's fishing industry consists of a large number of right holders and a surfeit of onshore capacity given the level of landings attained. For example in hake, the most important species for onshore processing, the industry invested in capacity sufficient to deal with a MSY of 300,000 tonnes a year but TACs have generally fallen far short of that level. The question arises whether policy should encourage greater industry consolidation both off and onshore. Industry participants hold contrasting views. There are those who believe consolidation is important since land-based operations could benefit greatly from economies of scale. A handful of larger players is likely to raise profitability. Others, however, argue that more numerous smaller players hold the key to greater levels of innovation, value added as well as genuine Namibianisation and empowerment. The large number of right holders was designed precisely to encourage entry into the industry by Namibians.

Ministerial Discretion

Under the existing legislation, the Minister of Fisheries and Marine Resources holds enormous power in setting TACs and allocating rights and quotas. Over recent years, and particularly in the 2014/15 and 2015/16 seasons, quotas were allocated to small players or individuals that had no fishing rights and/or fishing infrastructure to speak of. Much of this is done under the guise of "Namibianisation". Many of these quota allocations are relatively small in nature, far too small for the receiving parties to make a meaningful contribution to the economy and so these individuals (referred to as "paper-quota holders") usually sell their quotas to the established industry. The trade in quotas in turn increases the operational costs for the industry players and forces them to implement cost-saving measures, which in turn backfires negatively on employment in the sector.

Instead of continuously decreasing the quota size, the Ministry could contemplate giving out higher quotas again to the established industry, which has the means to invest in the industry and can contribute to its further development. At the same time receiving firms can be levied with higher quota fees. The increased government revenue can then be taken as a means to alleviate poverty in a holistic manner rather than giving selected individuals quotas which they cannot exploit in the first place and only sell onwards.

The fact that there are no clear-cut rules as to who receives quotas and the general holding of a reserve quota (of up to 28 percent of the overall quota distribution) leads to a great deal of uncertainty on the part of the fishing companies and an unfavourable investment climate which generally hampers industry growth in Namibia. The arbitrary allocation on the part of the Minister, which rather seems to be based on personal choice than investments and employment creation, has disincentivised industry players to invest. Alternatives to the current allocation process are for instance quota allocations according to a score card system (similar to the one South Africa has introduced) with clearly defined performance objectives. Furthermore roll-on quotas, which account for a fixed percentage of the TACs for several years, can give greater certainty to stakeholders and provide a significant investment incentive. The Namibian Fisheries Policy Draft 2015 layed the foundation for a review of the process. It states "The amount of quota (allocated) may vary depending on performance of right holders against pre-determined criteria which shall include investment, employment, value addition and socio economic factors"[38].

Value Addition

From the beginning, Government's first White Paper set out the objective of promoting value addition in the fishing industry in the expectation that this would raise export earnings and create employment, especially onshore. The "Growth at Home" Strategy[39], which was aligned with the concepts of NDP4 and Vision 2030 aimed at outlining a roadmap for Namibia's industrialisation and also highlighted value addition as one of the core objectives for the further development of the fishing sector.

However, it has never been entirely clear what value addition really means. The fact that it is difficult to clearly distinguish between fishing, processing, manufacturing and value addition combined with a general lack of guidance on the part of the Ministry makes it difficult for market players to live up to the expectations and add value to the products. The requirements of adding up to 75 percent value to products seems somewhat excessive when it is clear that consumers of marine products are often prepared to pay higher prices for freshness and quality rather than elaborately packaged and processed products. If fresh unprocessed products receive higher prices in the market than processed products, profit maximising firms will choose to sell the former. If taking high quality fresh produce and processing reduces the price it fetches in the market, value will have been destroyed rather than added. Some in the industry argue that value addition is far more about providing consumers with exactly what they want.

The criticism is that Namibia's fishing industry has historically been far too concerned with production and too little focused on the market. Some producers, such as Seawork, have innovated by providing highly-tailored products to specific end-users rather than just producing standard products for the wholesale or retail market. Gendev specialised in launching products such as minced fish, filets, fishmeal, fish oil and individually quick frozen (IQF) retailer bags whereas Gendor pioneered the ability to sell directly into US supermarkets.

The issue of branding and market presence goes hand-in-hand with that of value addition. Establishing a separate Namibian brand and identity in US or European markets, especially if they are to compete head-on with established brands such as Pescanova's, would be both extremely expensive and highly risky. Other measures, such as membership of the Marine Stewardship Council (MSC), which would allow Namibia to brand its products so that they appeal to more environmentally concerned consumers, probably have a role to play in promoting a Namibian identity. In this respect, the advantages of easier and broader market access on the one hand and disadvantages such as increased interference from abroad and the imposing of new requirements have to be reviewed and weighted carefully.

Taxation

Government offered two main forms of tax incentives to manufacturers: manufacturing status which gave a reduced level of corporate profits tax of 18 percent and Export Processing Zone (EPZ) status. The rationale behind the special tax treatment for this type of business is that Namibia needs to boost exports of manufactured goods to attain more rapid growth yet enjoys no particular advantage in manufacturing in contrast to other sectors such as agriculture, mining and tourism. However, since their introduction, seafood processing companies have always been specifically excluded from taking advantage of them. There are many in the fishing industry who believe this needs to be changed if seafood companies are to be encouraged to achieve greater value addition in Namibia.

[38] Article 64, Namibia Fisheries Policy Draft 2015, Ensuring fisheries and aquatic resources sustainability. Maximizing economic and social benefits to all Namibians

[39] Growth at Home, Namibia's Execution Strategy for Industrialisation, Ministry of Trade, 2013.

Export Promotion

Linked to the belief that Namibia's industry needs to increase its separate identity and profile in key markets is the belief that Namibia needs to establish an export promotion agency which will collect and disseminate market information, analysis and research to help companies enter new markets and promote new products. The idea of a Seafood and Aquaculture Products Export Council (SAPEC) was mooted which was to be financed through an export levy on the industry. At the same time the Ministry of Trade and Industry would establish a Namibia Export Promotion Agency (NEPA). A Sub-Committee for Fisheries and Aquaculture under the National Trade Forum (NTF) is already functioning.

Finance

It is commonly argued that Namibia's fishing industry lacks a specialised financial institution and that the existing commercial banks are reluctant to finance the industry due to a lack of knowledge, experience and general risk aversion. This is an argument former Minister Iyambo regularly made[40]. Yet as far as is known, there is only one specialised fishing bank in the world[41].

The Development Bank of Namibia was established to promote long-term investment in Namibia and should over time play a role in financing fishing industry investment. However, its current level of capitalisation prohibits it from playing a major role in an industry where a single new vessel costs several hundreds of millions of Namibia dollars.

The experience of fishing companies raising capital on the NSX has been limited. Namfish and Namsea dual-listed on the NSX as far back as November 1992 but the former was suspended in 2005 and the latter de-listed in 2007 pending the listing of the Bidvest Namibia Group which ended up taking place in October 2009. Gendor flopped spectacularly after listing in 1998 due to the scarcity of orange roughy before later delisting. The Oceana Group dual-listed on the NSX in 1998. Certainly there are those in the industry who believe companies have to be so light on their feet to react continuously to market demands that listing (and all that that involves) will only hold them back.

The acuteness of the problem of lack of finance depends very much on who one talks to in the industry. Significant operations such as Hangana's or Seawork's factories have been financed by local banks. Much seems to depend on whether the banks have confidence in management. The Minister's belief that a specialised fishing bank might be required goes hand in hand with his view that the limited success of empowerment in the fishing industry is largely a result of the absence of sufficient finance. Unsurprisingly, local banks might have been reluctant to provide the sort of money fishing requires to untested players with no track record of success in the industry.

Unless the quota allocation process is fundamentally changed and linked to the company's performance, investment will in future be further at risk. Many fishing companies so far believe that investments in the industry present an unacceptable risk, given that the Ministry was unwilling to give any guarantees as to quota allocation, should these companies undertake such large-scale investment. The industry, however, is in a difficult position whereby without investing further in both sea-going and land-based assets, individual companies are likely to lose out on primary quota allocations. Laying down the requirements for the quota allocations and sticking to them, will help fisheries to have more planning security and pave the way for using quotas as collateral for gaining improved access to finance.

[40] See, for example, the interview with Dr Iyambo, Insight Namibia, February 2007
[41] Glitnir Bank in Iceland

Environment

Future climate changes represents a major risk for Namibia's fishing industry by directly impacting the fragile and sensitive structure and functioning of Namibia's coastal ecosystem. Physical parameters such as temperature and acidification can impair productivity through changes in coastal upwelling intensity and the occurrence of more frequent and severe Benguela Ninos[42]. Consequently, fisheries as well as aquaculture may suffer from lower productivity, lower quality and a slower regeneration of biomass. This will in turn have negative and so far unforeseeable impacts for the local fishing industry. In order to limit the global temperature rise to less than two degrees Celsius above pre-industrial levels, the 2015 United Nations declaration on climate change has been agreed on. It is likely that this regulatory framework will impose certain rules and regulations surrounding the usage of fossil fuels and dated production techniques, thereby requiring change and re-thinking on the part of the fishing companies and costly investments into greener and more efficient types of energy.

FISH OR PHOSPHATE?

Due to Namibia's abundance of seabed minerals, the country has been subject to unprecedented investor and mining interest. Namibia's fishing industry has become increasingly concerned about the potential impact of marine phosphate mining off the Namibian coast, believing that mining has the potential to damage the marine environment, particularly in the region of key spawning grounds, for many fisheries.

In 2011 the Ministry of Mines and Energy awarded two mining licenses, to LL Namibia Phosphates and to Namibia Marine Phosphate (NMP), a venture between the Australian mining house UCL Resources Limited, Oman-based Mawarid Mining LLC, and Namibian company Havana Investments (Pty) Ltd. Ever since, much controversy surrounds NMP's Sandpiper project south of Walvis Bay 60 km off the Namibian coast. The project covers an area of up to 7,000km^2 and involves the dredging of the seabed of up to 3m of sediment, the removal of the surface sediments and the extraction of 5.5 million tonnes of marine sediments a year[43]. At the same time, LL Namibia Phosphates is aiming to develop a phosphate mine off the coast at Luderitz.

Underwater phosphate mining is still a novelty and Namibia is one of the first countries to look into the extraction of the mineral from under the ocean. Other countries where this is happening include Madagascar and Mauritius as well as New Zealand. According to regional scientific studies, offshore phosphate deposits in Namibia were already found in the 1970s in water depths of 180-300m[44].

Due to the general uncertainty regarding the impact of marine bulk phosphate mining on the marine ecosystem, the Government placed an 18-month moratorium on marine phosphate mining on 17 September 2013, which officially expired in March 2015. During this period the Norwegian Institute of Marine Research and SINTEF were

[42] The economic impact of climate change in Namibia, Hannah Reid et al, 2007.
[43] See Namphos, EIS, Appendix C: http://namphos.com/project/sandpiper/environment/item/57-environmental-marine-impact-assessment-report.html
[44] See Namphos, Project Information: http://namphos.com/project/sandpiper.html

contracted by the Ministry of Fisheries and Marine Resources to conduct a pilot study[45] and define the research framework for a full strategic environmental impact assessment (EIA), its content and respective costs. Based on the EIA, Cabinet intended to make an informed decision on the seabed mining projects.

In August 2015, after several months of delay, a meeting between officials from the Ministry of Fisheries and Marine and Resources (MFMR), the Ministry of Environment and Tourism (MET) as well as the Ministry of Mines and Energy (MME), SINTEF and the Norwegian Institute for Marine Research took place. Following this meeting, MFMR Minister Bernhard Esau was expected to give recommendations to Cabinet on how to proceed in this matter.

The phosphate mining grounds in Namibia have the potential to place the country among the top ten phosphate producers worldwide, with an annual output of three million tonnes of exportable phosphate[46], therefore contributing to employment generation and increased government revenue. The fostering of phosphate further yields the opportunity to sustain local and international food production and increase agricultural output.

At the same time, the fishing industry and environmentalists are concerned about the use of untested technologies, which can lead to long-term damage of fish stocks and marine resources. Phosphate mining tends to be most detrimental to benthic organisms (seabed plants and organisms) which live in deep-sea waters, where recovery can take up to 40 years. Besides the loss of benthic communities through the use of dredging techniques, a generally slow recovery rate of the impacted communities and the trigger-on effects for the demersal fish in the area are of high concern. Examples of environmental degradation from seabed mining can already be seen in the Namibian southern coast, where diamond dredging has, according to some stakeholders, damaged the hake, lobster and crayfish industries to the point where they are barely viable.

Critics further argue that phosphate mining is only a short-term project due to the nature of its finite resources. According to NMP and its scoping report approximately 135 jobs will be created onshore and only a few offshore due to the automated dredging processes. Another 300-400 people will be employed during the construction of the project[47]. Comparatively, the fishing sector, employs 13,000 people directly and makes use of a renewable resources (if managed appropriately), therefore guaranteeing many more years of economic activity.

In order to commence these mining projects, an environmental clearance certificate licence is required on the part of the mining companies in addition to the already awarded mining licenses. Namphos tried to gather such, by handing in its EIA early 2015 and presenting it to Cabinet. So far no decisions have been made with respect to the clearance certificate.

[45] SINTEF, Report on the Pilot Study, 2014: https://www.sintef.no/ontentassets/0041eea1c5dc4e908ae94f71aa4d5453/sintef-report-f-26339-draft20141117.pdf,
[46] See Namphos, EIS, Chapter 5: Socio-economics, Draft Report: http://namphos.com/project/sandpiper/environment/environmental-marine-impact-assessment-report.html
[47] See ibid.

Currency Risk

Currency movements present a perpetual risk to the fishing industry, as much of the industry's consumption and production is priced in hard currency. In this regard, the vast majority of the main fish products produced in the country are sold abroad, with hake being largely sold in Europe and priced in Euros, while horse mackerel is largely sold into central Africa, and generally priced in US dollars. Many of the other smaller fish products are sold into Asia, also usually priced in hard currency. Whereas a general depreciation of the currency is favourable to trigger exports, it increases costs for imports such as oil, raw materials as well as other products needed for the processing and packaging of locally caught fish such as tin. Given the volatility in these currencies, fishing companies find it challenging to accurately forecast both their costs and revenues. When combined with volatile fish and fuel prices, the margin of error is at times large. An alternative option pursued by certain fishing entities is to hedge against currency risk, however, this is not done without cost to the business.

Useful References

Ministry of Fisheries and Marine Resources Annual Reports

"Namibia's Great White Hope", IPPR Briefing Paper No.7, August 2001

"Namibia's Fishing Industry: As Good As It Gets", IJG Securities, July 2007

"Namibia Fisheries Policy Draft 2015, Ensuring fisheries and aquatic resources sustainability. Maximizing economic and social benefits to all Namibians", Ministry for Fish and Marine Resources, November 2015.

Useful Websites

Ministry of Fisheries and Marine Resources
www.mfmr.gov.na

Namibian Fishing Industry (out of date)
www.namibianfishingindustry.com

Benguela Current Commission
http://www.benguelacc.org/

Annex

ANNEX 7.1

TACs and Landings

Species	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
Pilchard TACs	40,000	60,000	80,000	115,000	125,000	40,000	20,000	25,000	65,000	45,000	25,000	10,000	-	20,000
Pilchard landings	92,408	68,854	80,784	114,812	116,429	42,797	1,171	27,685	68,562	44,653	25,388	10,763	4,160	22,255
Hake TACs	60,000	60,000	90,000	120,000	150,000	150,000	170,000	120,000	165,000	275,000	194,000	200,000	195,000	180,000
Hake landings	54,989	56,135	87,588	108,102	107,970	130,374	136,052	118,117	150,825	166,562	162,803	196,446	154,588	189,588
Horse mackerel TACs	-	465,000	450,000	450,000	500,000	400,000	400,000	350,000	375,000	375,000	410,000	410,000	350,000	350,000
(of which juvernile horse mackerel for fish meal)						50,000	90,000	100,000	75,000	50,000	50,000	50,000	40,000	40,000
Horse mackerel landings	178,457	435,725	427,373	474,611	364,801	310,836	321,344	301,847	311,826	322,075	344,314	292,076	359,183	360,447
Crab TACs	-	6,000	6,000	4,900	4,900	3,000	2,500	2,000	2,000	2,000	2,000	2,100	2,200	2,000
Crab landings	4,434	2,676	2,790	3,190	3,598	2,008	1,709	1,478	2,283	2,074	2,699	2,343	2,471	2,092
Rock lobster TACs	-	1,200	100	300	130	230	250	260	300	350	350	400	400	400
Rock lobster landings	516	376	132	136	134	224	269	199	350	304	365	365	361	269
Alfonsino TACs	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-
Alfonsino landings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Orange roughy TACs	-	-	-	-	-	-	-	12,000	12,000	6,000	2,400	1,875	2,400	2,650
Orange roughy landings	-	-	-	-	29	6,377	13,379	18,516	10,945	3,473	1,542	823	1,096	
Monk TACs	-	-	-	-	-	-	-	-	-	-	-	13,000	12,000	12,500
Monk landings	1,498	4,617	8,078	9,226	12,158	10,130	9,748	10,259	16,429	14,802	14,358	12,390	15,174	13,135
Total TACs	100,000	592,200	626,100	690,200	780,030	593,230	592,750	519,260	619,300	703,350	633,750	637,375	562,000	567,550
Total landings	332,302	568,383	606,745	710,077	605,119	502,746	483,672	478,101	561,220	553,943	551,469	515,206	537,033	587,786

Source: MFMR

ANNEX 7.2

Government Revenues from Fishing Industry Levies and Fees (N$m)

	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05
Quotas		91.7	100.2	74.0	65.2	75.2	91.1	76.1	69.9	100.0	74.4	84.6	81.4
Levies	9.9	8.6	7.2	6.1	8.3	9.9	13.2	11.0	9.2	15.8	12.0	17.7	17.4
By-catch	-	-	-	-	-	6.2	9.0	10.3	12.8	15.8	13.6	16.3	7.7
Licences	2.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.1
Total	12.1	100.5	107.5	80.2	73.7	91.5	113.5	97.6	92.1	131.9	100.2	118.7	106.6

Source: MFMR

'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
25,000	25,000	25,000	15,000	15,000	17,000	25,000	25,000	25,000	25,000	25,000	25,000	14,000	14,000	-	-	-
28,605	25,128	2,314	23,522	18,755	20,137	23,424	31,774	26,259	24,799	32,076	20,379	3,427	3,974	-	-	-
195,000	180,000	130,000	130,000	130,000	135,500	140,000	180,000	170,000	140,000	140,000	210,000	210,000	154,000	154,000	154,000	154,000
189,305	173,902	135,771	125,534	117,286	137,312	146,353	146,676	145,931	146,936	121,764	137,488	150,219	159,600	152,038	146,630	93,670
350,000	350,000	360,000	300,000	230,000	230,000	247,000	310,000	350,000	350,000	350,000	350,000	335,000	340,000	340,000	349,000	330,000
40,000	45,000	45,000	35,000	33,000												
310,405	327,700	309,980	201,660	186,996	215,051	217,094	198,666	286,934	308,121	277,826	315,972	318,200	304,533	311,892	295,976	133,762
2,200	2,300	2,400	2,500	2,500	2,700	2,700	2,850	3,100	3,150	3,150	3,446	3,446	3,446	3,446	3,900	3,900
2,400	2,408	2,228	3,245	2,100	1,648	2,007	2,285	2,795	3,084	2,723	2,968	3,078	2,964	3,136	4,100	1,001
420	420	420	350	350	350	350	275	350	350	350	300	250	268	230	200	180
214	248	285	153	195	43	82	166	118	185	196	87	126	164	134	118	59
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-	-
2,600	2,050	1,100	900	900	-	-	-	-	-	-	-	-	-	-	-	-
	300	545	255	-	-	-	-	-	-	-	-	-	-	-	-	-
12,000	11,500	9,500	9,500	9,500	8,500	9,000	13,000	14,000	10,000	10,000	12,000	10,000	10,000	9,600	7,200	8,000
8,961	10,466	9,816	8,932	7,270	6,922	9,028	7,243	10,763	9,471	10,076	10,105	8,412	8,001	7,702	8,054	3,506
587,220	571,270	528,420	458,250	388,250	394,050	424,050	531,125	562,450	528,500	528,500	600,746	572,696	521,714	507,276	514,300	496,080
539,890	540,152	460,939	363,301	332,602	381,113	397,988	386,810	472,800	492,596	444,661	486,999	483,462	479,236	474,902	454,878	231,998

'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
68.3	107.2	59.3	68.8	78.5	120.9	109.9	-	94.0	92.0	91.2	124.6	212.9	157.6	-
12.4	12.6	12.1	18.7	19.2	14.5	16.4	-	12.2	14.8	12.2	72.4	93.0	78.4	-
11.2	9.6	10.8	8.4	16.0	7.0	6.0	-	8.1	7.8	6.0	26.1	32.2	34.6	-
0.1	0.1	0.1	0.1	0.1	0.1	1.3	-	0.2	0.2	0.2	0.1	0.2	0.2	-
92.0	129.5	82.3	96.0	113.8	142.5	132.5	-	114.4	114.8	109.6	223.2	338.2	270.7	-

Namibia's famous Rossing uranium mine has been operating since the late 1970s

CHAPTER 8

Sector Mining

The mining sector has historically been the main driver of growth in the Namibian economy and the period since 1990 has been no exception. After the first decade of Independence during which mineral prices were subdued, the boom in minerals in the early 2000s caught Namibia unprepared at a time when there was a good deal of policy uncertainty: on taxation, legislation, strategic minerals, state ownership, local and black participation, and beneficiation as well as shortfalls in electricity and water infrastructure. But this uncertainty was added to by poor policymaking on the part of Government. Despite this, Namibia's mining industry came through the Global Financial Crisis in relatively good shape. Contrary to expectations, exploration activity proved relatively robust although the Fukushima disaster of 2011 dealt a severe blow to a number of uranium projects. Despite the global backdrop and policy uncertainty, several important new mines have commenced production since Independence. In stark contrast to the days when South African companies dominated Namibia's mining landscape, the industry became truly internationalised with players from Australia, Canada, China, France, India, Israel, Poland and the UK as well as South Africa present. Genuine local players, however, remain conspicuous by their absence and Government continues to float the idea of forcing the issue of local equity participation. Despite talk of diversifying away from mineral dependency, the mining sector looks set to continue to be the mainstay of the Namibian economy for the indefinite future.

KEY EVENTS

YEAR	EVENT
1990	– Ministry of Mines and Energy created – Andimba Toivo ya Toivo appointed Minister of Mines and Energy – Dr Leake Hangala becomes PS – Elizabeth Bay mine opened – Uis tin mine closes
1991	
1992	– Minerals (Prospecting and Mining) Act passed – Labour Act passed – Mining taxation changed
1993	– Conference on Mining Investment in Namibia – ECU40 million Sysmin funding agreed with EEC
1994	– Namdeb created as 50:50 partnership between GRN and De Beers – Namco and ODM list on NSX – Minerals Act comes into force
1995	– PE Minerals awarded mining rights at Rosh Pinah – Joseph Iita becomes PS – Gold Fields Namibia lists on NSX
1996	– Minerals Development Fund of Namibia Act passed – John Rogers becomes General Manager of the Chamber of Mines
1997	– De Beers lists on NSX – Solvay buys Okorusu Fluorspar mine
1998	– Goldfields shuts down TCL – Otjozondu manganese mine closes – Namco buys ODM – NamGem established in Okahandja – Affirmative Action (Employment) Act passed
1999	– Diamond Act passed – Kennedy Hamutenya appointed Diamond Commissioner – Development of Haïb copper mine shelved – Marketing agreement renegotiated by Namdeb partners – Inge Zaamwani appointed MD of Namdeb – Trans Hex lists on NSX
2000	– Ongopolo created – De Beers Marine Namibia created – Flat rate tax of 37.5% introduced for non-diamond mining companies
2001	– De Beers de-lists from JSE – Anglo American announces go ahead with Skorpion zinc mine – Anglo American lists on NSX – Lev Leviev buys into Namco – Afminco created
2002	– Dr Nickey Iyambo appointed Minister of Mines and Energy – Namco liquidated
2003	– Skorpion mine commences production – Minerals Policy of Namibia published
2004	– Government diamond valuator changed – LLD opens factory and exports first batch of cut and polished diamonds – Mining royalty tax introduced for non-diamond mining companies
2005	– Erkki Nghimtina appointed Minister of Mines and Energy – Veston Malango appointed General Manager of the Chamber of Mines – Draft Mineral Bill produced – Marketing agreement negotiations start between Namdeb shareholders
2006	– Weatherly International buys Ongopolo
2007	– Weatherly splits Ongopolo into Weatherly Mining Namibia and Namibia Custom Smelters – NDTC established – Moratorium on new uranium EPLs introduced – AREVA buys Uramin for US$2.5 billion – Uramin announces water desalination project – Chamber of Mines establishes office in Swakopmund – Langer Heinrich Uranium commences production – Forsys Metals and Xemplar dual-list on NSX – Erasmus Shivolo appointed Mining Commissioner

2008

- Kombat mine closed
- Deep Yellow, Paladin and Bannerman dual-list on NSX
- Illegal strike at Rössing over wages
- Two-week strike at Skorpion over wages
- Exxaro sells 43 percent of Rosh Pinah to PE Minerals
- Weatherly puts mining operations under care and maintenance

2009

- Namdeb announces "production holiday"
- Minerals Amendment Act passed
- Six percent royalty tax imposed on Rössing
- Langer Heinrich finalises Stage 2 expansion and announces Stage 3 and 4 expansion plans
- Okorusu temporarily halts production
- West Australian Metals dual-lists on NSX
- Kalahari Minerals and Extract Resources dual-list on NSX
- Weatherly announces sale of Kombat to Cubenco
- President Pohamba inaugurates AREVA desalination plant
- Anglo American announces intention to sell Skorpion zinc mine
- Exxaro announces intention to sell Rosh Pinah Zinc Corporation
- Epangelo established

2010

- Isak Katali appointed Minister of Mines and Energy
- Weatherly sells NCS to Dundee Precious Metals
- Vedanta Resources buys Skorpion zinc mine

2011

- Fukushima disaster in Japan sends uranium prices plummeting
- Government declares certain minerals "strategic"
- Oppenheimer family sells stake in De Beers
- Namdeb restructured
- New tax proposals announced by Minister of Finance
- Vedanta Resources completes takeover of Skorpion zinc mine
- Swakop Uranium granted mining licence

2012

- Rio Tinto sells stake in Extract Resources
- Glencore purchase of Rosh Pinah approved by Namibian Competition Commission
- AREVA mothballs Trekkopje uranium mine

2013

- Moratorium on phosphate mining imposed
- Construction of Husab mine commences

2014

- Paladin sells stake in Langer Heinrich to China Uranium Corporation
- QKR buys Navachab with minority stake for Epangelo
- Okorusu Fluorspar mine closes
- Otjihase and Matchless copper mines closed
- Chamber of Mines publishes Mining Charter

2015

- Otjikoto gold mine officially opened
- Obeth Kandjoze appointed Minister of Mines and Energy
- Policy of preferences for Namibians in awarding of EPLs introduced

2016

- Husab uranium mine officially opened
- Export Levy Act passed

2017

- Trevali buys Rosh Pinah zinc and lead mine

2018

- Tom Alweendo replaces Obeth Kandjoze as Minister of Mines and Energy
- Policy preferences for Namibians in awarding of EPLs scrapped and additional conditions for MLs clarified

2019

- Moratorium on uranium exploration lifted
- New tax proposal on non-deductability of royalty tax proposed
- Namdeb sells Elizabeth Bay to Lewcor

2020

- EPZ incentives scrapped
- HLPNE report published
- Tom Alweendo reappointed Minister of Mines and Energy
- Government imposes moratorium on new exploration mining rights

Introduction

By the time Namibia gained Independence on 21 March 1990, the country had a well-developed mining industry based on world-class deposits of diamonds and uranium as well as a number of vibrant smaller mines producing copper, zinc and lead. At that stage a handful of companies, including international mining giants De Beers, Anglo American, and Rio Tinto were responsible for an industry that contributed more than 20 percent to Namibia's Gross Domestic Product (GDP) and directly employed some 14,000 people. An Association of Mining Companies of South West Africa had already been established in 1969 which, later in the year of Independence, became the Chamber of Mines of Namibia to which most major mining companies operating in Namibia have since belonged.

NAMIBIA'S MINING ORIGINS

It is no exaggeration to say that Namibia's economy has been built on its mining industry. According to Dr Gabriella Schneider's history of mining in Namibia[1], the oldest written accounts of Namibia's mineral resources can be found in the diaries of Hendrik Hop who travelled to southern Namibia as far back as 1761. In 1790 Wilhelmus van Reenen arrived at modern-day Rehoboth and found copper and gold. The Walvisch Bay Mining Company established a copper mining operation at Matchless Mine west of Windhoek in 1856. However, Namibia only really established itself on the world mining scene following the commencement of copper mining in the Otavi mountainland by the Otavi Minen und Eisenbahn Gesellschaft (OMEG) in 1906 which was followed by the spectacular discovery of diamonds at Kolmanskop near Lüderitz on the southern coast in 1908.

[1] See "The History of Mining in Namibia", by Dr Gabriele Schneider, Namibia Brief No.21, December 1998

Policy Developments

Recognising the importance of the mining industry, the Ministry of Mines and Energy (MME) was created at Independence as the government agency charged with "facilitating and regulating the responsible development and sustainable utilisation of Namibia's rich endowment of mineral, geological and energy resources for the benefit of all Namibians". The MME has introduced three major pieces of mining legislation since 1990.

The Minerals Act

The Minerals Act[2] was passed by Parliament in 1992 and came into force on 1 April 1994, the delay being due to the time it took to put the machinery needed to administer the Act in place. The Act replaced a long raft of legislation dating back to 1938. The Act reaffirms that all prospecting and exploitation rights of Namibia's mineral resources are vested in the Namibian State. The Minister of Mines and Energy appoints a Mining Commissioner whose job is to grant licences and to inspect mining operations. The Act prohibits the Commissioner and other officers at the MME from acquiring mining rights or shares in companies that hold mining rights. The Act established a Minerals Board, consisting of representatives of the Ministry, the Chamber of Mines, small-scale prospectors and miners, to advise the Minister. The Act lays out the rights of holders of exclusive and non-exclusive prospecting licences, the procedures to be followed for the pegging of claims, and the provisions relating to mining licences. The Act provides for the issuing of five types of licences by the Mining Commissioner:

- **Mining Claims** – mining claims are available for the development of small-scale mines and mineral deposits and are available only to Namibian citizens for a period of three years with the possibility of two-year extensions if the claim is being exploited.
- **Reconnaissance Licences** – reconnaissance licences are available for exploration work over wide areas mainly by remote-sensing exploration and are valid for six months with a possible extension of a further six months. In certain cases reconnaissance licences may be exclusive.
- **Exclusive Prospecting Licences** – exclusive prospecting licences (EPLs) are available to enable the systematic prospecting of areas up to 1,000km^2 for a period of three years with the possibility of up to two two-year extensions provided sufficient progress in developing the asset can be demonstrated.
- **Mining Licences** – mining licences (MLs) are granted to applicants who can show sufficient technical and financial capacity to develop and operate a mine. Mining licences are exclusive in the licence area and are valid for a period of 25 years with the possibility of renewing for a further 15 years. Holders also enjoy the exclusive right to approve the development of other mines on the same area.
- **Mineral Deposit Retention Licences** – Mineral deposit retention licences allow exploration companies to retain their rights on prospecting licences, mining licences or mining claims without mining obligations recognising that the commercial prospects of a mineral may change over time.

[2] Minerals (Prospecting and Mining) Act 1992 (Act No. 33 of 1992)

The table shows the numbers of EPLs (the most common type of licence) and the numbers of MLs issued under the Minerals Act since 1994. The proportion of EPLs that end up as productive mining operations is small. In an unprecedented step, the Ministry of Mines and Energy declared a moratorium on the issuing on new EPLs for uranium in February 2007 saying Government was reconsidering its policies on the resource which remained in place until May 2019 when it was finally lifted.

TABLE 8.1

Exclusive Prospecting Licences (EPLs) and Mining Licences (MLs) Granted Since 1994

	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06
EPL	24	24	53	121	178	92	155	160	70	71	75	96	135
ML	1	3	2	9	4	8	5	4	8	12	2	1	0

	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
EPL	194	165	179	230	402	258	395	138	56	142	174	259	297	243
ML	7	4	4	2	4	3	0	3	0	1	2	3	4	6

Source: Chamber of Mines of Namibia

The Minerals Development Fund Act

The Minerals Development Fund of Namibia Act of 1996[3] formally established the Minerals Development Fund (MDF) out of the Sysmin funds granted by the European Community in March 1993. Sysmin was an EU funding facility under the Lomé IV agreement to assist African-Caribbean-Pacific (ACP) countries which were heavily dependent upon mineral exports. Under the Sysmin facility, money was given to country governments and then generally on-lent to private sector projects. The private sector would repay the money into what was supposed to become a revolving fund to finance more projects. At the time Namibia was allocated some ECU40 million. The MDF was to be overseen by the MDF Control Board consisting of seven members appointed by the Minister for a period of three years: two from the Ministry (including at least one from the Geological Survey), one from the Ministry of Finance, one from the Chamber of Mines, a representative of small-scale mining, a skilled representative from the mining industry (generally the Chamber of Mines of Namibia), and one representative from the trade unions. The MDF was to be a rotating fund, lending to viable mining projects approved by the MDF board with loan repayments returning to replenish the Fund. However, the operations of the MDF have always been shrouded in secrecy and repayment rates were suspected to be low, a charge strenuously denied by Government. According to the last available Auditor General's report in 2011/12, the MDF had N$118 million in funds and reserves in 2012 but liabilities of N$129 million. The audit report was qualified partly due to doubts about the recoverability of loans that the MDF had made. Government's annual Accountability Report no longer provides information on the MDF. According to the MDF's founding legislation, the MME should have tabled its annual reports and financial statements in the National Assembly on a yearly basis. As of 2020, the MDF had been defunct for several years with its financial status unknown. In early 2021, the MME ordered a review of its mandate with the possibility that the MDF would be wound up altogether.

[3] Minerals Development Fund of Namibia Act 1996 (Act No.19 of 1996)

The Diamond Act

The Diamond Act of 1999[4] was passed by Parliament after a lengthy process of consultation in the face of concerted lobbying by De Beers and others, including well-known diamanteur Maurice Tempelsman. It replaced a whole raft of legislation dating back to 1939. The Act established the Diamond Board headed by the Diamond Commissioner whose function is to advise the Minister of Mines and Energy, promote and protect the diamond industry and the diamond resource and to perform other regulatory tasks. The Board consists of representatives from the Ministries of Mines and Energy, Finance, and Fisheries, as well as the Namibian police (Nampol), large and small-scale rough diamond producers, diamond cutters and dealers, jewellers and the trade unions. The Board is financed by a levy on producers and housed in the Ministry of Mines and Energy. The Act also regulates the production, ownership and trade of rough and polished diamonds through a system of permits and licences, fines, forfeitures and penalties. The Act gives special powers to the Minister of Mines and Energy who can oblige producers of rough diamonds to sell their output to diamond cutters and polishers in Namibia under terms and conditions determined by the Minister (Section 58) and also test the diamond market by selling up to ten percent of a producer's rough diamond output by value (Section 59). The Act makes provision for a ten percent diamond export duty on unpolished diamond exports payable to the Board. Despite resistance, the implementation of the Act went smoothly although Sections 58 and 59 have never formally been invoked.

In addition to these three major pieces of legislation which apply specifically to the mining sector, the industry has also been critically affected by the Labour Act 1992[5] which was later replaced by the Labour Act 2007[6] as well as the Affirmative Action (Employment) Act 1998[7] and the Vocational Education and Training (VET) Levy introduced in 2014. In addition to this legislation, Government published a Minerals Policy for Namibia in 2003 after a lengthy and thorough process of consultation. The Minerals Policy described Namibia's mining sector and set out a number of broad objectives for the mining sector as a contribution to national development.

Mining Finance

Development Bank of Namibia

Government created the Development Bank of Namibia (DBN) through an Act of Parliament passed in October 2002. The mission of the DBN is to "mobilise investment capital and facilitate national and international cooperation among public and private entities as well as community organisations in the planning and implementation of larger-scale projects capable of delivering sustainable economic growth as well as social development in the form of human capital development and empowerment to Namibia." The DBN has no specific focus on or expertise in mining and has to date extended only limited finance to the mining sector. This has included bridging finance to Weatherly/Ongopolo, a preference share investment in local empowerment grouping Evi Gold Mining, and N$120 million of equity in Ohorongo Cement, which is more of a manufacturing operation. The Bank's 2018/19 annual report indicates how limited its exposure is to the mining sector.

[4] Diamond Act 1999 (Act No. 13 of 1999)
[5] Labour Act 1992 (Act No. 6 of 1992)
[6] Labour Act 2007 (Act No. of 2007)
[7] Affirmative Action (Employment) Act 1998 (Act No. 29 of 1998)

Namibian Stock Exchange

The Namibian Stock Exchange (NSX) came into being on 30 September 1992 after Parliament amended the Stock Exchanges Control Act of 1985. Since then the NSX, a fully private sector initiative supported by Government, has seen a certain amount of activity in mining stocks, mostly dual-listed shares primary listed on the JSE. In 1997 the NSX created a Development Board or "DevX" to encourage companies without a long track record to come to market.

Ocean Diamond Mining listed in 1994, Gold Fields Namibia listed in 1995, and Trans Hex in 1999. De Beers listed in 1997 followed by Anglo American in 2001 after De Beers de-listed. Namibian Minerals Corporation (Namco) raised N$30 million when it listed in 1994 and a further N$30 million in 1997. Since then, eleven mining companies have dual-listed on the NSX: Forsys Metals, Xemplar, Deep Yellow, Bannerman Resources, West Australian Metals (later Marenica Energy), Kalahari Minerals, Extract Resources, Minemakers, Auryx Gold (later B2Gold) and Giyani Gold Corporation on the DevX and Paladin Energy (the owner of Langer Heinrich uranium mine) on the Main Board. There are no locally listed mining companies on the NSX.

Afminco

The private sector took a second important initiative to stimulate finance for the mining sector in the form of African Mining Development Company (Afminco) in 2001. Afminco was to raise N$100 million on the NSX through the sale of ordinary shares which was then to be invested in entrepreneurial "junior" mining projects not of interest to the major mining houses, which through the addition of financial, management and other expertise, would allow these to reach the stage where they could be sold or listed thereby increasing the size of the fund. Afminco was abandoned primarily due to the risk aversion of the asset management industry at which the fund was targeted.

Tax Changes

For a number of years after Independence, Government attempted to steadily reduce the general corporate tax rate which was cut from 42 percent in 1990 to 35 percent by 1995. Early on, Government decided to review Namibia's mining tax legislation as part of the work leading up to the drafting the new Minerals Act and a revised tax regime was outlined in the national budget in May 1992 and implemented through the Income Tax Amendment Act[8]. For tax purposes, there was to be no differentiation between local and foreign-owned companies. While prior to the review, gold, uranium, diamond and other mining had been treated differently, following the review the new tax regime only distinguished between diamond mining and other mining companies.

Diamond mining companies were to pay an effective 55 percent corporate profits tax (50 percent profits tax and a ten percent surcharge) plus a ten percent export royalty on rough diamonds. However, the precise payment of taxes from Namdeb, the 50:50 partnership between Government and De Beers and Namibia's dominant diamond producer, is contained in the agreement between the two parties which has always been secret.

Direct taxation of non-diamond mining companies was to be based on a formula whereby the higher the ratio of profit to turnover, the higher the tax rate. Both diamond and non-diamond mining companies had to pay a ten percent Non Resident Shareholders Tax (NRST) on dividends. With the exception of royalties, taxes on the mining industry are levied by the Ministry of Finance.

[8] Income Tax Amendment Act 1992 (Act No. 25 of 1992)

However, in the years following the introduction of this new tax regime, Government came to believe that the non-diamond mining sector was not paying an appropriate level of tax and that the formula-based system was open to abuse. From 1 January 2000, the formula-based system was replaced by a flat rate of 37.5 percent, at the time some 2.5 percent higher than the non-mining corporate rate. Mining operations can deduct 100 percent of their exploration expenditure in the year they are incurred while development expenditure allowances must be spread equally over three years.

The Minerals Policy of Namibia contained no specific commitments on taxation of the mining sector. It did, however, state that "the Namibian Government has already started a process of revising corporate taxes," and that "it is envisaged that this process will ensure that the tax regime in Namibia stays competitive when compared to other global mining investment opportunities."[9]

In November 2004, Government introduced a mining royalty tax on gross revenues (not profits) of up to five percent on all non-diamond mining companies through Notice 248 in the Government Gazette (No. 3322). However, although the Minister had the right to introduce such a tax under Section 114 of the Minerals Act 1992, he could only do so on a case-by-case basis in circumstances where he had evidence that a mining company could further process its output in a commercially viable way or where it had been either selling its output at below market value or engaging in transfer pricing. Furthermore, the Minister was obliged to carry out consultations before imposing the duty. This process had clearly not been followed. A new tax was therefore re-gazetted in December 2006 after the obligatory consultations had taken place. However, the tax remained legally questionable because it had been applied across the industry rather than on a case-by-case basis and it was left to Rössing Uranium to point this out. Government ended up rushing through an Amendment to the Act at the end of 2008[10] and finally gazetted the new royalty rates in April 2009[11]. A rate of six percent was levied on Rössing – twice the rate applied to other uranium mining companies, supposedly to cover the period from 2004 when it had refused to pay. Government budgeted it would collect N$250 million or more from the new tax from 2009/10.

TABLE 8.2

Royalty Rates

Mineral Class	Notice 248, 15 Nov 2004	Notice 192, 1 Nov 2006	Notice 4236, 1 April 2009
Precious Metals	5%	3%	3%
Base and Rare Metals	5%	3%	3%
Semi Precious Stones	4%	2%	2%
Industrial Minerals	4%	2%	2%
Nuclear Fuel Minerals	5%	2%	3%
Rössing Uranium			6%
Non-Nuclear Fuel Minerals	4%	3%	2%

Source: Government Gazette

[9] Page 11, Minerals Policy of Namibia Section 2.1
[10] Minerals (Prospecting and Mining) Amendment Act 2008, (Act No.8 of 2008)
[11] See "Shoot First Ask Questions Later", *Insight Namibia*, May 2005

In July 2011, with the prospect of revenues from the Southern African Customs Union being severely reduced, the Minister of Finance announced a broad range of tax proposals, some of which had far-reaching implications for the mining sector. The proposals included raising the tax rate on mining companies from 37.5 percent to 44 percent, imposing an export levy of up to five percent on unprocessed mineral exports, and subjecting mineral exports to VAT. The Chamber of Mines and diplomatic representatives immediately engaged with Government and forcefully put the case against a blanket export levy and VAT, arguing that these measures would effectively take 20 percent off the top lines of the country's mining companies and render them unprofitable. Government listened carefully to these arguments and on 17 August revised its tax proposals, indefinitely postponing the imposition of VAT, scaling back the five percent export levy to a case-specific levy capped at two percent, and also agreeing to negotiate further with the Chamber on the issue of mining corporate tax. The outcome represented a victory for engagement and dialogue and showed Government was prepared to change its mind. A withholding tax on services of 25 percent was introduced in 2011 but was reduced to ten percent in 2015 after further consultations with the mining and other industries. By the end of 2016, however, a long period of consultation with the industry resulted in the passing of the Export Levy Act which incorporated a levy on mineral exports capped at two percent. It became clear the levy was merely a revenue raising measure rather than a meaningful instrument of industrial policy.

TABLE 8.3

Export Levy Rates

Main Product	Specific Product	Export Levy Rate
Diamonds	Pure unsorted rough diamonds	2.00%
	Sorted by size	1.50%
	Sorted and graded	1.00%
	Cut and polished	0.50%
	Products of jewellery etc	0.00%
Zinc	Crushed ore	2.00%
	Zinc concentrate	1.00%
	Zinc sheets	0.50%
	Zinc ingots	0.25%
	Steel products	0.00%
Lead, other metals	Lead concentrate	1.00%
Uranium	Uranium oxide/yellow cake	0.25%
Copper	Copper concentrate	1.00%
Gold	Gold bullion	1.00%
Manganese	Manganese concentrate	1.00%
Fluorspar	Acid grade fluorspar	0.25%
Other metals, precious and semi-precious stones	Pure metal/stone	0.25%
Dimension stone	Stone blocks	2.00%
Marble	Stone blocks	2.00%
Gas	Unrefined gas of all types	1.50%
	Refined gas of all types	0.00%
Crude oil	Unrefined crude oil of all types	1.50%
	Refined oil of all types	0.00%

Source: Government Gazette

Epangelo

According to the Minerals Act, Namibia's mineral resources belong to the Namibian State. However, Government adopted a development model for the sector based on private sector mining companies licenced and regulated by the MME. Although it has accepted stakes in mining companies when these have been offered to it (Government inherited a stake in Rössing mine and was offered 50 percent of Namdeb as part of a longer-term deal with De Beers to secure mining rights), Government has generally held back from direct ownership. Over time, it became increasingly clear that this was set to change as unhappiness with the lack of local participation in the industry grew. In May 2009 Minister of Mines and Energy Erkki Nghimtina announced the creation of a state-owned mining company "Epangelo" (meaning "government" in Oshiwambo). Shortly thereafter, following the visit of its CEO Anne Lauvergeon to Namibia, AREVA announced it had established a joint venture exploration company in which it had a 51 percent stake with Epangelo (25 percent) as well as SWAPO's Kalahari Holdings (14 percent) and United Africa Group (10 percent) as junior partners. Epangelo's board of directors was announced that December and consisted of Elaine Samson, Eliphas Hawala (GM of NamGem), Mathews Amunghete (Chief Inspector of Mines), Roger Gertze (General Manager Multichoice Namibia) and Helena Itamba (Deputy Director Controlled Minerals and Minerals Development, MME). However, Epangelo's starting capital was a mere N$1.5 million rendering it unable to participate in any meaningful way. The creation of Epangelo added further uncertainty to Namibia's already uncertain mining investment framework since it was not clear whether Government would in future allocate EPLs and MLs to Epangelo rather than the private investors who have borne the cost and the risk of bringing projects to exploitation stage. Nonetheless, since its creation Epangelo has regularly announced deals with a variety of private sector players based on free carry[12] – including a ten percent stake in Swakop Uranium[13], a 7.5 percent stake in Navachab gold mine, and a ten percent stake in Kombat mine – but it has not managed to raise significant capital of its own. In May 2013, Epangelo was classified as a Tier 2 Public Enterprise reporting to MoPE as well as to MME. In 2019 it was not successful in its bid with unnamed Australian investors[14] to purchase Elizabeth Bay from Namdeb which instead went to a local private business Lewcor. Government seems to have decided to keep Epangelo ticking over with annual transfers from the national budget but preventing it from playing a meaningful role in the mining sector. During 2020 Epangelo's website[15] was revamped and hosted annual reports up to 2017/18.

Strategic Minerals

Government followed up the creation of Epangelo in 2009 with a far-reaching policy announcement[16] in April 2011 in which six minerals were declared "strategic minerals": diamonds, uranium, copper, gold, coal and rare earth metals. At the time Namibia did not produce coal or rare earth metals and only very small quantities of copper and gold. There was some confusion about whether zinc was also included. Cabinet endorsed that the right to own licences for these strategic minerals would "only be issued to a state company" but that "the state company may enter into joint ventures with interested parties for exploration and development." This sent shockwaves through Namibia's mining industry as the announcement appeared to apply to existing as well as new licences. Shockingly it took the Minister of Mines and Energy three weeks to clarify that the announcement would only apply to new licences suggesting the original idea was that it apply to existing licences too. Government reaffirmed its policy on strategic minerals in June 2014 and made public that changes in legislation would be forthcoming[17].

[12] See "Epangelo Mining Halfway to Reaching N$5 billion Target", *The Namibian*, 28 August 2012
[13] See "Government buys 10 percent Stake in Husab", *The Namibian*, 30 November 2012
[14] See "Epangelo Wants Elizabeth Bay", *The Namibian*, 21 December 2018
[15] www.epangelomining.na
[16] See Media Release from Cabinet Chambers 26 April 2011
[17] See "Legislation for Strategic Minerals Imminent", *The Namibian*, 27 May 2014

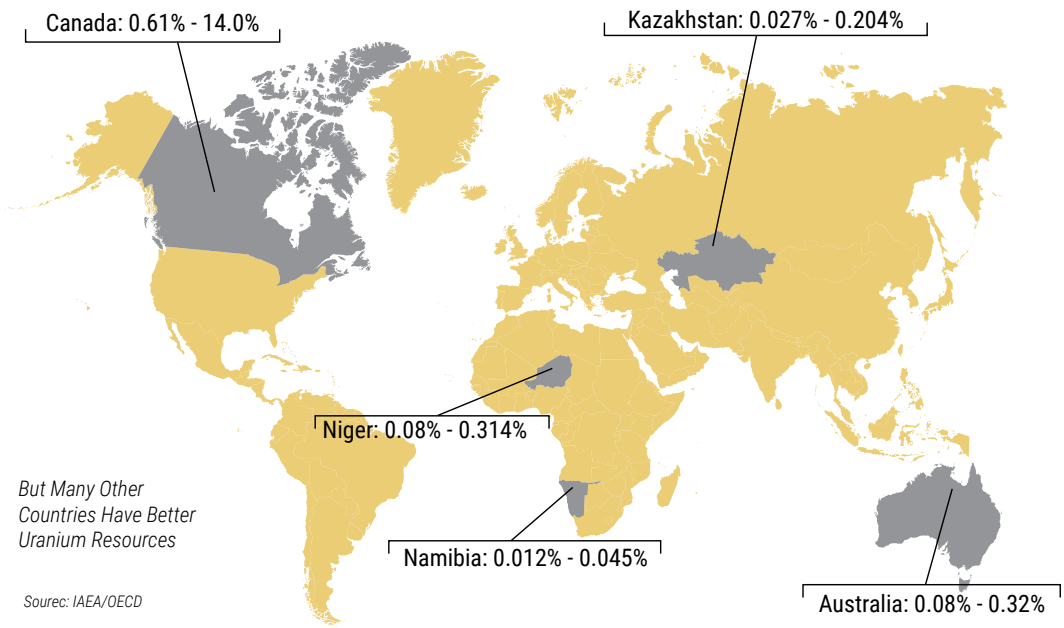
Performance of Major Mining Operations

By the end of 2020, eight major mining operations were in production in Namibia:

- Husab uranium mine
- Namdeb Holdings (including Debmarine Namibia)
- Navachab gold mine
- Otjikoto gold mine
- Otjozundu manganese mine
- Rosh Pinah zinc and lead mine
- Rössing uranium mine
- Skorpion zinc mine (plus refinery)
- Walvis Bay Salt Holdings

Weatherly Mining Namibia which operated Otjihase and Matchless copper mines placed them under care and maintenance in September 2015 while Tschudi mine was placed under care and maintenance in February 2020. Langer Heinrich uranium mine was placed under care and maintenance in May 2018 while another major mining operation - Trekkopje uranium mine - had been mothballed indefinitely even before it was commissioned. Another major mine, Okorusu Fluorspar was closed in November 2014. Several other potentially major operations have been granted mining licences but are not yet in operation including: LL Namibia Phosphates (offshore phosphate mining ML159), Namibian Marine Phosphate (offshore phosphate mining ML170), Shiyela Iron (iron ore mining ML176) and Zhonghe Resources (uranium mining ML177)[18].

MAP 8.1: INTERNATIONAL URANIUM RESOURCES COMPARED



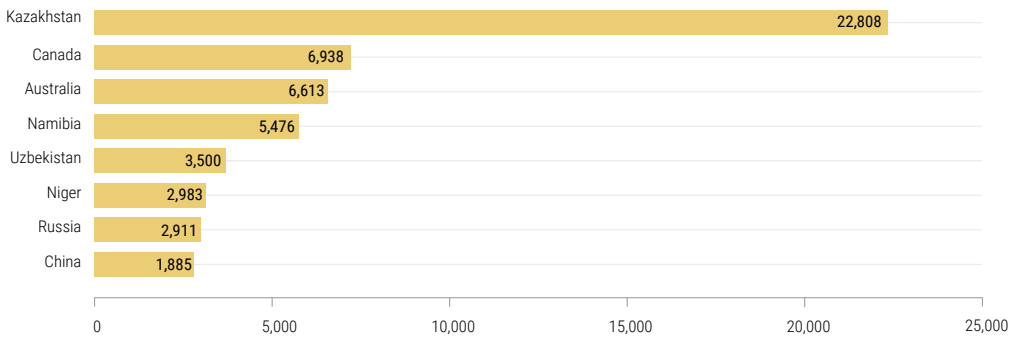
[18] A full list of mining licences is available on the MME website http://www.mme.gov.na/pdf/ml0513.pdf

Uranium Mining

Thanks to Rössing Uranium which opened in 1976, Namibia has long been an important global producer of uranium. However, although abundant, Namibia's uranium resource is generally low-grade compared to other major uranium producing countries such as Kazakhstan and Canada. Throughout the period since Independence, Namibia has generally been the fourth largest uranium-producing country in the world below Kazakhstan, Canada and Australia according to the World Nuclear Association (WNA). In 2019, over 80 percent of global production came from these four countries. To production from Rössing was added Langer Heinrich from 2006 and then Husab in 2016 which is now the dominant producer.

CHART 8.1

Global Uranium Production in 2019 (tonnes)



**only includes countries producing more than 1,000t*

Source: World Nuclear Association

Husab Uranium Mine

The story of Husab uranium mine is primarily one of junior Perth-based Australian miner Extract Resources. Extract established Swakop Uranium in 2006 to explore, evaluate, develop and produce uranium oxide. The Husab area was targeted as an exploration area of interest in 2006. The geological reasoning behind this was that similar rock formations to those hosting Rössing Mine to the north were interpreted to be concealed beneath the desert plain in the northern part of Swakop Uranium's EPL area. Husab was originally known as the Rössing South deposit. An intensive drilling programme started in late 2007 and the chemical assay results for the three discovery holes were returned from the laboratory in early 2008 and released to the market in February 2008. These results prompted Extract Resources to commission a definitive feasibility study (DFS), which formally commenced in April 2009. The DFS results were released to the market in April 2011. On 1 December 2011, the Ministry of Mines and Energy granted Swakop Uranium a licence ML171 to develop the Husab mine.

In April 2012, Taurus Minerals Limited of Hong Kong became the new owners following a successful takeover of Extract Resources which subsequently delisted. Taurus is owned by China General Nuclear Power Corporation (CGNPC) Uranium Resources and the China-Africa Development Fund. Taurus had pursued Swakop Uranium's Husab project since 2011, first by successfully launching a takeover bid for Extract's majority shareholder, AIM-listed Kalahari Minerals, which owned 43 percent of Extract. This was followed by a US$2.2 billion takeover offer for Extract, which the Extract independent directors recommended their shareholders to accept. In November 2012, the Namibian state-owned mining company, Epangelo, and Swakop Uranium finalised an agreement for the subscription of a ten percent stake in Swakop Uranium in a deal valued at N$1.8 billion (US$226 million). The Husab Project officially kicked off in April 2013 with a ground-breaking ceremony attended by Minister of Mines and Energy Isak Katali. Mining operations officially

commenced on 8 May 2014 but ramp-up to full production of 6,800 tonnes (15 million pounds) a year was still underway by the end of 2020 pushing Namibia into third place in global uranium production. The uranium price, however, continued to languish around US$30 per pound.

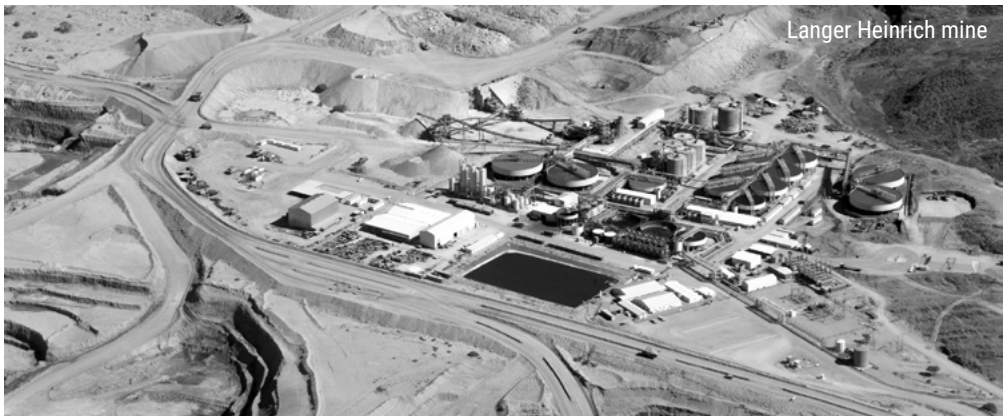
CGNPC's investment in Swakop Uranium not only marked the biggest in Namibia since the country's independence, but also by far the single biggest investment by China in Africa. More than US$100 million was spent to get the project to the construction phase. A further US$2 billion (N$20 billion) was required to bring the Husab Project to fruition. This massive investment in Namibia took place during the period of Fukushima and the collapse in the uranium spot price. Once fully operational, Husab will be the world's second largest uranium mine producing 15 million pounds of uranium oxide a year and the largest open pit mine on the African continent.

YEAR	EVENT
2006	– Extract establishes Swakop Uranium
2007	– Intensive drilling programme starts in Husab area near Rössing
2011	– Swakop Uranium granted mining licence ML171
2012	– Taurus buys Extract which then delists from ASX – Swakop Uranium agrees to give Epangelo ten percent stake
2013	– Ground-breaking ceremony takes place
2014	– Mining operations commence at Husab
2015	– Sulphuric acid leaching plant completed
2016	– Production ramp up commences
2017	– Husab produces 1,345 tonnes of uranium yellow cake
2018	– Husab produces 3,571 tonnes of uranium yellow cake
2019	– Husab produces 4,010 tonnes of uranium yellow cake – First sales of uranium yellow cake to Europe
2020	– Husab produces 5,000 tonnes of uranium yellow cake

Langer Heinrich Uranium Mine

When it commenced commercial production in early 2007, Langer Heinrich was the world's first all-new uranium mine in two decades. Its Australian-listed owner Paladin Resources (now Paladin Energy) succeeded in bringing the project from exploration phase to production in little more than four years timing it to come on stream just as the international price of uranium approached US$50 per pound thanks to the vision of hard-hitting Paladin MD John Borshoff[19]. The deposit had been discovered in 1973 and was evaluated by Gencor in subsequent years. Paladin gained the mineral rights in August 2002 when it purchased Langer Heinrich Uranium (Pty) Ltd, a Namibian registered company holding the project rights, from another Australian company, Aztec Recources (formerly Acclaim Uranium) for A$15,000, which had in turn bought the project from Gencor in 1998. At that time uranium was being sold for barely US$15 per pound on the international spot market and interest in uranium had been in the doldrums for years.

Langer Heinrich differed substantially from Namibia's much larger and longer established Rössing mine. For a start at 0.08 percent, its ore grade was three times higher than Rössing's. The uranium is not contained in granite but in sediment which makes it both much easier to mine and far less water intensive. Langer Heinrich employed an alkaline rather than an acid leaching process to separate uranium from the ore, something which had never been used on this scale before. The final product, uranium "yellow cake" is actually a slightly different form of uranium oxide from Rössing's ($UO_4.H_2O$ rather than U_3O_8), a powder that really is yellow in colour (hence the term "yellow cake") compared to Rössing's blackish green powder. The mine, run initially by an experienced Canadian Wyatt Buck, ended up producing its first yellow cake in December 2006 and

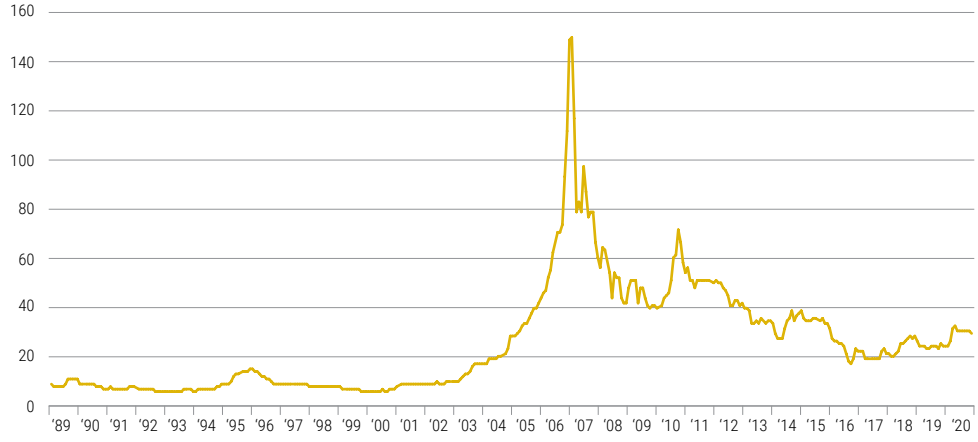

Langer Heinrich mine

commencing commercial production in April 2007. Paladin Resources renamed itself Paladin Energy in 2007. Paladin announced in August 2008 that it would be increasing production at Langer Heinrich from the original capacity of 2.6 million pounds to 3.7 million pounds a year by 2009 with a third phase bringing production up to 6 million pounds a year by 2010. In 2008 Paladin Energy dual-listed on the main board of the NSX. Its Kayelekera mine in Malawi, in which the Government of Malawi had a 15 percent stake, started production in 2009. In October 2009 Paladin confirmed its Stage 2 expansion had been completed and that it intended to go ahead with Stage 3 to 5.2 million pounds a year and with Stage 4 which would include a heap leaching facility and take production up to 10 million pounds a year by 2014 with the aim of establishing Paladin as a "Tier 1" producer[20].

After barely seven years, Paladin's mining operation in Namibia had come to be seen as a textbook example of how a small stock-exchange listed exploration company could make it big. Paladin succeeded in completing its Stage 3 expansion of Langer Heinrich by October 2011 and for a while the mine produced more uranium oxide than the long-established Rössing mine. However, the Fukushima disaster, which took place in Japan in March 2011, forced Paladin to shelve its ambitious Stage 4 expansion plans and the company became viewed as a potential takeover target. Paladin signed a long-term off take agreement with Electricite de France in 2012. Langer Heinrich MD Werner Duvenhage left for Rössing Uranium in July 2013 and was

CHART 8.2

Uranium Price 1990-2020 (US$ per pound)



[19] See "Langer Heinrich in Kurzer Zeit", *Insight Namibia*, September 2007

[20] See "Langer Heinrich Aims for 10 Million Pounds Uranium Annually", The Namibian, 30 October 2009

replaced by Simon Solomons in January 2014. In the same month Paladin announced that it had agreed to sell a 25 percent stake in Langer Heinrich to China Uranium Corporation a wholly owned subsidiary of China National Nuclear Corporation for US$190 million. The deal was completed in July 2014. In August 2015 it was announced that Paladin's founding CEO, the combative John Borshoff was to step down. He was replaced by an outsider Alexander Molyneux.

In May 2018, with the uranium price still low, Paladin announced it would place Langer Heinrich under care and maintenance. In June 2020 Paladin energy announced a US$81 million plan to restart production on the back of the one-third lift in uranium prices that had taken place in the first half of the year. Resumption of production will depend on whether Paladin secures short-term offtake agreements. Paladin Energy publishes detailed information on all its operations on its website.

YEAR	EVENT
1973	– Langer Heinrich deposit discovered
1974	– Gencor evaluates deposit until 1980
1998	– Acclaim buys Langer Heinrich from Gencor
1999	– Acclaim carries out pre-feasibility study
2002	– Paladin buys Langer Heinrich from Acclaim
2006	– Langer Heinrich starts production
2007	– First batch of yellow cake shipped
2008	– Paladin Resources renamed Paladin Energy – Paladin Energy dual-lists on the NSX – Paladin announces Stage 2 expansion of Langer Heinrich
2009	– Kayelekera mine in Malawi opened – Paladin announces Stage 3 and 4 expansion of Langer Heinrich
2010	– Werner Duvenhage replaces Wyatt Buck as GM
2011	– Stage 3 expansion completed
2012	– Paladin announces US$200 million prepayment deal with nuclear utility – Paladin announces long-term agreement with Electricite de France – Stage 4 expansion shelved
2013	– Werner Duvenhage leaves Langer Heinrich for Rössing Uranium
2014	– Simon Solomons starts as MD of Langer Heinrich – Paladin announces sale of minority stake in Langer Heinrich to China Uranium Corporation
2015	– John Borshoff steps down as CEO of Paladin Energy and replaced by Alexander Molyneux
2018	– Langer Heinrich placed under care and maintenance
2020	– Paladin prepares to restart production at Langer Heinrich

Rössing Uranium Mine

Radioactive pitchblende had been discovered in the vicinity of Rössing mountain as early as 1928 but it took extraordinary efforts by Captain Peter Louw, a mineral prospector working in the Namib desert, to interest mining companies in the deposit. In 1966 Rio Tinto South Africa, a subsidiary of the then RTZ Corporation, negotiated an option on the concession which covered an area of 1,000km^2. An extensive programme of geophysical and geological surveys was undertaken followed by a detailed feasibility study which found the ore body consisted of low-grade uranium occurring in granite rocks which could be economically mined. The deposit is the largest known uranium deposit occurring in granite.

Rössing Uranium Limited was formed in 1970 to develop the deposit adjacent to Rössing mountain some 65km inland from Swakopmund. The decision to go ahead with the project was taken in August 1973. The area is

now covered by ML28. The original shareholders of Rössing consisted of RTZ as the major shareholder (41.4 percent) with minority shares held by Rio Algom, the Industrial Development Corporation of South Africa, Cie Française des Petroles, Urangesellschaft, General Mining and Finance Corporation (Gencor) and others including the pre-revolutionary Government of the Republic of Iran. Thirteen individuals associated with the discovery of the deposit were also allocated 3 percent of Rössing's shares. In April 1985 the then Namibian Administration acquired a minority share (3.5 percent) from the IDC. The South African government took a strategic stake in the project which allowed it veto powers on major decisions. These shares were later transferred to the Government of the Republic of Namibia at Independence in 1990. The mine and plant, which were designed to produce 4,500 tonnes of uranium oxide a year began operating in March 1976 just as international uranium prices were reaching their peak at over US$40 per pound. However, the unexpectedly abrasive nature of the ore meant that full-scale production was only attained in 1979 after major changes in the plant design had been made.

Production of uranium oxide at Rössing went into long-term decline following the peak of almost 5,000 tonnes achieved in 1980. The years 1992 and 1993 saw just 2,000 tonnes being produced as international demand slumped and spot market prices reached a trough of below US$10 per pound. As output steadily declined Rössing's workforce shrank from over 3,000 people at its peak in the late 1970s. The year following Independence saw the workforce cut dramatically to 1,500 followed by another downsizing in the late 1990s to a stage where just 833 people were employed by the end of 2004. Rössing has generally ranked as the fifth largest producer of uranium oxide in the world.

Rössing continued to make profits throughout the 1990s up to 2001 and 2002 when it succeeded in making over N$250 million in each year despite US dollar spot prices reaching an all-time low. Following the appreciation of the Namibia dollar after the severe weakening of 2001 and 2002, Rössing suffered a loss of almost N$150 million in 2003 and, as a result, did not pay corporate tax.

From the beginning, Rössing has always cultivated long-term relationships with its clients, the nuclear utilities. As a signatory to the Nuclear Non-Proliferation Treaty, the Namibian Government must approve each sale from Rössing and sales are monitored by the International Atomic Energy Agency (IAEA) in Vienna. Rössing had customers in France, Japan, South Korea, Taiwan, US, Sweden and increasingly in China. In 2004 Rössing sold uranium oxide for the first time to Shanghai Power Utility.

Rössing Uranium Mine

When it was built the life of Rössing mine was estimated to be 30 years (until 2009). However, as prices started to approach US$30 per pound, feasibility studies involving pit enlargement and expanding the mining fleet were approved at the end of 2005 to extend the life of mine to 2016. Uranium prices continued to climb reaching a record US$136 per pound in June 2007 before settling back at around US$50 per pound. Further work and the sustained rise in the price of uranium led Rössing to announce the life of mine would be extended to 2023. Towards the end of 2008 Rössing made an announcement that it would seek to expand to 5,500 tonnes by 2012[21], but this came just prior to Rio Tinto announcing it intended to slash its global workforce by 14,000 due to the slump in demand brought on by the world economic crisis. Rössing's plan was later quietly dropped to 4,500 tonnes by 2012. However, its expansion plans were complicated by the discovery of new uranium deposits on Rössing's doorstep, especially the world-class Rössing South deposit (later renamed Husab) owned by ASX-listed Extract Resources in which Rio Tinto had a 15 percent share. At one stage it looked as if Rio Tinto was aggressively accumulating Extract shares in preparation for a complete takeover. Rössing ended up agreeing to sell its stake in Extract in March 2012. Although there were discussions about joint developments building on Rössing's existing infrastructure, these ideas were dropped later in the year. The Minister of Mines and Energy granted Extract Resources a 25-year mining licence (ML171) for its huge Husab project in December 2011 giving additional impetus to the takeover of Extract Resources by China's state-owned China Guangdong Nuclear Power Company and the China-Africa Development Fund through Taurus Minerals.

Rössing had also made itself deeply unpopular with Government by issuing a legal challenge to the imposition of the royalty tax originally introduced in 2004. It ended up being slapped with double the rate levied on the other operational uranium mine Langer Heinrich when the new regulations were gazetted on 1 April 2009[22]. Rössing believed that a gentleman's agreement would see this rate lowered to three percent once it had made good its backlog from 2004. Production and profitability at Rössing slumped for several years as mining operations moved through low-grade material to reach new higher-grade ore in the expectation that profits would return from 2014 onwards. Over the years there was speculation that Rio Tinto might sell its stake in Rössing or that Government may take over the stake held by the Government of Iran or the IDC but by the end of 2015 no substantial changes in shareholding had taken place. With uranium spot prices in the doldrums, Rössing's incoming MD Werner Duvenhage oversaw a reduction of production for the spot market and a concomitant reduction in the mine's workforce. Duvenhage moved to another Rio Tinto operation in October 2018 and was replaced by Richard Storrie.

Finally in November 2018, after years of speculation and dithering, Rio Tinto announced it was to sell its 68.62 percent stake in Rössing Uranium – the world's longest running open pit uranium mine – to China National Uranium Corporation Limited for an initial cash payment of US$6.5 million plus up to a further US$100 million depending on the uranium price. The sale was finalised in July 2019 and Richard Storrie was replaced by Johan Coetzee as MD in October 2019.

Due to the nature of Rössing mine, health and safety has always been an issue. Rössing followed the NOSA rating system from the beginning until 2001, a period which saw lost-time injuries first decline and then rise. Rössing received a 5-star NOSA rating from 1982 onwards and NOSCARs for 13 years in a row from 1985. However, Rössing abandoned NOSA in 2001 and adopted an internal Rio Tinto safety system. This has seen lost-time injuries decline substantially. In 2004 only one lost-time injury was recorded, the lowest number ever in the 28-year history of the mine. This impressive record was broken when a fatality occurred in March 2005. As part of its social responsibility policy, Rössing established the Rössing Foundation in 1978. It is administered by a director responsible to an independent board of trustees. It is funded by donations from Rössing profits and from foreign donors.

[21] See "Move to Extend Life of Rössing's Namibia Mine", Business Day, 11 November 2008
[22] Government Notice No. 4236, 1 April 2009

YEAR	EVENT
1966	– RTZ Corporation granted concession at Rössing
1970	– Rössing Uranium Limited formed
1973	– Project given go ahead with life of mine expected until 2009
1976	– Rössing commences production
1979	– Full-scale production reached
1980	– Production peaks at 5,000 tonnes
1987	– Rössing signs recognition agreement with MUN
1991	– Workforce reduced dramatically to 1,500
1996	– RTZ-CRA formed out of merger with CRA of Australia
1997	– RTZ-CRA renamed Rio Tinto plc
1999	– Rössing beyond 2000 programme launched in April
2000	– Workforce reduced to under 900
2001	– Rössing discontinues NOSA rating process
2003	– Rössing makes loss for first time – Voluntary and anonymous prevalence survey showed 7.4 percent HIV positive
2004	– One lost-time injury – Theft of 22kg of uranium oxide discovered and investigated
2005	– Fatality – Life of mine extended to 2016
2007	– Life of mine extended to 2023
2008	– Strike – Expansion plans announced
2009	– Government levies 6 percent royalty tax on Rössing – Theft of 170kg of uranium oxide discovered and investigated
2010	– Rössing makes N$43 million loss
2011	– Rössing makes N$471 million loss – Mike Leach retires as MD and replaced by Chris Salisbury
2012	– Rio Tinto sells stake in Extract Resources
2013	– Werner Duvenhage appointed MD of Rössing Uranium
2014	– Rössing reduces output and workforce
2018	– China National Uranium Corporation Ltd buys controlling stake in Rössing

Trekkopje Uranium Mine

France's AREVA was the world's only vertically integrated nuclear company with operations ranging from exploration and mining to uranium conversion and enrichment and electricity generation and transmission. UraMin had started developing the Trekkopje uranium deposit 80km north east of Swakopmund in 2005. AREVA bought UraMin in November 2007 for US$2.5 billion in the wake of record uranium prices which had reached US$136 per pound earlier that year. The sale angered Government which perceived the deal as little more than foreign investors ("stock exchange miners") making fortunes out of speculating with Namibian mining resources[23]. Construction started in February 2008 on a mine that was reported to cost US$750 million in tandem with the construction of a desalination plant on the coast at Wlotzkasbaken. Given the pioneering nature of the vast heap leaching process to produce 3,000 tonnes of uranium oxide a year from the accessible but low-grade deposit, building would take place in stages, with the mini and midi pads being tested before moving on to complete the full-scale maxi pad. The first tests using water intensive heap leaching were successfully carried out in the first quarter of 2009 and a production date was announced for mid-2010. However, that date was pushed back until the Fukushima disaster struck in March 2011 when uranium prices plummeted. In June 2011 the French Prime Minister announced that Anne Lauvergeon's mandate as CEO of AREVA would not be renewed. Later that year AREVA's Namibian assets were written down significantly and the company finally announced in October 2012 that construction of the mine would be completed and then mothballed until such time uranium prices made it viable.

Almost from the beginning, the Trekkopje project was dogged by controversy. Not only was the deal between AREVA and UraMin considered with suspicion by Government, it later came to light that Trade and Industry Minister Hage Geingob (who had been Namibia's first Prime Minister and who went on to become Prime Minister again after SWAPO elections in 2012) had been paid US$300,000 advising Government on whether Uramin should be granted a mining licence when he was still a backbencher in 2006[24]. Not only did the

Trekkopje Mine

[23] The development and sale of UraMin is covered in detail in the book "UraMin: A Team Enriched" by Dr Iestyn Adams and Andre Morrall
[24] See "Geingob Kicks Back", *The Namibian*, 9 February 2012

project receive a mining licence (ML151) suspiciously quickly in 2008, the processing part of the operation, AREVA Processing Namibia, was quietly granted EPZ status for a period of five years (although EPZ status is open-ended) much to the consternation of other uranium players in Namibia. This came at a time when Government was complaining about the lack of tax revenue from the mining industry. There was also a relationship with United Africa Group which was never clearly explained (see Chapter 14: Water).

The whole investment by AREVA was subject to a company investigation by a Swiss firm ALP but the full report was never made public. By common consent, AREVA paid over the odds to get its hands on the Trekkopje project which is a rather low-grade deposit that lies fairly close to the surface. For years the deal has been the subject of an official investigation in France. In 2016, the former head of AREVA "Atomic" Anne Lauvergeon was placed under investigation for her role in the Uramin acquisition over whether she had deliberately concealed huge write-downs on the investment. Her husband Olivier Fric was also investigated. This may not have been critical to AREVA which is a state-owned company making most of its money in downstream activities rather than mining. Nevertheless, internal restructuring means that commercial viability became far more important to AREVA than it was when it first invested in Trekkopje leading to speculation of what the uranium price would have to be in order for the project to commence production. Following the restructuring and recapitalisation of AREVA by the French Government in 2016, nuclear fuel cycle operations were spun off under a new company New AREVA. In January 2018, New AREVA changed its name to Orano. By the end of 2020, Trekkopje was still under care and maintenance.

YEAR	EVENT
2005	– UraMin buys Trekkopje asset
2006	– Hage Geingob employed as consultant
2007	– AREVA buys UraMin assets for US$2.5 billion
2008	– Construction starts on desalination plant
2009	– Construction of mini pad completed – First heap leaching tests conducted
2010	– Desalination plant inaugurated – Construction of midi pad completed
2011	– Alain l'Hour appointed MD
2012	– Construction of maxi pad completed – Trekkopje project mothballed
2013	– Hilifa Mbako takes over from l'Hour as MD
2018	– AREVA renamed Orano as a result of restructuring process
2020	– Tommie Gouws replaces Mbako as MD who is appointed Executive Chair

Diamond Mining

Ever since the diamond rush of 1908, Namibia has been known for the quality of its diamonds and diamond mining forms a critical part of Namibia's economy. Although in recent years Namibia has been ranked only the ninth largest producer of rough diamonds, the quality of stones is significantly higher than any other country as indicated by the average value per carat in the table below.

TABLE 8.4
Global Diamond Production in 2019

Country	Volume (carats)	Value (US$m)	Proportion of total value	Average value (US$/carat)
1. Russia	45,271,212	4,117	30.3%	90.93
2. Botswana	23,687,013	3,435	25.3%	145.00
4. Canada	18,638,302	1,697	12.5%	91.07
3. DRC	14,158,422	226	1.7%	15.97
7. Australia	12,998,987	159	1.2%	12.25
5. Angola	9,149,746	1,697	12.5%	185.52
6. South Africa	7,180,952	873	6.4%	121.57
8. Zimbabwe	2,108,261	141	1.0%	67.09
9. Namibia	2,018,099	1,010	7.4%	500.25
All countries	138,190,993	13,574	100.0%	98.23

Source: Kimberley Process

Namdeb Holdings

Namdeb is a 50:50 partnership between De Beers and the Government of the Republic of Namibia born out of the former De Beers company Consolidated Diamond Mines (CDM). The history of diamonds in Namibia dates back over a century. In 1908 railway worker Zacharias Lewala, who had earlier worked on the Kimberley diamond fields, found rocks while shovelling ground south of Lüderitz that he knew to be diamonds. His find ignited a "diamond rush". Within a short time, there were prospectors all along the southern coast. In 1908 the then colonial government created the Sperrgebiet, a private area that stretched 360 km along the coast and ran 100 km inland. Even today, visiting the area without a permit can result in fines and possibly jail sentences.

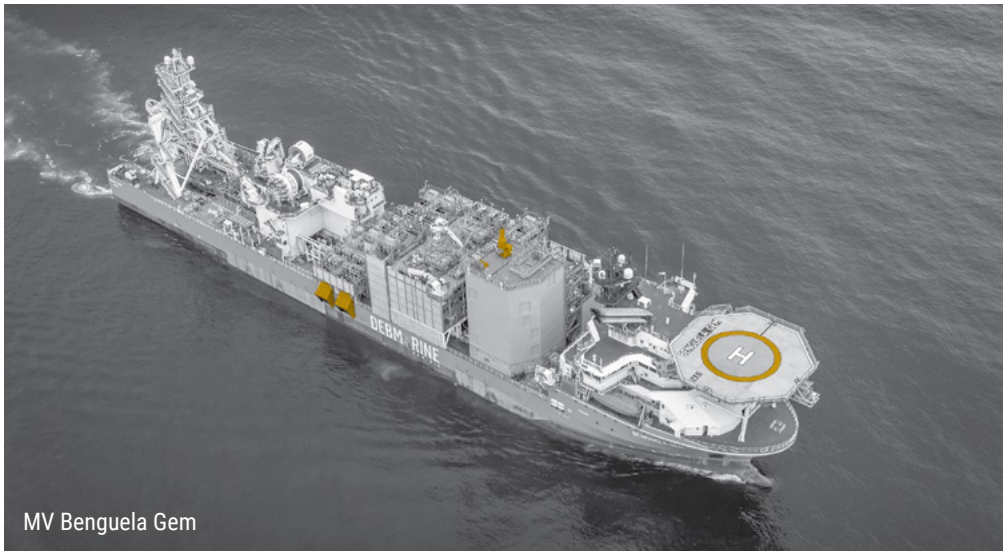
South African mining tycoon Sir Ernest Oppenheimer visited Namibia on behalf of mining company Anglo American and by 1920 had acquired all the diamond companies. In the same year, he merged them into the Consolidated Diamond Mines of South West Africa (CDM), which from then on had almost a complete hold on Namibian diamonds until the mid 1990s. CDM gained this advantage through the 1923 Halbscheid Agreement whereby the Colonial South West Africa Administration gave CDM the exclusive rights to the Sperrgebiet (also known as Diamond Area Number 1) for 50 years which was later extended to December 2010. Since then, Namdeb has relinquished most of the area, which is now being used for other activities, such as nature conservation and zinc mining.

In 1928, the focus of mining gradually shifted southward after diamonds were discovered north of the Orange River. De Beers, which was controlled by the Oppenheimer family, bought CDM from Anglo American in 1931. The private company town of Oranjemund was founded in 1936 (also in Area Number 1) and CDM

moved its headquarters there in 1943. The town remained private and entry required permission from the Government. The company built houses, a hospital, schools and a public library and assumed full responsibility for municipal services such as power, water and sewage disposal. In July 2003 the Namibian Cabinet gave approval for Oranjemund to become a public town at some unspecified time in the future but it took until August 2011 for this to happen[25].

CDM brought two new diamond mines on stream at the time of Namibia's Independence. Elizabeth Bay and Auchas were constructed at a cost of some N$138 million and N$80 million respectively and helped boost diamond production and revenues significantly during the first few years of the new Republic. At that time CDM held one third of Erongo Exploration and Mining Company which acted as Anglo American's exploration arm in Namibia.

Following negotiations between De Beers and the Government, CDM was reconstituted in 1994 into the Namdeb Diamond Corporation Ltd (Namdeb), an equal private partnership between the two parties. Since then Namdeb has been the largest taxpayer in Namibia and one of the largest private sector employers. Namdeb's board of directors has consisted of four De Beers and four Government representatives with Managing Director Inge Zaamwani, appointed in 1999, holding the ring. Nicholas F Oppenheimer was Chairman while the Permanent Secretary of the Ministry of Mines and Energy was Deputy Chairman. The exact nature of the deal struck between Government and De Beers has always remained confidential. The Government receives revenues in the form of export royalties, profit taxes and dividends and has a strategic say in the company's operations. The decision to establish the diamond cutting and polishing firm NamGem in 1998 is widely believed to have come about due to Government insistence that Namibia acquire the skills and technology to export processed rather than just rough diamonds. There is a confidential sales agreement between De Beers and the Government as to the share of profits that each receives and this has to be renegotiated every five years. A new 50:50 joint venture in the shape of the Namibia Diamond Trading Company was an integral part of this new deal. The NDTC was up and running by the middle of 2008 and issued its list of sightholders in October. This aroused considerable dismay from cutting and polishing operations which were not De Beers sightholders but which had invested in Namibia in the belief that they would secure Namdeb rough[26]. More details can be found in Chapter 10: Diamond Cutting and Polishing.



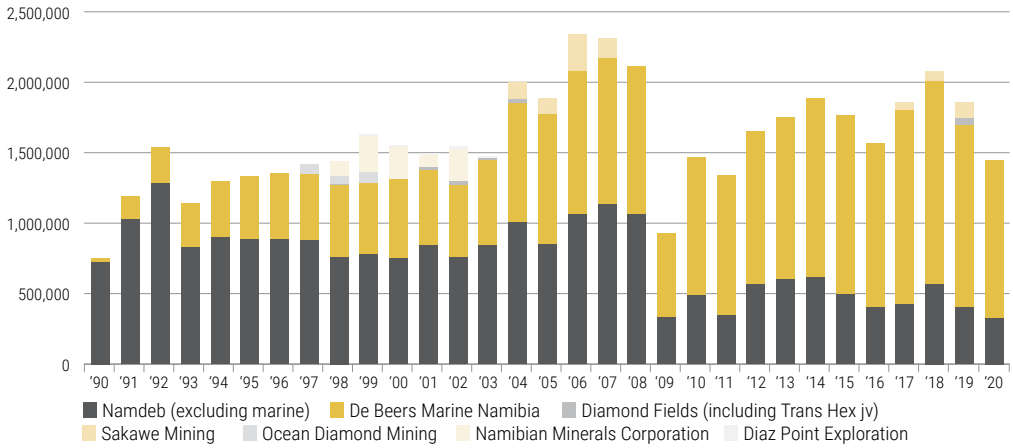
MV Benguela Gem

[25] See "Oranjemund Proclaimed as Town After Long Battle", *The Namibian*, 3 August 2011
[26] See "Putting Dracula in Charge of the Blood Bank", *Insight Namibia*, November 2007

The area with the richest potential is marine diamond production, composed of "inshore mining" and "offshore mining". The former focuses on beach and shallow waters, primarily along the banks of the Orange River and beach deposits along the coast. Offshore production takes place in deeper waters. After exploring for 23 years, De Beers began its marine operations in 1990 producing some 29,000 carats of rough diamonds in the first year. At first Namdeb contracted De Beers Marine but a Namibian company headquartered in Windhoek, De Beers Marine Namibia (DBMN), was created in 2001. In 2006 DBMN produced over a million carats for the first time ever while in 2019 marine diamonds accounted for some 1,292,000 carats out of total production of 1,699,986 carats. As far as is known, Namibia has the richest marine diamond deposits in the world but exact estimates are very difficult to come by because so little of the ocean floor has so far been explored. De Beers Marine Namibia, for example, works on a Namdeb concession of 6,000 km² of which only 130 km² had been sampled in detail and only 20 km² had been mined by 2004.

CHART 8.2

Diamond Production in Carats (1990-2020)



Source: Author's calculations based on public sources

After six unprofitable years of existence, Namdeb brought in Lazare Kaplan International (LKI) as a technical and marketing partner for NamGem for a two-year period in January 2004. LKI, headed by diamanteur Maurice Tempelsman, a well-known and well-established player in the cutting and polishing business, is the only company of its type listed on a stock exchange. Predictably, NamGem was named as one of the NDTC's sightholders in October 2007. However, at some unspecified time, Namdeb Holdings seems to have sold NamGem to LKI as described in Chapter 10: Diamond Cutting and Polishing.

From its creation, Namdeb had undoubtedly proven itself as a reliable and innovative mining company that was of critical importance to the economy of Namibia. The question is whether the tension that exists between its two shareholders can be resolved to the benefit of both. The Government wants to see more if not all of Namdeb's production cut and polished in Namibia to create jobs, skills and incomes rather than being exported to the DTC. De Beers wants to ensure that its single channel marketing system, which it believes adds tremendous value to rough diamonds and therefore to demand for Namibia's production, remains intact. The establishment of the NDTC was a compromise that appeared to satisfy both interests.

Over the years Namdeb's annual production has almost started to be taken for granted. This state of affairs changed dramatically with the onset of the GLobal Financial Crisis (GFC) accelerated by the collapse of

Lehman Brothers in September 2008 and the slump in the US market that followed. Namdeb continued to produce diamonds up to the end of 2008 – overall diamond production reached 2.2 million carats – but sales dried up dramatically. Namdeb reacted by calling a six-month "production holiday" for its land operations, halting capital expenditure, and laying off workers (mainly through voluntary measures). Namdeb was forced to request "letters of comfort" from its shareholders, De Beers and the Government, to maintain overdraft facilities at Namibia's commercial banks[27]. By the time land production resumed in June 2009, its workforce had fallen to around 1,600. With a massive stockpile of unsold diamonds, Namdeb ended up reaching a deal outside the DTC in which "significant quantities" were sold to Diamonds India Limited (DIL), a consortium of 58 diamond and jewellery manufacturers and exporters[28]. Later in the year the company asked Government to waive the payment of royalty taxes. Government apparently agreed to defer payment. Namdeb ended up producing just 929,000 carats of diamonds for the year compared to 2.2 million the year before[29]. Although Namdeb was clearly hard hit by events in the world economy, the crisis allowed it to make changes to its operations and cost structure it would have had to make anyway given that its land operations were due to wind down from 2010. It emerged from the crisis leaner and fitter and has since then it has paid more royalty and income tax than ever before.

Following years of speculation, the Oppenheimer family shocked the diamond world by selling its 40 percent share in De Beers to Anglo American in 2011 in a deal worth US$5.1 billion. After due consideration, the Government of Botswana decided not to take up the additional equity in De Beers it was due leaving Anglo American owning 85 percent of the company. The anomaly that the Namibian Government only owned 15 percent of DBMN through its 50 percent shareholding in Namdeb was addressed in 2011 through a significant restructuring of the company. This long-awaited change in shareholding structure was finalised leading to the creation of Namdeb Holdings, a holding company for all the Namibian mining assets, in which Government and De Beers each hold 50 percent of the shares. Namdeb Holdings holds 100 percent of the shares in both Namdeb Diamond Corporation and De Beers Marine Namibia, which subsequent to the restructuring trades as Debmarine Namibia. The effective date of the new shareholders agreement was 1 October 2011. As well as being the major taxpayer in the Namibian economy, Namdeb also puts a significant amount of money into its social responsibility programmes including the Namdeb Social Fund and the Oshipe Development Fund designed to assist budding entrepreneurs. Long-serving Inge Zamwaani-Kamwi stepped down as CEO in July 2015 to become constitutional adviser to newly elected President Hage Geingob and was replaced by acting CEO and Namdeb stalwart Markus Lubbe while a permanent replacement was found. COO Riaan Burger was eventually appointed CEO in November 2017. In 2019 Namdeb approached Government with a proposal to reduce or waive royalty tax payments from onshore mining which the company argued would allow onshore operations to continue into the 2030s and further investments into offshore mining. Government eventually agreed to defer payment of royalties indefinitely[30]. Namdeb ended up selling Elizabeth Bay mine – which had been opened in 1990 as a mark of confidence in the newly independent country – to a local company Lewcor in September 2019 which was finalised a year later[31].

Onshore diamond mining is labour intensive

[27] See "Namdeb in N$650 Million Overdraft", The Namibian, 10 February 2009
[28] See "India, Namibia in Gem Deal", *The Namibian*, 14 July 2009
[29] See "Recession Halves Namdeb's Production", *The Namibian*, 12 February 2010
[30] See "Government Throws Struggling Namdeb a Royalties Lifeline", IDEX Online, 22 November 2020
[31] See "Elizabeth Bay Mine Deal Finalised", *The Namibian*, 2 October 2020

YEAR	EVENT
1908	– Diamonds found near Luderitz starts diamond rush
1920	– Ernest Oppenheimer founds CDM
1923	– Halbscheid Agreement signed
1931	– De Beers buys CDM from Anglo American
1936	– Private mining town of Oranjemund established
1988	– DTC Namibia established
1990	– Elizabeth Bay and Auchas mines established
1994	– Namdeb created between Government and De Beers Centenary AG
1998	– NamGem established in Okahandja
1999	– Inge Zaamwani appointed MD of Namdeb – Diamond Act passed by Parliament
2000	– De Beers Marine Namibia established
2001	– De Beers delists from JSE (after 108 years) and NSX – Anglo American lists on LSE and dual-lists on JSE and NSX – Sightholder NamCot opens factory in Windhoek
2002	– Namdeb pays record level of tax to Government in 2002/03 – Namdeb opens Daberas mine
2003	– Kimberley Process comes into force – Otto Shikongo appointed MD of De Beers Marine Namibia
2004	– Record year of production as Namdeb exceeds 1,858,000 carats
2005	– Diamdel office opened in Windhoek with Paulus Shituna as Area Manager
2007	– NDTC established to replace Diamdel – NDTC selects sightholders
2008	– Namdeb's sales fall dramatically
2009	– Namdeb slashes production and workforce – Namdeb seeks "letters of comfort" from shareholders – Namdeb diamonds sold to Diamonds India Limited
2011	– Oppenheimer family sells share in De Beers to Anglo American – Namdeb and De Beers Marine Namibia restructured into Namdeb Holdings
2012	– NDTC selects new sightholders
2015	– Inge Zamwaani steps down as CEO of Namdeb – New marketing agreement still not signed
2017	– Riaan Burger appointed CEO
2019	– Namdeb sells Elizabeth Bay to Lewcor

Table 8.5

Distribution of Namdeb Pre-Tax Profits to Government and De Beers (N$m)

	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00
Revenues	-	-	-	-	-	-	-	2,000	1,670	2,387	3,096
Pre-Tax Profits	75	270	225	361	347	321	565	621	366	669	1,120
Payable to GRN	70	180	225	249	254	230	398	435	263	532	834
of which, Royalty	61	87	95	114	120	143	185	201	166	237	308
of which, Mining Tax	7	79	130	124	118	70	200	216	88	281	498
of which, Non Resident	3	14	0	11	9	9	17	19	10	14	29
of which, Dividend	0	0	0	0	6	7	-3	0	-1	-1	-1
Dividends to De Beers	5	90	0	112	94	91	167	186	104	137	287
Net Profit											

	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11
Revenues	3,391	4,082	2,937	3,964	3,998	5,366	4,562	5,651	3,372	5,026	5,535
Pre-Tax Profits	1,516	1,780	652	922	777	1,294	776	1,983	-555	1,516	2,162
Payable to GRN	1,065	1,246	506	717	655	989	633	1,385	-141	1,097	1,344
of which, Royalty	339	408	-	-	-	-	-	-	-	-	-
of which, Mining Tax	645	762	-	-	-	-	-	-	-	-	-
of which, Non Resident	45	53	-	-	-	-	-	-	-	-	-
of which, Dividend	36	23	-	-	-	-	-	-	-	-	-
Dividends to De Beers	451	534	146	205	122	305	143	-	-	-	-
Net Profit	-	-	-	-	-	-	-	598	-414	419	818

Source: Namdeb Annual Reviews

Sakawe Mining Corporation

Samicor was born when Lev Leviev, one of the world's leading diamond manufacturers, got involved trying to bail out the failed Namibian Minerals Corporation (Namco) which had been exploring and mining in Namibia since 1994.

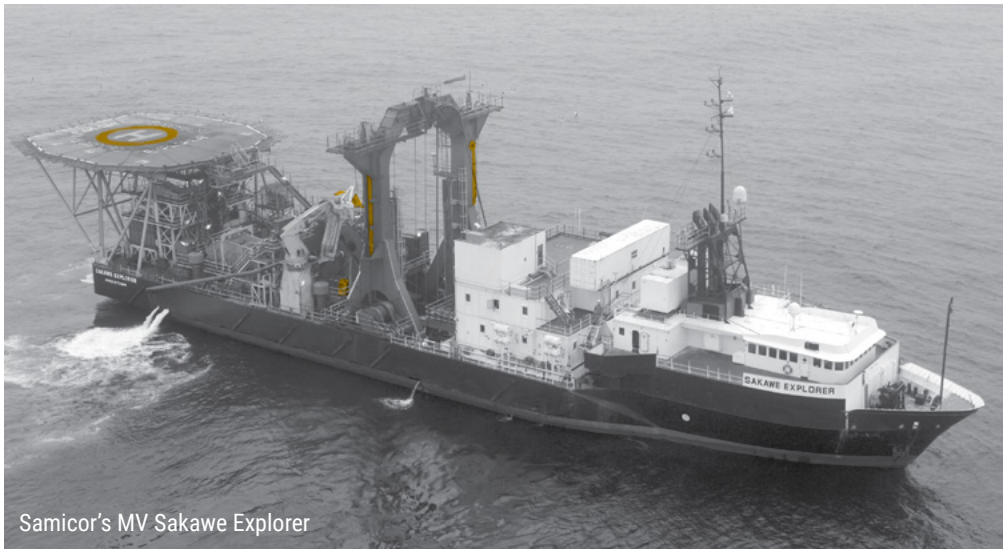
Namco was the creation of CEO Alastair Holberton and arrived on the scene in Namibia in 1994 when it listed on the NSX raising N$30 million for exploration in concessions along the coast of southern Namibia. Earlier that year Namco had listed on the Toronto Stock Exchange. Namco became a class B member of the Chamber of Mines of Namibia in 1995. Namco put a lot of effort into developing new seabed crawler technology culminating in the NamSSol mining system, a remotely operated seabed crawler with powerful dredge pumps.

Following several years of exploration, Namco announced it had completed its offshore evaluation programme and commenced production in 1998. By the end of the year Namco announced it had mined 100,000 carats. Namco listed on NASDAQ in June 1998.

Namco made a successful takeover bid for Ocean Diamond Mining (ODM) in 1999 obtaining 92.5 percent of its shares for US$60 million. At that stage, JSE and NSX-listed ODM, a small but profitable operator led by André Louw with a successful track record of underwater mining in Namibia, had three vessels and was producing some 60,000 carats which it envisaged would rise to 100,000 carats by 2000.

In 1999 Namco produced some 256,445 carats of diamonds, mainly from ML51, and was awarded ISO14001 accreditation. During the year Namco shares peaked at more than N$45 on the NSX. Namco went on to acquire the mv Ya Toivo and mv Zacharias while one ODM vessel Oceandia was scrapped. In 1999 Government bought an eight percent shareholding in Namco and the then Prime Minister's wife Loine Geingos was made a director.

However, at the end of 2000 Namco's NamSSol unit was severely damaged in an accident when an underwater mining face collapsed burying the unit. The lack of production that followed led to severe cash flow problems for Namco and the company was forced to look for help. In 2001 LL Mining Corporation BV owned by the Leviev Group became the controlling shareholder of Namco by injecting US$27 million which, despite



Samicor's MV Sakawe Explorer

producing some 235,616 carats, continued to face operational and financial difficulties. Despite substantial concessional support from Government, LL Mining Corporation was unable to reach an agreement with the company's principal lenders, a consortium of banks. LL Mining stopped advancing funds to Namco and a number of subsidiaries were put into provisional liquidation.

In April 2003 Namco's controlling shareholder LL Mining created a new company Sakawe Mining Company (Samicor) which in July purchased Namco and Island Diamonds thereby acquiring 13 mining licences and 23 EPLs. Government maintained its eight percent shareholding in Samicor. Longlife Mining and the National Youth Service of Namibia were given ten percent and two percent respectively while employees were allocated four percent. Samicor announced that its aim was to carry out a 30-month exploration programme to generate a reserve of 1.2 million carats to sustain a mining rate of 150,000 carats a year. Namco's NamSSol II crawler was sold to De Beers Marine Namibia in the middle of the year.

At one point, Samicor owned two diamond mining vessels, mv Sakawe Miner (previously the Namibian Gem) and mv Kovambo, as well as two exploration vessels, mv Sakawe Explorer (previously the mv Sea Span) and mv Sakawe Surveyor (previously mv Nora Java).

In a rare public statement, the company disclosed that it was disappointed with the size of the diamonds mined which were unsuitable for cutting and polishing at LLD and therefore had to be exported elsewhere. By its own admission Samicor's mining programme has not been a success and the company had failed to produce rough diamonds of sufficient size and quantity for the LLD cutting and polishing factory. The future of Samicor seemed to be tied up with the future of LLD which in turn depended on the outcome of negotiations between De Beers and the Government on the five year marketing agreement. LLD received only a small allocation from the NDTC in October 2007 despite all the investment and effort put into both mining as well as cutting and polishing in Namibia. Samicor halted mining operations in February 2009 while LLD failed to secure sightholder rights from NDTC in 2012 and subsequently closed down (see Chapter 10: Diamond Cutting and Polishing).

"Offshore phosphate mining has encountered opposition in Namibia on environmental grounds and also because of the potential impact on Namibia's fishing industry."

Then in 2010, with diamond mining and processing not achieving success, Samicor turned its attention to offshore phosphate mining. LL Namibia Phosphates was granted mining licence ML159 in October 2010. Offshore phosphate mining has encountered opposition in Namibia on environmental grounds and also because of the potential impact on Namibia's fishing industry. In September 2013 the Government ended up placing an 18-month moratorium on phosphate mining until studies into the environmental impact were conducted. LL Namibia Phosphate stated its intention to build a demonstration plant in Luderitz in 2015. Samicor resumed diamond mining in 2017 and, using a contractor, increased production to 113,520 carats by 2019.

YEAR	EVENT
1994	– Namco lists on NSX
1995	– Kombadayedu Kapwanga appointed area manager for Namco
1996	– Namco lists on TSE
1998	– Namco completes evaluation programme and commences operations – Namco lists on NASDAQ
1999	– Namco buys ODM
2001	– NamSSol accident in January sets back production – Lev Leviev buys into Namco – Namco starts liquidation
2002	– Namco placed in liquidation
2003	– Samicor created purchases Namco and Island Diamonds
2004	– Samicor contracts Trans Hex for deep water Island Diamond concessions – Samicor mines Marshall Fork concessions on behalf of DFN – LLD opens factory in Windhoek
2005	– Eli Nefussy appointed CEO
2007	– LLD receives US$40 million allocation of Namdeb rough diamonds from NDTC
2008	– LLD sacks 148 workers after three-week strike
2009	– LLD retrenches 77 workers
2010	– LL Namibia Phosphates granted mining licence
2012	– NDTC drops LLD as sightholder and cutting and polishing factory closes
2013	– Government imposes 18-month moratorium on phosphate mining
2015	– LL Namibia Phosphates starts demonstration project at Luderitz
2017	– Samicor resumes diamond mining

Gold Mining

Navachab Gold Mine

As early as 1889 prospectors had recorded the presence of gold in the surrounds of what is now Karibib. In 1983 Erongo Mining and Exploration Company, owned by Anglo American, obtained the exploration rights from Rand Mines forming a joint venture with INMET Mining Corporation of Canada (20 percent) and Rand Gold (10 percent). The following year diamond drilling showed gold mineralisation. A feasibility study was completed in 1987 and a mining licence ML31 was awarded to Anglo American. Production start-up commenced in 1989 and Navachab reached full production in March 1990 coinciding with Namibia's Independence.

At that stage the life of mine was estimated to be 13 years. By 1999 the life of mine had been extended to 2005 as Phase 1 of the phased pit extension was implemented. Following the decision to go ahead with the eastern pushback project in 2001, the estimated life of mine was extended to 2018.

Prior to the advent of Otjikoto, Navachab accounted for almost all of Namibia's gold production since Independence with additional small amounts being produced in contained blister copper from the smelter in Tsumeb. Navachab used to export the bullion it produced to Switzerland but changed to the Rand refinery in Germiston, Johannesburg in South Africa.

When production started at Navachab, mining was carried out by a mining contractor, Karibib Mining and Construction Company (KMCC). This arrangement was unusual in southern Africa. The mining contractor was responsible for drilling, blasting, loading and hauling of ore and waste while production scheduling, planning, geology, grade control and survey remained the responsibility of the mine. Nonetheless, with the extension of the life of mine way beyond what was originally expected, Navachab decided in 2003 to change from contractor mining to owner mining, a move which was completed in June 2004.

Anglo American reduced its share in AngloGold Ashanti to 16.6 percent in 2007 selling out completely in March 2009. Gerry Arnat was confirmed as Navachab's first Namibian MD in 2006 to be replaced by Johan Coetzee in 2011 who had to deal with a damaging two-week strike in July 2012. It did not come as a surprise when AngloGold Ashanti announced at the beginning of 2012 that it intended to sell Navachab mine, a small and relatively high-cost producer within its portfolio of operations. It came as no surprise therefore, when AngloGold announced that it had agreed to sell Navachab to UK-based QKR and the deal went through on 1 July 2014 which included a 7.5 percent stake for Epangelo. QKR is a privately held company owned partly the Qatar Holding LLC which was established by the Qatar Investment Authority[32] and partly by Polish originating Kulcyyk Investments. As far as is known, Navachab is QKR's only asset. In November 2018, George Botshiwe was appointed MD. In July 2019 Mines Minister Tom Alweendo intervened when QKR attempted to oust the two Namibian directors and minority shareholder Epangelo accused the majority shareholder of failing to invest and striving for quick profits[33]. The operation had already started deviating from its original mining plan as early as 2016. In 2019 the company offered voluntary redundancy as part of a turnaround strategy.

Navachab's open pit near Karibib

[32] See http://www.qkrcorp.com/
[33] See "Epangelo Blasts Navachab UK Partners", *The Namibian*, 31 July 2019

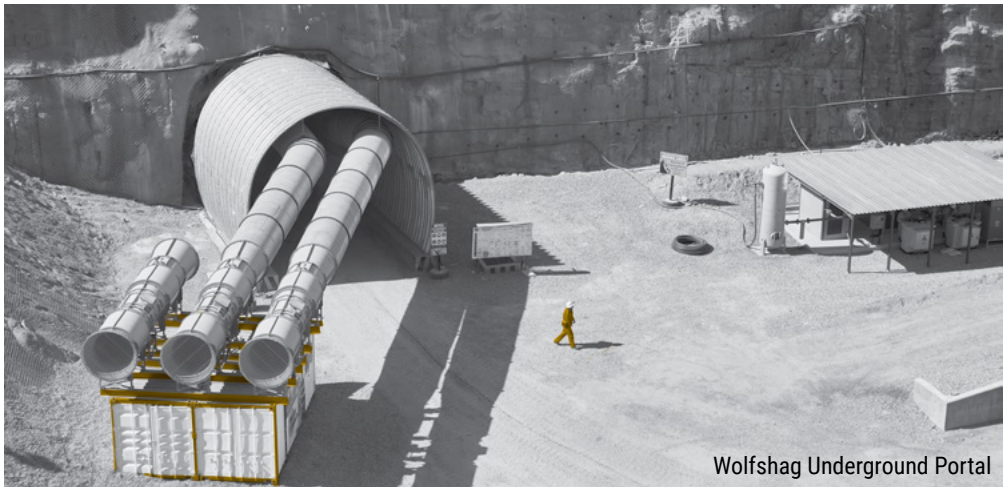
YEAR	EVENT
1983	– AngloGold buys exploration rights from Rand Mines
1987	– Feasibility study completed in July
1989	– Production commences in October
1990	– Full production reached in March
1993	– Successful application to EC Sysmin Fund for exploratory drilling funds
1995	– Erongo Mining and Exploration terminates exploration in Namibia
1997	– Extensive slope failure forces mining of low grade material
1998	– AngloGold created out of gold interests of Anglo American – AngloGold buys out INMET Mining Corporation of Canada and Rand Gold – Six-day strike
1999	– Phased pit expansion project approved by AngloGold
2000	– AngloGold Namibia becomes full owner of Navachab
2001	– AngloGold approves eastern pushback project to extend l-o-m to 2013
2003	– Decision to convert from contractor to own mining – AngloGold Ashanti created out of merger between AngloGold and Ashanti
2004	– Conversion from contractor to own mining completed – GM Frank Bethune replaced by Peter Geleta
2005	– Application for two new EPLs
2006	– Gerry Arnat appointed MD
2007	– Life of mine extended by seven years
2008	– Gold price exceeds US$900 per ounce
2009	– Anglo American sells out of AngloGold Ashanti – Gold price exceeds US$1,000 per ounce
2011	– Gold price peaks at US$1,800 per ounce
2012	– Johan Coetzee appointed MD
2013	– AngloGold announces intention to sell Navachab
2014	– QKR buys Navachab with minority stake for Epangelo
2016	– Stripping halted
2018	– George Botshiwe appointed MD
2019	– New stripping programme commenced – Voluntary redundancy offered
2020	– Gold price peaks at over US$2,000 per ounce

Otjikoto Gold Mine

In 1995 Anglovaal Mining commenced a base metals exploration programme to the south of Otavi and its wholly-owned subsidiary Avdale Namibia ended up establishing the existence of the Otjikoto gold deposit in 1999 at a time when the gold price was in the doldrums. In 2003, Anglovaal was acquired by African Rainbow Minerals (ARM) which described itself as a "leading South African diversified mining and minerals company with long-life, low unit cost operations and significant growth opportunities". The company grew out of Futures Mining which was founded by South African mining magnate Patrice Motsepe in 1994. ARM listed on the JSE

Otjikoto Processing Plant

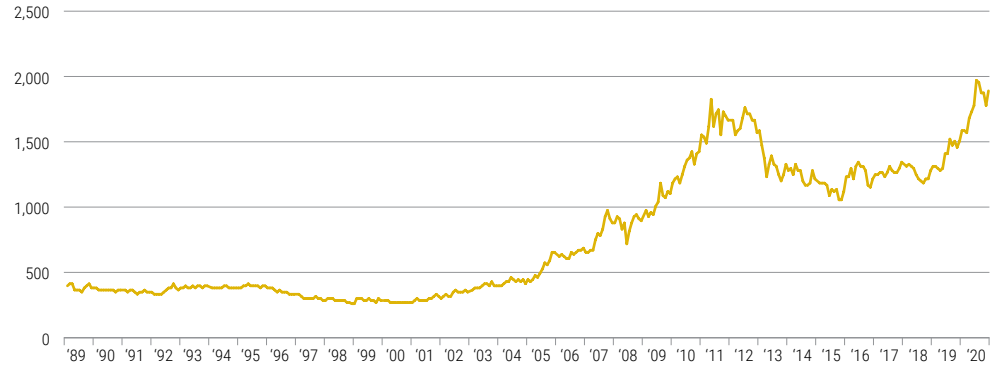
in 2004 following a merger with Harmony Gold and Avmin. ARM spun off its non-South African assets into TEAL Exploration and Mining Incorporated holding 65 percent and listing on the Toronto Stock Exchange in 2005 and on the JSE in 2006. In 2007 TEAL established an inferred resource of 1.8 million ounces of gold at its Otjikoto project between Otavi and Otjiwarongo which it had first identified through aerial magnetic surveys in 1997. In 2010 African Rainbow Minerals sold the Otjikoto gold project to TSE-listed Auryx Gold for US$26.9 million. Auryx listed on the NSX in February 2011. In December 2011 Auryx became a wholly owned subsidiary of Vancouver-based diversified gold miner B2Gold. Auryx delisted in December 2011 and B2Gold listed in May 2012. Toronto-listed B2Gold holds 90 percent and Namibian empowerment grouping EVI Mining 10 percent. B2Gold was granted mining licence ML169 in December 2012 allowing construction of the mine to commence. Mine construction started in early 2013 with the ground-breaking ceremony taking place on 26 April 2013 and Otjikoto produced its first kilogram of gold in December 2014. Mark Dawe, the MD of the mothballed Okorusu mine, was appointed MD in February 2015 and former NamPower MD Dr Leake Hangala was appointed board chair of B2Gold Namibia. President Hage Geingob officially opened the mine in June 2015 and ramp up to full production was completed by 2016 leading to full year production of 166,285 ounces. In May 2018 Otjikoto opened a 7MW solar PV farm on site to minimise the mine's dependence on the 24MW of installed generator capacity using Heavy Fuel Oil (HFO). In 2020 work commenced developing the Wolfshag underground project. The mine has consistently met its annual production target which has risen to between 165,000 and 175,000 ounces a year.



Wolfshag Underground Portal

CHART 8.2

Gold 1990-2020 (US$ per ounce)



YEAR	EVENT
1997	– TEAL discovers Otjikoto deposit through aerial magnetic survey and drilling commences
2007	– TEAL exploration work reveals commercially viable gold deposit
2010	– ARM sells Otjikoto gold project to Auryx Gold
2011	– Auryx lists on NSX – B2Gold acquires Auryx Gold – Bill Lytle appointed MD
2012	– B2Gold granted 20-year mining licence ML169 – Auryx delists from NSX – B2Gold lists on NSX
2013	– Mine construction commences
2014	– Otjikoto produces first kilogram of gold
2015	– Mark Dawe appointed Otjikoto MD – President Geingob officially opens Otjikoto gold mine
2016	– Full production reached and production extended into Wolfshag zone
2018	– Otjikoto inaugurates B2Gold Otjikoto solar farm
2020	– First blast at Wolfshag underground project – Gold price peaks at over US$2,000 per ounce

Okorusu Fluorspar Mine

The fluorspar deposit at Okorusu and Marburg farms 45km north-west of Otjiwarongo had been known about since German colonial times. Mining there took place as early as the 1920s but it was not until Imex, a subsidiary of South African steel producer Iscor, took over the deposit in 1949 that mining of metallurgical grade fluorspar started on a significant scale for steel-making. Imex mined at Okorusu throughout the first half of the 1950s but closed the operation after fluorspar was discovered in South Africa, much closer to Iscor's steel plants.

Okorusu was reactivated in 1988 by Okorusu Fluorspar (Pty) Ltd owned by a consortium of local and British investors. Production quickly rose to almost 30,000 tonnes a year. Towards the end of 1991, however, Okorusu suspended active production for two months due to low fluorspar prices resulting from the conclusion of the Montreal Protocol. This international agreement aimed to reduce emissions of CFCs into the earth's atmosphere which had been established as a prime cause of ozone depletion. There followed a period of great uncertainty in the world fluorspar market and consequently in the future of Okorusu mine.

In 1997, requiring further major investment, Okorusu was finally bought by one of its major customers, Solvay Fluor GmbH, a subsidiary of Euronext-listed Belgian chemical, pharmaceutical and plastics giant Solvay SA. At the same time Okorusu received a loan of N$6 million from the Government of Namibia's Sysmin financing facility administered by the Ministry of Mines and Energy. Mark Dawe, a geochemist who had been with Okorusu since 1989, was appointed MD.

After Solvay's purchase, production at Okorusu climbed steadily thanks partly to stronger fluorspar prices and partly to a process of upgrading plant and skills which allowed not only the quantity produced but the quality of its fluorspar to increase. Okorusu for the first time produced over 100,000 wet metric tonnes of acid grade fluorspar concentrate in 2004 achieving a turnover of approximately N$90 million and employing some 208 full-time workers. Okorusu became Namibia's largest bulk exporter. Fluorspar was trucked by

road to Walvis Bay where ships bound for Bad Wimpfen in Germany and Porto Marghera in Italy were loaded using Okorusu's purpose built loader. All of Okorusu's output was purchased by Solvay for conversion into hydrofluoric acid (HF).

All mining took place within mining licence area ML90 which overlaps Okorusu and Marburg farms which are functioning farms. Since operations began there was on-going litigation between Okorusu mine and the farmer which was never resolved.

After years of uncertainty, Okorusu mine seemed finally to have secured commercial sustainability. However, from a financial point of view the mine itself was a marginal operation but was valuable to its owner Solvay not for its own profitability but rather as a secure source of supply for an important input into the company's manufacturing processes.

Okorusu attempted to implement a novel empowerment plan for its workforce trying to buy the farms on which the mine is located and handing this over to a trust owned by Okorusu workers. Despite the fact that the process was carried out according to the letter of the law, the Ministry of Lands stepped in to halt the sale and expropriate the farms. Okorusu mine had to deal with the Government as the landowner.

In August 2009 Okorusu placed advertisements in the national newspapers announcing it would temporarily suspend production for seven weeks without making redundancies. The mine resumed operations on 1 October 2009. Okorusu started producing metspar for use in steel-making which was exported to Turkey. However, the depletion of viable ore reserves led Solvay to recognise that continued production was no longer viable. A privately-held company Gecko Namibia, in partnership with the French company Imerys, purchased Okorusu from Solvay in March 2016 with the aim of processing graphite from the nearby Okandjande mine and subsequently attempted to restart production of fluorspar by treating tailings without success.

YEAR	EVENT
1949	– Imex takes over fluorspar deposit at Okorusu
1987	– Montreal Protocol signed
1988	– Okorusu Fluorspar established and mining commences
1991	– Okorusu suspends production for two months
1997	– Solvay Fluor GmbH buys Okorusu and receives N$6 million loan from MDF – Mark Dawe appointed MD
2004	– Okorusu produces over 100,000 tonnes of fluorspar for the first time – Okorusu achieves 5 star NOSA rating for the first time
2005	– Improvements in treatment lead to 97.5% acid grade fluorspar being produced – Empowerment plan halted by Ministry of Lands
2006	– Record production of 132,249 wet metric tonnes achieved
2007	– Eastern pushback in A Pit and D Pit opened
2009	– Okorusu suspends production for seven weeks
2011	– Okorusu invests in new metspar drying plant and fluorspar blending shed in Walvis Bay
2014	– Okorusu mine closes and is placed under care and maintenance
2016	– Gecko purchases Okorusu

Working underground at Rosh Pinah mine

Rosh Pinah Zinc Corporation

Rosh Pinah mine, whose name is taken from the Hebrew for "lion's head", started operating in 1968 owned jointly by the Kahaan family and Iscor, the forerunner of Kumba. However, the company went into liquidation in 1995 and operations stopped for one day on Christmas day 1995. According to Namibian law, when a mining company is liquidated, its mineral rights revert back to Government. After this happened Government granted the rights to PE Minerals led by well-known Namibian businessman Aaron Mushimba. PE Minerals was a joint venture between Namibian business people including Mushimba and a Malaysian company.

A deal was subsequently reached between PE Minerals and Iscor whereby Iscor would continue mining. As part of the deal, Iscor paid PE Minerals a royalty for the mining rights but PE Minerals also had the option to buy 50 percent of Rosh Pinah Zinc Corporation. When Kumba was created out of the old Iscor Mining, PE Minerals purchased a 6.1 percent stake and Namibian empowerment partner Rosh Pinah Mine Holdings gained a further 4.4 percent through a Special Purpose Vehicle (SPV) structure. An exploration agreement was also put in place whereby Kumba and PE Minerals together funded exploration and prospecting expenditure on a 50:50 basis. PE Minerals funded this out of the royalty money it received. In years when exploration spending exceeded royalty receipts, PE Minerals was credited by Kumba for the excess.

However, the future of Kumba's base metal operations started to look uncertain. Base metals "provided only 9 percent to revenue and 0 percent to earnings before interest and taxation" according to Kumba's 2004 annual report. "…the prognosis on zinc is uncertain…" it warned after concluding it was to focus on growing its iron ore, coal and heavy minerals business instead.

Following the purchase of 66.6 percent of Kumba by the world's number three mining company Anglo American, speculation mounted that Anglo would split the group into two companies: one concentrating on iron ore and the other on coal and base metals. Furthermore, Anglo would place its Gamsberg and Black Mountain zinc deposits under the base metals company which would become majority black controlled. The base metals unit would hold 26 percent of the iron ore company allowing it to comply with South Africa's Black Economic Empowerment legislation under which Kumba was obliged to become 26 percent black owned by 2014.

Kumba was eventually restructured in 2006 and Exxaro was formed taking over Kumba's 89.5 percent shareholding in RPZC. All parties agreed that PE's option to buy should be implemented. What remained to be negotiated was whether Kumba wanted to retain its remaining 50 percent share in light of its South African restructuring and the price at which its stake was to be sold off[34].

[34] See "Too Young to Die", *Insight Namibia*, November 2005

The price depended on the value of the mine. A lot of money had been invested in exploration and drilling during the previous few years. However, according to Rosh Pinah itself, the drilling results had been disappointing. Although production at Rosh Pinah reached record levels under its manager Deon Garbers, new deposits were not being discovered quickly enough to sustain them. A deal was finally struck in August 2008 when Exxaro announced that it was selling a 43.8 percent share to Namibian investors, including the workforce, bringing total Namibian ownership in RPZC to 49.96 percent.

However, the mine's future was thrown into uncertainty when Exxaro announced on 1 December 2009 that it intended to sell its zinc assets including RPZC and that the Zincor smelter in Johannesburg would close at the end of 2011. At the end of 2011 newly-listed international commodities trader Glencore ended up announcing its intention to buy Exxaro's 50.04 percent share of Rosh Pinah plus a further 30.04 percent from other shareholders giving it a total of 80.08 percent as part of a wider strategy of moving upstream into mining. Despite flying in the face of greater local ownership, the deal was given the green light by the Namibian Competition Commission in April 2012 on condition it added value to the zinc concentrate it produced. Following the takeover, Glencore quickly moved to reduce the workforce by about a fifth.

In August 2017 TSX-listed Trevali Mining (TSX:TV) announced that it completed the purchase of 80 percent of Rosh Pinah, 90 percent Perkoa zinc mine in Burkina Faso, an effective 39 percent interest in the Gergarub zinc project from Glencore for approximately US$400 million establishing Trevali as a top ten global zinc producer. Former COO Christo Horn was appointed MD in September 2019.

CHART 8.2

Silver Price 1990-2020 (US$ per ounce)

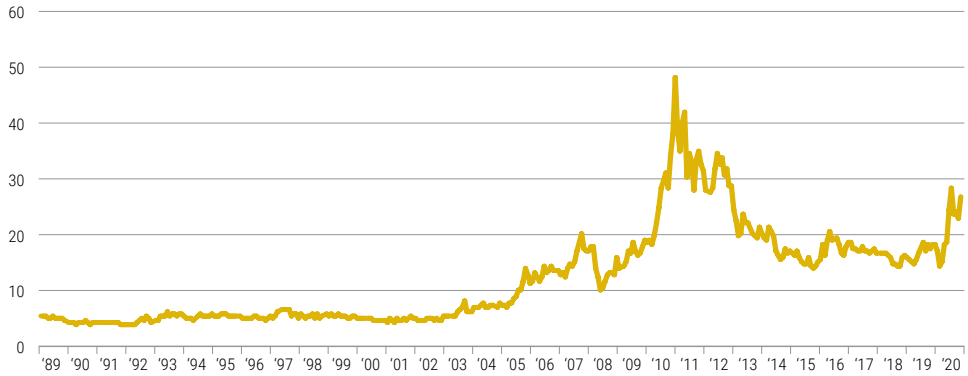


CHART 8.2

Lead Price 1990-2020 (US$ per tonne)

YEAR	EVENT
1968	– Rosh Pinah mine starts production with life of mine of seven years
1995	– Rosh Pinah liquidated and minerals rights granted to PE Minerals
1999	– Owner of mining assets renamed Rosh Pinah Zinc Corporation – Joint exploration agreement signed with PE Minerals
2001	– Kumba Resources created out of old Iscor
2003	– Anglo American buys 66.62 percent of Kumba
2004	– Record production of zinc concentrate achieved
2005	– Anglo restructures Kumba Resources into Exxaro
2006	– Christo Aspeling appointed GM
2008	– Exxaro divests 43.8 percent to Namibian shareholders
2009	– Exxaro announces plans to sell Rosh Pinah Zinc Corporation
2011	– Zincor closes – Glencore announces intention to buy 80.08 percent of Rosh Pinah
2012	– Namibia Competition Commission approves takeover by Glencore with conditions
2013	– Glencore reduces workforce by a fifth
2017	– Trevali purchases Rosh Pinah
2019	– Christo Horn appointed MD

Skorpion Zinc Mine

Geological and metallurgical tests by Anglo American from 1976 to 1982 had demonstrated the presence of a zinc oxide rather than the usual sulphide deposit at Skorpion near Rosh Pinah. In a situation report produced in 1985 it was recommended that this resource be more precisely defined and that a feasibility study on the viability of an open pit mining operation be carried out.

However, it was not until 1996 that a deal was struck with junior British mining company Reunion Mining whereby Reunion would undertake the work necessary to create a bankable feasibility study and earn a 60 percent stake in the project while Anglo American reserved the right to buy back the project. The problem at that stage was primarily a metallurgical one of how to convert the zinc oxide ore. This was solved by bringing in new technology developed by two European companies: Union Minière of Belgium and Tecnicas Reunidas of Spain. They developed the pioneering Zinc Solvant Extraction Electrowinning (SXEW) process. Reunion ended up constructing a pilot plant on site to show the process would work. Having solved the technical problem, Reunion fully delineated and evaluated the zinc deposit and sold its share of the project back to Anglo American for what many believe was well in excess of US$50 million having invested just US$5 million in the project. Anglo American ended up buying Reunion in 1999.

The ground breaking technology contributed to a feasibility study that estimated Skorpion would be the lowest cost zinc mine in the world producing Special High Grade (SHG or 99.995 percent) zinc at 23c per pound. Skorpion would cost an estimated US$454 million to build.

The final stage of zinc ingot production at Namzinc refinery

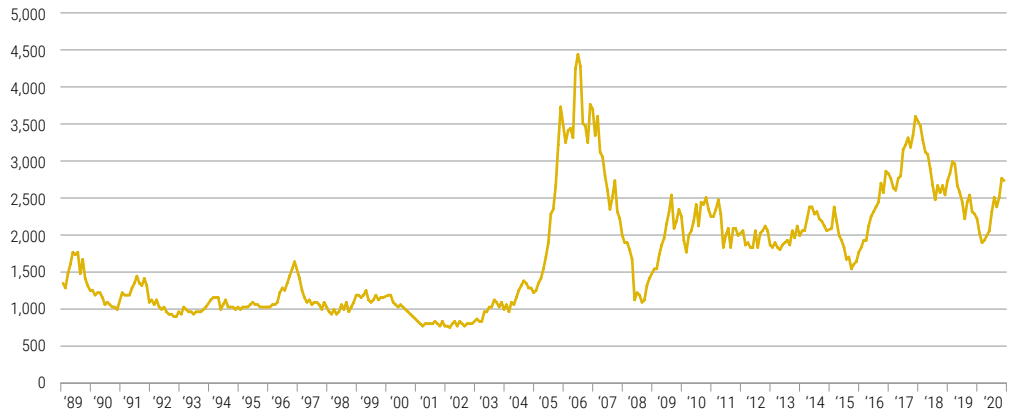
Anglo American decided to recruit a team from outside the company to construct the Skorpion project. Following an international advertising campaign, Norman Green was appointed as project manager to lead his "Green Team". Construction of the mine and refinery, which had been awarded EPZ status by Government, started in 1999. As part of the negotiation Skorpion also agreed a seven percent royalty on turnover with the government, something which was never promulgated.

Skorpion produced its first batch of SHG zinc in 2002 just as world zinc prices started to rise. Zinc ingots are trucked to warehouses in Lüderitz and shipped to export markets in Europe and increasingly in East Asia. It became clear that much of the material used by the contractors who built the mine and refinery were inadequate. Skorpion had to spend significant amounts of money upgrading plant. Furthermore, the cost of production rose to around 29c per pound – not quite as low as originally envisaged. Full production was reached for the first time in June 2005 but could not be sustained. Production dropped slightly in 2006 due to a fire in the refinery but reached 150,000 tonnes in 2007. Production continued at these levels but a damaging two-week strike took place in May 2008. The Global Financial Crisis did not spare Anglo American under its new CEO Cynthia Carroll. To deal with its debt burden, Anglo American announced in October 2009 that it intended to sell its zinc assets, including Skorpion zinc.

London-listed Vedanta Resources, the largest zinc producer in the world, ended up acquiring all Anglo American's zinc assets, including Skorpion for US$707 million. The transfer of Skorpion to Vedanta was

CHART 8.2

Zinc 1990-2020 (US$ per tonne)



finalized in December 2011. The price paid by Vedanta appeared high given Skorpion was not expected to operate beyond 2016. However, significant drilling had been undertaken in the pit in order to extend the life of mine and exploration at the newly discovered Gergerub deposit was also intensified under a joint venture with Rosh Pinah in readiness for a full feasibility study. In 2015 Vedanta announced it would extend the life of the mine by two years to 2019 and continue oxide ore processing for a further year using stockpiles. Thereafter, the refinery will start processing sulphides which will allow it to import concentrates from Rosh Pinah and Gamsberg in the Northern Cape as part of an integrated project in a region which Vedanta believed had "the highest concentration of zinc on the planet". The Gamsberg mine in the Northern Cape was officially inaugurated in February 2018. Production at Skorpion has declined substantially since the purchase by Vedanta. Government scrapped the EPZ incentives enjoyed by Namzinc at the beginning of 2020.

YEAR	EVENT
1973	– Anglo American starts exploring Sperrgebiet
1976	– Zinc oxide deposit discovered by Erongo Mining and Exploration Company
1977	– Skorpion area named after ridge
1996	– Agreement reached between Reunion Mining and Anglo American
1997	– Pilot plant established
1998	– Reunion completes bankable feasibility study which confirms low cost of zinc
1999	– Reunion sells back 60 percent interest in Skorpion to Anglo American – Project Team appointed
2001	– Construction starts – Two-day strike turns violent
2002	– Construction completed and first SHG zinc produced
2003	– Full-scale production starts
2004	– Upgrade specification of refinery
2005	– Skorpion reaches full production for first time in June
2007	– Skorpion achieves production of 150,000 tonnes
2008	– Two-week strike
2009	– Anglo American announces plans to sell Skorpion mine
2010	– Vedanta Resources buys Skorpion
2011	– Vedanta purchase of Skorpion completed – Satish Kumar appointed MD
2014	– Skorpion announces plans to convert refinery to sulphide processing – Prasad Surya Rao appointed MD
2015	– Vedanta announces two-year life extension – Vedanta commences construction of new Gamsberg mine in Northern Cape

Salt & Chemicals

Walvis Bay Salt Refiners and its sister company Salt & Chemicals are owned by Walvis Bay Salt Holdings (Pty) Ltd itself a wholly owned subsidiary of Chlor-Alkali Holdings (Pty) Ltd, a privately held South African company. Chlor-Alkali Holdings came into existence in 2002 but has a history going back to 1942 when the South African and British governments built the first chlor-alkali plant at Chloorkop. From 1950 this joint initiative was known as Klipfontein Organic Products (KOP) which specialised in agricultural products. In 1967 KOP helped form Sentrachem which increasingly developed into water treatment products. In the 1990s KOP was merged with NCP to become one of Sentrachem's largest divisions. Sentrachem was itself bought out by Dow Chemicals of the US in 1997 and unbundled. Chlor-Alkali Holdings came into existence after a management buy-out with NCP Chlorchem and Walvis Bay Salt Holdings as its two major subsidiaries.

Salt and Chemicals produces the raw salt while Walvis Bay Salt Refiners further processes and markets the final product. Salt production at Walvis Bay commenced in 1964. Over time it has developed into one of the largest solar evaporation facilities in Africa producing some 700,000 tonnes a year under long-standing managing director Roy Stanton who was appointed managing director of Walvis Bay Salt Holdings in 1998 and who retired in 2012. The bulk of production is shipped from Walvis Bay to South Africa and increasingly to countries in West Africa where it is mainly used by the chlor-alkali industry for production of chlorine and caustic soda as well as for table salt for human consumption and as a feed supplement in agriculture. Walvis Bay Salt Refiners also produces oysters which are flown or transported by refrigerated lorry to restaurants and other customers throughout southern Africa.

In 2011 Walvis Bay Salt Holdings completed a N$50 million joint venture salt refinery, Ekango Salt Refinery, with empowerment partners EVI Mining and EHI Investments capable of producing up to 60,000 tonnes of salt a year and creating 30 new jobs.

Weatherly Mining Namibia

Mining and smelting commenced in Tsumeb in 1906 under the German Otavi Minen und Eisenbahn Gesellschaft (OMEG). After World War II OMEG assets were bought by the Tsumeb Corporation syndicate which included Newmont Mining Corporation. Kombat mine started production in 1962. Matchless mine came on stream in 1970. Otjihase commenced production in 1973.

Weatherly Mining Namibia was born out of the takeover of Ongopolo Mining and Processing in 2006. Ongopolo Mining and Processing in turn had risen out of the ashes of the liquidated Tsumeb Corporation Ltd (TCL) mines which had been bought by Gold Fields of South Africa from Newmont in 1987. Relations between Government and TCL had often been fraught. Government had made it clear it wanted to see TCL spend more on exploration and change its management style towards its workforce, especially following the damaging strike of 1996 when Government had to step in to re-establish industrial peace.

The decision to close TCL in 1998 by Gold Fields Namibia, which came without warning, provoked a crisis in its home town of Tsumeb and left Government with the choice of either nationalising the mine or finding an appropriate buyer. Eventually a deal was reached with key individuals from the TCL management team and the trade unions, including the charismatic André Neethling, who had been the manager of Otjihase mine, the Namibian Mineworkers Investment Corporation (Nammic), and Labour Investment Holdings (LIH). The new company was called Ongopolo (which means "copper" in Oshiwambo) Mining and Processing (Pty) Ltd[35]. Its shareholders consisted of cash investors and individuals (22.4 percent), Environmental Trust (6.9 percent), Nammic (14.1 percent) and LIH (14.1 percent). Ongopolo kept the smelter which became a separate EPZ company, Ongopolo Processing (Pty) Ltd, enjoying special tax privileges.

[35] See Growth Namibia, April 2000

Ongopolo re-employed some 900 of the 1,500 TCL workforce and restarted operations in 2000. TCL had spent some N$50 million on a new but untested Ausmelt smelter just prior to closure. The challenge to Ongopolo was to restart operations and undertake the investment the operation required. The only problem was the absence of shareholders with significant capital. At the same time, international copper prices were sinking to all-time lows. Tsumeb mine had closed in 1996 but Otjihase and Kombat were operational. Tsumeb West, Tschudi and Matchless were dormant. It was helped by a loan of N$40 million followed by a further N$30 million from the Government Institutions Pension Fund (GIPF).

Ongopolo's single major investment ended up being the sinking of a new shaft at Asis Far West near Kombat. For this it received loans worth N$100 million from Standard Bank, N$40 million from Bank Windhoek and N$30 million from the Minerals Development Fund (MDF). Drilling started in 2004 and by the end of 2005 a shaft of 800m had been sunk. The original intention was that the new shaft would become operational by October 2005. The shaft however was highly controversial and contributed much to Ongopolo's eventual downfall[36]. Ongopolo also conducted a feasibility study on a zinc/germanium project and investigated the potential of reprocessing old tailings dams in Tsumeb and Kombat. Plans to bring Matchless back to life were brought forward as Tsumeb West was placed under care and maintenance as Ongopolo attempted to maintain copper production.

Ongopolo succeeded in importing copper concentrates from the DRC, Zimbabwe, South Africa and Zambia in order to maintain throughput at its Tsumeb smelter. The new Sasheke road bridge over the Zambezi was opened in 2004 which facilitated transport to Tsumeb. From 2004 most of Ongopolo's production was purchased by China.

In 2005, with domestic copper production down and the new Asis Far West shaft not yet on stream, cash flow became a problem. Ongopolo was forced to seek help from the Government in August 2005. It applied for a loan of N$75 million which was granted in October[37]. This support, however, was conditional on it finding a suitable equity partner.

In early 2006 Ongopolo announced it was conducting negotiations with a UK company Weatherly International plc on the taking up of a N$100 million equity stake. Weatherly already had copper assets in Zambia. Weatherly ended up buying Ongopolo in July 2006 for US$35.1 million and was immediately faced with the enormous task of re-investing in its run-down assets[38]. The greatest challenge was to turn the mines around so that they contributed towards the overall business and produced sufficient concentrate to feed the smelter. In what many regarded as a sign that the mines might yet not deliver, in August 2007 Weatherly split the company in two: Weatherly Mining Namibia (WMN) to run the mines and Namibia Custom Smelters (NCS) to run the smelter. Smelter stalwart Hans Nolte stayed on to manage NCS. Much of the feed for the smelter, which was one of only five in Africa, was already being imported from other sources. NCS had two contracts to process up to 100,000 tonnes of concentrate a year from Bulgaria and Peru. It decided to undergo a two-phase expansion to increase annual capacity to 50,000 tonnes a year. Kombat was closed in early 2008 because the electricity supply required by the constant pumping was too insecure. Production at Otjihase, Matchless and later Tschudi dwindled considerably from 2006. In April 2008 Weatherly announced it planned to reactivate Berg Aukas zinc mine which had closed in 1978 due to flooding. But Weatherly called it a day as far as the Asis Far West shaft was concerned.

As the Global Financial Crisis gathered force and copper prices plummeted, Weatherly announced it was placing all its mining operations under care and maintenance in December 2008 and laid off 648 workers.

[36] See "Namibia's Most Expensive Hole", *Insight Namibia*, February 2007
[37] See "Spare Us a Copper Gov?", *Insight Namibia*, August 2005
[38] See Interview with Rod Webster, *Insight Namibia*, August 2006

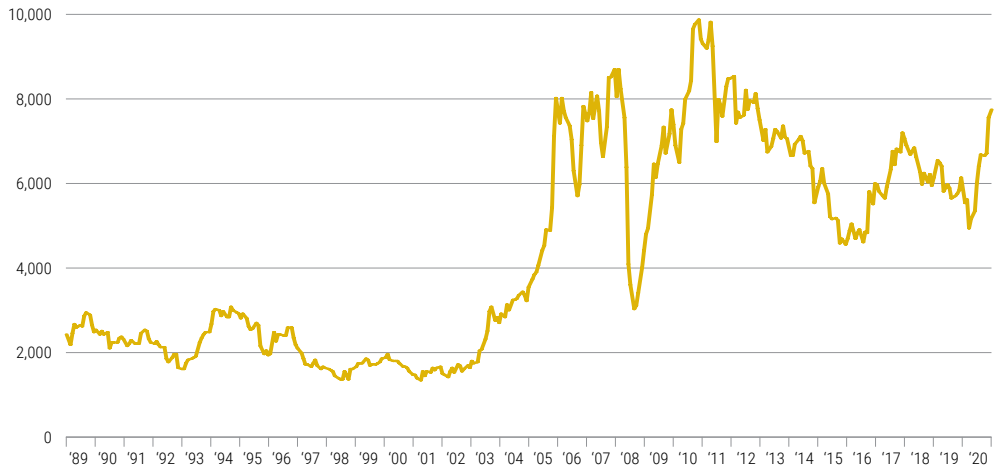
Copper sales had been hedged at US$5,000 per tonne until the end of the year but beyond that WMN's costs of US$5,000 per tonne could not support a copper price that had ended the year below US$3,000 per tonne.

In September 2009 Weatherly announced it planned to sell Kombat mine to a small South African company Cubenco 192 for US$3 million. Shortly afterwards, a much larger deal was announced under the terms of which the East China Mineral Exploration and Development Bureau was to inject capital leaving it with 50.1 percent of a company which would be essentially debt-free having sold NCS. After a tough few years which saw Otjihase and Matchless placed under care and maintenance, the robust copper price allowed Weatherly to restart mining operations resulting in 14,071 tonnes of copper concentrate being produced by the end of 2011 and over 450 new jobs being created. The good news continued as Weatherly advanced two feasibility studies, one on a new open pit mine at Tschudi and another on the Tsumeb tailings retreatment project. Weatherly also helped create a new publicly listed company China-Africa Resources to conduct a feasibility study into restarting production from the long-dormant Berg Aukas zinc-lead-vanadium mine. Labour Investment Holdings became a 2.5 percent shareholder in Ongopolo Mining, a subsidiary of Weatherly Mining Namibia. Weatherly ended up outsourcing Otjihase and Matchless mines to its contractor Shali Mining but both ended up being closed in March 2014 with the loss of 300 jobs and were placed under care and maintenance. Long-serving Weatherly International CEO Rod Webster retired in May 2015 and was replaced by the head of Namibian operations, Craig Thomas. In October 2015 it was reported that Namibian businessman Knowledge Katti had bought the mine and town of Kombat from Manila Investments for N$50 million and was offering to sell it to Government for N$160 million[39]. Construction of the open pit Tschudi mine north of Tsumeb began in November 2013 and production commenced in 2015 but was plagued by water ingress in May 2018. Production by mining contractor Basil Read Mining Namibia ceased in February 2020 after Weatherly was unable to meet its contractual payments.

NCS continued operations importing concentrates from Peru and Bulgaria under the terms of contracts agreed with Dundee Precious Metals (DPM) and Louis Dreyfus Commodities. Canada-listed DPM ended up buying NCS for US$33 million in a cash and shares transaction in March 2010 knowing that it would have to invest heavily to bring these assets up to internationally acceptable environmental standards, especially as it was bringing concentrates high in arsenic from Peru. As opposition to the smelter from Tsumeb residents

CHART 8.2

Copper Production 1990-2020 (US$ per tonne)



[39] See "Katti Bought Kombat for N$50 million", *The Namibian*, 23 October 2015

mounted due to environmental and health concerns, NCS took the initiative by carrying out an extensive reinvestment programme implementing a fugitive dust control programme, stabilising the tailings facility and completing the hazardous waste site. In 2012 the company announced it would go ahead with plans to reduce sulphur dioxide emissions by producing sulphuric acid as a saleable product. The plant was commissioned in August 2015. However, NCS no longer treated Namibian-produced copper concentrate which was instead exported to lower cost smelters in China. The Namibian Government retained a small shareholding in Weatherly.

YEAR	EVENT
1906	– OMEG starts mining and smelting in Tsumeb
1945	– OMEG assets sold to consortium
1987	– Gold Fields buys TCL from Newmont
1993	– TCL applies for Sysmin funding for Tschudi and Otjihase mines
1996	– Damaging and violent six week strike at TCL
1998	– TCL closes without warning in April
2000	– Ongopolo established out of the ashes of TCL in March
2002	– Ongopolo granted N$170 million loan by MDF for drilling of Asis Far West
2003	– Open cast operation at Otjihase commenced to augment production – Test mining at Tschudi commences – Tsumeb West mine established
2005	– Ongopolo granted N$70 million guarantee by Government
2006	– Weatherly International buys Ongopolo – Deon Garbers joins Weatherly Mining Namibia
2007	– Ongopolo splits up into Weatherly Mining Namibia and Namibia Custom Smelters
2008	– Kombat mine closed – Weatherly suspends trading of shares on AIM – Otjihase, Matchless and Tshudi mines placed under care and maintenance
2009	– Weatherly obtains loans from Dundee Precious Metals and Louis Dreyfus Commodities – Weatherly announces sale of Kombat to Cubenco 192 – Weatherly announces deal with East China Mineral Exploration and Development Bureau
2010	– Weatherly sells NCS to Dundee Precious Metals for US$33 million
2011	– Weatherly resumes production at Otjihase and Matchless mines – Labour Investment Holdings becomes shareholder in Weatherly
2012	– NCS announces it will build sulphuric acid plant
2014	– Shali closes Otjihase and Matchless copper mines
2015	– Rod Webster retires as CEO and is replaced by Craig Thomas – Dundee Precious Metals commissions sulphuric acid plant

Mining Taxation

For countries to gain the most out of their mining sectors, policymakers need to understand the fundamental characteristics of the mining sector:

1. Mining resources are finite - the act of mining depletes the natural capital stock of the country
2. According to Namibia's Constitution, mineral resources belong to the Namibian people
3. With certain exceptions, mining is a business which must be profitable in order to make returns for investors who will otherwise not invest the vast sums required
4. Mining companies are "price takers" on world markets – they have to accept the prices that prevail in the market and cannot differentiate their products to enhance the prices they receive
5. Mining requires huge amounts of money all the way through the life cycle of a mine – from the beginning (exploration), through operation (maintenance) to the end (mine closure)
6. Mining is long-term and risky – a mine might operate for decades during which prices fluctuate considerably
7. Mining companies have choices – international mining companies with the skills and capital to invest are constantly exploring projects all over the world and comparing one against another in terms of which represents the best return on investment

NAMIBIA'S MINERAL RESOURCES

"Land, water and natural resources below and above the surface of the land and in the continental shelf and within the territorial waters and the Exclusive Economic Zone of Namibia shall belong to the State if they are not otherwise lawfully owned.

Article 100
Sovereign Ownership of Natural Resources
Constitution of the Republic of Namibia"

All this makes taxing the mining industry particularly challenging. The presence of large foreign multinational companies makes the issue more so as governments fight to ensure their countries are not ripped off by foreigners making off with national assets. And the fact that it is often local communities that suffer the negative consequences of mining operations means that effort must be devoted at a local level as well as at the level of national taxation.

As described above, taxation of Namibia's mining sector has evolved considerably since 1990. Most of the early changes – moving away from formula-based taxation and differentiating between diamond and non-diamond mining – represented real improvements based on detailed research and international comparisons. However, the introduction of the royalty tax on non-diamond mining companies in November 2004 caused a storm of controversy in the industry both because of the way it was introduced (without any prior consultation) and because the Minerals Act only allowed such a tax to be levied under specific circumstances rather than applied as a blanket tax across the entire industry. The Ministry ended up spending two years consulting with the industry and eventually decided to press ahead, albeit at lower rates than originally proposed[40]. When this was challenged by Rössing, Government finally changed the primary legislation in December 2008 and re-gazetted rates in April 2009. The issue led to renewed interest in how Government should tax the industry and an IMF team was invited to investigate the issue. However, its report was never made public. This was followed by the debacle of July 2011 when the Minister of Finance made an announcement on significant tax changes which would have led to mine closures and huge disinvestment, again without consulting the industry or government doing its homework first. Again, the announcement in September 2018 that corporate income tax would no longer be calculated after mining royalties had been deducted came as another surprise before eventually being dropped in August 2019 after intense lobbying by the Chamber of Mines of Namibia. These episodes created huge uncertainty.In times of boom, most mining companies are likely to accept the need for some sort of a windfall tax and Government can congratulate itself for having introduced the tax at a lucrative time in the commodities cycle. The appropriateness of a turnover tax becomes a much more critical issue when mineral prices fall. It has come as no surprise that calls to waive the royalty tax were made in the wake of the Global Financial Crisis and again by Namdeb as it had to decide whether to close marginal onshore operations in 2019.

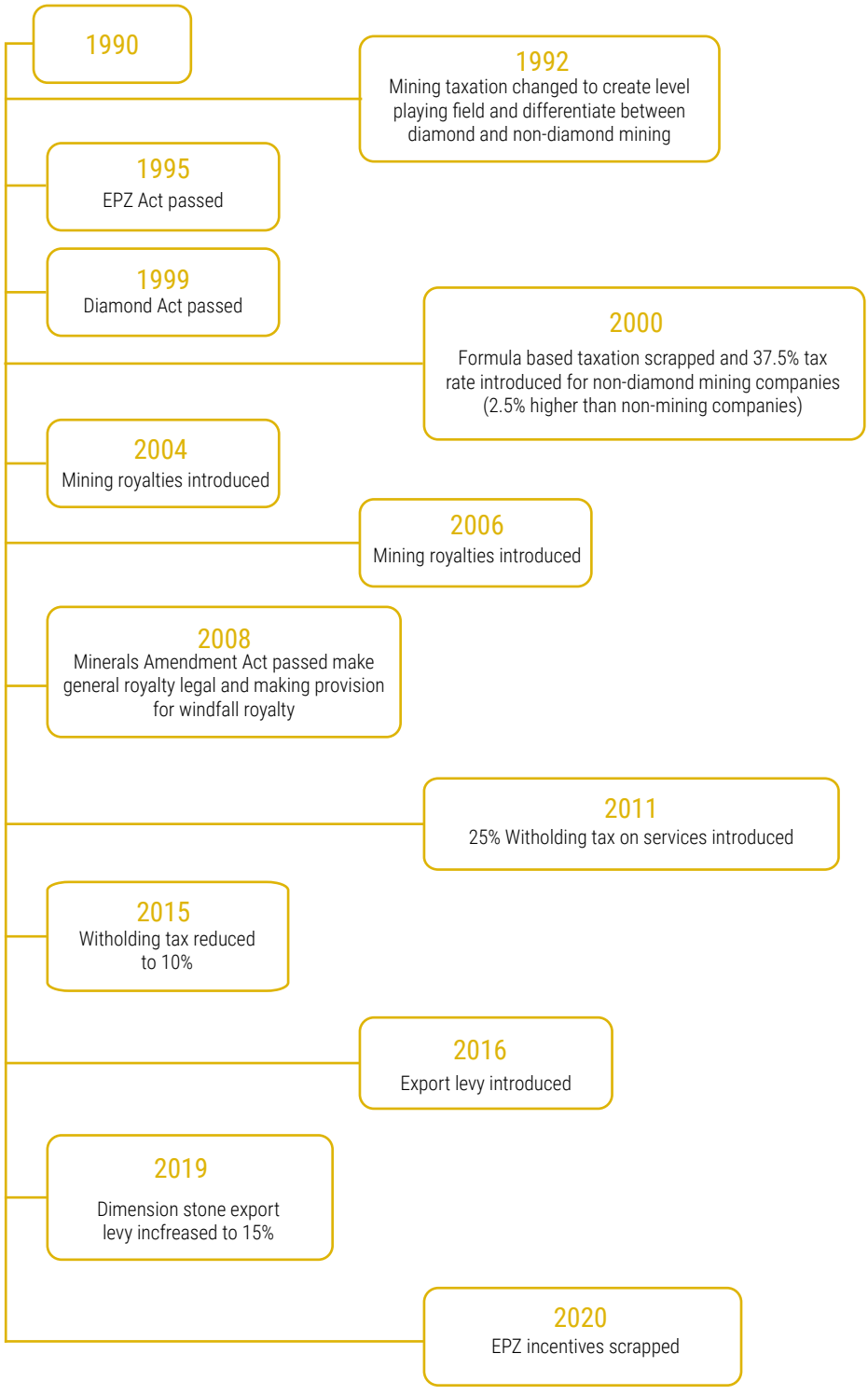
THE JAMES OTTO REPORT

At the height of the dispute between Government and the mining industry on the tax proposals made in July 2011, Extract Resources commissioned a report from a well-respected international expert on mining taxation Professor James M Otto. The report is still the most detailed and comprehensive look at Namibia's mining tax regime ever conducted and involved looking at the complete taxation regime in Namibia and making international comparisons.

> Based on well-accepted measures of comparison, internal rate of return (IRR) and overall effective tax rates (ETR), it was determined that the current Namibian system is internationally competitive, and offers a fair sharing of revenues between the miner and the government. Any increase in taxation, other than a well-crafted excess profits tax, could shift the fiscal system into a "high tax" jurisdiction which, over the longer-run, could result in lower government revenues as companies seek to invest their capital elsewhere.
>
> Namibian Mining Sector Fiscal System Analysis
> prepared by Prof James M Otto for Extract Resources, June 2011

[40] See Estimate of Revenue and Expenditure 2006/07-2008/09, Ministry of Finance.

Mining Taxation Timeline



Otto's report ignored the fact that Namibia had already introduced an excess profits tax as part of its amendment of the Minerals Act. The report was shared with Government but it did not prevent the later introduction of withholding taxes on services, an export levy on minerals or a proposal to eliminate the tax deductibility of mineral royalties which was later dropped.

Namibia introduced an Export Processing Zone (EPZ) policy in 1995[41] to encourage manufacturing. The policy granted a range of tax incentives, including the waiving of corporate profits tax in perpetuity, to manufacturers that meet certain requirements. Both Skorpion zinc refinery Namzinc and Namibia Custom Smelters enjoyed EPZ status and as a result have never paid no corporate tax. The Minister of Finance announced her intention to review the EPZ and other tax incentives with the aim of assessing whether these initiatives have met their objectives[42]. However, it was only in early 2020 that this was finally given effect by Parliament[43].

Government's ability to raise tax revenues from the mining sector receives periodic attention from the national media and the perception remains that Namibia is not receiving its fair share[44]. It is undoubtedly true that revenues from corporate income tax and royalties from the mining sector have not been as high as many would expect. Diamond mining – where Government is in a 50:50 partnership with De Beers – has consistently delivered substantially more in revenue than the rest of the sector, especially after onshore mining gave way to offshore mining after the Global Financial Crisis. But this may simply be down to the exceptional nature of Namibia's diamond resource compared to the generally meagre nature of Namibia's other known mineral resources and the mineral prices they fetch. There is little evidence that mining companies are generally making good profits which are not being properly taxed whereas there is plenty of evidence that many operations are marginal and have been placed under care and maintenance as a result as the table on new mines and mine closures makes clear.

"Government's ability to raise tax revenues from the mining sector receives periodic attention from the national media and the perception remains that Namibia is not receiving its fair share[44]."

Legislation

Outside diamond mining, the rest of the industry is currently governed by the Minerals Act of 1992 as amended in 2008. However, Government announced it intended to replace the Minerals Act with a new Minerals Act and a Minerals Bill Committee was formed including representatives from the Chamber of Mines. Although an initial draft was put together, a formal process of consultation was never set in motion. Key issues for new legislation were likely to include taxation, black economic empowerment and local participation, beneficiation, how applications for exploration and mining rights are allocated, and the ability to hold on to rights without carrying out exploration or mining. The process has dragged on for years.

[41] Export Processing Zone Act of 1995 (Act No.9 of 1995)
[42] See the 2006/07 Budget Speech, Ministry of Finance
[43] Income Tax Amendment Act 2020 (Act No.2 of 2020)
[44] See "Mines on Tax Honeymoon", The Namibian, 26 April 2019

TABLE 8.6

New Mines and Mine Closures

Year	Diamond (New)	Diamond (Closures)	Non-Diamond (New)	Non-Diamond (Closures)	Under Care and Maintenance
			Rosh Pinah (ML39) Rossing (ML28)		
1989			Navachab (ML31 and ML180)		
1990	Elizabeth Bay		Okorusu Fluorspar (ML90)	Uis Tin Namib Lead and Zinc	
1994				Rubikon and Helikon	
1999	Daberas				
2001	Debmarine Atlantic 1				
2002			Skorpion Zinc (ML108 and ML127)		
2007	Bogenfels		Langer Heinrich Uranium (ML140 and ML172)		
2008			Ohorongo Cement (ML153)	Kombat	Tsumeb Matchless Ojihase
2010			Trekkopje (ML151)		
2011		Bogenfels	Matchless Ojtihase		Trekkopje
2014			"Otjozondu (ML145) Otjikoto (ML169)"		Okorusu Fluorspar
2015	Sendelingsdrif		"Tchudi Lodestone (ML182)"		Matchless Otjihase
2016			Husab (ML171)		
2017			"Okandjande Graphite (ML196) Gecko Salt (ML210)"		
2018		Elizabeth Bay	Whale Rock Cement (ML146)		Langer Heinrich Uranium Okandjande Graphite
2019	Obib		"Namib Lead and Zinc (ML185) Uis Tin (ML134, ML133 and ML129)"		
2020					Tchudi

Source: Company Annual Reports

Black Economic Empowerment and Namibian Ownership

Like many other southern African states, the Namibian Government is keen to see more local and especially black Namibian involvement in the mining industry, both as active shareholders and at senior management level. Mining companies, on the other hand, are keen to avoid having to take on shareholders who have nothing to offer in terms of capital and skills and end up being little more than expensive passengers.

South Africa gazetted its first Mining Charter in 2004 which set legally binding targets on equity ownership. Since then, the Charter has gone through two iterations in 2010 and 2018. The Namibian Government has so far failed to come up with either a national or a mining-specific legal BEE policy despite repeated attempts to do so (See Chapter 24: Black Economic Empowerment).

At the 2016 African Mining Conference in Cape Town, Mines Minister Obeth Kandjoze was quoted as saying that mining companies would be expected to have 20 percent empowerment stakes[45]. In the same year Prime Minister Kuugongelwa-Amadhila published draft legislation (which would have obliged all companies including mining companies) to cede 25 percent ownership to previously disadvantaged Namibians, which President Geingob confirmed again in April 2017. This requirement was formally dropped a year later when President Geingob announced the requirement had been removed and this was confirmed again after the two-day economic growth summit in July 2019. The flip-flopping on such an important issue has caused immense damage to Namibia's mining investment environment.

Government has moved on State involvement in the sector although it has never been clear if this counts as empowerment. In 2009 Government announced it had registered its own mining company, Epangelo and followed this up with an announcement on strategic minerals. However, this just created further confusion and uncertainty. Nonetheless, Epangelo has succeeded in acquiring stakes in major Namibian operations without having to raise capital itself and Government is determined to press on with its approach to strategic minerals.

In response to the lack of progress on a national framework, the Chamber of Mines of Namibia took the initiative and published its own Charter in September 2014[46]. The ownership pillar of the Charter makes provision for the sale of a minimum of five percent equity ownership of local subsidiaries to Historically Disadvantaged Namibians. It is not clear how assiduously the Chamber has monitored progress with the Charter but a review was conducted in 2019 and changes were ratified by the Chamber's Board in September 2019. Further work was planned to ensure the revised Charter would be consistent with the draft legislation Government published in February 2020. The table shows the shareholding of major mining operations in Namibia as at the end of 2020. In early 2021, the MME said it would introduce a new regulation that would require Namibian minerals licence holders to retain at least a 15 percent stake in their licences.

[45] See "Namibia Aims to Pass New Mining Empowerment Laws by April 2017 - Minister", http://de.reuters.com/article/africa-mining-namibia-idUKL3N15Q175

[46] See "Charter for Sustainable and Broad-Based Economic and Social Transformation in the Namibian Mining Sector 2014-2020 ("The Namibian Mining Charter"), Chamber of Mines of Namibia, 19 September 2014

TABLE 8.7
Mining and BEE

Operating Mines	Mineral	Main Shareholders	BEE Partners
Otjkoto Gold	Gold	B2Gold Corporation (90%)	EVI Gold (10%)
Namdeb Holdings	Diamonds	De Beers (50%)	GRN (50%)
Dundee Precious Metals	Copper smelting	Dundee Previous Investments (90%)	Local BEE (8%) Employee Share Trust (2%)
Langer Heinrich	Uranium	Paladin Energy (75%) China National Nuclear Corporation (25%)	None
Lodestone Namibia	Iron ore	Lodestone Holdings (100%)	None
Navachab	Gold	QKR (92.5%)	Epangelo Gold (7.5%)
Namib Lead and Zinc Mining	Lead and Zinc	North River Resources (90%)	NLZM Community Empowerment Trust (5%) NLZM Employee Benefit Trust (5%)
Trekkopje	Uranium	Orano Mining	Exploration j-v with Epangelo (25%), UAG (10%), Kalahari Holdings (15%)
Rosh Pinah Zinc Corporation	Zinc and Lead	Trevali Mining (89.96%)	Jaguar Investments (7.84%) PE Minerals (1.63%) and Rosh Pinah Employees (0.57%)
Rössing Uranium	Uranium	China National Uranium Corporation (68.62%) Iran Foreign Investment Company (15.29%) IDC (10.22%)	GRN (3.42%)
Salt & Chemicals	Salt	Walvis Bay Salt Holdings (85%)	EVI Mining (4.61%) Thike Pamwe (4.61%) Zantang Investments (0.8%) KB Black (3.93%) S Esau (1.85%)
Skorpion Zinc	SHG zinc	Vedanta Resources (100%)	None
Husab	Uranium	China General Nuclear (90%)	Epangelo (10%)
Uis Tin	Tin	AfriTin Mining Namibia (100%)	None
Sakawe Mining	Diamonds	Atligo (85%)	Epangelo (8%) Longlife Mining (4%) National Youth Service (2%) Employees (1%)
Weatherly Mining Namibia	Copper	Weatherly Mining (97.5%)	LIH (2.5%)
Otjozondu Manganese	Manganese		None
Salt Company	Salt	Klein family (100%)	None

Source: Chamber of Mines of Namibia

Finance

Linked to the lack of local ownership is the issue of finance. Mining is an expensive and risky business. Few Namibian individuals or firms have been able to raise the kind of money and expertise necessary to realise even a medium-sized mining operation. Neither has the NSX been a source of finance for Namibian mining projects. Although a long line of mining companies have chosen to list on the NSX (Ocean Diamond Mining, Namibian Minerals Corporation, Goldfields Namibia, Trans Hex, De Beers, Anglo American, Forsys Metals, Xemplar Energy, Bannerman Resources, Paladin Energy, Deep Yellow, Kalahari Minerals, Extract Resources, Minemakers, Auryx Gold, B2Gold, Giyani Gold Corporation) most foreign companies have chosen to raise money abroad and then dual-list on the NSX, sometimes for only very limited periods. Only Namibian Minerals Corporation raised money from a local listing.

Government received ECU40 million in 1993 from Sysmin funding to help create a revolving fund which later was formalised into the Minerals Development Fund of Namibia (MDF). However, the MDF no longer has the sort of money required for serious involvement in mining. A private sector initiative, African Minerals Company Afminco was attempted in 2001 but never won the confidence of Namibia's risk-averse asset management industry which was to provide the capital. The Development Bank of Namibia shows little sign of developing expertise in mining and its exposure to mining is limited. Old Mutual Namibia and NedCapital Namibia tried to establish Tunga (meaning "build" in Oshiwambo) designed to finance debt and equity in mining ventures. However, no investments in mining were ever made. As a result, local participation in the mining industry is limited and there is little sign of genuine small local mining companies being developed. The Australian Stock Exchange, the Toronto Stock Exchange and the London Stock Exchange's Alternative Investment Market have been where most of the exploration companies currently active in Namibia have raised finance.

Beneficiation

Government is convinced that the mining industry can play a far more important role in helping to industrialise the economy through beneficiation – the further processing of mineral products[47]. This is a view that has been challenged by many most notably the Harvard Group[48]. Realistically, although there might be opportunities for producing higher grade copper, the next steps in further processing Namibia's mineral products would involve manufacturing rather than mining companies (although the distinction is not always clear-cut). Gold refining would be unrealistic since Namibia produces such small quantities of gold bullion. Diamond cutting and polishing, adding further value to SHG zinc, uranium enrichment, turning fluorspar into HF and fluorine products, would all involve attracting specialised manufacturing companies to Namibia that would bring the skills and technology necessary to operate successfully (see Chapter 11: Manufacturing). The one significant study of the issue in Namibia seemed to attract little attention[49]. Attracting such companies from abroad or helping to create them locally involves a range of policies that are not specific to mining.

[47] See, for example, the Minister of Mines and Energy's speech to the Chamber of Mines annual dinner in 2005.
[48] See "Examining Beneficiation", Ricardo Hausmann, Bailey Klinger and Robert Lawrence, CID Working Paper No.162, May 2008
[49] See "Beneficiation in Namibia: Impacts, Constraints and Options", IPPR Research Report, November 2017

"The fear is, however, that Government's desire to see more "mined and manufactured in Namibia" in the words of the Minister could lead to mining companies being forced into activities that they simply are not equipped to carry out."

The fear is, however, that Government's desire to see more "mined and manufactured in Namibia" in the words of the Minister could lead to mining companies being forced into activities that they simply are not equipped to carry out. Successful beneficiation is likely to involve an operation of significant scale to benefit from economies of scale and become internationally competitive[50].

Electricity and Water

Namibia has long been reliant on South Africa for a significant portion of its electricity supply. Power lines from South Africa were upgraded in 2001 and by 2005 Namibia imported half its electricity demand from Eskom, the South African power behemoth. However, higher than expected growth combined with poor planning and an unclear policy framework in South Africa led to a situation where serious generation capacity shortages became prevalent (see Chapter 13: Electricity). Namibia rather lethargically pursued several initiatives for plugging the gap in supply that had been evident for many years before becoming a binding constraint. However, even the most firmed up project, the massive Kudu gas-to-power Combined Cycle Gas Turbine (CCGT) power station, experienced constant setbacks and never got off the ground.

At the same time, with several new uranium mines aiming to come on stream, new investment was required to supply these operations with sufficient quantities of water. However, again efforts to invest in the required infrastructure on the part of NamWater came to nothing although private investment by AREVA (now Orano) delivered southern Africa's first desalination plant capable of delivering water to mining operations (see Chapter 14: Water).

[50] See Speech to the Annual Gala Dinner of the Chamber of Mines May 2007 by Robin Sherbourne

Mining Investment Climate

This chapter has detailed changes to Namibia's mining investment climate since Independence which can be characterised as being in three distinct phases. The first ten years or so following Independence saw Namibia establish a competitive and stable investment environment but commodity prices were generally low. Over the next decade, which saw significant rises in commodity prices, Government introduced a wide range of changes – on taxation, on strategic minerals, on state ownership, on BEE – but generally in such an ill-considered way that Namibia's good reputation was severely damaged. As investment plummeted and growth rates fell over the past five years, Government rowed back on several of these measures and attempted to re-establish an internationally competitive investment environment.

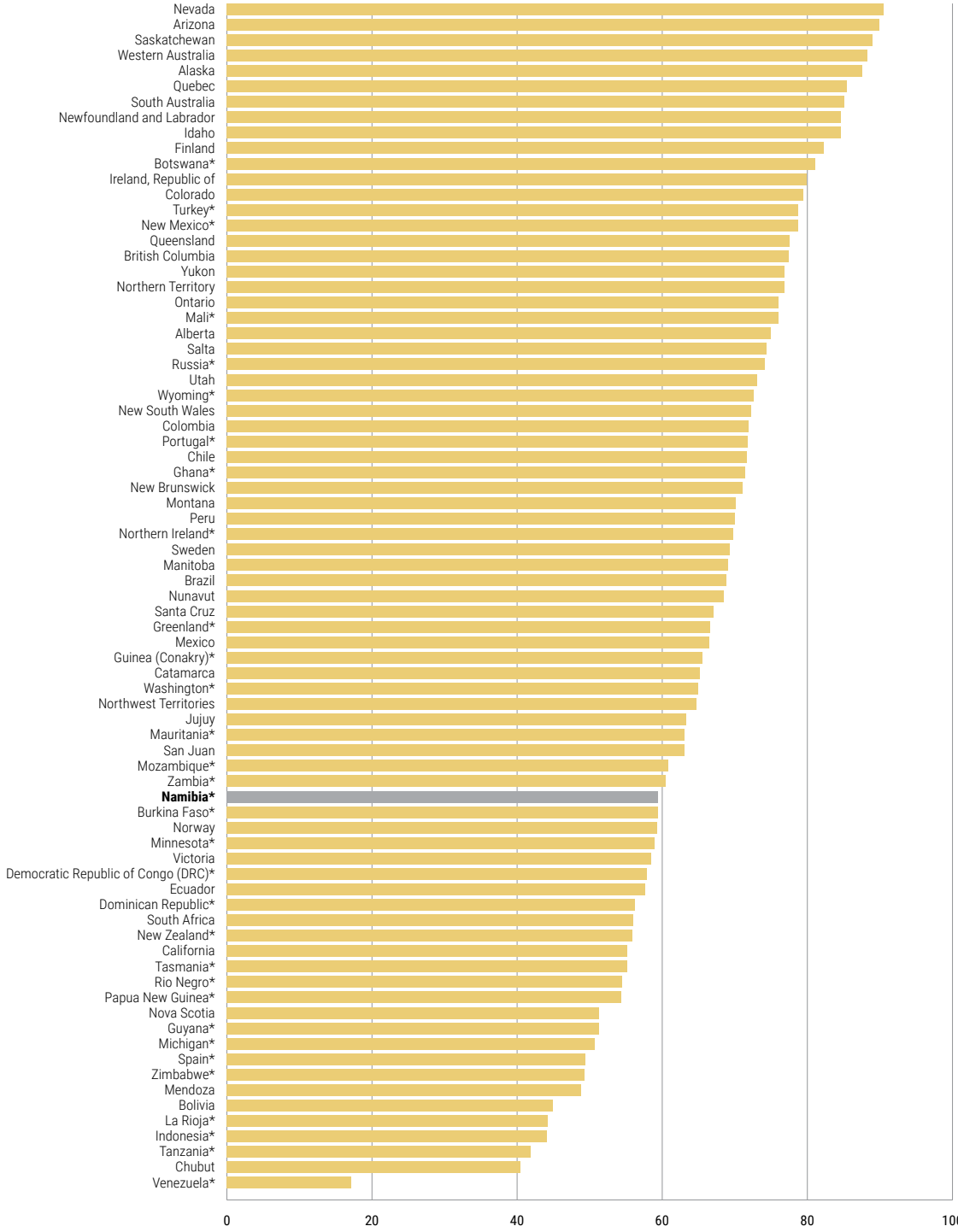
TABLE 8.8
Fraser Institute Policy Potential and Mineral Potential

Investment Attractiveness Index	**'15**	**'16**	**'17**	**'18**	**'19**	**'20**
Namibia	33	53	54	60	55	52
South Africa	66	74	48	43	40	60
Botswana	39	19	43	32	45	11
Policy Perception Index						
Namibia	29	38	39	36	14	47
South Africa	78	84	81	56	56	66
Botswana	14	12	21	12	22	15
Best Practices Mineral Potential Index						
Namibia	50	62	60	75	64	61
South Africa	51	66	21	30	34	57
Botswana	69	38	64	53	59	16
Number of Jurisdictions	109	104	91	83	76	77

Source: Fraser Institute

Chart 8.3

Fraser Institute Investment Attractiveness Index 2020



between 5 and 9 responses

Source: Fraser Institute

This seems to be born out by the most recent Fraser Institute Rankings which is the most comprehensive independent view of how international mining jurisdictions compare with each other. The Fraser Institute measures three indices: Investment Attractiveness Index (which measures the attractiveness of the combination of geological attractiveness and policy environment), Policy Perception Index (which measures how the policy environment is perceived by mining investors) and the Best Practices Mineral Potential Index (which measures the geological attractiveness to mineral investors). In 2019, Namibia came top in Africa and 14th out of all 76 jurisdictions in terms of the Policy Perception Index. This compares well with previous rankings where Namibia's position suffered as a result of important policy missteps. Despite this, Namibia ranks only 55th in Investment Attractiveness, below Botswana and South Africa and many other countries it is competing for mining investment with.

"Namibia ranks only 55th in Investment Attractiveness, below Botswana and South Africa and many other countries it is competing for mining investment with."

Mining Investment and New Mines

The table on major mines in Namibia shows many existing operations now have a relatively short life of mine. Whilst it is true that the life of mine can often be extended through new exploration and investment, Namibia also has to take care that new mines open up to take the place of old exhausted ones. Looking simply at the number of mining licences issued since 1990, the overall trend appears to be firmly downwards. Furthermore, there is concern even at the highest levels of Government that EPLs have been granted to individuals and companies who are not in a position to exploit them for the wider benefit of the country resulting in landlocking[51]. Rather like the fishing sector, potentially valuable public resources have been dished out to people whose intention is to make a quick buck by selling them on to foreign exploration companies. After taking office, Mines Minister Tom Alweendo scrapped the preferential policy of granting EPLs to Namibians in October 2018. The High-Level Panel on the Namibian Economy recommended that Government auction mineral rights to prospective mining investors. In the meantime, Government introduced a moratorium on the application for mineral rights to run from 18 November 2020 to 17 August 2021 arguing that it was necessary to align application requirements and procedures to best practice and streamline fees[52].

[51] See "Mining Licences Sold to Foreigners", *The Namibian*, 2 November 2018

[52] See "Government to Auction EPLs", *The Namibian Sun*, 11 November 2020

Useful References

Chamber of Mines of Namibia annual reports/reviews

Minerals Policy of Namibia, Ministry of Mines and Energy

Fraser Institute Annual Survey of Mining Companies

Useful Websites

Anglo American
www.angloamerican.co.uk

Orano
www.orano.group/en

Chamber of Mines of Namibia
www.chamberofmines.org.na

De Beers
www.debeersgroup.com

Diamond Fields
www.diamondfields.com
www.sedar.com

Epangelo Mining
www.epangelomining.com

Ministry of Mines and Energy
www.mme.gov.na

Namdeb
www.namdeb.com

Paladin Energy
www.paladinenergy.com.au

Rössing Uranium
www.Rössing.com

Vedanta Resources
www.vedantaresources.com

Weatherly International
www.weatherlyplc.com

An offshore oil platform at Walvis Bay

CHAPTER

9 Sector Oil and Gas

Since Independence, Government policy has sought to encourage exploration for commercial deposits of oil and gas both off and onshore. After two successful licencing rounds in 1992 and 1995, Namibia moved to an open system of licencing following the failure of the third round in 1999. But it took until 2010, when the sustained high price of oil combined with improvements in offshore exploration and drilling technology, before Namibia succeeded in attracting more intensive international interest which has resulted in the sort of drilling programme that might reveal whether Namibia has commercially viable deposits of oil.

Oil and Gas

KEY EVENTS

YEAR	EVENT
1990	- Andimba Toivo ya Toivo appointed Minister of Mines and Energy - National Petroleum Corporation of Namibia (Namcor) established - Skerf Pottas appointed MD of Namcor
1991	- Petroleum (Exploration and Production) Act passed - Petroleum (Taxation) Act passed - OPIC spuds well at onshore Etosha Basin
1992	- Namibia holds first licencing round
1993	- Norsk Hydro spuds well
1994	- Petroleum Products and Energy Amendment Act passed
1995	- Namibia holds second licencing round - Norsk Hydro spuds well - Ranger Oil spuds well - Sasol spuds well
1996	- Chevron spuds well - Shell spuds well – Kudu 4
1997	- Joe Mazeingo appointed MD of Namcor
1998	- Norsk Hydro spuds well - Shell spuds well – Kudu 5
1999	- Namibia holds third licencing round but receives no offers and moves to open licencing system - Jessaya Nyamu appointed Minister of Mines and Energy
2000	
2001	
2002	- Dr Nickey Iyambo appointed Minister of Mines and Energy - Shell spuds wells – Kudu 6&7
2004	
2003	
2005	- Erkki Nghimtina appointed Minister of Mines and Energy
2006	
2007	- Sam Beukes appointed MD of Namcor - Tullow spuds well – Kudu 8
2008	- Sintezneft spuds well
2009	
2010	- Isak Katali appointed Minister of Mines and Energy
2011	- Sam Beukes officially suspended as MD of Namcor - Chariot Oil & Gas spuds well - Minister Katali makes speech in Parliament mentioning 12 billion barrels of oil
2012	- Johannes !Gawaxab replaces Siseho Simasiku as Namcor board chair - Eco Oil & Gas dual lists on NSX - Chariot Oil & Gas spuds second well - Joseph Iita replaced by Kahijoro Kahuure as PS of Ministry of Mines and Energy - Obeth Kandjoze appointed Namcor MD

2013
- HRT Wingat and Murombe wells come up dry

2014
- Repsol Welwitschia well comes up dry

2015
- Crude oil falls to below US$50 a barrel
- Obeth Kandjoze appointed Minister of Mines and Energy
- Immanuel Mulunga appointed Namcor MD

2016
- Patrick Kauta appointed Namcor board chair

2017

2018
- Tom Alweendo appointed Minister of Mines and Energy
- Patrick Kauta resigns as Namcor board chair
- Tullow spuds well

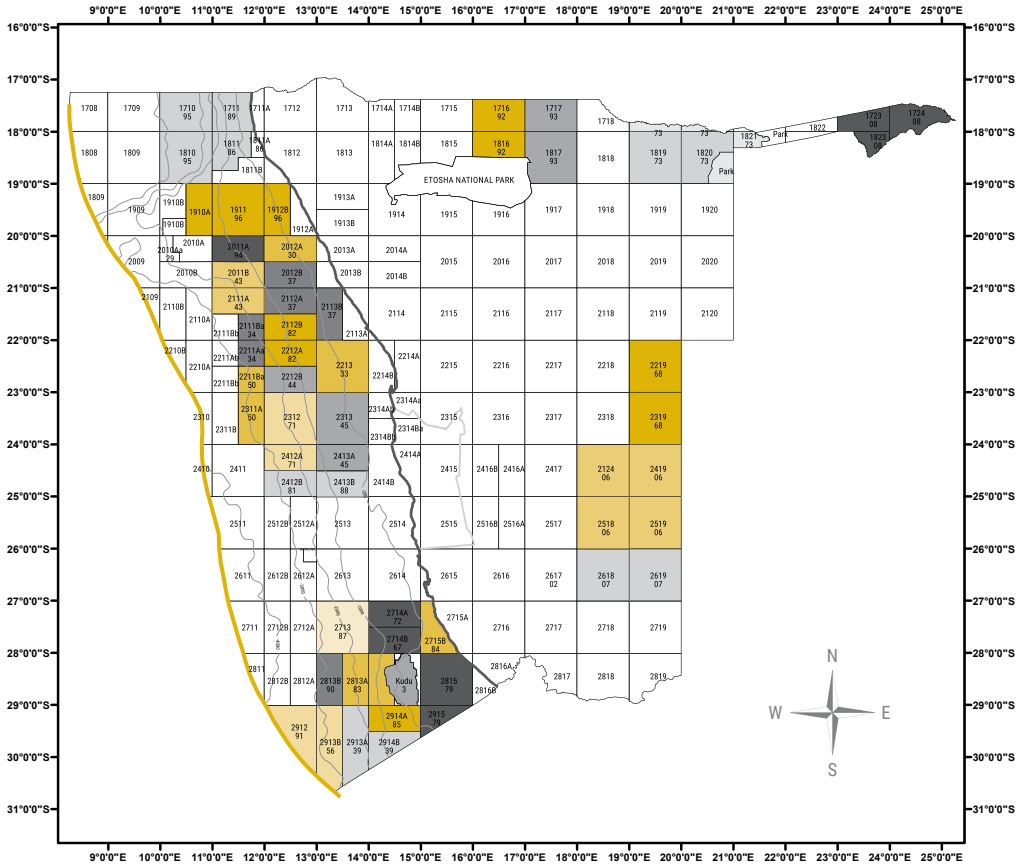
2019
- Engelhardt Kongoro appointed Namcor board chair

2020
- Tom Alweendo re-appointed Minister of Mines and Energy
- Immanuel Mulunga reappointed MD of Namcor
- Jennifer Comalie appointed Namcor board chair
- Namcor reports to Ministry of Public Enterprises under new Act

Introduction

Exploration drilling for oil and gas had already taken place before Independence as early as 1928 near Berseba and there was apparently a gas blowout which up to today companies use as evidence for hydrocarbons in the area. However, very little is known about this. Drilling took place later in 1963 but it was the discovery of the Kudu gas field in 1973 (Kudu 1) by Chevron that encouraged further exploration activity leading to Kudu 2 and 3 being drilled in 1987 and 1988 by SWAKOR, the forerunner of Namcor. But Namibia's post-Independence Government moved quickly to intensify drilling activity from 1990 in Namibia's four main offshore basins: the Namibe, Walvis, Orange and Lüdertiz. Namibia's first two licencing rounds in 1991 and 1995 attracted several big players including Norsk Hydro, Ranger, Sasol, Chevron and Shell/Texaco. However, interest waned and no bids were received in the third licencing round in 1999 leading Government to abandon licencing rounds in favour of an open system where any company could apply for exploration blocks at any time. Although Shell Exploration and Prospecting carried out further drilling to expand the Kudu gas field leading to Kudu 5, 7 and 8 by 2007, it was not until 2010 that exploration activity started to intensify.

Map Of Exploration January 2021



Legend

- Limit Exclusive Economic Zone
- Isobath
- Shore line
- Etosha National Park
- World Heritage Zone

Production License

- (PL 3) BW Kudu / NAMCOR

Reconnaissance License

- (06) Namibia E Source Petroleum
- (07) CGP Energy
- (08) Gondwana Petroleum Namibia (PTY) LTD

Exploration License

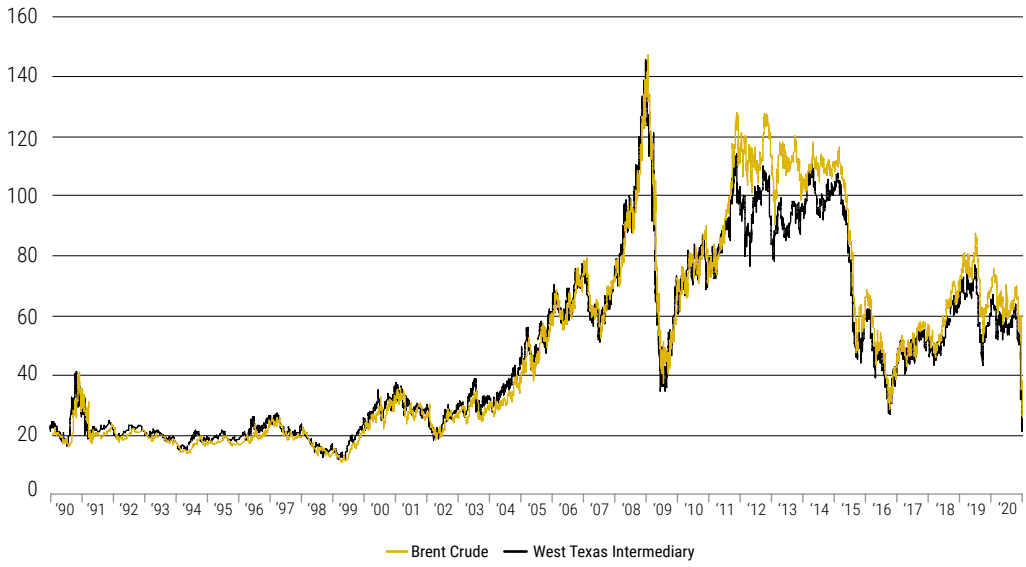
- (PEL 94) Global Petroleum
- (PELs 30, 33, 50) Eco Oil & Gas
- (PEL 34) Azinam / ECO
- (PEL 37) Tullow / ONGC / Pancontinental
- (PEL 39) Shell Exploration & Production
- (PELs 43) Oranto Petroleum
- (PELs 44, 45) Maurel & Prom Namibia
- (PEL 56) Total / Impact
- (PEL 67, 72, 79) NAMCOR
- (PEL 68) Alumni Expl East Namibia
- (PEL 71) Enigma Oil and Gas
- (PEL 73) Reconnaissance Energy
- (PEL 84, 85) Rhino resources
- (PEL 81, 88) Black Eagle E & P
- (PEL 82) Galp Energia / ExxonMobil
- (PEL 83) Galp Energia
- (PEL 87) Pancontinental Orange
- (PEL 90) Tullow Namibia Limited
- (PEL 91) Total / Qatar Petroleum
- (PEL 92) Babecca Business Links
- (PEL 93) Mel Oil and Gas Exploration
- (PEL 86, 89, 95) ExxonMobil E & P Nam
- (PEL 96) Tower Resources (Namibia) LTD

Source: Namcor

This was accompanied by a flurry of reports, including from some of the most respected institutions such as the International Energy Agency, heralding the end of "cheap oil". As the oil price spiked at US$147 a barrel prior to the bursting of the biggest asset bubble in history and the onset of recession in the world's major economies, many observers were predicting a long-term oil price of US$200 a barrel and more. Higher oil prices have led the oil companies to look ever further afield while improvements in technology mean that oil can be pumped from increasingly far-flung places and at greater depths from under the ocean. For example, Brazil's huge Tupi oil field, discovered in 2006, lies below 2,000 metres of water and 5,000 metres of salt, sand and rocks.

CHART 9.1

Brent Crude and West Texas Oil Prices (US$ a Barrel)



Source: Bloomberg

Furthermore, the belief is widely held that offshore Namibia shares similar geology with Angola – Africa's third largest oil producer – and up-and-coming petroleum power and BRIC economy Brazil which was adjacent to Namibia in the time of Gondwana. However, there are also significant differences such as the lack of salt in Namibia. In less than a decade Brazil has gone from being a significant oil importer to a net exporter having discovered some of the largest new oil fields in recent times. Along the way it has developed world-class expertise in deep-water exploration and drilling, of which Sao Paulo-listed Petro Rio (formerly HRT) is but one impressive example.

As a result of higher oil prices and changes in deep-sea drilling technology, Namibia has become interesting to oil companies as a "new frontier" in oil and has succeeded in attracting a number of mostly smaller newer exploration companies which do not have the financial muscle to undertake the enormously expensive business of drilling wells. A single deep water well may cost anything up to US$70 million with no guarantee of success. Nonetheless, these companies have succeeded in expanding the amount of data available by conducting seismic surveys, including 3-D surveys, where the technology is also rapidly improving and becoming more affordable. This, added to the less conventional method of looking at oil seepages, has allowed companies to home in on more prospective licence areas.

The increasing presence of bigger and more credible players, both as direct licence holders such as HRT or through farm-out agreements such as Chariot's with Petrobras, PGS and BP, hinted at the fact that, as in the mining industry, juniors were starting to play an increasingly important role in attracting back the oil majors to Namibia. Namcor farmed out blocks in the Namibe to Exxon in 2019. However, after several years during which several more dry wells have been drilled bringing the total up to 23 by the end of 2020, the continued low oil price does not bode well for exploration in Namibia. Prior to Covid, Total, Shell and Maurel & Prom planned to drill a total of four offshore wells.

TABLE 9.1
Summary of Wells Drilled Up to 2020

	Year	Well	Company
1	1973	Kudu 1-A	Chevron
2	1987	Kudu 2	Swakor
3	1988	Kudu 3	Swakor
4	1993	1911/10-1	Norsk Hydro
5	1995	1911/15-1	Norsk Hydro
6	1995	2012/13-1	Sasol
7	1995	2213/06-1	Ranger
8-11	1996 - 2002	Kudu 4, 5, 6 & 7	Shell
12	1996	2812/15-1	Chevron
13	1998	2313/05-1	Shell
14	1998	2513/08-1	Norsk Hydro
15	2007	Kudu 8	Tullow
16	2008	Kunene 1	Sintezneftegaz
17	2012	Tapir 1	Chariot
18	2012	Kabeljou-1	Chariot
19	2013	Moosehead-1	HRT
20	2013	Murombe-1	HRT
21	2013	Wingat-1	HRT
22	2014	Welwitschia-1	Repsol
23	2018	Cormorant-1	Tullow

Source: Namcor

THE BASICS OF OIL EXPLORATION

Oil is a scarce commodity because commercially exploitable quantities exist only under very special geological conditions. Four conditions need to exist for oil to be present. First, a source rock rich in the fossilised organic material (ancient zooplankton, algae or trees) needs to exist buried deep enough in the earth's surface for subterranean heat to "cook" the material into oil, microscopic droplets of which then move upwards through overlying water-bearing rocks, since oil is lighter (less dense) than water. Second, a porous and permeable reservoir rock needs to exist that traps the oil droplets so that, over millions of years, it accumulates to become an oil field. This can often be located at some distance from the source rock. Third, this whole geological structure has to be covered by an impermeable cap-rock, such as a layer of shale or salt, which seals the reservoir so that the oil does not escape to the surface. Lastly, the trap has to exist to receive the oil at the time it is generated. If the generation is too early or the trap formation too late, the oil escapes to the surface and is lost forever. The chances of all four conditions being present are small and this is what makes finding oil so improbable. In particular, the absence of a cap-rock leads to the common phenomenon of oil seeps both on land and in the sea.

Huge amounts of money and work are needed to find oil. The oil exploration companies hire specialised survey companies (such as Western, TGS or CGG) that own ships designed to carry out seismic surveys to locate the geological structures which form the preconditions for an oil field. The ships use "air-guns" that release compressed air just below the ocean surface to create high-pressure shock waves under the water. These shock waves penetrate the rocks below the sea bed and are then reflected by the different rock layers in the earth before being recaptured by a large number of "hydrophones" (under-water microphones) towed in an array of lines behind the vessel and these can be several kilometres in length. In a 3D seismic survey the vast amount of data collected allows a three-dimensional model of the subsurface geological structures to be put together. A 3D seismic survey could easily cost US$10-20 million. However, although seismic surveys can provide information about rock type and structure, in all but a very few cases they do not reveal the presence of oil.

Locating oil seepages on the surface of the ocean represents an additional way of indicating the presence of oil source rocks. The trouble is, surface oil can come from a multitude of other sources (including ships and decaying organic material on the sea bed) and often only appears a long way away from the original source.

At the end of the day, while seismic and seepage surveys provide clues on the whereabouts of oil accumulations, nothing can be said for certain until wells are drilled. Offshore drilling requires rigs which are expensive pieces of equipment. The deeper the drilling the more expensive things become. Drilling in water depths of

1,000 or 2,000 metres involves special rigs with extra capacity. Oil companies can easily spend US$1 million a day on drill rigs which have to be brought into Namibian waters from distant locations in Europe, the Americas or elsewhere. And of course their costs have to be paid for each and every day the rig is being towed onto site and towed on to its next job. The enormous cost of drilling is the reason why companies often club together and cooperate using a rig to drill several wells in the same area. Drilling in deep water beyond Namibia's continental shelf at depths of 1,500-2,000 metres is likely to cost in excess of US$100 million a well. And getting hold of a deep ocean rig is not easy since there is only a limited number of such specialised pieces of hardware in the world.

Where the prospectivity for oil is perceived to be speculative, such as in Namibian waters where no commercial oil has ever been discovered, often small junior exploration companies enter ahead of the major oil companies. However, the huge amounts of money involved in exploration means that the small junior exploration companies often have to bring in the oil majors for the drilling phase of exploration if their initial exploration efforts demonstrate a sufficiently attractive degree of prospectivity. This can be lucrative business as the company which "farms in" normally has to pay a premium. In exchange for say 50 percent of the equity the larger company has to "carry" the junior company through the drilling phase.

Government awards licences in blocks of predetermined areas ("acreage") for fixed periods of time and, through negotiation, lays out in advance all the work a company has to do if it is to be allowed to continue to work on the licence area. Government approval also has to be obtained if other companies are brought in to help carry out the work through "farm out" agreements. Companies that relinquish exploration areas or do not fulfill their obligations have to hand their data over to Government without payment. This can then be made available to other companies to attract them to apply for exploration acreage.

Oil differs a lot in quality. The type of oil determines how it should be refined and what it should be used for. Light and heavy refer to its density while sweet and sour refer to its sulphur content. Not every refinery, especially the smaller ones, can process every type of oil. Before an exploration "wildcat" well is drilled it is usually not possible to know whether oil, gas or anything at all will be found. The potential size of the prospect being drilled is therefore often expressed in barrels of oil equivalent (BOE), with gas being converted into barrels of oil at around 6,000 cubic feet per barrel (equivalent heating value). Finding oil alone is not enough, since the quantity of oil found may simply not be sufficiently large to warrant developing a commercial field. Depending on the conditions such as water depth and distance from shore, an offshore deep-water discovery may need to contain 200 million BOE or more to make it worth exploiting at an oil price of US$100 a barrel. An oil field of 500 million BOE is a significant find (an "elephant").

Companies listed on international stock exchanges are obliged to categorise their discovered oil resources according to the likelihood of existence which in turn depends on the amount of work they have conducted pinning down what they actually have. The term "Prospective Resources" means that reserves might exist but there is no proof they do. "Contingent Resources" means that oil or gas reserves have been discovered but there is as yet no certainty that they will be commercially developed. "Reserves" are attributed to oil and gas reserves that have been proven by exploration and often also by follow-up appraisal wells. And finally the term reserves can be broken down into proven, probable, and possible. Naturally, however, the smaller companies in particular often have an incentive to talk their stories up to boost their share prices so information should generally be taken with a pinch of salt. Before getting too excited about any particular exploration company's prospects, it is always worth asking how many successful wells it has actually drilled.

Minister Katali's speech to Parliament on 7 July 2011 caused much excitement and made mention of 12 billion barrels of oil equivalent putting Namibia on par with Angola as an oil producing nation. However, until wells are drilled and commercially viable oil is actually discovered, seismic data and oil seepages can only hint at the possibility of oil resources. The Minister, the oil exploration companies and stockbroker-based researchers all have an interest in talking up Namibia's potential as much as possible. But as the miners say, "why ruin a perfectly good deposit by drilling?". Several independent Namibian oil industry observers have expressed skepticism and say they have seen this all before.

Policy Issues

Namcor versus Individuals

More controversial is the role played by local participants. Clearly international oil and gas companies both big and small see the value in bringing local partners on board who enjoy direct access to State House. While sceptics see this as just another example of people in high places abusing their positions for personal gain, others see value in locals bringing underdeveloped Namibian potential to the attention of companies who have the money and expertise to exploit them. There is no doubt that the Ndumes and Kattis have persevered long and hard to bring in valuable outside investors when most were happy to give up on Namibia's oil potential.

The question is not whether locals should be playing this role but whether it should not rather have been done by Namcor, the state agency charged with advising Government and catalysing interest in Namibia's oil and gas resources. The vast sums of money reaped by private individuals should surely have gone to a more entrepreneurial Namcor and the Namibian State. By allocating licences to locals, foreign oil companies

may have got in more cheaply than if they had come in directly. According to Chariot's 2009 annual report, Ndume's Enigma was bought by Chariot in 2008 for US$40 million worth of shares. Ndume's company Protech owned 11.1 percent of Chariot Oil and Gas which, at market prices, was worth some N$280 million. The sale of the second 70 percent tranche of Katti's Kunene to UNX in 2008 was agreed at U$5 million in cash and shares. Whether the money has ended up in the right hands will depend partly on the vision of those benefitting from these windfalls. Will they spend the money on high living and fast cars or seek to build future Namibian capacity to play a role in oil and gas exploration and production along the lines of what has happened in Brazil?

Resource Curse

The recent spate of drilling suggests the next few years are going to provide plenty of action as companies have committed themselves to significant exploration and drilling programmes with a hitherto unprecedented six to eight wells being promised within the next 18 months. Of course, whether finding oil will ultimately be a good thing for the country remains very much open to question. Chariot CEO Paul Welch believed Namibia had the potential to be another Norway. More recently Reconnaissance Africa has spoken of 120 billion barrels of oil in an unproven basin[1]. Comments like these are common in the industry but often nothing more than marketing hype. Yet none of Africa's major oil producing countries – Nigeria, Libya, Algeria and Angola – provide much comfort that the discovery of oil leads to higher standards of living for the majority of the people. Nonetheless, if the promised drilling takes place, the next few years should help pin down once and for all whether Namibia has oil or not. The jury is out.

Useful Websites

Ministry of Mines and Energy
www.mme.gov.na

Namcor
www.namcor.com.na

Transparent Oil
https://namibia.transparentoil.org

[1] See "Is This the Most Exciting Oil Play of the Decade?", Bloomberg, 11 January 2021

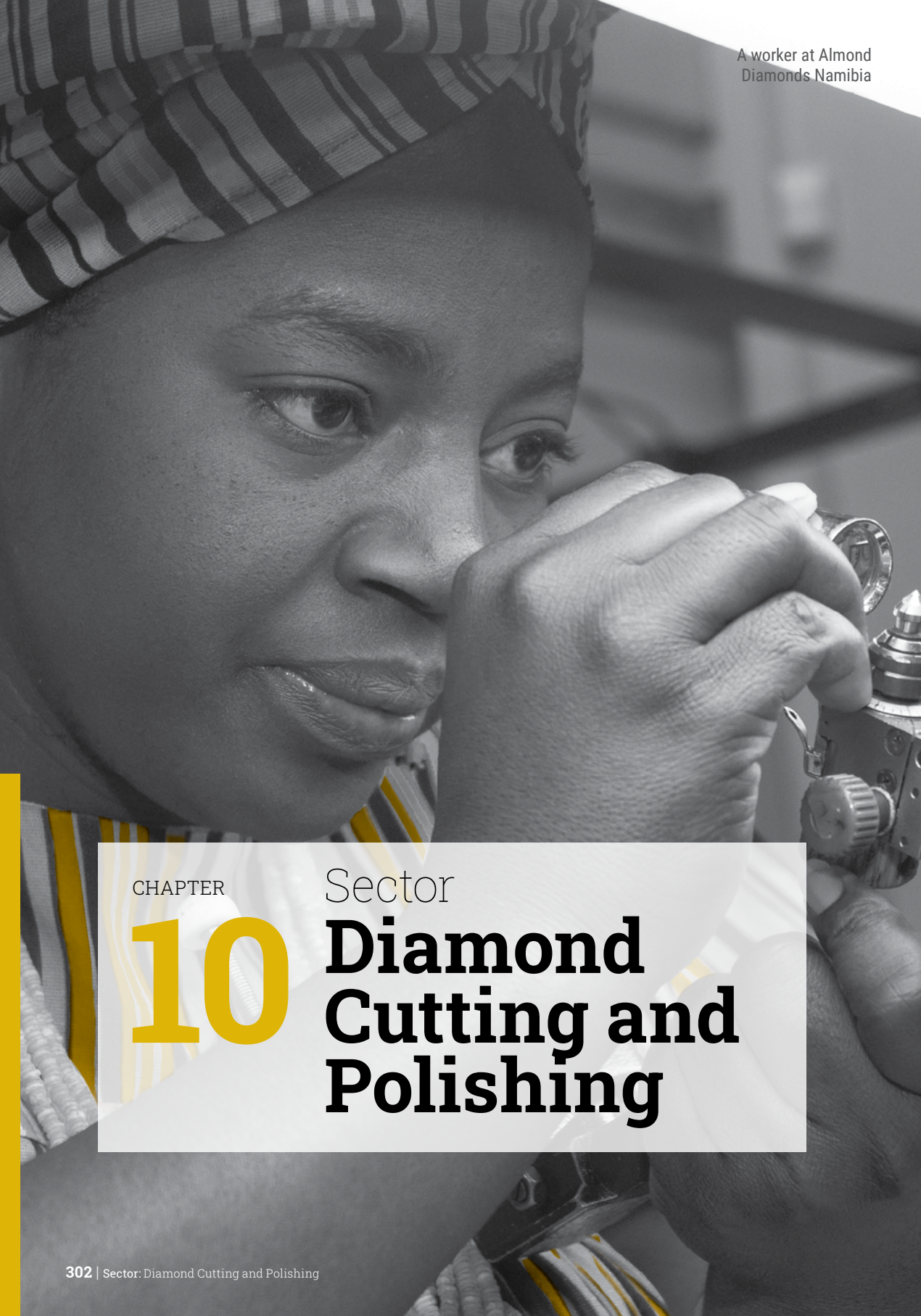
TABLE 9.2

PEL Licences January 2021

PEL	Licence Category	Companies (Operator)	Participating Interest (%)	Licence Date	Licence Expiry Date	Block(s)	Phase
3	Production	BW Kudu Namcor	56 44	10 Nov 2011	10 Nov 2036	Kudu	Initial Exploration Period
30	Exploration	Azinam Eco Oil & Gas Namibia Tullow Oil Namcor	32.5 32.5 25 10	14 Mar 2011	14 Mar 2021	2012A	Second Renewal Exploration Period
33	Exploration	Eco Oil & Gas Namibia Azimuth Namibia Ltd Namcor	60 30 10	14 Mar 2011	14 Mar 2021	2213	Second Renewal Exploration Period
34	Exploration	Azinam Eco Oil & Gas Namibia Namcor	40 50 10	14 Mar 2011	14 Mar 2021	2111Ba and 2211Aa	Second Renewal Exploration Period
37	Exploration	Tullow Oil Pancontinental Oil & Gas Paragon Investment Holdings	65 30 5	28 June 2011	28 June 2021	2012B, 2112A and 2113B	Second Renewal Exploration Period
39	**Exploration**	**Shell Namibia Upstream BV Namcor**	**90 10**	**19 Aug 2011**	**19 Aug 2022**	**2913A and 2914B**	**Second Renewal Exploration Period**
43	Exploration	Oranto Petroleum Ozondje Petroleum Namcor	87 3 10	16 Dec 2011	16 Dec 2021	2212B	Second Renewal Exploration Period
44	Exploration	Maurel & Prom Namibia Azimuth Livingston Mining Resources Development Frontier Mineral Resources Namcor	37 48 4 3 8	16 Dec 2011	16 Dec 2021	2313 and 2413A	Second Renewal Exploration Period
45	Exploration	Maurel & Prom Namibia Azimuth Livingston Mining Resources Development Frontier Mineral Resources Namcor	37 48 4 3 8	16 Dec 2011	16 Dec 2021	2313 and 2413A	Second Renewal Exploration Period
50	Exploration	Amis Energy Namcor	90 10	20 Mar 2012	20 Mar 2021	2211Ba and 2311A	Second Renewal Exploration Period
56	**Exploration**	**Total Exploration and Production Impact Oil and Gas Namibia Namcor**	**70 20 10**	**10 May 2012**	**10 May 2022**	**2913B**	**Second Renewal Exploration Period**
67	Exploration	Namcor Quiver Oil and Gas	67 33	18 Jun 2013	18 Jun 2021	2714B	First Renewal Exploration Period Extended
68	Exploration	Alumni Exploration East Namibia Namcor	90 10	28 Jun 2013	28 Jun 2020	2219 and 2319	First Renewal Exploration Period Extended
71	Exploration	Enigma Oil and Gas Exploration Azinam Ignitus Oil and Gas Namcor	65 20 5 10	27 Aug 2014	27 Aug 2021	2312 and 2412A	First Renewal Exploration Period Extended
72	Exploration	Namcor Quiver Oil and Gas	67 33	27 Aug 2014	27 Aug 2021	2714A	First Renewal Exploration Period Extended
73	**Exploration**	**Reconnaissance Energy Namibia Namcor**	**90 10**	**29 Jan 2015**	**25 Jan 2022**	**1719, 1720, 1819, 1820, 1721 and 1821**	**First Renewal Exploration Period Extended**

Source: Ministry of Mines and Energy

PEL	Licence Category	Companies (Operator)	Participating Interest (%)	Licence Date	Licence Expiry Date	Block(s)	Phase
79	Exploration	Namcor Giraffe Energy cc	67 33	10 Jul 2015	10 Jul 2020	2815 and 2915	Initial Exploration Period Extended
81	Exploration	Black Eagle Exploration and Production Namcor Focus Investment Holding	85 10 5	2 Sept 2016	2 Sept 2020	2412B	Initial Exploration Period
82	Exploration	Windhoek PEL 28 BV ExxonMobil Exploration and Production Namibia Custos Investments Namcor	40 40 10 10	2 Sept 2016	2 Sept 2021	2212A and 2112B	Initial Exploration Period Extended
83	Exploration	Windhoek PEL 28 BV Custos Investments Namcor	80 10 10	2 Sept 2016	2 Sept 2021	2813A and 2814B	Initial Exploration Period Extended
84	Exploration	Rhino Resources Namibia Namcor Korres Investments	55 30 15	12 Oct 2016	12 Oct 2020	2715B	Initial Exploration Period
85	Exploration	Rhino Resources Namibia Namcor Korres Investments	55 30 15	17 Jul 2017	17 Jul 2021	2914A	Initial Exploration Period
86	Exploration	ExxonMobil Exploration and Production Namibia Namcor	85 15	11 Aug 2017	11 Aug 2021	1811A	Initial Exploration Period
87	Exploration	Pancontinental Orange Custos Investments Namcor	75 15 10	23 Jan 2018	23 Jan 2022	2713	Initial Exploration Period
88	Exploration	Black Eagle Exploration and Production Focus Investment Holdings Namcor	85 5 10	30 Apr 2018	30 Apr 2022	2413B	Initial Exploration Period
89	Exploration	ExxonMobil Exploration and Production Namibia Namcor	85 15	29 May 2018	29 May 2022	1711	Initial Exploration Period
90	Exploration	Tullow Namibia Harmattan Energy Trago Energy Namcor	56 14 20 10	20 Jun 2018	20 Jun 2022	2812B	Initial Exploration Period
91	Exploration	Total Qatar Petroleum Impact Oil and Gas Namibia Namcor	37.77 28.33 18.9 15	2 Oct 2018	2 Oct 2022	2912 and 2913B	Initial Exploration Period
92	Exploration	Babecca Business Links Namcor	90 10	2 Oct 2018	2 Oct 2022	1716 and 1816	Initial Exploration Period
93	Exploration	Mel Oil and Gas Exploration Legend Oil Namcor	75 15 10	2 Oct 2018	2 Oct 2022	1717 and 1817	Initial Exploration Period
94	Exploration	Global Petroleum Alow Investment Two Hundred and Two Namcor	85 5 10	2 Oct 2018	2 Oct 2022	1910B	Initial Exploration Period
95	Exploration	ExxonMobil Exploration and Production Namibia Namcor	90 10	15 Jul 2019	15 2023	1710 and 1810	Initial Exploration Period
96	Exploration	Tower Resources Namibia Namcor ZM Fourteen Investment cc	80 10 10	31 Oct 2019	31 Oct 2023	1910A, 1911 and 1912B	Initial Exploration Period



A worker at Almond Diamonds Namibia

CHAPTER 10

Sector Diamond Cutting and Polishing

Since Independence, the Namibian Government has consistently expressed its desire to see more cutting and polishing of Namibia's rough diamonds take place locally in order to create jobs, boost export earnings and enhance skills. The agreement between Government and De Beers which led to the creation of Namdeb in 1994 allowed the process to start with the creation of NamGem, and the goal received further impetus with the passing of the Diamond Act in 1999. Over time, international diamond giant De Beers has softened its position on cutting and polishing in producer countries as a result of political pressure and competition from other players such as Lev Leviev, who aggressively entered Namibia in 2001 with a promise to create jobs through greater value addition. However, it was only with the renegotiation of the marketing agreement with De Beers at the beginning of 2007 and the creation of the Namibia Diamond Trading Company that a basis was laid for a more sustainable local cutting and polishing industry. The institutional framework was further strengthened when Namib Desert Diamonds (Namdia) was established in 2016 which enabled international prices to be tested independently of De Beers. As a result, more diamonds are being cut and polished in Namibia than ever before although many of the rough diamonds processed are imported whilst many Namibian rough diamonds continue to be exported. Despite all the changes that have taken place, the industry in Namibia remains opaque making it difficult for outsiders to assess what is really being achieved.

KEY EVENTS

YEAR	EVENT
1990	– Andimba Toivo ya Toivo appointed Minister of Mines and Energy
1991	
1992	
1993	
1994	– Namdeb created as 50:50 partnership between Government and De Beers
1995	
1996	
1997	
1998	– NamGem established in Okahandja – Martin Pearson appointed GM of NamGem
1999	– Jesaya Nyamu appointed Minister of Mines and Energy – Diamond Act passed – Inge Zaamwani appointed MD of Namdeb – Kennedy Hamutenya appointed Diamond Commissioner – Marketing agreement between Government and De Beers renewed
2000	– De Beers delists from JSE and NSX – Kimberley Process initiated – Tornado Enterprises established
2001	– NamCot Diamonds established – Hard Stone Processing established – LLD established
2002	– Dr Nickey Iyambo appointed Minister of Mines and Energy – Mars Investment Holdings established – NamDiamonds established
2003	
2004	– Eliphas Hawala appointed GM of NamGem – Lazare Kaplan brought in as technical partner to NamGem
2005	– Erkki Nghimtina appointed Minister of Mines and Energy – Diamdel Namibia established – Paulus Shituna appointed MD of Diamdel Namibia – Gareth Penny replaces Gary Ralfe as MD of De Beers – Varda Shine replaces Gareth Penny as MD of DTC – Diamond Omugongo organised in Windhoek – De Beers cutting and polishing factory in Viseu Portugal closed
2006	– Hard Stone Processing creates Namibian Sun cut
2007	– Marketing agreement between Government and De Beers renewed – Botswana DTC created in Gaborone – State Diamond Trading Company created in South Africa – NDTC created and eleven sightholders chosen for 2008-11 – Government announces moratorium on new factory licences – Shihaleni Ndjaba appointed MD of NDTC – First sale of NDTC diamonds to sightholders
2008	– International economic crisis hits diamond industry hard – NDTC sightholders lay off staff
2009	– Namdeb sells diamonds to Diamonds India Limited – Namibia hosts Kimberley Process Review at Walvis Bay – Government appoints new Government Diamond Valuator
2010	– Isak Katali appointed Minister of Mines and Energy – Gareth Penny resigns as De Beers CEO
2011	– Namibian police confiscate diamonds at LLD – Phillippe Mellier named as new De Beers CEO – Oppenheimer family sells share in De Beers to Anglo American – Namdeb Holdings created

2012
- LLD closes
- New NDTC sightholders selected for 2012-15
- AMC/GemXcel closes

2013
- Marketing agreement between Government and De Beers expires and negotiations on new agreement begin
- De Beers global sightholder sales team moves from London to Gaborone

2014
- Varda Shine leaves DTC to be replaced by Paul Rowley
- Namdeb Holdings receives 15-year licence extension for land and sea
- JKD closes operation in Windhoek

2015
- Obeth Kandjoze appointed Minister of Mines and Energy
- De Beers announces it will sell lab-grown diamonds under its own label Lightbox

2016
- Government and De Beers agree new marketing agreement
- Namib Desert Diamonds established with Kennedy Hamutenya as interim CEO
- Namdia conducts first diamond sales
- Phillippe Mellier resigns as CEO of De Beers and is replaced by Bruce Cleaver

2017

2018
- Tom Alweendo replaces Obeth Kandjoze as Minister of Mines and Energy

2019
- Tom Alweendo appoints new Namdia board
- Namdia buys 50 percent of Namgem

2020
- EPZ incentives scrapped
- Tom Alweendo reappointed Minister of Mines and Energy
- Brent Eiseb appointed CEO of NDTC

Introduction

Namibia has long ranked as one of the world's major producers of rough gem diamonds yet, until the establishment of NamGem in 1998, had never possessed a diamond cutting and polishing industry of its own. The creation of a cutting and polishing industry – "Namibia's diamond dream" – has long been an ambition of Namibia's post-Independence Government. Indeed, the issue has come to symbolise Namibia's and Africa's economic conundrum: a state of underdevelopment in the midst of rich natural resources.

Furthermore, Government has long been aware of the potential that exists for adding value to Namibia's raw diamond resource, which is of exceptional quality. The value of the entire "diamond pipeline" in 2018 has been estimated at US$78 billion of which diamond mining makes up just US$15 billion[1]. The lion's share of the pipeline consists of activities other than mining such as cutting and polishing, jewellery manufacturing and retailing. Surely, the politicians justifiably ask, is it not possible for Namibia to grab more of this pipeline for itself and, in so doing, create more jobs and incomes for Namibians?

This thinking permeates Namibia's Diamond Act passed by Parliament in 1999[2]. Section 58 of the Act gives the Minister of Mines and Energy special powers to oblige local producers of unpolished diamonds to sell their stones to local cutting and polishing factories[3]. There is no limit to the proportion of output the Minister can oblige them to sell although all such sales are to take place "in accordance with the current market price of the unpolished diamonds arrived at on the basis of the prices obtained by that producer." There is, therefore, no sense in which producers should lose out in terms of the prices they receive for their rough diamonds. Since the passing of the Act, the key question has always been whether it would be wise for the Minister to invoke Section 58.

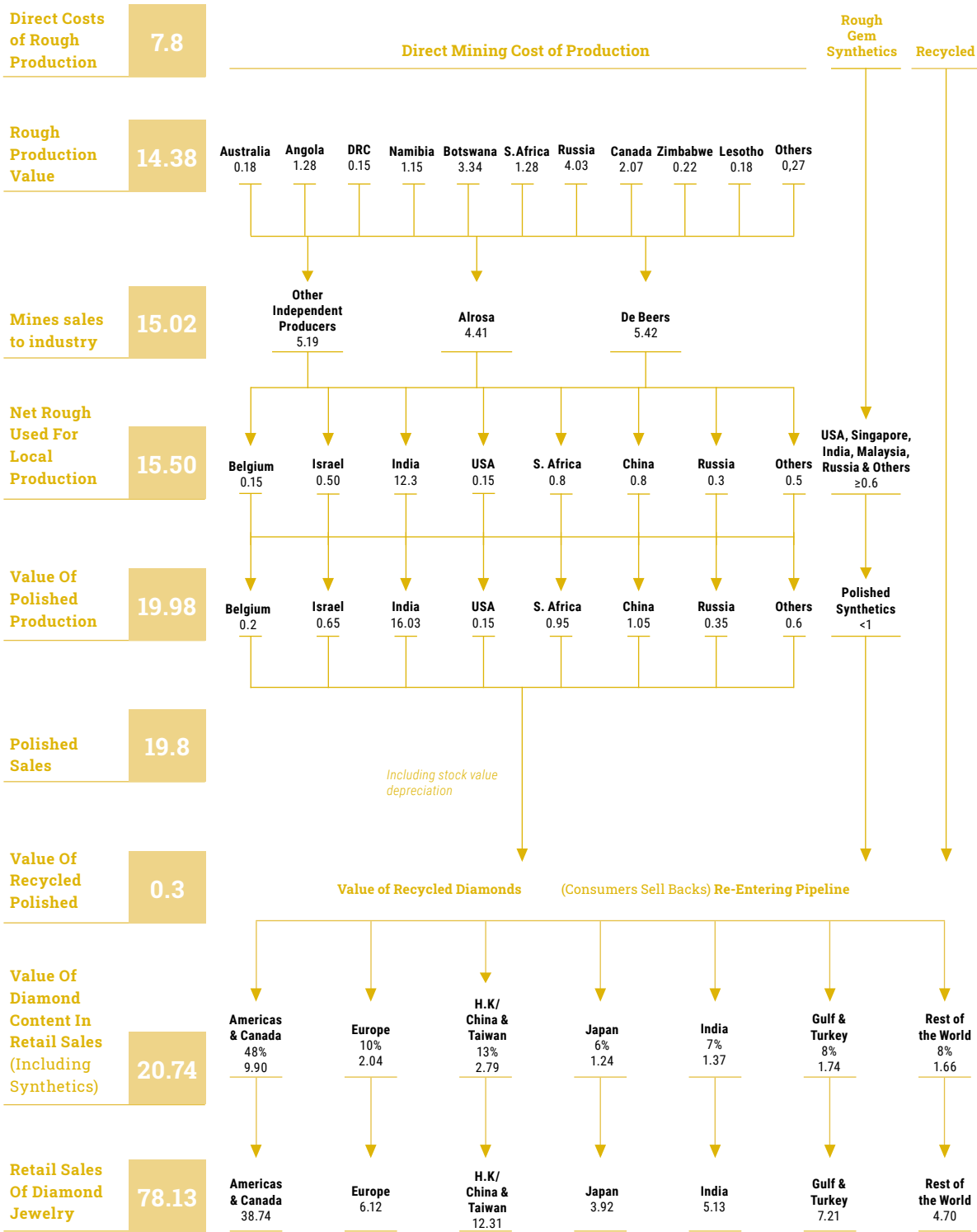
[1] See http://www.idexonline.com/pipeline

[2] Diamond Act 1999 (Act No.13 of 1999)

[3] Section 59 of the Act gives the Minister the power to test prices by obliging producers to sell up to 10 percent of their output by value in the international diamond market.

2018 Tacy's Diamond Pipeline (in US$ billion)

Prepared by Pharos Beam Consulting LLP.



> It is my hope that we will soon reach a point where the majority of our gem quality stones are cut and polished locally.
>
> President Hifikepunye Pohamba at the opening of Diamdel Namibia 28 June 2005

GLOBAL DIAMOND PRODUCTION IN 2019

TABLE 10.1
Global Diamond Production in 2019

Country	Volume (carats)	Value (US$m)	Proportion of total value	Average value (US$/carat)
1. Russia	45,271,212	4,117	30.3%	90.93
2. Botswana	23,687,013	3,435	25.3%	145.00
4. Canada	18,638,302	1,697	12.5%	91.07
3. DRC	14,158,422	226	1.7%	15.97
7. Australia	12,998,987	159	1.2%	12.25
5. Angola	9,149,746	1,697	12.5%	185.52
6. South Africa	7,180,952	873	6.4%	121.57
8. Zimbabwe	2,108,261	141	1.0%	67.09
9. Namibia	2,018,099	1,010	7.4%	500.25
All countries	138,190,993	13,574	100.0%	98.23

Source: Kimberley Process

Every year since 2004 the Kimberley Process releases its global summary of diamond production, imports, and exports. The latest available data refers to 2019 when total diamond production reached 138 million carats worth US$13.6 billion. The Russian Federation was again the world's largest producer of rough diamonds by carats, a position it has held since at least 2004. Botswana ranks second but produces diamonds that are more valuable per carat. Namibia has ranked ninth for many years. The top nine producers account for almost 98 percent of global production by carats and over 98 percent by value. Importantly, Namibian diamonds continue to be of the highest quality worth on average over US$500 per carat. Thus, while Namibia produced 1.5 percent of the world's diamonds by weight, it produced over seven percent by value.

For more information go to: https://kimberleyprocessstatistics.org/static/pdfs/public_statistics/2011/2014GlobalSummary.pdf

SECTIONS 58 AND 59 OF THE DIAMOND ACT 1999

Securing regular supply of unpolished diamonds for diamond processing

58. (1) In order that a regular supply of unpolished diamonds of such quantities, classes, qualities and descriptions as may be required by any cutter, tool-maker or researcher may be secured by the cutter, tool-maker or researcher concerned, the Minister may, subject to the provisions of subsection (2), from time to time by written notice to any producer require the producer to make available for sale to that cutter, tool-maker or researcher, during a period specified in that notice, such quantities, classes, qualities and descriptions of unpolished diamonds as the Minister may by that notice reasonably fix and determine.

(2) No notice shall be given by the Minister to any producer under subsection (1) unless the cutter, tool- maker or researcher concerned has been unable by agreement with any producer or dealer to acquire, on reasonable terms and conditions of sale, a regular supply of unpolished diamonds of such quantities, classes, qualities and descriptions as will enable that cutter, tool-maker or researcher to carry on without interruption the diamond cutting, tool-making operations or research and tests authorized by his or her licence.

(3) The Minister shall in the notice given under subsection (1) also fix and determine terms and conditions of sale in accordance with the provisions of subsections (5) and (6), and the purchase price shall be paid against delivery of the unpolished diamonds.

(4) The producer concerned shall on the written demand of the cutter, tool-maker or researcher concerned sell to him or her unpolished diamonds in accordance with the terms and conditions of sale fixed and determined by the Minister by the notice given under subsection (1).

(5) The terms and conditions of sale reasonably fixed and determined by the Minister by the notice given under subsection (1) shall prescribe that the prices to be paid by the cutter, tool-maker or researcher concerned to the producer concerned for the unpolished diamonds to be supplied in terms of that notice shall be in accordance with the current market price of the unpolished diamonds arrived at on the basis of the prices obtained by that producer.

(6) The terms and conditions of sale reasonably fixed and determined by the Minister by the notice given under subsection (1) shall also include provisions as to -

(a) the proof to be adduced as to the prices obtained by the producer concerned and the manner in which the prices of the unpolished diamonds to be sold to the cutter, tool-maker or researcher concerned were determined;

(b) the manner in which all questions and disputes which may arise between that

cutter, tool-maker or researcher and that producer in regard to such sale shall be finally settled; and

(c) fair and equitable arrangements between that cutter, tool-maker and researcher and that producer in respect of any matter arising under this Act in regard to such sale.

(7) Any producer who fails to comply with a provision of subsection (4) shall be guilty of an offence and on conviction be liable to a fine not exceeding N$100 000 or to imprisonment for a period not exceeding two years or to both such fine and such imprisonment.

Measuring of international market prices of unpolished diamonds

59. (1) If the Minister is satisfied that it is necessary in order to measure international market prices for unpolished diamonds, he or she may, subject to the provisions of subsection (2), from time to time by written notice to any producer, holder of an exclusive prospecting licence or dealer engaged in the sale of unpolished diamonds require such producer, holder of an exclusive prospecting licence or dealer to sell during a period specified in that notice, but no exceeding six months in any calendar year, by such means and on such terms and conditions customary in the diamond trade, such quantities, classes, qualities and descriptions of unpolished diamonds as the Minister may by that notice reasonably specify.

(2) No notice shall be given by the Minister under subsection (1) unless he or she is satisfied that the net proceeds received by the producer, holder of an exclusive prospecting licence or dealer concerned from the sale of unpolished diamonds specified in that notice -

(a) will not be less than the net proceeds that, but for that notice, would have been received by that producer, holder of an exclusive prospecting licence or dealer from the sale of unpolished diamonds so specified; and

(b) will not exceed, during any calendar year, 10 percent of the net proceeds received by that producer, holder of an exclusive prospecting licence or dealer from the sale of all unpolished diamonds sold by that producer, holder of an exclusive prospecting licence or dealer during that year.

Any producer, holder of an exclusive prospecting licence or dealer to whom a notice under subsection (1)

(3) is directed, shall sell the unpolished diamonds specified in that notice in accordance with the terms of that notice.

(4) Any producer, holder of an exclusive prospecting licence or dealer who fails to comply with a provision of subsection (3) shall be guilty of an offence and on conviction be liable to a fine not exceeding N$100,000 or to imprisonment for a period not exceeding two years or to both such fine and such imprisonment.

Shortly after the Act came into force, then Minister of Mines and Energy Jesaya Nyamu wrote to the then Managing Director of De Beers, Gary Ralfe, stating that "in the course of the sales agreement's negotiation De Beers has sought certain reassurances…with respect to the invocation of Sections 58 and 59 of the Diamond Act 1999" and that "Government has indicated its willingness to furnish such assurances". The assurances were given on the understanding that licensed cutting factories in Namibia would be able to acquire a regular supply of "Namibian-type" rough diamonds from either De Beers' own Diamond Trading Company (DTC) or Diamdel. Furthermore, should Government decide to go ahead and invoke Sections 58 or 59, Government's representation on the boards of De Beers companies would be terminated.

Diamdel was the De Beers marketing arm that sells rough diamonds to non-sightholders (the "secondary market") to test market prices. Founded in 1964 in Antwerp, Diamdel had seven offices worldwide (Antwerp, Tel Aviv, Shanghai, Hong Kong, Mumbai, Johannesburg and Windhoek) purchasing the vast majority of its stones from the DTC. Diamdel Namibia, headed by Paulus Shituna, was only created in June 2005, seemingly to meet demand from non-sightholders in Namibia who were complaining about the lack of local supply arising from the non-invocation of Section 58.

Historically, De Beers had opposed attempts by the governments of its main producer countries – Botswana, South Africa and Namibia – to establish local cutting and polishing factories by regulation arguing that its clients ("sightholders") should be allowed the freedom to establish their cutting and polishing factories where it was most commercially advantageous to do so. The global cutting and polishing industry has, over the decades, increasingly gravitated from the great traditional diamond centres of Antwerp, New York, Tel Aviv and Johannesburg towards locations in India, China and elsewhere in Asia where labour costs are far lower[4]. Forcing sightholders to relocate to higher cost countries would put them at a disadvantage to their competitors. Furthermore, if each producer country were to limit the export of diamonds to the DTC, the ability of the DTC to sort and aggregate diamonds from all its sources of supply would be curtailed and the quality of its famous "London mix" – the aggregations of rough diamonds sold in sealed parcels to sightholders at sights – would be compromised.

It is important to note that De Beers and the world diamond industry has changed considerably over the past decades to a situation where De Beers and its partners produce around a third of the world's rough diamonds by value compared to as much as 80 percent in the past[5]. Some argue that if sightholders feel they get a raw deal from the DTC, they can increasingly go elsewhere. The reality, however, appears to be that sightholders would be extremely reluctant to relinquish their privileged position with the DTC and would go to extremes to maintain this source of reliable and tailor-made supply of rough diamonds and this is why the DTC remains so valued. Unusually in the mining industry, De Beers can almost uniquely impose strict and burdensome criteria on its major clients. Some observers believe that moving cutting and polishing operations to producer countries is far less of a burden than meeting many of the DTC's other requirements and that therefore producer countries would not greatly damage downstream operators by pushing for them to relocate.

De Beers' historic thinking was summarised by its former MD Gary Ralfe in an in-depth interview with diamond guru Chaim Evan-Zohar's Diamond Intelligence Briefs in 2001.

[4] De Beers reported that cut and polished diamonds were India's highest value export totaling US$11.2 billion in 2005 and employed over one million people.
[5] See page 37 of Anglo American's Annual Report 2008 and "Managing Diamond Dependency: Should Namibia Risk More to Gain More?", M Boer and R Sherbourne, IPPR Research Report No. 6, April 2004

"Particularly in the case of Botswana, [the absence of manufacturing] is a recognition of economic realities. Botswana's best interests are served precisely by having Botswana diamonds polished in the places where they can most economically be polished. Botswana is such a major [rough] producer and the Botswana Government has such a clear view about these matters, that they recognise the truth of this. For a major diamond producer like Botswana, it would be national folly to prescribe that any percentage of their diamonds needed to be beneficiated locally. What Botswana, as the world's major diamond producer needs to do is to ensure that diamonds reach the place where they can achieve the highest price and that gives by far and away the best return to Botswana in terms of fiscal revenue."

At that time, Ralfe could easily have been talking about Namibia too.

As if more evidence was needed, De Beers could cite the example of NamGem, Namdeb's cutting and polishing factory in Okahandja established in 1998 as part of the deal between the Government of Namibia and De Beers that led to the creation of Namdeb. As far as is known (since it does not publish separate financial statements), NamGem never succeeded in making a profit since its creation. The same was apparently true of Teemane, a De Beers-owned cutting and polishing factory in Botswana which was sold in 2003 to Diarough, a De Beers sightholder. De Beers has never seriously tried to get into the business of cutting and polishing itself although it did maintain a factory in Viseu in Portugal which was closed in 2005 when De Beers shut down its polished diamonds division. Many experts argue this is simply a recognition of the fact that mining and marketing of rough diamonds is a completely different business to cutting and polishing or jewellery manufacturing in much the same way that, for example, metal ore mining companies do not also manufacture metal products from their minerals.

Of all its southern African producing countries, sightholders were historically only to be found in South Africa. Johannesburg has long been a location for DTC "sights" and a major cutting and polishing centre. Clearly a certain amount of cutting and polishing was viable in southern Africa, albeit involving larger stones and higher levels of skill.

Nonetheless, the coming into force of the Diamond Act in 1999 and the possibility that Section 58 might be invoked meant that Namibia instantly became more attractive to cutting and polishing companies seeking supplies of high-quality gem diamonds. Seven cutting and polishing factories sprang up in the following three years.

NamGem: The NamGem Diamond Manufacturing Company (NamGem) was the first cutting and polishing factory in Namibia and opened in August 1998 in Okahandja receiving its cutting and polishing licence immediately after the passing of the Act. NamGem was an outcome of the negotiations between the Namibian Government and De Beers which led to the creation of Namdeb in 1994. The company was wholly-owned by Namdeb and was a DTC sightholder (although it was not included on the DTC's list of sightholders). After years of losses, NamGem took on Lazare Kaplan International (LKI) as technical and marketing partner for a two-year period starting January 2004. It is not known if this helped improve the company's profitability. NamGem still exists but has had a chequered history and was eventually bought by Namdia.

Tornado Enterprises: Tornado Enterprises was founded in March 2000 by the Slavic Group International Investment Corporation, a group of Russian and Ukrainian businessmen living in Windhoek with experience in South Africa and managed by Alex Kurashki and Andrei Slotkov. Tornado Enterprises is no longer operational.

NamCot Diamonds: NamCot Diamonds was founded in May 2001, in part to serve as a "benchmark" against NamGem. The majority shareholder of the company was the Steinmetz Group, headed by Israeli diamond magnate Benjamin Steinmetz. NamCot also had two Namibian partners, Mathews Hamutenya and Mwahafa Ndilula. NamCot Diamonds is no longer operational.

Hard Stone Processing: Hard Stone Processing (HSP) was founded in August 2001. HSP was a joint venture between majority owner Seber family of Antwerp-based diamond companies and several Namibian individuals. Seber had its roots in the Turkish jewellery manufacturing and retail industry. In 2006 HSP created and patented a Namibian-cut and supplies large polished diamonds to the Namibian jewellery industry. HSP is no longer operational.

Mars Investment Holding: Mars Investment Holding was founded in Walvis Bay in May 2002 as a result of President Sam Nujoma's 1998 visit to Russia. Mars sourced its rough diamonds from all over the world. The General Manager was Alexander Popovitz. The company is no longer operational.

NamDiamonds: NamDiamonds, financed by a group of US nationals, opened an N$18.3 million factory in Windhoek in July 2002. NamDiamonds was 51 percent held by Americans Andrew Clocanas of Ann Arbor, Michigan and Gerald Edwards, chief executive officer of Engineered Plastic Products, one of the top-100 minority-owned firms in the US. Namibians owned four percent of the company. Unlike the others, the factory focused on a range of gems and minerals for export as jewellery to the US market. Diamonds made up about 20 percent of their business and were sourced both domestically and from abroad. The company split into two licences, neither of which ever became operational.

LLD Diamonds Namibia: LLD Diamonds Namibia was based in the Northern Industrial Area where it bought a factory in September 2001 and obtained its licence the following month. The group was owned by LLD Diamonds, based in Ramat-Gan, near Tel Aviv, and was part of The Leviev Group owned by Israeli diamond tycoon and one time De Beers sightholder Lev Leviev. LLD Diamonds described itself as the global leader in cutting, polishing and marketing diamonds for fine jewellery. LLD closed down in 2012 after the NDTC revoked its sightholder licence.

It is not clear whether any of these companies were aware of Government's reassurance to De Beers that it would not invoke Section 58 of the Diamond Act. Whatever the case, only four of them – NamGem, NamCot, LLD and HSP – survived as operational entities by the time Government and De Beers announced their renegotiated marketing agreement at the beginning of 2007. While NamGem and NamCot could operate by sourcing rough diamonds from the DTC as sightholders, LLD was obliged to source its diamonds from its own mining operation Samicor and other sources, while HSP purchased rough diamonds mainly from Diamdel Belgium and Diamdel Namibia. Thus, in the period following the passing of the Diamond Act, Namibia became an importer of rough diamonds as well as a major exporter as shown in the table.

TABLE 10.2

Namibian Exports and Imports of Rough Diamonds

	Exports		Imports	
	Carats	Value (US$m)	Carats	Value (US$m)
2004	2,030,031	679	59,520	26
2005	1,875,220	701	127,500	56
2006	2,421,657	900	132,337	76
2007	2,266,464	748	148,029	108
2008	1,913,461	766	163,474	167
2009	1,452,487	501	122,990	116
2010	1,525,703	708	179,981	192
2011	1,415,965	812	92,935	120
2012	2,008,584	1,116	139,755	173
2013	1,873,823	1,030	141,263	174
2014	2,051,513	1,181	147,742	193
2015	1,895,167	1,090	133,724	152
2016	1,811,567	995	226,415	225
2017	1,924,103	979	209,955	222
2018	2,128,569	950	191,696	198
2019	1,953,987	952	141,625	132
2020	1,567,327	702	43,692	48

Source: Kimberley Process

During the years immediately following the passing of the Diamond Act, cutters and polishers who set up shop in Namibia had to wait around kicking their heels as the hoped-for supply of Namibian rough failed to materialise. The opening of a Diamdel office in 2005 helped ameliorate their problems somewhat but, since they could probably have sourced diamonds elsewhere without being obliged to locate in Namibia, this was of little comfort. LLD refused to buy from Diamdel Namibia which left it with only a single customer – HSP. LLD and HSP claimed they lost money during this period. It is not clear whether sightholders fared any better. NamGem has generally lost money (although this was never been explicitly stated in Namdeb's annual reports) while NamCot at one stage claimed to be making a profit[6].

[6] See "Getting the Most of Our Diamonds: Namibia, De Beers and the Arrival of Lev Leviev", M Boer and R Sherbourne, IPPR Briefing Paper No. 20, September 2003

DIAMONDS IN SOUTHERN AFRICA

The situations in neighbouring Botswana and South Africa as well as Angola started to change rapidly as the position of De Beers on the issue of local cutting and polishing changed. Already in 2004, De Beers Canada had agreed to supply ten percent of its Canadian production to local cutters and polishers. De Beers Canada then confirmed its intention to supply ten percent of Snap Lake's production by value to local manufacturers which had been approved by the Government of the Northwest Territories (GNWT) and had passed the DTC's client selection criteria.

TABLE 10.3
Operational De Beers Mines in 2019

Country and Mine	Carats ('000m)
Botswana	**23,254**
Jwaneng	12,462
Orapa (includes Lethakane and Damtshaa)	10,792
Namibia	**1,700**
Namdeb	408
Debmarine Namibia	1,292
South Africa	**1,922**
Venetia	1,922
Canada	**3,900**
Gacho Kue	3,479
Victor	421
Total	**30,776**

Source: De Beers Annual Report 2019

Botswana remains De Beers' jewel in the crown producing 23,254,000 carats in 2019 out of the company's total production of 30,776,000 carats. The Government of Botswana continues to own 15 percent of De Beers while Anglo American owns the remaining 85 percent following the decision by the Oppenheimer family to divest from its 40 percent share in 2011. Botswana decided not to exercise the option to increase its share in the company. In 2007 Botswana and De Beers wrapped up an extension to their relationship which saw the licence for the world's biggest diamond mine Jwaneng extended by another 25 years. Part of the deal involved the creation of a fifty-fifty joint venture DTC Botswana (DTCB) which was heralded by De Beers as "the world's largest and most modern diamond production facility" and which would "play a role in diversifying the country's economy by creating employment in diamond cutting and polishing and various support services." DTCB cost De Beers

US$83 million and is complemented by a "diamond park" containing all the factories and supporting services needed to produce everything up to diamond jewellery. De Beers expected 15 of the world's leading diamond manufacturers – all sightholders – to create over 3,000 new jobs from this initiative which saw the DTC in London slimmed down so that it deals purely with "serving the needs of sightholders" and driving global demand for diamonds. Sightholders are now offered the choice of going to sights in London or Gaborone. What just a few years ago was described as a "national folly" by Gary Ralfe has now became accepted business orthodoxy. At the time of the deal, Chaim Evan Zohar reported from Gaborone[7] that the only regret about Botswana's "diamond independence day" was the lingering sense among Batswana government officials and intellectuals that "this all could have happened ten or 20 years ago and even with greater ease." De Beers had a practice of allowing sightholders to establish factories in only one producing country but this was openly challenged by Botswana in 2005 when it granted diamond purchasing licences to Safdico and Steinmetz, both of which held DTC sights in neighbouring South Africa[8]. Namibia is the only country where De Beers had a direct stake in a cutting and polishing factory through Namdeb's 100 percent ownership of NamGem.

Although De Beers remains a significant diamond company in South Africa producing 1.9 million carats in 2019, it has never been as important to the South African economy as it has to the neighbouring economies of Botswana and Namibia. Historically, the South African government has not owned stakes in De Beers' businesses but an announcement in 2007 that it would create a new company out of state-owned Alexkor and De Beers' Namaqualand mines would have changed that. De Beers' South African operations were controlled by De Beers Consolidated Mines (DBCM) which, following the BEE deal in 2005 that saw 26 percent of the company sold to Ponahalo Holdings, a broad-based BEE company that included trusts for disadvantaged women, people with disabilities and communities around DBCM mines. DBCM closed its underground mining operations at Kimberley in 2005 and ended up selling it along with its Cullinan, Koffiefontein mines and Williamson mine in Tanzania to AIM-listed Petra Diamonds in a series of deals between 2006 and 2008. It opened Voorspoed mine in 2008 and concluded the sale of Namaqualand Mines to TransHex Group in October 2014. With the passing of new legislation in 2007, DBCM was obliged to sell ten percent of its output to the new South African State Diamond Trader and pay an export royalty of five percent on the value of rough diamonds exported. Voorspoed mine closed in 2019 after De Beers' attempts at disposal failed.

De Beers only re-established a presence in Angola in 2005 when it set up a joint exploration venture with state mining company Endiama. In 1999 Lev Leviev became the major partner of the Angolan Government exporting all legally traded diamonds in the country. Leviev helped restructure and raise revenue from the Angolan diamond industry which is the only one in southern Africa with a large number of artisanal miners. Angola's first diamond cutting and polishing factory, a partnership between Lev Leviev's LLD, state-owned Sodiam and an Angolan consortium was opened in November 2005 aiming to cut U$20 million worth of Angolan diamonds. The partnership ran into problems and the plant closed but was reopened in 2015.

[7] See http://www.diamondintelligenceonline.com/magazine/magazine.asp?id=4817
[8] See HRD 15 December 2005

De Beers operated Williamson mine in Tanzania as a joint venture with the Government of Tanzania in which De Beers Sa held 75 percent but sold it to Petra Diamonds in 2008. Williamson produced 298,130 carats in 2020.

Zimbabwe also has two diamond mines: Murowa, owned by Rio Tinto (78 percent) and listed company RioZim (22 percent) and River Ranch which is privately held. Prior to the formation of the Government of National Unity in 2009, Zimbabwe's former President Robert Mugabe planned to take control of the country's diamond mines after allegations of smuggling from the country's mines and a diamond rush in the eastern district of Marange[9]. According to the Kimberley Process, Zimbabwe was one of the fastest growing diamond mining countries producing 8,502,648 carats in 2011 but this has fallen in recent years to 2,108,261 carats in 2019.

Lesotho has also become a major producer of rough diamonds producing 1,113,525 carats in 2019. The Letšeng mine is 70 percent owned by the Gem Diamond Mining Company of Africa and 30 percent by the Lesotho Government. In August 2011, a 550 carat white diamond, the Letšeng Star became the fourth major recovery at Letšeng since the takeover by Gem Diamonds in 2006. It was preceded by the 478 carat Leseli la Letšeng ("Light of Letšeng") white diamond in 2008, the 603 carat Lesotho Promise white diamond in 2006, and the 493 carat Letšeng Legacy white diamond in 2007. Add the 601 carat Lesotho Brown, recovered in 1960, and Letšeng has produced five of the 20 largest documented rough white gem diamonds on record. Since the Gem Diamonds acquisition in 2006, the mine has produced over 60 white gem quality diamonds over a 100 carats each.

Looking at what has happened in Botswana, South Africa and Namibia, it is clear that significant change has taken place across southern Africa. The irony is, however, that no one believes the fundamental economics of cutting and polishing of rough diamonds in southern Africa has changed. Southern African labour costs did not suddenly fall, the exchange rate did not collapse, labour productivity did not suddenly rise. The same is true of Canada and Russia. So what changed?

A number of factors conspired which may have helped De Beers change its mind. The first was the change of personnel at the top. Gareth Penny took over from Gary Ralfe as MD of De Beers in 2005 after heading the DTC for five years. Varda Shine replaced Penny as head of the DTC. Penny left De Beers in 2010 to be replaced by an outsider to the diamond world French national Phillippe Mellier from the Alstom Group in May 2011. Finally, after years of speculation, the Oppenheimer family shocked the diamond world by selling its 40 percent share to Anglo American in 2011 in a deal worth US$5.1 billion. After due consideration, the Government of Botswana decided not to take up additional equity in De Beers leaving Anglo American owning 85 percent of the company and Botswana with its previous 15 percent. Varda Shine left the DTC in early 2014 to be replaced by De Beers veteran Paul Rowley. De Beers insider Bruce Cleaver ended up replacing Mellier in 2016.

[9] See http://news.bbc.co.uk/2/hi/business/6382443.stm

The second was that no major new sources of supply appeared likely to come on stream while some important sources were due to become depleted. This possible lack of supply came at a time of seemingly strong global economic growth and the opening up of flourishing large markets in China, India and elsewhere. Botswana looked set to maintain production at existing levels. South Africa too looked likely to maintain rather than raise production. DBCM closed its historic underground Kimberly mine and the Koffiefontein mine in 2005 but opened the all-new Voorspoed mine in 2008. Namibia faced declining reserves on land and was forced to increase its offshore production if it was to meet its target of ten million carats by 2010. For the first time ever, De Beers Marine Namibia produced one million carats in 2006. Samicor and Diamond Fields (in partnership with Bonaparte Diamonds) mined only relatively small numbers of diamonds[10]. Angola looked likely to become an important source of growth. The country produced 8.9 million carats of diamonds in 2008, compared to 7.1 million carats two years before. By 2010 it hoped to increase annual production to 10 million carats, and eventually to 19 million carats. Canada saw impressive growth thanks to BHP Billiton's Ekati and Rio Tinto's Diavik mines. In 2011 Canada ranked number three in the world in rough diamond production by value. De Beers planned to open two new mines in Canada – the underground Snap Lake and the open pit Victor mines as well as Gahcho Kué – but these were relatively small. Russian Minister of Finance Alexei Kudrin told a Cabinet meeting in 2007 that Russia would try to maintain its share of the world rough diamond market at its then level of slightly more than 25 percent for the next 10 years. In February 2006 the European Commission accepted formal commitments from De Beers to reduce its purchase of rough diamonds from Alrosa, the Russian state-owned diamond mining company, during 2006-2008 and stop purchases completely in 2009 in accordance with European competition law. Australian production was concentrated at the massive Argyle mine, owned by Rio Tinto, but production was on the decline. Clearly the negotiating position of producer countries looked strong.

The third factor was pressure from diamond-producing countries themselves, including Botswana, South Africa, Namibia and Canada, for more local cutting and polishing. Namibia participated fully in helping to create this international sea change of opinion. On 30 January 2007 the Government and De Beers announced jointly that they had finalised negotiations over the new marketing agreement. Although many of the details of the deal were hazy [11], the main feature was the formation of a new joint venture company, the Namibia Diamond Trading Company (NDTC), through which all Namdeb rough stones were to be sold, either to local cutters and polishers or exported to the DTC. "It is envisaged that NDTC will be the primary vehicle for the growth of the diamond beneficiation industry in Namibia," read the press statement which went on to state that "expectations are that the level of turnover of local beneficiation could reach up to N$2 billion by 2009."

The board of the NDTC was approved later that year and former Permanent Secretary of the Ministry of Works, Transport and Communication, Shihaleni Ndjaba, was appointed managing director in October 2007, the month in which the first sight took place. Details were sketchy on the question of how the NDTC decided how much rough to supply to each local cutting and polishing factory and the price they were to pay. Although at the time only four cutting and polishing factories were operational, Government had issued a total of 17 cutting and polishing licences, as shown in the table. Of these, at least three were sightholders. All sightholders had to reapply for right to supply for the three-year cycle from 2008-2011. Almost immediately following the announcement of the NDTC, the Diamond Commissioner Kennedy Hamutenya announced a moratorium on the issuing of new licences. Despite this, it was announced that Trau Brothers, a De Beers sightholder, was to open a factory in Windhoek.

[10] The Chamber of Mines Annual Review 2006/07 put Samicor production at 145,1260 carats
[11] See "Deal…Or No Deal?", *Insight Namibia*, March 2007

TABLE 10.4

Companies with Diamond Cutting and Polishing Licences 2007

Company	Contact
Askor Industries	Mr V Osiuk
Clearstone Diamonds	Mr F Branch
Dinamo Diamonds	Mr E Perez
Gemxcel Diamonds	Mr D Gurirab
Hardstone Processing	Mr B Seber
LLD Diamonds	Mr K Kapwanga
Marbella Investment	Mr Z Nujoma
Marine Diamonds	Mr A Clocanas
Mars Investment Holdings	Mr A Popovich
Namcot Diamonds*	Mr B Narcyz
Namgeology Prospecting and Minings	Mr L Khalfine
NamGem Diamond Manufacturing*	Mr E Hawala
Namidiam	Mr B Bloch
Oryx Diamonds	Mr E Akra
Reign Investments	Mr F Ndoroma
Tornado Enterprises	Mr R Blaauw
Westeria Investments Thirteen (Trau Bros)*	Mr A Peterfreund

* De Beers sightholders

Source: Diamond Board of Namibia

In the end eleven sightholders were named. Clearly, the allocations greatly favoured De Beers sightholders which caused consternation among other companies that had shown commitment to Namibia for years prior to the establishment of the NDTC[12].

It was understood that the NDTC was to purchase all of Namdeb's production and supplement these with stones from DTC International for sale to local cutters and polishers. Diamdel Namibia was effectively superseded by the NDTC and closed down. An agreed 16 percent of "cuttable diamonds" (those larger than 1.25 carats) was to be made available to local factories. At the time no one could provide an explanation of where the magic number "16" came from. Initially special stones (those above 10.8 carats) were to continue being sold to the DTC as before but this was later changed so that Namibian diamond cutting and polishing factories could process stones between 1.25 and 14 carats.

[12] See "Putting Dracula in Charge of the Blood Bank", *Insight Namibia*, November 2007

TABLE 10.5
NDTC Sightholders 2008-2011

NDTC sightholders	Total allocation per year (US$m)
Almod*	10
AMC/GemXel Diamonds*	15
Finesse Diamond Corporation	15
Hardstone Processing	3
JKD Namibia*	25
Namcot*	40
NamGem*	40
LLD Diamonds Namibia	40
Laurelton-Reign Diamonds*	25
NU Diamond Manufacturing*	10
Trau Bros Diamonds Namibia*	10

* De Beers sightholders

Source: Insight Namibia

The new arrangement did not jeopardise either Government's or producers' existing take from the diamond industry. Producers received the same price as before, but were paid by the NDTC. Although Namdeb was obliged to sell all its output to the NDTC, other producers could choose whether to do so or not. Factories were to pay market prices for their supply. If they were EPZ companies (and all the operational factories were EPZs), the NDTC would have to charge them the export duty since selling to an EPZ company meant effectively selling to companies outside the borders of Namibia (in other words exporting rough stones). Government looked likely to get profits tax from the NDTC but precious little from the EPZ cutting and polishing factories apart from jobs and indirect revenues. It was not clear whether local cutting and polishing firms would be able to buy rough without paying the export levy if they relinquished their EPZ status. This would have significant implications for the fiscus. Data from the NDTC shows the scale of its operations in the years from 2007. The NDTC also estimate employment in Namibia's diamond cutting and polishing industry reached 1,223 in July 2011[13] which rose further to approximately 1,500 in 2020 according to its latest assessment of sightholders.

TABLE 10.6
NDTC Sales 2007-2019

Value of NDTC sales	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
Rough diamond purchases from NDTC (carats)	32,433	167,104	107,724	215,624	180,000	170,362	209,638	214,332	134,321	292,471	323,925	344,920	348,857
Rough diamond purchases from NDTC (US$m)	29.9	173.3	94.6	225.5	228.0	207.4	231.4	245.3	138.0	291.8	375.9	390.1	351.7

Source: NDTC

[13] See "Diamond Beneficiation Revisited", *Insight Namibia*, December 2011

After the initial three-year contract period, the NDTC announced it had selected twelve sightholders for the period 2012-15. They were for the most part the same as before with the important difference that LLD Diamonds Namibia was dropped as a sightholder in circumstances that were not entirely clear[14] but which press reports linked to illegal smuggling. In 2011 the Namibian police had seized 1,825 diamonds at LLD because the company could not provide evidence of their manufacturing history. Not surprisingly, LLD claimed that De Beers had "done them in". With the elimination of LLD, De Beers had finally seen off a long-standing threat in its Namibian operations and consolidated the position of De Beers sightholders. AMC/GemXcel Diamonds, whose local shareholders included Dantagob and Hanganenee Gurirab, closed down in 2012 after diamonds worth N$8 million were stolen from the company. Following the signing of a new marketing agreement between the Government of Namibia and De Beers, eight new sightholders were approved for the period 2015-2020. The NDTC is due to decide on new sightholders for the period beyond 2020 before the end of 2020.

TABLE 10.7

NDTC Sightholders 2012-2015

Almod Diamonds
Ankit Gems Namibia
Diminco Diamond Manufacturing Namibia
Hardstone Processing
JKD Namibia
Laurelton-Reign Diamonds
Namcot Diamonds
Namgem Diamond Manufacturing
NU Diamonds Manufacturing
Pluczenik Diamonds Namibia
Schachter & Namdar Namibia
Trau Bros Diamonds Namibia

Source: NDTC

TABLE 10.8

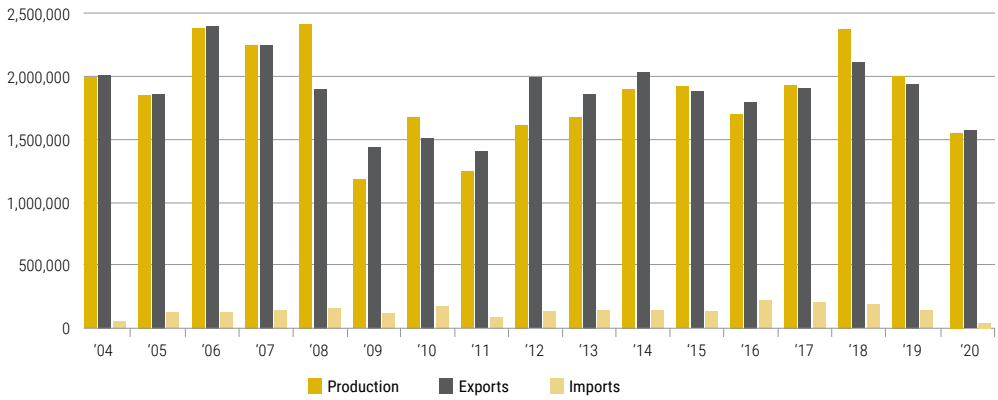
NDTC Sightholders 2015-2020

Ankit Gems Namibia
Almod Diamonds Namibia t/a Duiker
Investment 142
Diacore Diamonds Namibia
Julius Klein Diamonds Namibia
KGK Diamonds Namibia
Pluczenik Diamonds Namibia
Schacter & Namdar Namibia
Trau Bros Diamonds Namibia

Source: NDTC

CHART 10.1

Production, Export and Import of Rough Diamonds (carats)

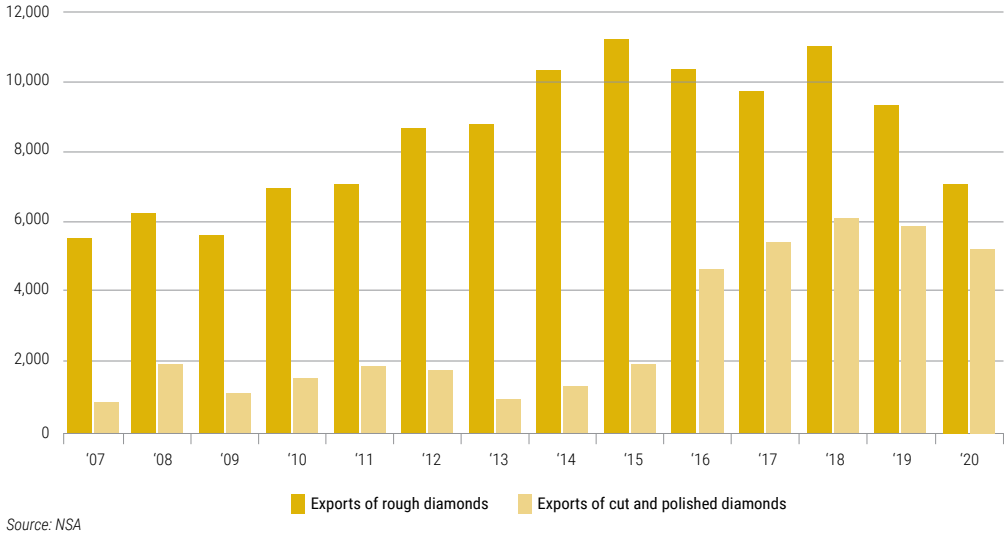


Source: Kimberley Process

Kimblerley Process statistics show the amount and value of exports from and imports into Namibia of rough diamonds whilst Namibia's National Accounts now provide details on the export of rough diamonds as well as cut and polished diamonds since the creation of the NDTC in 2007.

CHART 10.2

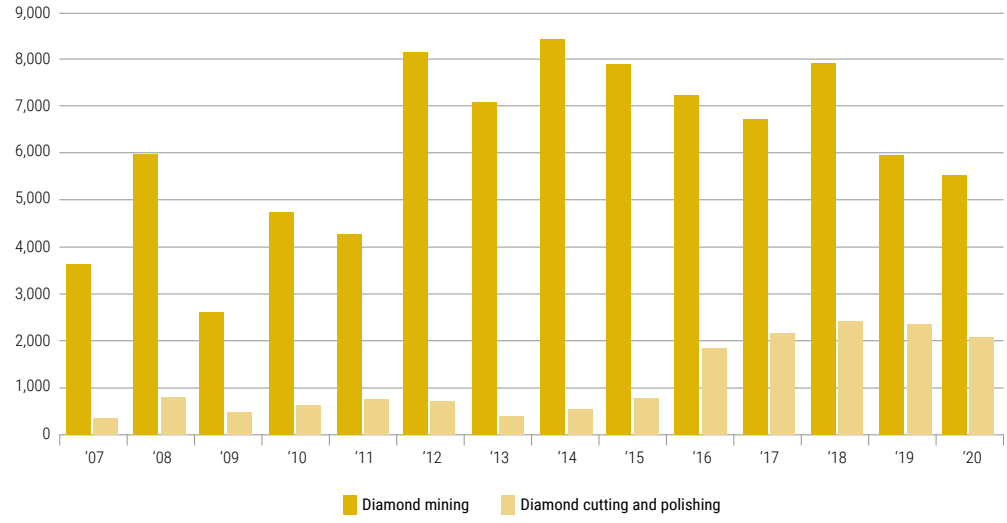
Export of Rough and of Cut and Polished Diamonds N$m (2007-2020)



Source: NSA

CHART 10.3

Valud Added of Diamond Mining and Diamond Cutting and Polishing (N$m current prices)



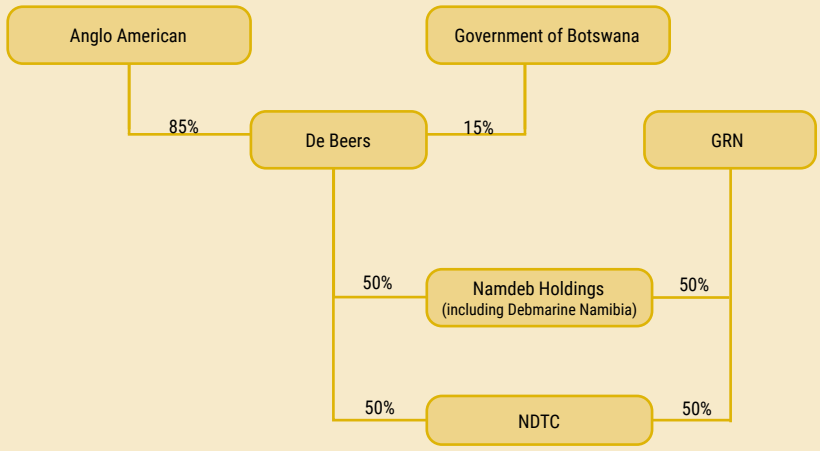
Source: NSA

[14] See "Diamond Cutting Flagship Collapses", *Informante*, 15 August 2012

THE NAMIBIA DIAMOND TRADING COMPANY

The Namibia Diamond Trading Company is a 50:50 joint venture between the Government of Namibia and De Beers created in 2007. It is a separate company from Namdeb. It sells Namdeb's diamonds to the DTC in Botswana and supplies rough diamonds to local cutting and polishing companies (NDTC sightholders). These consist of diamonds mined by Namdeb ("direct supply") supplemented with diamonds from the DTC in Gaborone (the old "London mix" or aggregate).

Strictly speaking, to be an NDTC sightholder it is not necessary to be a De Beers sightholder. Sightholders are selected for a period of three years. They are all required to have Namibian shareholders as well as meeting a wide range of other criteria. A newspaper article carried details of some of the local shareholders[15], many of whom were politically well connected. Approximately ten sights (or sales) are held every year in Windhoek on the top floor of the Namdeb building. Diamond valuations are agreed between the (now localised) Government Diamond Valuator and the DTC. The NDTC buys its diamonds from Namdeb and makes its money on sales of rough diamonds to the DTC and through a margin charged on direct supply to local sightholders. It does not make a margin on aggregates supplied from Gaborone. The NDTC employed 89 people in 2020, all Namibians. Profits are split 50:50. Shihaleni Ndjaba was appointed CEO in 2007 but retired and gave way to Brent Eiseb in 2020. Its board of directors consisted of Shihaleni Ndjaba, Erica Shafudah, Festus Mbandeka and Theo Saunderson representing Government and Mike Page, Paul Rowley, and Daniel Kali representing De Beers.



[15] See "Darlings of the Diamond Empire", *The Namibian*, 19 September 2014

NAMIB DESERT DIAMONDS (NAMDIA)

Perhaps the final part of Namibia's diamond jigsaw was put in place in 2016 with the establishment of Namib Desert Diamonds (Namdia). Section 59 of the Diamond Act of 1999 had made provision for Government to test the international prices it received for rough diamonds independent of De Beers or any other mining company. Under the terms of the new marketing agreement, Government and De Beers agreed that Namdia would have a purchase entitlement of 15 percent of Namdeb's total run-of-mine production from the NDTC annually. By selling outside of the De Beers system directly to international clients, the objective of price discovery would be achieved. Namdia would also be licenced to cut and polish diamonds itself and thus promote Namibian beneficiation.

Namdia was established in August 2016 and former Diamond Commissioner Kennedy Hamutenya was appointed CEO. Namdia announced it had purchased 50 percent of NamGem and had appointed a technical partner to run the factory in March 2020. In December 2019, after some delay, Mines Minister Tom Alweendo appointed a new board for the three years to December 2022: Bryan Eiseb (chairperson), Justus Hausiku, Ndapwilapo Shimutwikeni, Jacqueline Pack and Lina Muatunga with only Muatunga remaining from the original board. In June 2016 it was reported that Alweendo had also stopped the contract of Namdia's middleman former De Beers trader Neil Haddock from being extended for another three years amid allegations that Namibian diamonds had been undervalued. Haddock was reportedly due to be replaced by Andries Eiseb of Global Diamond Valuators Namibia[16].

TABLE 10.9
Namdia Key Statistics (2016-2020)

N$m	'16/17*	'17/18	'18/19	'19/20	'20/21
Revenue	861.7	1,930.5	2,274.9	1,959.1	1,135.5
Profit before taxation	91.5	206.2	238.6	150.2	42.8
Tax paid	29.5	66.8	76.7	54.9	29.4
Profit after taxation	62.0	139.4	162.0	95.2	13.3
Staff employed		20	21	24	24
		**11 months to February 2017*			
Purchase entitlement (carats)*		272,518	304,033	262,633	144,967
Buying average price per carat	527.20	510.80	531.00	521.58	488.68
Selling average price per carat	550.90	533.00	551.50	533.72	494.36
% margin	4.5%	4.3%	3.9%	2.3%	1.2%

**15% of Namdeb production*

Source: Namdia Annual Reports

[16] See "Namdia's Diamond Dealer Replaced", *The Namibian*, 3 June 2020

The Kimberley Process and Zimbabwe

In response to growing concern in major markets about blood diamonds, De Beers initiated the Kimberley Process in 2000 involving diamond producers, governments of diamond producing countries and NGOs. At the core of the initiative was the idea of providing certification for diamonds that would guarantee the end consumer the knowledge that the diamond purchased had come from legitimate mining operations and that greater openness would mean diamond sales did not end up financing war and human rights abuses. Namibia, understanding the risks at stake, was one of the first countries to sign up. Concern about the diamond industry reached new heights with the release of the film "Blood Diamond" starring Leonardo DiCaprio in 2006[17].

Over the years the Kimberley Process has come in for a good deal of criticism. Concern over Zimbabwean diamonds mounted in the run up to Namibia's hosting of the Certification Scheme meeting in November 2009. NGO Human Rights Watch alleged that Zimbabwean government soldiers had massacred 150 diamond miners and their families in the eastern Marange diamond fields and used proceeds from smuggled diamonds for illegitimate ends[18]. They called for Zimbabwe's suspension from the Kimberley Process. As one of former President Robert Mugabe's staunchest allies, this was particularly problematic for the Namibian Government. Although the Kimberley Process Secretariat had found "credible indications of significant non-compliance with the minimum requirements of the KPCS by Zimbabwe", the meeting ended with a fudged compromise proposing further monitoring which allowed Zimbabwe to keep exporting its diamonds[19]. Zimbabwe since went on to record extraordinary growth in diamond mining and export although this has now abated after reaching a peak of 12 million carats in 2012. No evidence exists that Namibia has been damaged by the issue of blood diamonds. Nonetheless, the debate has exposed how vulnerable a country like Namibia can be to consumer sentiment in other, very different parts of the world.

Government Diamond Valuator

Government relies critically on the Government Diamond Valuator (GDV) to provide an independent valuation of the diamonds mined and sorted in the country and thus ensure that Namibian diamonds fetch the best prices and that the country is not short-changed. Being a highly specialised operation, the GDV has generally involved foreign-owned companies. In 2005 Diamond Marketing Consultants (DMC) was appointed which was partly Namibian-owned. In November 2009 Government announced it had appointed a new GDV for the next five years, Global Diamond Valuators Namibia, owned by four Namibians: Andries Eiseb, Karl Manfred Isaacks, Timotheus Mujeu and Albino Pringu. The company continued to play this role until 2019 when the Central Procurement Board awarded the tender to Gem Diamonds Namibia, partly owned by the Finance Manager of Fishcor Paulus Ngalangi, not without controversy[20].

[17] See "Vulnerable to Mood Swings", *Insight Namibia*, December 2006-January 2007
[18] See http://www.hrw.org/en/reports/2009/06/26/diamonds-rough-0
[19] See 0940_Final_Communique_-_KPC_Chair_Namibia__2009_en[1].pdf
[20] See "Tender Board Awards N$300m Diamond Deal", *The Namibian*, 13 May 2019

Global Financial Crisis

The entire renegotiated arrangement between the Government and De Beers in 2007 was put to a severe early test by the Global Financial Crisis (GFC) which blew up in full force in September 2008 after Lehman Brothers went bankrupt. At the time approximately half the world's gem diamonds were sold in the US and once US consumers started feeling the full force of the rapidly deepening recession, diamond sales plummeted. Namdeb continued to mine until the end of the year – in fact total production for 2008 reached 2.2 million carats – but by the turn of the year it was clear the world economy was in crisis and that harsh measures would have to be taken. Namdeb announced a "production holiday" for land operations which were closed down until June 2009. Production was slashed, capital expenditure put on hold and Namdeb's workforce was halved, from around 3,000 to approximately 1,600 with the majority of workers taking voluntary retirement. As a 50 percent shareholder in Namdeb, Government was obliged to issue a "letter of comfort" to guarantee Namdeb's overdraft facilities with Namibia's four commercial banks[21]. Things became so desperate that for the very first time, Namdeb, with Government support, entered into a sales agreement with non-sightholders Diamonds India Limited – a consortium of 58 leading diamond and jewellery manufacturers and exporters in India – sidestepping the DTC altogether[22]. Namdeb failed to publish its 2009 Annual Review and requested a waiver from Government for the ten percent royalty tax paid on exports. By the end of 2009, it was not clear what financial shape the company was in but one view was that the crisis represented a politically acceptable excuse for Namdeb to significantly cut costs and retrench workers – something it would have had to do anyway given the long-term decline of its land reserves. Namibia's nascent diamond cutting and polishing firms were not spared the fallout. All companies laid off workers while some suspended operations altogether. These companies make little information available to the public making it impossible to know the exact impact the downturn has had on the industry. However, at least one press report put the total number of people employed in the industry pre-crisis at 1,150 which fell by more than 450 due to public announcements by LLD and NamGem which cut 420 and 30 jobs respectively[23]. Not only did the crisis allow Namdeb to become a much leaner operation, it also represented a severe test of commitment for NDTC's new sightholders. Namdeb's land operations steadily declined and in September 2019 Namdeb announced it had sold its Elizabeth Bay mine to the Lewcor Group, a 100 percent Namibian-owned consortium[24].

[21] See "Namdeb in N$650 Million Overdraft", *The Namibian*, 10 February 2009
[22] See "India, Namibia in Gem Deal", *The Namibian*, 14 July 2009
[23] See "Diamond Beneficiation in Cautious Recovery", *The Namibian*, 11 November 2009
[24] See www.lewcor.com

Assessing Namibia's Diamond Cutting and Polishing Potential

Thirty years after Independence, the institutional framework that will allow Namibia to make the most of its diamond resources is fully in place. Namdeb Holdings produces the vast majority of rough diamonds in Namibia with Debmarine Namibia accounting for a steadily higher proportion of overall production. Namdeb sells these rough diamonds to the NDTC for sorting with prices being checked by the Government Diamond Valuator. The NDTC then sells a proportion to De Beers in Botswana for further aggregation with diamonds from other De Beers mines into mixes which are then sold to De Beers sightholders. The NDTC sells 15 percent to Namdia which sells to international clients outside the De Beers system. The NDTC also sells a further proportion to cutting and polishing factories based in Namibia (the NDTC sightholders). These cutting and polishing factories supplement what they buy from the NDTC with rough diamonds they source from elsewhere (giving rise to the need for Namibia to also import rough diamonds). Once cut and polished in Namibia, these diamonds are sold to the jewellery manufacturing parts of these businesses based abroad.

The key unknown in assessing the potential for further beneficiation has always been the carat profile of Namibia's (and especially Namdeb's) production. Without knowing this it is difficult to assess the potential for cutting and polishing based on Namibia's resource. LLD believed that about half of Namdeb's output was cuttable and of these about one percent were "special stones". Experience demonstrates that no cutting and polishing operation has chosen to establish itself in Namibia without the promise of local supply (or as in the case of NamGem as a result of negotiation). This suggests that Namibia is not a competitive place to cut and polish diamonds below a certain size. Furthermore, it seems reasonable to assume that the cost of production (mainly labour costs) becomes more important the smaller the stones (where turnover is lower and workload is greater, and thus, margins are smaller). Namdeb reported its average stone size in 2005 was 0.44 carats, far below cuttable size. If Government decided all of Namdeb's output had to be cut and polished in Namibia, manufacturers would have to subsidise the processing of the majority of small stones with the higher margins derived from the larger ones. Whether the overall profile is such that this would make commercial sense is not known. LLD claimed it was ready to cut and polish Namibia's entire production. An additional factor in all this is that diamond mining has been moving steadily offshore and it is likely that the average stone size will decline given that it is the smaller stones that have travelled farthest and that larger stones have broken up on their journey to the ocean. At one point, Samicor publicly admitted that the stones it mined were too small to be cut and polished locally.

What appears clear is that special stones can be cut and polished in Namibia. This seems to be supported by import statistics which show a much higher average value per carat. According to the Kimberley statistics, while exports averaged US$564 per carat in 2019, imports averaged US$1,305 per carat. LLD stated that it was capable of cutting and polishing special stones. Hard Stone Processing was actually cutting and polishing rough stones up to 14 carats and also stated it could handle special stones above that size. From a technical point of view, processing a larger stone to a particular quality is actually easier than processing a small stone.

Job creation is clearly important in an economy that is struggling to generate new employment but the value of such jobs must not be exaggerated. Most jobs in cutting and polishing are not high-income professional positions. Going back to the diamond pipeline it is worth noting that cutting and polishing adds relatively little value in terms of the entire pipeline[25]. By far the largest chunk of the pipeline is to be found at the jewellery retailing end of the business.

It appears that Namibia stands to benefit unambiguously from the move towards more local cutting and polishing. Provided it does not lose tax revenue from the export levy on rough diamonds, there were to be no losses but there were to be gains in employment. Namdeb would receive the same price for its rough as before and the NDTC may stand to make money (which previously would have gone to the DTC). The only negative result is for De Beers but, unlike Botswana, the Government of Namibia is not a shareholder in De Beers. De Beers will suffer from the leakage of Namibia's high quality diamonds from its mix. Its customers, on whom it relies for business, are being increasingly pushed to manufacture in locations not of their choosing which must impact on their margins. In theory this could discourage firms from becoming sightholders.

Without a great deal more information, the negotiating challenge for Government is quite straightforward. Provided De Beers is prepared to stay and mine Namibia's diamonds and continue to invest in this activity as it has done in the past, the Government can push for a higher proportion of local rough to be cut and polished locally as long as there are local companies capable and willing to do the work profitability and buy the rough. The only questions are whether Government should promote diversification and ensure that a variety of cutters and polishers receive supply rather than just the privileged few, whether these should only be sightholders, and whether cutters and polishers should be obliged to process smaller diamonds outside the range of "cuttables" as part of the terms on which they buy from the NDTC. At the end of the day, however, unless Namibian labour costs start converging with those of India and other low-cost countries in Asia, the impact of the NDTC on the creation of Namibian jobs will quickly reach its upper limit.

[25] from US$15.02 billion to US$19.98 billion according to Chaim Even-Zohar's 2018 pipeline

Useful References

Anglo American Annual Reports

"Getting the Most Out of Our Diamonds: Namibia, De Beers and the Arrival of Lev Leviev", M Boer and R Sherbourne, IPPR Briefing Paper No. 20, September 2003

"Managing Diamond Dependency: Should Namibia Risk More to Gain More?", M Boer and R Sherbourne, IPPR Research Report No. 6, April 2004

"NamGem: Profits or Pipedreams?", M Boer, IPPR Opinion No. 10, November 2003

"Diamond Cutting and Polishing in Namibia: How Far Should De Beers Be Pushed?" R Sherbourne, IJG Securities, March 2007

"Namibia's Diamond Dream: Where Are We?", R Sherbourne, IPPR Quarterly Economic Review, Q3 2020

Useful Websites

Anglo American
www.angloamerican.co.uk

De Beers
www.debeersgroup.com

Kimberley Process
www.kimberleyprocess.com

Ministry of Mines and Energy
www.mme.gov.na

Copper smelter at Tsumeb

CHAPTER

11

Sector Manufacturing

Since Independence there has been no shortage of policy pronouncements and initiatives from Government to promote manufacturing but the results have been disappointing. Manufacturing's contribution to overall economic activity has hardly changed and remains dominated by food and mineral processing. The tax incentives introduced by Government in the first years of Independence, including Manufacturing as well as Export Processing Zone incentives, have born little fruit. Although permitted within the Southern African Customs Union, Infant Industry Protection has been used only sparingly and with questionable success. Diamond cutting and polishing has perhaps been the one area where clear progress has been made. However, it has been coercion rather than inherent competitiveness that has driven growth in what is anyway a rather special and limited case. Meanwhile, according to many measures, Namibia's underlying competitiveness has declined rather than improved and there is nothing to suggest labour productivity, skills, market access, energy supply or industrial innovation are becoming selling points for investors interested in manufacturing projects. While it is true that Namibia's Industrial Policy recognised some of these challenges, there is little sign that Government has taken the concerted action required to create a thriving manufacturing sector. In certain specific ways, Government's strategy "Growth at Home" flew against the orthodoxy that prevailed since 1990 but may anyway be overtaken by recommendations from the High-Level Panel on the Namibian Economy. Namibia ended three decades of independence scrapping manufacturing and EPZ incentives leaving the country with no specific measures to support manufacturing.

Manufacturing

KEY EVENTS

YEAR	EVENT
1990	– Ben Amathila appointed Minister of Trade and Industry
1991	
1992	– White Paper on Industrial Policy published
1993	– Hidipo Hamutenya unexpectedly replaces Ben Amathila as Minister of Trade and Industry – Tax incentives for manufacturers introduced – Namibia joins COMESA
1994	
1995	– Export Processing Zone Act passed – Offshore Development Company established
1996	
1997	– Andrew Ndishishi becomes Permanent Secretary of Ministry of Trade and Industry – Namibia Breweries lists on the NSX
1998	– Barden International established in Namibia – NEPRU produces review of White Paper on Industrial Policy
1999	
2000	– AGOA passed by US President and Congress
2001	– Ramatex announces intention to invest in Namibia
2002	– New SACU Agreement signed with provisions for Infant Industry Protection – Jesaya Nyamu appointed Minister of Trade and Industry – Development Bank of Namibia Act passed
2003	– Manufacturing tax incentives revised – Infant Industry Protection approved for long-life milk, broiler chicken and pasta – Competition Act passed – Hidipo Hamutenya wins fDi award for promoting investment – Namibia leaves COMESA
2004	– Vision 2030 published – Barden International closes operations in Namibia – Namzinc commences full-scale operation
2005	– Immanuel Ngatjizeko appointed Minister of Trade and Industry – Uri closes production facility in Namibia
2006	– Minister of Finance announces review of EPZ tax incentives – Weatherly takes over Ongopolo Mining and Processing
2007	– NDTC established and eleven sightholders named – Andrew Ndishishi moved to Ministry of Agriculture – Namibia Custom Smelters formed out of Ongopolo
2008	– Ramatex halts last remaining production facilities in Windhoek – Hage Geingob appointed Minister of Trade and Industry – SME bank receives Cabinet approval
2009	– Ohorongo Cement commences construction – Ministry approves South African Breweries brewery in Namibia – Camelthorn Brewery commences production – MTI sponsored SME bank applies to Bank of Namibia for banking licence – Mihe Gaomab II appointed CEO of Namibian Competition Commission
2010	– Vedanta Resources purchases Skorpion Zinc mine
2011	– Ohorongo Cement commences production – Ohorongo Cement applies for Infant Industry Protection

2012
- Namibia's Industrial Policy launched
- Infant Industry Protection for Ohorongo Cement challenged in courts
- Called Schlettwein appointed Minister of Trade and Industry
- SME Bank launched

2013
- Schlettwein launches Growth at Home strategy

2014
- Namibia Breweries takes over Camelthorn Brewing
- Best Cheer Stone opens stone processing plant in Walvis Bay
- SABMiller open new brewery in Okahandja

2015
- Immanuel Ngatjizeko appointed Minister of Industrialisation, Trade and SME Development

2016
- Offshore Development Company and Namibia Development Corporation restructured into Namibia Industrial Development Agency
- Business and Intellectual Property Authority created

2017
- SME Bank placed in provisional liquidation

2018
- Tjekero Tweya appointed Minister of Industrialisation, Trade and SME Development
- Peugeot assembly plant opens in Walvis Bay

2019
- Minister of Finance announces policy of Special Economic Zones

2020
- EPZ and Manufacturing Incentives scrapped
- High Level Panel on the Namibian Economy publishes report
- Tjekero Tweya appointed Minister of Industrialisation, Trade and SME Development
- President Geingob announces creation of Namibia Investment Promotion and Development Board

Introduction

The manufacturing sector has held a special place in the Namibian Government's affections since Independence. Long before Vision 2030 was published, Government ministers regularly declared that stimulating the manufacturing sector held the key to development for Namibia. One of Government's first White Papers was the Industrial Policy White Paper published in 1992[1]. Among other things, the White Paper promised tax incentives to "help even the SACU playing field." The Transitional National Development Plan published in 1993 stated that "a larger manufacturing sector would undoubtedly contribute towards the Government's overall objectives of sustained economic growth, the creation of employment and the reduction of poverty."[2]

Following commitments made in the White Paper, then Minister of Finance Gert Hanekom introduced tax incentives for manufacturers in his budget of 1993[3]. This initial attempt at offering tax incentives, announced by the President, was, however, complex and discretionary. The scheme represented something of a compromise stipulating as it did that eligible manufacturers would have to register with both the Ministry of Trade and Industry and the Ministry of Finance. This heralded the start of a long-term battle between the two ministries over whether to emphasise industrial development or revenue collection.

[1] Industrial Policy White Paper, Ministry of Trade and Industry, August 1992
[2] Page 97, Transitional National Development Plan 1991/92-1993/94, National Planning Commission, March 1993
[3] "Tax Incentives to Manufacturing Enterprises", Budget Speech 1993, Ministry of Finance

Introduction

The First National Development Plan (NDP1) published in 1995 stated that "Namibia must reduce its dependence on mineral resources over the medium term and increase output in other areas such as manufacturing"[4]. NDP1 went on to set a range of targets for the manufacturing sector including: an increase in the contribution of non-fish processing manufacturing to GDP to six percent by 2000; an increase in non-fish processing manufacturing employment by 11,000 by 2000; and an increase in non-fish manufactured exports to four percent of total merchandise exports by 2000.

In the same year the Export Processing Zone (EPZ) Act was promulgated by Parliament[5]. The EPZ Act gave legal backing to a range of open-ended tax incentives for export-oriented manufacturers, provided a legal foundation to the creation of EPZ Management Companies and also established the Offshore Development Company (ODC) which was intended to run the industrial parks required by EPZ companies. In a seemingly separate policy initiative, Government's Poverty Reduction Strategy for Namibia published in 1998 envisaged Namibia becoming a "transport and manufacturing hub" for Southern Africa[6].

In 1998 the Ministry of Trade and Industry (MTI) commissioned the Namibian Economic Policy Research Unit (NEPRU) to undertake an in-depth review of the 1992 White Paper which resulted in a new draft policy document "Industrial Policy Beyond 2000" but, inexplicably, this was never formally adopted or presented to Parliament.

[4] Page 30, NDP1, National Planning Commission, Government of Namibia
[5] Export Processing Zone Act (Act No. 9 of 1995)
[6] Page 5, Poverty Reduction Strategy for Namibia, Government of Namibia

THE FOREIGN INVESTMENT ACT 1990 AND THE NAMIBIA INVESTMENT PROMOTION ACT 2016

To give concrete and detailed legal expression to Article 99 of the Constitution, one of the first major pieces of legislation passed by Namibia's new Parliament was the Foreign Investment Act of 1990. The Act remained the cornerstone of Namibia's investor friendly investment environment until 2016. Under Section 3 of the Act, foreign nationals were allowed to "invest and engage in any business activity in Namibia which any Namibian may undertake" and "shall be in no different position than any Namibian, except as may be otherwise provided by this Act". Furthermore, "no foreign national shall be required to provide for the participation of the Government of any Namibian shareholder or as partner in such business or for the transfer of such business to the Government or any Namibian." However, Section 3 (4) also gave the Minister of Trade and Industry the power to prohibit foreigners becoming engaged in any business or category of business that could be provided adequately by Namibians while Section 3 (5) made special provision to allow favourable treatment of Namibians in the exploitation of Namibia's natural resources.

The Act made provision for the awarding of a Certificate of Status Investment, provided a foreign investment meets certain criteria in terms of size and economic impact. A Certificate of Status Investment granted favourable and unrestricted access to foreign currency for the payment of loans, royalties, profits and dividends.

Section 11 of the Act reiterated the commitment to market compensation in the case of expropriation in terms of Article 16 of the Constitution. Holders of Status Investment had to be compensated in foreign currency and could opt for international arbitration if any disputes arose.

Since the coming into force of the Foreign Investment Act in 1992 and its amendment in 1993, a total of 90 Certificates of Status Investment have been granted. The Minister of Trade and Industry has only once invoked the power of Section 3 (4). In 2010, regulations were published in the Government Gazette prohibiting foreigners from becoming engaged in a range of small businesses including retail businesses, taxi and shuttle services, and hairdressing and beauty treatment (Notice 75). The foreign currency advantages contained in the Act became far less important as Namibia's foreign exchange controls were steadily liberalised. In 2006, the Investor Roadmap report commissioned by Government recommended the Act be thoroughly revised and updated.

Section 2 of the Foreign Investment Act made provision for the establishment of the Namibia Investment Centre (NIC) in the Ministry of Trade and Industry to assist the Minister in the administration of the Act. While never quite a "one stop shop", the NIC was to help investors with information and advice and help with work visas. The NIC encouraged all investors to avoid using agents but rather enlist the services of the NIC to help with work permits. Investors were required to provide a certain amount of documentation laid out in a checklist provided by the NIC. The NIC sat weekly to assess applications from investors. Once the NIC was convinced of the merits of the case, the Undersecretary made representations to the Immigration Selection Board which sat every Tuesday.

Government had for some time trailed the idea of replacing the Foreign Investment Act 1990 and in 2016 Parliament passed the Namibia Investment Promotion Act (NIPA). The NIPA was to replace the FIA 1990 and the FIA Amendment Act 1993 and differed from the FIA in a number of important respects.

"The Minister of Trade and Industry is empowered to set monetary thresholds for investments in different economic sectors and to set different thresholds for local and foreign investors."

The NIPA provides explicit powers to the Minister of Trade and Industry to approve or reject foreign investment proposals and lays down that approval will depend on certain criteria being met such as Namibian ownership, Namibian employment and value addition to Namibian natural resources. The Minister is empowered to set monetary thresholds for investments in different economic sectors and to set different thresholds for local and foreign investors. Investment incentives may be introduced in consultation with the Minister of Finance. The Act allows the Minister to enter into binding performance agreements with foreign investors. The Act firms up the institutional location and role of the Namibia Investment Centre (NIC) and specifies it must set up an "Integrated Client Service Facility" to assist investors with licences, permits and approvals.

Critically, the NIPA allows the Minister to reserve certain economic sectors or business activities for the State and for Namibian citizens or companies owned by Namibian citizens but this will not apply to foreign investors who have already invested legally into Namibia before the Act came into force. The Act empowers the Minister to approve sales of investments or transfers of licences or approvals by foreign investors to other foreign investors. A foreign investor may not invest in Namibia or acquire any licence, permit, authorisation or concession without the Minister's approval. All investments above the set threshold must be registered. Investments that start below the threshold but grow above it must be registered. The NIPA clarifies issues of compensation in freely convertible currency at market rates in cases of expropriation by the State. The Act allows investors to utilise foreign workers in particular highly skilled jobs but places an obligation on investors to use Namibian labour, invest in local human capacity and transfer skills but also places an obligation on Government to provide the necessary visas within a reasonable period of time. The Act also provides for the settlement of disputes exclusively through the courts of Namibia and contains provisions laying out what and how penalties for non-compliance with the Act are to be imposed.

Taken as a whole, the NIPA signals a significant move away from openness to foreign investment and equal treatment between foreign and local investors and a move towards greater Government involvement in investment decisions by foreign investors and far greater Government discretion. The NIPA is not currently in force and a revised version was promised before March 2020. However, by the end of 2020, this had not materialised. In March 2020 President Geingob announced the creation of a Namibia Investment Promotion and Development Board within the Presidency to take the place of the Namibia Investment Centre but by the end of 2020 it was not operational.

The 1999 SWAPO party election manifesto entitled "The Driving Force for Change" took up the theme of manufacturing again and envisaged the creation of 50,000 new jobs over the following five years, 30,000 of which were due to come from EPZ and non-EPZ manufacturing industries as well as through the expansion and diversification of the SME sector.

At the same time, Government had been busy renegotiating the Southern African Customs Union (SACU) Agreement[7]. Government had already used the infant industry protection (IIP) clause in the previous SACU agreement (which was carried over into the new agreement[8]) to protect three local industries: long-life milk (produced by Namibia Dairies owned by the Ohlthaver & List Group), pasta (produced by Namib Mills and later also by Bokomo Namibia) and poultry (proposed by Namib Mills). The new Agreement allowed IIP for a period of eight years but extensions could be approved by the Council of Ministers. In 2006 IIP for pasta and long-life milk was extended to 2012 and 2014 respectively[9]. Although IIP for poultry had been approved, the company which applied for it took until 2012 to get its poultry project off the ground.

NDP2 continued to view manufacturing as a sector requiring special attention and set an ambitious range of further targets including "to ensure a three-fold increase in the number of jobs in manufacturing from the present 6.4 percent of the country's current total employment to 20 percent"[10] but omitted the more detailed quantification of further targets that had characterised NDP1[11].

Namibia's tax incentives for manufacturing companies underwent several changes over the years culminating in fundamental reform and simplification in 2003 where the corporate tax rate for registered manufacturers was reduced to 18 percent for ten years, half that for other companies at the time (the general corporate tax rate was subsequently reduced). The table summarises the tax incentives for manufacturers, exporters of manufactured goods and EPZ enterprises following those changes. The complaint, however, was that these incentives, whilst attractive on paper, were virtually impossible to obtain. By 2020 some 114 companies enjoyed registered manufacturing tax status.

Since competition (and unfair competition) was deemed to be a hindrance to the development of manufacturing in Namibia, the passing of the Competition Act by Parliament in 2003[12] was seen as a step forward in helping to create a conducive environment for industrial investment. However, it took a further six years before the Namibian Competition Commission (NaCC) finally became fully operational. Mihe Gaomab II was appointed CEO and the NaCC was formally launched in December 2009[13].

Government's Vision 2030, published in 2004, included the goal of creating "a prosperous and industrialised Namibia developed by her human resources, enjoying peace, harmony and political stability."[14] The document, however, contained few clues on how Namibia was to achieve this goal. A high-level "Cabinet Retreat" took place in Swakopmund in November 2005. The final record of decisions taken[15] reiterated the importance of "industrialisation"[16] and included 19 recommendations on manufacturing and industrial development. These were not prioritised and appeared to be little more than the wish-lists of those who participated in the meeting.

[7] The new SACU Agreement was signed in 2002 and SACU's headquarters are based in Windhoek see www.sacu.int
[8] See Article 26 of the SACU Agreement
[9] See "Import Tax on Pasta Until 2014", *The Namibian*, 11 October 2007
[10] Page 53, Second National Development Plan 2001/02-2005/06, National Planning Commission
[11] Pages 314-316, Second National Development Plan 2001/02-2005/06, National Planning Commission
[12] Competition Act (Act No.2 of 2003)
[13] See "Competition Body Launched", *The Namibian*, 14 December 2009
[14] Page 38, Vision 2030, Government of Namibia
[15] Key Recommendations of the Cabinet Retreat Swakopmund, Government of Namibia, November 2005
[16] Page 7, Key Recommendations of the Cabinet Retreat Swakopmund, Government of Namibia, November 2005

TABLE 11.1

Summary of Special Incentives*

Type of incentive	Registered manufacturers	Registered exporters	EPZ enterprises
Corporate tax	Set at a rate of 18% for a period of 10 years, thereafter the prevailing general rate	80% allowance on income derived from qualified exports	Exempt
VAT	Exemption on purchase and import of manufacturing machinery and equipment	Normal treatment	Exempt
Stamp and transfer duty	Normal treatment	Normal treatment	Exempt
Creation of tax package	Negotiable rates and terms by special tax package	Not eligible	Not eligible
Special building allowance	Factory buildings written off at 20% in first year and balance at 8% for 10 years	Not eligible	No applicable
Transport allowance	Allowance for land-based transportation by road or rail of 25% deduction from total cost	Not eligible	Not applicable
Export promotion allowance	Additional deduction from taxable income of 25%	Not eligible	Not applicable
Incentive for training	Additional deduction from taxable income of between 25% and 75%	Not eligible	Not applicable
Industrial studies	Available at 50% of cost	Not eligible	Not eligible
Cash grants	50% of direct cost of approved export promotion activities	Not eligible	Not eligible

**taken from the Namibia Investor Roadmap, The Services Group, January 2006*

> Government's Vision 2030, published in 2004, included the goal of creating "a prosperous and industrialised Namibia developed by her human resources, enjoying peace, harmony and political stability."[14] The document, however, contained few clues on how Namibia was to achieve this goal.

A restructured and revitalised President's Economic Advisory Council (PEAC) was called into being in 2006 following its original creation in 1997. The new PEAC decided to create a special "industrialisation subcommittee" as one of its four subcommittees. The committee, chaired by Anna Nakali-Kawana, did little more than recommend reviewing the recommendations of the Cabinet Retreat.

Government's thinking on industrialisation then appeared to undergo fundamental change. Following a report by consultant Leila Webster[17], Government started a process of putting together a Private Sector Development Policy which was due to go to Cabinet before a reshuffle of permanent secretaries in August 2007 saw MTI Permanent Secretary Andrew Ndishishi, who had been in post since 1997, moved to the Ministry of Agriculture.

Following Immanuel Ngatjizeko's replacement by former Prime Minister Hage Geingob in 2008, this Private Sector Development approach fizzled out. Instead interest switched back to traditional industrialisation. Following a visit by some influential policymakers later in the year, South Korean Professor Jin Park was invited to Namibia to help put together a new industrialisation policy[18]. Professor Park was clearly an economist with imagination and insight. However, Minister Geingob appeared distracted by the Economic Partnership Agreement (EPA) negotiations with the EU and SWAPO politics in the run up to national elections to find much time for industrial policy. By the end of 2009, Professor Park's work had made no noticeable impact and Namibia remained without a coherent industrialisation policy.

Trade and Industry Minister Geingob finally launched work which, under the technical leadership of Dr John Steytler, was to culminate in a White Paper entitled Namibia's Industrial Policy tabled in Parliament towards the end of 2012, a full twenty years since the original White Paper on Industrial Development had been produced[19].

[17] "Private Sector Development Policy for Namibia" by Leila Webster, Ministry of Trade and Industry, December 2006 unpublished
[18] See "Namibia's Industrialisation Development: Policy and Strategy", Jin Park PhD, KDI School of Public Policy and Management
[19] "MPs to Ratify Industrial Policy", *New Era*, 25 October 2012

NAMIBIA'S INDUSTRIAL POLICY 2012

Namibia's Industrial Policy laid out a vision for industrial development with quantified objectives, provided a brief review of Namibia's economic performance, put forward a number of principles underlying industrial policy, identified the role of the State and other stakeholders, described incentives for industrialisation, highlighted the role of small business development, identified the links between skills, innovation, R&D, finance, regional integration and industrialisation, and set out a framework for policy coordination, implementation and evaluation. Namibia's Industrial Policy was tabled in Parliament in October 2012 and was to be followed up by an Industrial Policy Implementation and Strategic Framework. In common with NDP4, the policy envisaged the following targets being achieved by 2030:

1. The manufacturing and services sectors constitute about 80 percent of the country's gross domestic product (GDP);
2. The country largely exports processed goods, which account for not less than 70 percent of total exports;
3. Namibia has an established network of modern infrastructure that includes railways, roads, telecommunications and port facilities; and
4. Namibia has a critical mass of knowledge workers, and the contribution of SMEs to GDP is not less than 30 percent.

Source: http://www.nmanamibia.com/fileadmin/user_upload/pdf/Namibia_Industrial_Policy_2012.pdf

In 2012, Hage Geingob replaced Nahas Angula as Prime Minister and the Deputy Minister of Finance Calle Schlettwein was appointed Minister of Trade and Industry. Schlettwein worked hard to launch a new initiative "Growth at Home" which was announced in July 2013[20]. The strategy was designed to promote local value addition:

> Growth at Home therefore says, whatever raw materials Namibia has, whether minerals, agricultural commodities or any other commodity, local value addition should take place before it is exported.

The strategy involved targeting specific sectors "in particular mining and mineral beneficiation; agriculture and agro-processing and fish and fish processing". Other sectors that were to be targeted during the initial phase of Growth at Home were to include: chemical industries linked to locally available minerals; steel manufacturing and components of automotive industries. It was perhaps surprising to see the re-emergence of some "old friends", projects which had lain dormant since the false starts of the 1990s.

With Geingob as its presidential candidate, SWAPO went into the 2014 Presidential elections with a manifesto containing the following commitments on manufacturing[21]:

- Implementation of the industrial development policy;
- Creation of a favourable environment for the development and expansion of the existing manufacturing enterprises and encourage the establishment of new ones.
- Provision of incentives to promote the production, distribution, procurement, marketing and exporting of locally produced goods, for both resource-based and non-resource-based industries.
- Reservation of specific sectors such as catering, retail, textiles, and auxiliary services for local people.
- Review and reform the current operational environment of private financial and development institutions and state development agencies, to ensure resources contribute to manufacturing, value addition and entrepreneurial development in the county.

These commitments were not especially ambitious (and did not explicitly mention "Growth at Home") and marked the continuation of things the Government was already doing in line with SWAPO's generally cautious approach to policy. Following Geingob's election as President, Schlettwein was promoted to become Minister of Finance and Geingob's predecessor at Trade and Industry, Immanuel Ngatjizeko was re-appointed Minister of the now renamed Ministry of Industrialisation, Trade and SME Development. Ngatjizeko was not known for his energy and imagination and it was unclear what would happen to Schlettwein's ambitions in the hands of a less energetic minister. It was hard to see Ngatjizeko giving the sort of interview Schlettwein gave to Insight Namibia[22].

On 21 March 2019 President Geingob inaugurated a High-Level Panel on the Namibian Economy (HLPNE) to advise him for one year until the end of his first term in office. This announcement came shortly after his Economic Advisor Dr John Steytler had resigned citing personal reasons after serving since 1 July 2015. The Panel was to consist of 22 people from inside and outside Government as well as three international experts and would be chaired by the former head of Old Mutual Namibia, Johannes Gawaxab. These members were unpaid.

[20] See "Growth at Home: Namibia's Execution Strategy for Industrialisation", Ministry of Trade and Industry, 2013
[21] See "2014 SWAPO Party Election Manifesto Consolidating Peace, Stability and Prosperity", SWAPO, 2014
[22] See "Kicking over the Traces", *Insight Namibia*, April 2013

TABLE 11.2

Membership of the High-Level Panel on the Namibian Economy

Name	Organisation
Johannes Gawaxab	CEO of Eos Capital (now Governor of the Bank of Namibia)
Nangula Uaandja	Assurance Partner, PwC Namibia
Florette Nakusera	Director of Research & Financial Stability, Bank of Namibia
Estelle Tjipukja	Forensic accountant
Ester Simon	Student leader, Nanso
Kauna Ndilula	MD, BFS Group of Companies
Martin Shipanga	Executive Chairman, Shipanga Holdings
Jason Kasuto	Managing Partner, Monasa Advisory & Associates
Sven Thieme	Executive Chairman, Ohlthaver & List Group
Junias Mungunda	Chief Executive, Standard Bank Namibia
James Mnyupe	MD, Allan Grey Namibia
Kenneth Matengu	Vice Chancellor, University of Namibia
Michael Iyambo	Owner, Oshikoto Fresh Fruit and Vegetables
Evangelina Nailenge	GM, NAMFISA (now with Hangala Prescient)
Gitta Paetzhold	CEO, Hospitality Association of Namibia
Justine Braby	Director of Progress Namibia, sustainable development NGO
Immanuel Kadhila	Head of Treasury, Government Institutes Pension Fund
Klaus Schade	Independent economist
Banda Shilimela	Businessman, security services
Carlos Lopes	Economist, Honourary Professor at University of Cape Town
Joseph Okpaku	Nigerian academic
Vuyo Jack	Owner of Empowerdex, South African BEE rating agency

Source: High-Level Panel on the Namibian Economy

The mandate of the HLPNE was to analyse the state of the economy and provide evidence-based recommendations that would result in its revival. It was also given the task of organising an Economic Growth Summit (EGS) which ended up taking place on 31 July and 1 August 2019. The Panel submitted a first report containing 15 recommendations to the President in June 2019 and a comprehensive EGS Report following the Summit in October 2019. As a mark of how seriously Government was taking the exercise, the HLPNE was invited to two Cabinet sessions for discussion and clarification. It submitted a final comprehensive report in February 2020 which brought together all previous work.

Clearly, there has been no shortage of Government statements and policy documents stressing the importance of stimulating the manufacturing sector and introducing initiatives designed to boost industrial growth. Throughout all of them the implicit line of argument has been: 1) that sustained manufacturing growth is a precondition for any country, including Namibia, to get richer and develop and that 2) since Namibia enjoyed no clear advantages in this sector, special attention in the form of targeted support, subsidies, tariff protection, and tax breaks would be necessary to "level the playing field". These assumptions have not been widely questioned and seem to be as firmly entrenched as ever in the minds of Namibian policymakers.

Tax Incentives and EPZs

The National Planning Commission commissioned a study in mid-2004 to examine the performance of the EPZ incentives introduced in 1995. By June 2004 the ODC had a total of 32 EPZ companies on its books. A total of 116 EPZ certificates had been awarded suggesting some 83 companies had either not become operational, gone out of business, or de-registered as EPZ companies. The ODC provided the NPC with an undated list of 37 former EPZ companies. Of these, seven had decided to produce for the local market, eight never started operations, ten disinvested, four cancelled, seven closed and one was liquidated. The highest EPZ certificate number on the list was 82 suggesting that at worst 37 EPZ companies out of 82 were not in operation. At that time some 116 EPZ certificates had been issued while 32 companies (about one third) were believed to be in operation.

Out of these 32 companies, the NPC surveyed a total of 18. A further three companies were surveyed but these were not EPZ companies but trading companies operating from the Oshikango industrial park. At that stage, diamond cutting and polishing company LLD was a very new company and was about to commence operations when the survey was undertaken. Some of the largest EPZ companies, in particular five companies associated with and including Ramatex - Ramatex, Tai Wah, Rhino Garments, Lichen Apparel, and Flamingo Garments – failed to respond to the survey. A further seven companies – Super Holdings, Ongopolo, Afway Minerals, Starline Shipping, P Products, Mars Investment, and Tornado Enterprises – also failed to respond despite repeated attempts to reach them. One more company, Onawa Sugar, while still in operation, had not undertaken EPZ activities since 2000 according to its management.

By the end of 2020, of the 23 registered EPZ companies that remained, 16 were diamond cutting and polishing operations (sightholders of the NDTC) while a further three companies were closely linked to the mining industry. In other words, Namibia's EPZ incentives served to add value to Namibian minerals rather than being based on processing materials imported from elsewhere. The experience with the EPZ incentive scheme has been much debated and opinions seem divided on the importance of the scheme in attracting the investment in Skorpion zinc mine and refinery and keeping the Tsumeb copper smelter going. AREVA's Trekkopje uranium mining operation was apparently granted EPZ status for a period of five years but the mine was mothballed in 2012 due to low uranium prices. The existence of open-ended EPZ tax incentives has long been a bone of contention between the Ministry of Trade and Industry and the Ministry of Finance. An announcement was made by Minister of Finance Saara Kuugongelwa-Amadhila in her 2006 budget speech that the EPZ scheme would be subject to a review[23]. After many years of delay, in his budget speech in March 2019, Finance Minister Schlettwein announced that EPZ and Manufacturing Incentives would be replaced by Special Economic Zones and sunset clauses for existing EPZ operations would be introduced. However, it took until February 2020 for Government to completely scrap them when Parliament repealed both the EPZ and Manufacturing Incentives[24].

[23] Paragraph 70: "The existing incentive schemes are currently under review", Budget Speech 2006, Ministry of Finance
[24] See "Income Tax Amendment Act 2020, Act No.2 of 2020

TABLE 11.3

Operational EPZ Companies at End of 2020

Certificate number	Company name	Activity	Location
007	Namibian Press and Tools*	Vehicle components	Walvis Bay
015	Transvehco	Vehicle refurbishment	Walvis Bay
020	NamGem**	Diamond cutting and polishing	Okahandja
038	Borries Marking Systems	Marking machines	Windhoek
059	Namzinc	Zinc refining	Rosh Pinah
084	Dundee Precious Metals (Namibia Custom Smelters)	Copper smelting	Tsumeb
091	Diacore Diamonds (Namcot Diamonds)	Diamond cutting and polishing	Windhoek
104	Hard Stone Processing	Diamond cutting and polishing	Windhoek
121	Trau Bros Diamond Namibia	Diamond cutting and polishing	Windhoek
122	Schachter and Namdar Namibia	Diamond cutting and polishing	Windhoek
123	KGK Diamonds Namibia (SKY Investments)	Diamond cutting and. polishing	Windhoek
126	Duiker Investments (Almod)	Diamond cutting and polishing	Windhoek
127	Julius Klein Diamonds Namibia (JKD Namibia)	Diamond cutting and polishing	Windhoek
133	Ankit (Crystal Diamonds Namibia)	Diamond cutting and polishing	Windhoek
136	Pluczenit Diamond Namibia	Diamond cutting and polishing	Windhoek
137	Namibia Oriental Tobacco	Cigarette manufacturing	Walvis Bay
140	Morse Investments**	Diamond cutting and polishing	Windhoek
141	DYS Diamond Manufactures*	Diamond cutting and polishing	Windhoek
142	IMERYS Gecko Graphite (Namibia)	Processing of natural graphite	Windhoek
143	Finestart Jewellery & Diamonds (Namibia)	Diamond cutting and polishing	Windhoek
144	Tate Diamonds	Diamond cutting and polishing	Windhoek
145	Centauri Diamond Manufacturing	Diamond cutting and polishing	Windhoek
146	Kalahari Swiss Diamonds Namibia	Diamond cutting and polishing	Windhoek

** deregistering*

*** on a break*

Source: ODC

THE CASE OF RAMATEX

An important test case for Namibia's EPZ scheme was the arrival of Ramatex in Windhoek's Otjomuise location in 2001. Ramatex was important to Namibia's prospects for industrialisation because it was the first time a major foreign investor sought to take advantage of the scheme for an operation that did not rely on the presence of locally produced raw materials to make its location decision. In other words, it was a classic EPZ operation, a footloose company that could locate anywhere there was plentiful unskilled labour, low taxes and good transport and other infrastructure. Ramatex is a Malaysian garment manufacturer which started in the early 1980s and rose rapidly to become a major garment manufacturer listing on the Kuala Lumpur Stock Exchange in 1996[25]. The initial investment in Namibia was followed soon after by subsidiary Tai Wah as well as a second company Rhino. Ramatex's two garment factories took some time to work up to full production but reportedly produced 4.6 million pieces between June and December 2002. At one point the Investment Centre in the Ministry of Trade and Industry estimated that Ramatex, Tai Wah and Rhino were going to employ some 5,800, 4,400 and 3,800 people respectively – some 14,000 people in total – producing garments for the US market under the terms of the Africa Growth and Opportunity Act (AGOA). However, Ramatex was always extremely secretive and accurate figures were never made public. In 2003 Foreign Minister (former Minister of Trade and Industry) Hidipo Hamutenya won a prestigious African Personality of the Year fDi award run by FDI magazine (owned by the Financial Times) in recognition for having snatched the Ramatex investment from under the noses of the South Africans and the Cape Town municipality.

TABLE 11.4

Chronology of Ramatex in Namibia

Date	Event
September 2001	Minister of Trade and Industry Hidipo Hamutenya lays foundation stone for N$100 million Ramatex factory in Otjomuise saying it would create "5,000 jobs".
December 2001	City of Windhoek agrees to sell water to Ramatex for N$3.52 per cubic metre for two years and electricity for N$0.185 per KWh as well as agreeing a 99 year lease on 43 hectares of land at no direct cost.
December 2001	Namibian branch of Earthlife Africa writes letters to Ramatex, City of Windhoek, NUNW, and MET expressing concern about damage to workers' health and the environment caused by the factory.
January 2002	Hidipo Hamutenya writes letter to newspapers attacking Earthlife Africa and President Nujoma accuses Earthlife of "wanting to throw a spanner in the wheels of our national development".

[25] See Page 216, "The Future of the Textile and Clothing Industry in Sub-Saharan Africa" edited by Herbert Jauch and Rudolf Traub-Merz, Friedrich Ebert Stiftung, 2006

Date	Event
January 2002	Hidipo Hamutenya promises "we must make sure the environmental controls are watertight" and that an Environmental Impact Assessment would be made public while Earthlife calculates Ramatex water consumption will be 1.5 million litres per day compared to 2.5 million for the whole of Windhoek.
March 2002	Ramatex Executive Director Albert Poh Lim Boon refutes accusations of worker mistreatment at graduation ceremony of 1,100 trainees at UNAM.
July 2002	Ramatex given ultimatum by Ministry of Labour to pay into SSC's Employees Compensation Fund and Maternity, Sickness and Death Benefit Fund for workers and to register as a factory but government team failed to find link between worker skin rashes and employment conditions.
August 2002	Workers down tools in protest at vague work contracts but strike abandoned after intervention of NAFAU and Ministry of Labour.
October 2002	Ramatex signs recognition agreement with NAFAU.
April 2003	Wildcat strike leads to two week closure.
May 2003	Ramatex suspends 416 workers accused of masterminding strike.
September 2003	Ramatex gives notice that it will close down its Dimaza Eastern Cape operation and lays off 2,500 workers.
October 2003	Labour Research and Resource Institute publishes report criticising wages and working conditions at Ramatex saying N$120 million of public funds had been spent helping to set up the factory.
September 2004	Ramatex forced to repatriate 400 Bangladeshi workers in Namibia without valid work permits and living in squalor in Windhoek West.
December 2004	Minister of Trade and Industry Jesaya Nyamu announces N$12 million changes to Ramatex water recycling plant to counter groundwater contamination following report by independent consulting company.

Date	Event
February 2005	International Textile Garment and Leather Workers Union writes to President Nujoma and Ramatex customers expressing concern over violations of labour laws prompting Ramatex Human Resources Manager David Yong to announce that the lowest paid workers were receiving "around US$125 per month".
March 2005	Ramatex subsidiary Rhino Garments closes due to "lack of orders".
April 2005	Windhoek City Council provided with figures showing N$26.7 million budgeted for Ramatex electricity provision and that this had reduced the cost of supplying electricity to Haloid and Otjomuise.
May 2006	Ramatex Executive Director Albert Poh Lim Boon cites low productivity and bad publicity and proposes government buys Ramatex for N$500 million during visit to Namibia leading to government setting up a technical committee of ministers and NUNW to deal with the issue.
July 2006	NAFAU writes to Ramatex expressing concern about rumours it wanted to employ foreign workers.
October 2006	City of Windhoek announces it will take over Ramatex waste disposal management after admitting pollution of groundwater is taking place due to overflow from waste evaporation ponds.
October 2006	Workers strike at Ramatex for two days on 13 and 14 October and end up forcing the company to offer an increase of N$1.10 an hour and other improvements.
July 2007	Environmental reasons given for closure of spinning knitting and dyeing units affecting 240 workers who were moved to Flamingo Garments sewing factory and PS MTI Andrew Ndishishi states government has halted plans to take machinery out of the country.
February 2008	Ramatex finally closes its doors in Windhoek.
March 2008	After Government steps in to hold its plant and machinery, Ramatex makes severance payments to the last of its workforce.

Source: The Namibian

As shown in the table, the operations of Ramatex in Namibia were dogged by controversy from the beginning. On top of criticisms about working conditions, pay and environmental damage, a further concern was that the company enjoyed unparalleled and unwarranted levels of public subsidies. One estimate suggested that Ramatex received from the City of Windhoek the lease of 43 hectares of land (valued at N$16.9 million) at no cost for 99 years, an access road valued at N$1.5 million, subsidised electricity and free infrastructure estimated at around N$27 million, subsidised water supply until 2004, water infrastructure originally estimated to cost N$39 million, and additions to the sewerage system estimated at N$17.3 million[26]. As far as is known, no full and accurate study has been carried out to assess the full costs and benefits of the Ramatex investment to Namibia.

TABLE 11.5
Ramatex Exports to US (US$m)

	'02	'03	'04	'05	'06	'07	'08	'09
(40000) Apparel and household goods - cotton	6.7	40.3	76.2	49.9	31.4	28.0	0.0	0.0
Total exports to US	57.5	123.2	283.3	129.6	115.8	219.7	301.2	327.6

Source: US Department of Commerce (by 5 digit end use code)

As things turned out, the Ramatex saga represented a classic EPZ story in many ways. First, instead of being seen to have brought much needed employment to Namibia, Ramatex met with hostility from the labour unions from almost the first day and quickly came to be seen as an exploitative sweat-shop rather than a generator of jobs and an opportunity to upgrade skills and promote subsidiary industries. Its high-profile nature meant that it was a far easier target for organised labour than many of the other "exploitative" labour practices elsewhere in the economy. Second, the issue of pollution was not adequately addressed due partly to Namibia's inexperience of dealing with industrial pollution and lack of clear policies. Third, although the EPZ incentives were already significant, the fact that Government was ready to negotiate further sweeteners to clinch the deal meant that discretion rather than rules were the order of the day. It became possible for Ramatex to "play hard ball" with Government and the Windhoek Municipality to reach ever better deals including subsidised electricity, water and land on top of its generous tax breaks and substantial training grants. Fourth, this discretion inevitably led to a good deal of political interference and the politicisation of the investment. Given only very limited public information was made available, it was never clear what the full costs and benefits of the investment were for the country. Fifth, the Ramatex investment in Namibia came about as a result of a trading arrangement (AGOA) rather than fundamental economic viability. There was always the danger that if AGOA preferences changed, the advantages of staying in Namibia would decline or disappear altogether.

While Ramatex succeeded in temporarily creating a large number of low-paid jobs, the investment failed to lead to any substantial growth in subsidiary industries or technology and spin offs in skills (although certain key suppliers such as TransNamib, NamWater and NamPower probably benefited). Whether the experience as a whole is viewed positively or negatively by the Namibian public and by the foreign investment community is less clear. Whatever the case, Namibia has since failed to attract any similar investments. Furthermore, as the brainchild of former SWAPO stalwart Hidipo Hamutenya, Ramatex and the EPZ concept probably fell out of political favour.

[26] See "City Maintains Ramatex a 'Blessing in Disguise'", *The Namibian*, 1 April 2005

THE CASE OF WALMART

In 2010 the world's largest retailer, US-based Walmart, announced it intended to purchase a majority stake in South Africa's Massmart in a deal worth R16.5 billion. Massmart had operations in 14 African countries outside of South Africa, of which five, including Namibia, had competition authorities. Massmart owned local retailers Game, Makro and Windhoek Cash & Carry in Namibia and had made a bid in 2010 to purchase Pupkewitz Megabuild, a hardware retailer with 16 outlets. The deal was abandoned after the NaCC imposed local ownership conditions. By the end of 2010 Malawi, Swaziland, Tanzania and Zambia had granted approval to the Walmart deal while South Africa's Competition Tribunal approved the proposed deal with minimal conditions on 31 May 2011. Walmart informed the Namibian Competition Commission (NaCC) of its intentions to buy Massmart on 26 November 2010. On 9 February 2011 the NaCC approved the merger provided four conditions were met: 1) the merger should allow for local participation in order to increase ownership stakes of historically disadvantaged persons; 2) there should be no employment losses as a result of the merger; 3) the merger should not create harmful effects on competition that may give rise to the risk of the market becoming foreclosed to competitors, especially small and medium enterprises; and 4) the Minister of Trade and Industry is required to approve the transaction in terms of the Section 3(4) of the Foreign Investment Act 1990. Walmart launched an urgent High Court application in Windhoek challenging the conditions and on 28 April the High Court found in its favour declaring the NaCC's conditions "unlawful and invalid". In particular, the High Court found that the first condition was in conflict with Section 3 (3) of the Foreign Investment Act which provided that "no foreign national shall be required to provide for the participation of the Government or any Namibian as shareholder or as partner in such business or for the transfer of such business to the Government or any Namibian." However, on 16 September 2011 the NaCC filed an appeal with the Namibian Supreme Court which, on 4 November, ruled that the conditions imposed on the deal should be reinstated and giving the Minister of Trade and Industry four months to review the conditions. In December 2011 the NaCC held a public hearing at which testimonies were heard about the likely negative impact on the economy of the deal. The Minister of Trade and Industry delivered his revised conditions on 5 March 2012 insisting that Walmart refrain from any retrenchments for a two-year period, allow the Namibian Food and Allied Workers Union (NAFAU) to bargain on behalf of the workers during these two years, establish a programme to develop local suppliers within 12 months and prioritise small undertakings, in particular those owned or controlled by historically disadvantaged persons. As far as is known, none of this has been followed up since.

Infant Industry Protection

As described above, the Namibian government has employed Infant Industry Protection (IIP) only very sparingly. Article 26 of the renegotiated SACU Agreement of 2002 permits member states to levy additional duties on imports but only under specific conditions and for a limited period of time. Given the lack of information, it is hard to say whether IIP has been successful or not and whether the common critique of such policies – that the infant develops into a strong vested interest capable of defending its privileges so that it never grows up – has validity in the Namibian case. However, the case of Ohorongo Cement provides an instructive example of the practical and legal challenges faced by the policy. Ohorongo Cement, majority-owned by Germany's Schwenk Group when it was established, announced its intention to invest in a N$2.5 billion 700,000 tonnes per annum cement plant north of Otavi in 2008 based on an EPL it had purchased from the defunct Ongopolo. By early 2011 the plant – built to time and to budget by Germany's Polysius using Chinese subcontractors – began production. However, during that first year it became clear that the Namibian market continued to be open to imports of mainly Chinese cement which could be sold at far lower prices than the price Ohorongo was charging to meet its investment goals. This led Ohorongo to lobby government to enforce IIP. Ohorongo claimed it had already been given assurances by government that it would enjoy IIP. After intensive lobbying, Minister of Finance Kuugongelwa-Amadhila announced the imposition of additional tariffs on cement imports in July 2012. The tariffs were to be introduced at 60 percent until 2014 and then decline to 12 percent by 2018. However, this decision was challenged by Jack's Trading cc, a Chinese-owned cement importer, and in September the High Court declared the tariffs to be of no force and effect because the procedure laid out in the Customs and Excise Act of 1998 had not been followed[27]. The judgement, however, made no finding about the principle of import tariff protection. At the beginning of 2013, Namibia's Attorney General referred the case to the Namibian Supreme Court. Ohorongo won a case in May 2020 to be allowed to join the Supreme Court case as an interested party. According to media reports, import restrictions on dairy products combined with the aftermath of drought led to shortages in the first half of 2014 and gave rise to yet more public coverage and debate on the merits of IIP. This was followed by the High Court setting aside the Cabinet decision to place restrictions on dairy imports which had been brought into force in September 2013 thus dealing a temporary blow to one element of "Growth at Home" which promised to "promote IIP where feasible".

[27] See "Setback for Government on Cement Import Tariffs", The Namibian, 3 September 2012

SACU ARTICLE 26

Protection of Infant Industries

1. The Government of Botswana, Lesotho, Namibia or Swaziland may as a temporary measure levy additional duties on goods imported into its area to enable infant industries in its area to meet competition from other producers or manufacturers in the Common Customs Area, provided that such duties are levied equally on goods grown, produced or manufactured in other parts of the Common Customs Area and like products imported from outside that area, irrespective of whether the latter goods are imported directly or from the area of another Member State and subject to payment of the customs duties applicable to such goods on importation into the Common Customs Area.
2. Infant industry means an industry which has been established in the area of a Member State for not more than eight (8) years.
3. Protection afforded to an infant industry in terms of paragraph 1 shall be for a period of eight (8) years unless otherwise determined by the Council.
4. The Council may impose such further terms and conditions as it may deem appropriate.

Minerals Processing

To many policymakers and members of the general public, it might appear that one obvious strategy to promote manufacturing would be to "add value" to the raw materials Namibia produces, especially minerals. The Ministry of Mines and Energy in its policy document of 2003[28] committed Government to "encourage and facilitate local manufacturing under the concept of 'mined and manufactured in Namibia'. In the years since Independence some progress has been made on this front. Namibia Custom Smelters, owned by Dundee Precious Metals, took over the old TCL smelter at Tsumeb and fundamentally renovated, upgraded and expanded the capacity of the facility. Skorpion mine's electrowinning plant ran at design capacity of 150,000 tonnes a year for over a decade. For a while Namibia Stone Processing manufactured stone kitchen tops and tiles from material originating from Namibian quarries. The progress in diamond cutting and polishing is examined in detail in Chapter 10: Diamond Cutting and Polishing. Ohorongo Cement produces a range of cement products based on the limestone quarry. Yet all these operations, although based on the presence of Namibian raw materials, are supported by either generous tax incentives or infant industry protection (or at least the promise of IIP) and do not rely simply on solid fundamentals. In fact, as research elsewhere has shown, mineral beneficiation may not necessarily represent the best strategy for industrialisation[29].

[28] Chapter 3, "Minerals Policy of Namibia", Ministry of Mines and Energy

[29] See "Examining Beneficiation" by Ricardo Hausmann, Bailey Klinger and Robert Lawrence, CID Working Paper No. 162, May 2008 and also "Beneficiation in Namibia: Impacts, Constraints and Options" by Robert MacGregor, Cheryl Emvula and Rowland Brown, IPPR Research Report, November 2017

Investment Climate and Competitiveness

Attracting foreign investment has been key to stimulating the manufacturing sector since the expectation is that FDI will bring not only money but also lead to skills, expertise and technology transfer. However, Namibia has not succeeded in improving its competitiveness measured by international rankings of competitiveness such as the World Economic Forum's Global Competitiveness Index (GCI) shown in the table. Namibia's relative decline has come about more as a result of a larger number of countries with higher indices rather than any dramatic fall in Namibia's absolute GCI score. In other words, Namibia has stood still while many more countries around the world have successfully pursued reform.

The early deterioration in the GCI prompted government to commission a study in 2005 called "The Namibia Investor Roadmap" financed by USAID. The study made a large number of recommendations which were discussed in detail by a meeting of Permanent Secretaries in November 2006. However, despite being accepted by Cabinet, there appeared little resolute action. The advent of a new Industrial Policy in 2012 with its aim of making Namibia the most competitive economy in the Southern African Development Community (SADC) as measured by the World Economic Forum's Global Competitiveness Index[30] showed the issue of competitiveness had not entirely disappeared from policymakers' radar screens but ambitious targets were not backed up by meaningful action. One of "Growth at Home's " stated objectives was to make Namibia the most competitive economy in SADC by 2020 according to the World Economic Forum's Global Competitiveness Index, which represented a shifting back of the goal set in NDP4 by three years. This has not happened and Namibia's ranking continues much as before.

Charcoal production is labour intensive

[30] "By the year 2017, Namibia shall be the most competitive economy in the SADC region according to the standards of the World Economic Forum." NDP4 Executive Summary, page 27

TABLE 11.6

Namibia's WEF Global Competitiveness Index Score and Ranking

Year	WEF GCI score	Ranking	Number of countries
2002	n/a	53	80
2003	n/a	52	101
2004	4.11	52	104
2005	3.72	63	117
2006	3.74	79	125
2007	3.85	89	131
2008	3.99	80	134
2009	4.03	74	133
2010	4.09	74	139
2011	4	83	142
2012	3.88	92	144
2013	3.93	90	148
2014	3.96	89	144
2015	3.99	85	140
2016	4.00	84	135
2017	4.00	99	135
2018	4.00	100	140
2019	54.50	94	141

Source: World Economic Forum

Finance and the Development Bank of Namibia

Finance has often been cited as a major impediment to the development of a manufacturing sector since operations are typically capital intensive and require long investment horizons. In the years since the establishment of the NSX, Namibia Breweries remains the only Namibian manufacturing company listed on the local bourse after the delisting of Bidvest. Following the passing of the Development Bank of Namibia Act in 2002[31], the Development Bank of Namibia (DBN) was launched in April 2004 with a mission to "power support to those ingenious projects that are set to progress Namibia's industrial transformation."[32] However, industrial investment by the DBN remains extremely limited and strategic financing of the manufacturing sector appears non-existent. The DBN's 2019 Annual Report showed that of its N$9.4 billion in loans and advances, only N$555 million was to the manufacturing sector. Only very few of its major loans could be deemed to have gone to manufacturing companies although it does hold an eleven percent stake in Ohorongo Cement which is discussed in Chapter 12: Construction. Partly as a result of this lack of progress, MTI stepped up efforts to create the SME Bank out of the Small Business Credit Guarantee Trust Scheme it had established in 1999. The sorry history of the SME Bank is documented in Chapter 18: Banking.

THE CASE OF PEUGEOT-OPEL

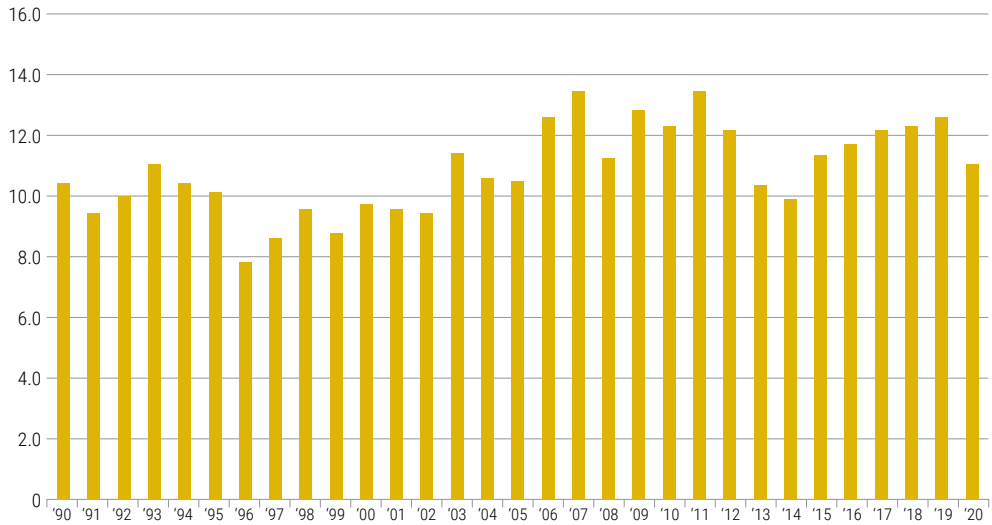
From the very beginning, Namibia's politicians have seen participation in the global auto industry as an important symbol of development and manufacturing progress. There have been unlikely initiatives – Citroën in Gobabis, Mahindra in Karibib, Barden International in Windhoek – none of which lasted much beyond the drawing board. However, in December 2018 President Hage Geingob officially opened a new car assembly plant in Walvis Bay. The N$190 million plant is a joint venture between France's Peugeot Opel and the National Development Corporation and planned to produce 5,000 cars a year by 2020 for the SACU market. Details were scarce but the NDC had a 49 percent stake in the operation and the plant was to produce Peugeot 3008, Peugeot 5008 and Opel Grandland X models. However, media reports soon suggested that Peugeot was threatening to pull out of Namibia only ten months after the plant's inauguration due to problems with tariffs when exporting vehicles to the rest of SACU and other African markets. According to one report only 93 cars had been assembled by early 2020 because the vehicles failed to reach the 60 percent local content requirement in South Africa[33]. Pushback of this nature was entirely predictable and it appears that the joint-venture partners had not done their homework.

[31] Development Bank Act (Act No. 8 of 2002)
[32] Development Bank CEO David Nuyoma speaking at the launch on 29 April 2004
[33] See "Policy Bottlenecks Harm Peugeot Sales", *The Namibian Sun*, 20 January 2020

Performance

Despite all the discussion, the meetings and workshops, the policy documents and the implementation of key initiatives, the performance of Namibia's manufacturing sector has been disappointing.

CHART 11.1
Manufacturing Value Added (as Percentage of GDP)



The chart shows how the contribution to Namibia's GDP by the manufacturing sector has changed since Independence. During the first five years, the categories "other food and beverages" and "other manufacturing" were not published separately and estimates for fish processing included fish processing that took place on board fishing vessels while copper smelting was included under mining. The overall picture that emerges is that manufacturing's contribution to overall economic activity has hardly changed in 30 years although the real picture may have been confused by a certain amount of statistical reclassification.

It is worth examining growth in the four components of manufacturing value added. *Meat Processing* enjoyed stable growth following Independence but since the mid-1990s has steadily declined in relative importance. This is likely to be linked as much to policies in agriculture and land reform (where the number of full-time productive farmers is on the decline) as to policies to encourage "value addition" in meat production (which may simply discourage farmers from raising livestock in the first place). *Fish Processing* too experienced strong growth followed by relative decline as the growth in fish stocks and fish landings failed to keep pace with overall economic growth[34]. *Other Food and Beverages* includes two relatively large companies Namibia Breweries and Namibia Dairies as well as a host of smaller players. Finally, the last sub-sector *Other Manufacturing* has been influenced heavily by three large companies: the copper smelting operations of TCL (Ongopolo Processing or Namibia Custom Smelters or Dundee Precious Metals as it is now called), the zinc refining operations of Namzinc (part of Anglo American's Skorpion zinc mine now owned by Vedanta Resources), and Ramatex (a Malaysian-owned garment producer). All three were EPZ companies.

[34] For more detail see "Namibia's Fishing Industry: As Good As It Gets", IJG Sector Report, July 2007

TCL ceased production during all of 1998 and most of 1999 (accounting for the negative growth seen in the chart). Ramatex started full-scale production in 2003 but closed its doors in 2008. Namzinc started full-scale production in 2004. Other manufacturing also includes diamond cutting and polishing which received a significant boost in 2007 with the establishment of the Namibia Diamond Trading Company (NDTC) described in the Chapter 10: Diamond Cutting and Polishing.

Interestingly, manufactured exports, including "meat and meat preparations", "prepared and preserved fish", "beverage and other food products", "copper", "refined zinc" and "other manufactured products" have grown as a proportion of total exports of goods and services. Thus, although manufacturing's contribution to Namibia's GDP has remained relatively steady, the sector has contributed more to its exports. However, it is not clear what the category "other manufactured products", which has increased rapidly in recent years, consists of. Cut and polished diamonds alone do not explain the rapid growth in this category of exports.

Official statistics suggest manufacturing investment was rather modest until the major investments of Ramatex and Skorpion took place. Very little information on Ramatex is available to the public but reports[35] at the time suggested an investment of approximately US$200 million while Skorpion as a whole (mine and electro-winning plant) cost US$454 million[36]. Namibia does not publish statistics on how important Foreign Direct Investment (FDI) has been to the investment performance of the manufacturing sector.

TABLE 11.7

Employed Population Aged 15 and Above in Manufacturing

'91 PHC*	'97 NLFS	'00 NLFS	'01 PHC	'04 NLFS	'08 NLFS	'09/10 NHIES	'12 NLFS	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
22,837	24,432	22,445	15,409	23,536	20,961	29,119	28,409	32,769	28,706	44,419	45,057

** excludes Walvis Bay*

Source: Population and Housing Census, Namibia Labour Force Surveys, Namibia Household Income and Expenditure Survey

Part of the justification for promoting manufacturing was that the sector would help create jobs. However, here too results have been modest to say the least. The Ministry of Trade and Industry carried out a census of manufacturing establishments in 1994/95[37] which found that Namibia had 278 operational manufacturers employing more than 21,000 people. The table presents the only available national data on employment taken from Namibia's two census reports[38], the 2009/10 Namibia Household Income and Expenditure Survey, and the Namibia Labour Force Surveys[39]. In theory census data should be more accurate than survey data which is based on "grossing up" representative samples. Although again the accuracy and comparability of these reports is open to question, there is little evidence to suggest the manufacturing sector has been a net contributor to job creation in the economy. Indeed, overall manufacturing employment is likely to have fallen given that the 1991 Population and Housing Census excluded Walvis Bay. Ramatex alone is thought to have created several thousand new jobs in manufacturing but it is not clear how this was reflected in the data. Ramatex has not been operational since early 2008. In summary, the performance of Namibia's manufacturing sector since Independence has been rather modest and fallen far short of expectations.

[35] See "Comprehensive Report on US Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act", 2003
[36] See "The Skorpion Zinc Project: A Unique Development in a Unique Environment", Protiva Mining
[37] Report of Census of Manufacturing Establishments 1994/95, Ministry of Trade and Industry
[38] Namibia Population and Housing Census 1991 and 2001, National Planning Commission
[39] Namibia Labour Force Surveys 1997, 2000, 2004, 2008, 2012, 2013, and 2014 Ministry of Labour

Policy Issues

Despite all the discussion, the meetings and workshops, the policy documents and the implementation of key initiatives, the performance of Namibia's manufacturing sector has been disappointing.

How Important is Manufacturing?

From the beginning the belief among Namibian policymakers has been that development of an export-oriented manufacturing sector holds the key to developing the economy and the country as a whole. This belief does not seem to have been seriously questioned despite only limited success in attracting manufacturing investment and the generally poor performance of the manufacturing sector since 1990. The fundamental truth is that rapid growth will require a sustained export drive since the Namibian market is too small to provide the demand for goods and services in the quantities necessary to drive growth at rates of ten percent a year or more. Provided Namibia can find goods and services to export other than manufactured goods which can create the growth in jobs and incomes needed to raise living standards, there is no need to focus on manufacturing. The trouble is that, with the possible exception of tourism, no other sectors seem to have been able to provide that dynamism either. Services – from tourism to transport, telecoms, financial services, consulting, health and education – could in theory deliver growth but services are often skill intensive and Namibia lacks skills. It is doubtful whether Namibia will be able to compete in the production of manufactured mass consumer goods which are already produced efficiently elsewhere and easily traded.

The key judgement is whether the resources currently devoted to stimulating manufacturing would generate more jobs and incomes if applied to other sectors. Improving the broad range of policies known to improve economic performance across the entire economy – clear property rights, macroeconomic stability, an efficient bureaucracy, a competitive labour market, skilled and productive workforce, low-cost and reliable energy, telecommunications and transport, quality infrastructure, market access, and promoting genuine entrepreneurs – could bear far more fruit than focusing on policies targeted directly at manufacturing. If these policies were effective, manufacturing would bloom where it makes economic sense and this may be a far more effective approach than policy-makers "picking winners" on the basis of wishful thinking. The advent of "Growth at Home" did not alter this reality.

Ministry of Industrialisation, Trade and SME Development

The MTI, renamed the Ministry of Industrialisation, Trade and SME Development (MITSD) in 2015, was tasked with four major mandates: promoting investment, promoting industrial development, promoting trade and commercial activities and promoting an entrepreneurial culture[40]. However, MITSD has historically been a very small ministry with an unfocused mandate and institutional structure and virtually nothing in the way of industrial expertise. Starting with just four main divisions: international trade, industrial development, investment centre and internal trade, the Ministry has been significantly expanded in the last decade to include:

- Namibian Investment Centre
- Namibia Bureau of Standards
- Namibia Export Promotion Agency
- Namibia Competition Commission
- Registrar of Companies, Trade Marks and Patents
- Offshore Development Company
- Regional offices
- SME industrial parks
- EPZ Management Companies
- SME Bank

The Namibian Investment Centre is being revamped into the Namibia Investment Promotion and Development Board within the Office of the President. The Registrar of Companies, Trade Marks and Patents became the statutory body Business and Intellectual Property Authority (BIPA) which has operated as a Public Enterprise since 2016[41]. In 2018 the Offshore Development Company (ODC) was merged with the Namibia Development Corporation (NDC) to form the Namibia Industrial Development Agency (NIDA) following the passing of legislation in 2016[42]. However, there is little doubt that performance to date has been extremely poor despite the huge increase in budget allocation the Ministry experienced under Hage Geingob as Minister. The proof of the pudding is in the eating and the available data discussed above shows that the manufacturing sector continues to perform poorly. Use of new technologies to promote investment is limited. The website of the Namibia Investment Centre was part of the MITSD website[43], contained little useful information and was embarrassingly out of date. As stated above it is due to be replaced by the Namibia Investment Promotion and Development Board. Furthermore, if regional integration really is going to happen, it makes little sense for each SACU and SADC country to establish its own bureau of standards and competition watchdog. Finally, as outlined above, the policies that are most likely to promote industrialisation are likely to be tax, labour, education, transport and energy policies over which MITSD has little direct influence. Furthermore, developments in many of these areas are not working in favour of greater manufacturing.

Export Markets, Regional Integration and Trade

Although it has long been accepted that the creation of a single economic space in Southern Africa holds the key to attracting more FDI and boosting growth, regional trade and integration has moved exceedingly slowly. Despite being rarely acknowledged publicly, the sticking points seem to be an entrenched reluctance to cede economic sovereignty and fear of domination by South Africa (although that seems to be happening anyway). Namibia left COMESA in March 2003 and now belongs only to the CMA, SACU and SADC as well as the AU and the Continental Free Trade Area. SADC countries agreed to create a Free Trade Area by 2008 and a Customs Union by 2010. After Cotonou, the successor to Lomé Convention, Namibia negotiated an Economic Partnership Agreement (EPA) with the EU after the process dragged on past successive deadlines. Talks about a SACU-US FTA were abandoned and do not look like being revived[44]. The main obstacle to deeper regional integration continues to be the absence of any clear membership criteria for joining a regional grouping and the lack of economic convergence.

Labour Discipline, Motivation, Skills and Productivity

Unlike agriculture, fishing, mining and tourism, manufacturing can be carried out in the absence of nearby natural resource endowments but labour remains a crucial ingredient of success. However, there is no evidence that investors come to Namibia because of its labour. In the World Economic Forum Global Competitiveness Index Rankings 2019, Namibia's ranks poorly in skills (98th), hiring and firing practices (81st), flexibility of wage determination (93rd) and ease of hiring foreign labour (128th). Many have argued that the labour legislation[45] and labour policies introduced since Independence have raised the costs of hiring and firing and that this, added to the already dire shortage of skills and the limited ability to import skills, has reduced the incentive to employ labour.

[40] "Taking Namibia to 2030: Medium Term Strategic Plan", Ministry of Trade and Industry,
[41] See Business and Intellectual Property Authority Act 2016, Act No, 8 of 2016
[42] See Namibian Industrial Development Agency Act 2016, Act No.16 of 2016
[43] www.mti.gov.na
[44] See "SACU US Trade Deal on Track", *The Namibian*, 17 March 2010
[45] Primarily the Labour Act of 1992 (Act no. 6 of 1992) and the Affirmative Action (Employment) Act of 1998 (Act no. 29 of 1998) but also the Labour Act of 2007 (Act no. 10 of 2007) and the Employment Service Act (Act no. 8 of 2011)

Years ago two research papers highlighted the costs of the Labour Act[46] while the Namibian Employers Federation (NEF) launched a fierce attack on the reduction in the threshold of Affirmative Action compliance from 50 employees to 25 employees in 2006. The Employment Service Act and the New Equitable Economic Empowerment Framework (NEEEF) are only likely to add to employment costs without yielding much in the way of greater productivity. Evidence from the diamond cutting and polishing industry suggests labour costs in Namibia are high compared to competitor countries[47]. The promotion of export-oriented manufacturing as envisaged by the High-Level Panel on the Namibian Economy will require that policymakers target labour productivity in Namibia to ensure it becomes and remains internationally competitive. This involves a regular and careful comparison of skills and wages with competitor countries. There appears little sign at present that this is recognised as an issue.

Tax Incentives

The debate surrounding tax incentives in Namibia has received a lot of attention over the years and inevitably created tensions between the Ministry of Finance and the Ministry of Trade and Industry. A review of incentives was announced by the Minister of Finance in 2006 but it took another 14 years before EPZ and Manufacturing Tax Incentives were finally scrapped. It is possible that the importance of tax incentives has been exaggerated to the detriment of a focus on the fundamental economics of making manufacturing attractive. Changes to manufacturing incentives were introduced in 2003 but no one seems very sure whether these incentives achieve their objectives. Meanwhile, notwithstanding the cut in corporate tax from 42 percent to 32 percent, the rate remains high by international standards. For example, Botswana's tax rate for manufacturing companies is between 15 and 25 percent while that of Mauritius is 15 percent rate. This may be exaggerated and the Namibia Investor Roadmap commissioned by the Government in 2005[48] suggested that while the corporate tax rate looked high, the tax system overall was competitive[49]. The report made a host of other recommendations for Namibia to focus on instead including improvements to tax administration but these have long been forgotten.

Industrial Innovation

Another measure by which success in developing manufacturing can be assessed is the degree to which the economy generates innovations in the form of patents and designs and the speed with which they are adopted. In Namibia's case, however, the only regular measure of industrial innovation is the World Economic Forum's Global Competitiveness Index which has consistently ranked Namibia poorly when it comes to innovation. In the 2019 Global Competitiveness Report, Namibia was ranked 80th in "Innovation Capability" out of 140 countries doing poorly on a range of indicators including scientific publications (90th), patent applications (97th), R&D expenditures (76th) and research institutions prominence (91st). Other than this, very little information is available which allows any assessment of the state of industrial innovation.

Energy

Manufacturing is typically more energy intensive than other activities in the economy and Namibia's attempts to promote manufacturing will undoubtedly be affected by the fact that for a long period of time it faced a significant shortage of power and still does not offer cheaper power to manufacturers than other countries in the region. Chapter 13: Electricity describes in detail that, although NamPower has a pipeline of projects to deliver new generating capacity and Eskom is desperately trying to make

[46] See "Another Look at the Costs of the New Labour Act 2004", IPPR Briefing Paper No.37 and "Quantifying the Effects of the New Labour Act 2004", NEPRU Working Paper No. 102
[47] See IJG Quarterly Report Q1 2007
[48] The Namibia Investor Roadmap, The Services Group, January 2006
[49] "The general feeling of the private sector is that the tax regime is fairly conducive to investment.", The Namibia Investor Roadmap, page 106

up for the two decades of underinvestment in generating capacity, it looks certain that the era of cheap electricity from South Africa has come to an end. This will undoubtedly have an impact on Namibia's attempts to raise manufacturing investment, especially the more energy intensive operations such as smelting and refining, as well as the targeted sectors outlined in "Growth at Home" such as steel and automotive parts manufacturing.

Copper smelting in Tsumeb

Useful Websites

Business and Intellectual Property Authority
www.bipa.na

Ministry of Industrialistion, Trade and SME Development
www.mti.org.na

Namibia Industrial Development Agency
www.nida.com.na

World Economic Forum
www.weforum.org

SPEECH TO THE CHAMBER OF MINES OF NAMIBIA ANNUAL GALA DINNER

Honourable Minister
Chamber President
Distinguished guests

It is an honour and a pleasure to address you all tonight on an issue that pervades discussion of our economy here in Namibia, namely that of adding value toNamibia's minerals.

I must preface my remarks by immediately coming clean and stating that I am not a mining economist and certainly don't have the expertise in mining that most of the distinguished guests in this room have.

It perhaps should also be clear that, despite having undertaken paid work for the chamber of mines and occasionally individual mining companies, I do not see myself as a hired gun working on behalf of the mining industry. My interest in economics has always been primarily in issues of public policy – what is best for the national economy rather than a company or a sector. I am lucky enough to have lived and worked as an economist in Namibia since 1991 (with the exception of two years in the UK at the department of the environment). Unavoidably, economics is a discipline that requires one to be critical and indeed sceptical. Luckily I have been fortunate in that Namibia has always accepted my rather forthright approach with good grace and, I believe, welcomed my often critical contribution to the debate on how we can run our economy better. So no hired gun but perhaps, occasionally, a loose cannon.

Mr President, friends have always advised me to steer clear of making jokes. In a speech on beneficiation the temptation was naturally to fall into clichés and talk about Namibia getting "a raw deal", our diamond companies "not making the cut", of how the Minister was "converted" to the idea of uranium enrichment, or the need to "refine" our economic policies on manufacturing. You may not be surprised to learn that the internet threw up very few examples of beneficiation jokes. I will therefore refrain and move straight on to the core of the matter.

As we all know, Namibia is a country blessed with a range of valuable minerals – the world's finest gem quality diamonds, uranium, zinc, copper, lead, gold as well as fluorspar, salt and a range of beautiful dimension stone.

Adding further value to these minerals has long been a stated objective of government policy. Indeed the issue has come to symbolise Namibia's and Africa's economic conundrum: a state of underdevelopment in the midst of rich natural resources. The debate has strong ideological undertones with those of a more nationalist or pan-Africanist persuasion portraying the current situation as the result of deliberate neo-imperialist strategies where western multinationals strip Africa of her mineral assets leaving only the bare minimum of infrastructure and skills behind. These raw materials are exported to rich countries where they form the basis of important industries which create jobs and incomes for the rich world.

Certainly the situation can be characterised in this way. And it is right that politicians and others ask why these minerals cannot be further processed in Namibia so that they create jobs and incomes for Namibians instead. Yet the debate, such as it is, has generally been conducted at a level of such vagueness and generality that it rarely reaches any useful conclusion. Tonight I want to nail arguments down in a rather more specific way.

Let me begin by saying that our record to date on value addition has, I believe, been modest. Despite export royalties on rough diamonds and dimension stone, despite generous tax incentives for manufacturers and exporters, despite provisions contained in our mining legislation, we have not succeeded in stimulating much more value addition than was undertaken at independence, with the important exception of Skorpion mine's innovative zinc refinery, some limited cutting and polishing and processing of dimension stone.

Let me also say that, as is often the case, what appears obvious to the man in the street is far less clear cut to economists. Few economists would be surprised to hear of a resource rich country struggling to stimulate an export-oriented manufacturing sector. What we call "Dutch disease" – where natural resource exports encourage uncompetitive exchange rates which stifle the growth of manufactured exports – is a common empirical phenomenon worldwide not just in Africa (hence the term Dutch disease). It is one explanation for the fact that it tends to be resource poor countries that have achieved greater manufacturing success. Furthermore, economists have coined the term resource curse because experience has shown bountiful resources to often lead not only to a stunted manufacturing sector but also to unsustainable public sectors, corruption, ethnic strife and, at the extreme, civil war. To economists, natural resources are rarely the unambiguous blessings that most people believe them to be.

Now, I am not a politician and I freely admit to having left my left-wing beliefs in world imperialist conspiracies behind years ago when I lived in the ideologically divided city of Berlin. As an economist one generally believes that multinational corporations are driven first and foremost by the profit motive. For better or worse, however, this world view is equally capable of explaining the situation where we see Namibia's minerals exported abroad in the form that they are. Simple economics explains why we are not seeing more value addition take place. Let me explain in more detail what I mean.

We now mine over two million carats of mostly gem quality diamonds every year. The next obvious step of value addition after mining and sorting is cutting and polishing. The passing of the diamond act saw cutters and polishers set up shop but only LLD, Namcot and Hardstone Processing soldiered on when the hoped for supply of local rough failed to materialise. It is no exaggeration to say that Namibia's cutting and polishing industry has only come about due to government action to force the issue – be it through the creation of NamGem or the NDTC – not as a result of market forces. in my view government can push this as far as de beers is willing to go – perhaps we will see the majority of Namibia's diamonds cut and polished in Namibia as envisaged by His Excellency President Pohamba. But the problem with this approach is that there will always be a limit to the number of jobs that can be created since no one wants to cut and polish here willingly. If one looks at world trends in cutting and polishing, it is clear that the industry has over the past thirty years or so moved from high cost centres such as New York, Antwerp and Tel Aviv to

India and China bypassing southern Africa – the world's major producing region – altogether. But there is no dark conspiracy in this. It is little more than a question of cost. Cutting and polishing is labour intensive and labour costs in India and China are a fraction of what they are in southern Africa. Naturally, the low margin business of cutting and polishing would migrate to low labour cost countries. China and India have done nothing more than take advantage of market forces.

Namibia's major partner in diamond mining is De Beers, a first class mining company with an impressive record of delivering diamonds, jobs and revenue for the government year in year out in independent Namibia. So much so that it is taken for granted. De Beers sells rough diamonds to special cutting and polishing customers – sightholders. De Beers naturally has an interest in seeing its customers prosper and this means letting them conduct their business where it is most profitable for them to so do. With perhaps one important exception, the diamond industry consists of highly specialised players in each part of the diamond "pipeline". Only Lev Leviev claims to be interested in creating a vertically integrated company "from mine to mistress" as diamond guru Chaim Even-Zohar would say. It is up to us to ask why cutters and polishers are not choosing to locate in Namibia.

Uranium represents a rather more special case. While it is not true to say uranium is exported in raw form – uranium ore undergoes a fairly sophisticated process of transformation into yellow cake on site prior to export – the next stage of value addition involves uranium conversion and enrichment, a highly regulated, technology and skill intensive process which, to my knowledge, takes place on a commercial scale in only five countries. Job creation for low-skilled workers is minimal. The bottom line is that having uranium deposits is of relatively minor importance in the energy security equation. Most countries in the world do not believe the economics stack up as far as conversion and enrichment are concerned. I cannot think of a reason why this would be different for Namibia.

What about gold, copper, zinc and fluorspar? Like uranium, transporting bulky ore is expensive so it makes good sense to do the first stage of refining as near to the mine as possible.

In the case of gold, this means turning ore into gold bullion. But such small quantities are produced at most mines that only a shared gold refining facility makes any sort of sense. The Rand Refinery in Germiston is jointly owned by five gold mining companies while harmony is the one company in South Africa with a dedicated refinery. Is there room for a third even in the presence of a second gold mine in Namibia? Probably not.

Copper concentrate is transported from mines in Namibia, Zambia and elsewhere to Tsumeb for smelting into blister copper. In theory blister copper can be further processed to purer anode copper. Can this be done in Namibia? There may be some potential. André [Neethling - former MD of Ongopolo Mining and Processing] can undoubtedly tell us more.

Skorpion produces highly refined zinc – special high grade – which serves as the input into many manufacturing processes. The oxide nature of the Skorpion zinc deposit underpins the existence of its innovative refinery although there is still debate in policy levels as to whether it was necessary to offer EPZ status to gain this extra investment. Only perhaps Gerald [Boting - MD of Skorpion Zinc] can tell us.

Fluorspar is different again. its only real use is as the basic ingredient for the production of hydrofluoric acid or HF. but the highly reactive nature of HF means it should be produced as close to the next manufacturing stage as possible. Shipping HF from Namibia to other parts of the world would be an extremely risky undertaking. HF plants everywhere are situated on the doorsteps of diversified chemicals industry. If there were such an industry in Namibia, an HF plant might make sense. It seems that Mark [Dawe - MD of Okorusu Fluorspar] and his team have done their utmost to improve the purity of the acid grade fluorspar they produce. Asking them to go one step further would, I think, be unrealistic. Perhaps, Minister, you can ask him what it would take for Okorusu's owners Solvay to move its plants from Europe to Namibia?

Namibian salt already finds its way into final consumer products. Much goes towards manufacturing caustic soda in South Africa again helped by the presence of a local chemicals industry. Again we have no such industry here and salt can be easily transported.

As far as dimension stone is concerned, Namibia Stone Processing is already leading the way. If it achieves success others will follow. The good news is that there appear to be no fundamental economic reasons for failure. Oscar [Shigwana - CEO of Namibia Stone Processing], if you are here, much depends on you.

To sum up, it seems that for the economist, a simple consideration of labour and transport costs, rather than any darker conspiracy of world capitalism, is enough to explain the current situation in Namibia.

So can more be achieved? Although it might often appear otherwise, economists are humble folk. They do not have all the answers. Neither are economists businessmen or entrepreneurs (otherwise they would be out running businesses). Much to the frustration of politicians the world over, Minister, we are admittedly rather too good at warning about what should not be done rather than offering solutions about what should be done. But it is harsh experience in the rich world and in the poor that has taught them caution and to guard against "picking winners" willy-nilly.

Nonetheless economics may be able to give a few useful positive pointers rather than just warning of the negatives.

The first thing to recognise is that the issue of beneficiation and value addition really boils down to two questions: can further value be added to Namibia's mineral products and are mining companies the right companies to do it? Miners are not manufacturers and manufacturers are not miners. There is a definite limit to what mining companies are capable of doing as far as the value chain is concerned. Just as no car manufacturing companies mine the ore for the steel they use, no mining companies continue adding value to their minerals to produce cars. Specialisation and the division of labour is a fundamental characteristic of modern capitalism which no amount of government encouragement or cajoling is likely to change.

The second is that grand plans for adding value have to be based on sound economic and commercial fundamentals rather than wishful thinking if they are to be sustainable. We do not want to create industries dependent on government subsidies or protection for their survival. So they must be run by business on clear business principles.

The third is that industrial development is often a chicken and egg problem. We don't add value because there is no chemicals industry but there is no chemicals industry because there is no value addition. Clustering is one area where government encouragement and intervention may help.

The fourth is that we have to be clear about whether creating such an industry will harm other industries with perhaps more potential. I am thinking particularly of tourism which, the experts tell us, directly or indirectly accounts for some 16 percent of our GDP. Building dirty, noisy smelly industrial facilities at Walvis Bay might sound like development but if it creates significant negative externalities and destroys more tourism than it creates industry, this would be a mistake.

Mr President I have tried to outline the options available to Namibia in adding value to its minerals. Diamond cutting and polishing stands a chance given Namibia's strong hand at the negotiating table on the supply of rough. Uranium conversion and enrichment might be politically attractive but is an economic non-starter. Gold, even with a second mine, would still be available in such small quantities as to make no sense at all, especially on the doorstep of the world's largest gold producer. With zinc Namibia has gone as far as any mining company can go. Instead we have to ask what we must do to attract companies that use zinc in their manufacturing processes. Fluorspar and salt require chemical industries if they are to make any sense at all. All that is really left is copper and dimension stone, areas which have seen movement in recent years thanks to the efforts of Ongopolo and Namibia Stone Processing.

If all this sounds negative and unhelpful, it is perhaps because we are looking at the issue in the wrong way. I would like to suggest that, instead of asking the more inward looking question of how we can add value to Namibia's minerals, we should perhaps be asking the more outward looking question of whether we can offer the world a good place to process minerals, be they from Namibia or elsewhere. This is not perhaps as far-fetched as it might sound, just an extension of what Ongopolo has already been doing in Tsumeb importing concentrates from the region.

What do investors in processing look for? The presence of local minerals might help but it is not really an issue. The issue is whether there is a competitive environment in which to process minerals.

They look for competitive sources of power. Mineral processing is generally an energy intensive business. They look for good transport infrastructure: efficient harbours, roads and railways. They look for water. They might look for finance (although in this modern age global finance can provide money for any project anywhere). They look for macroeconomic stability, access to markets, competitive tax rates and easy repatriation of profits. And they look for a skilled and disciplined industrial workforce.

If Namibia is serious about mineral processing it has to embark upon a focussed strategy of creating this competitive environment. The key to success would be ensuring the different elements in the strategy came together so that the whole was greater than the sum of the parts.

Such a strategy would involve asking and answering some difficult questions. We have enormous power potential yet kudu gas-to-power remains untapped. We have considerable investible funds yet our savings flow out to South Africa. We have financial institutions yet they play little part in financing mining or mineral processing investment. everyone seems to agree we do not have the skilled people – not even enough to supply the existing industry and staff the ministry – but this can be solved with the right education and training combined with the judicious import of skilled foreigners.

In summary, Mr President, although I have already more than abused my position tonight, there are several points I would like to hammer home.

The first is that it is not strictly true to say Namibia's minerals are exported raw or unprocessed. Often people who say this are confused about the difference between mining companies and manufacturers.

Second the question that should really be asked is why more manufacturers are not choosing to operate in Namibia.

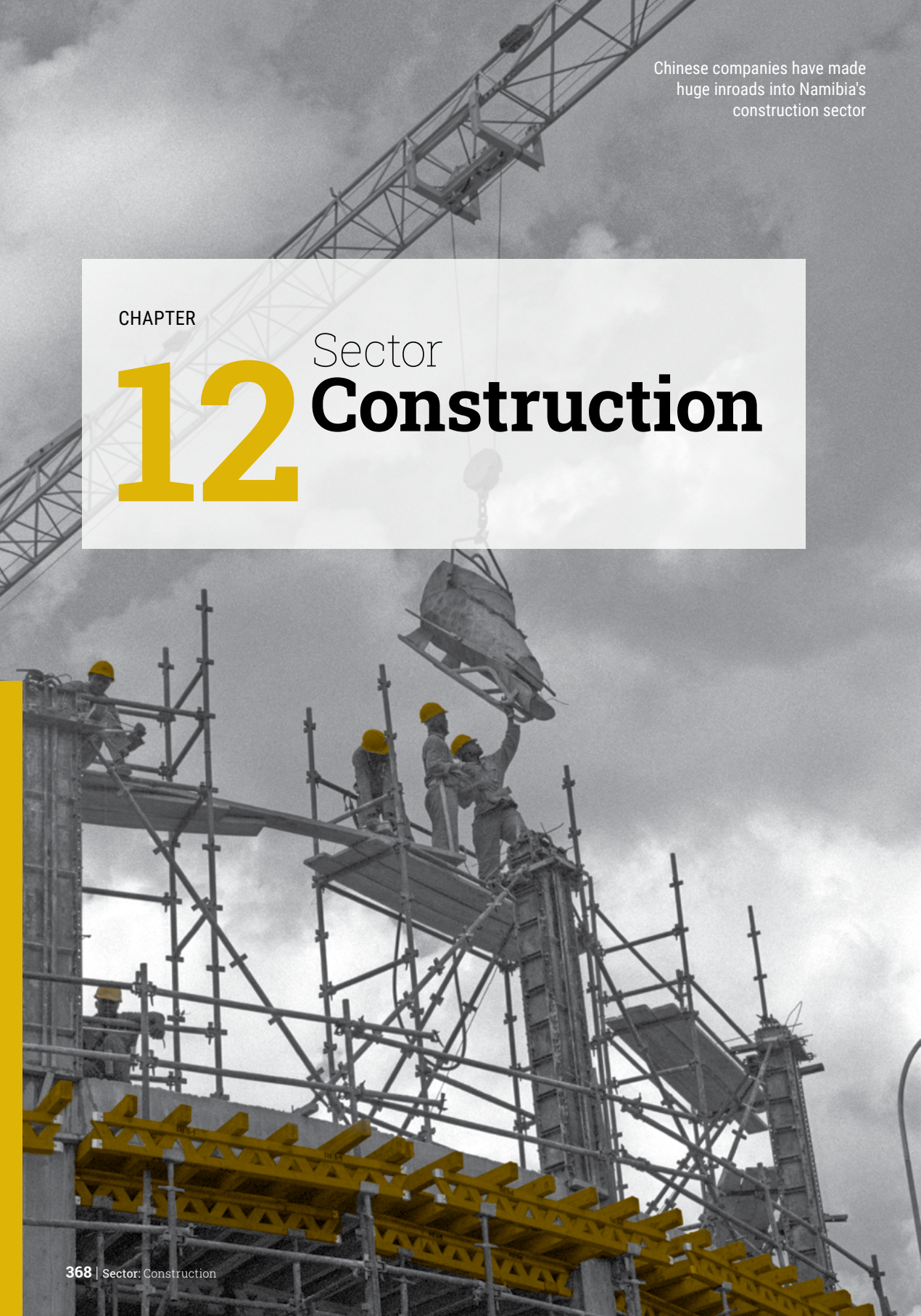
Third, strategies which rely on government coercion and regulation rather than addressing underlying competitiveness are never likely to tap into the potential for job creation and value addition that competitive outward-looking strategies are likely to achieve.

Fourth is that an outward-looking strategy aimed at processing for the world might stand a chance of delivering jobs and growth but this would involve a proper strategy and the alignment of several important planets, a trick that has eluded many countries, rich and poor.

Could it be that with the right planning and implementation Namibia could bring together kudu gas, water desalination, the stock exchange, the Development Bank, Namport, Namrail and create a competitive industrial hub? I have said any initiative must be based on sound business but such a strategy would require a certain amount of government leadership and planning.

Mr President, I don't know the answer to this question because I have not done the detailed thinking and calculations. But my hunch is that if we are serious about mineral processing, rather than looking inwardly at the rather small amounts of minerals we produce, we should be looking outwards and asking ourselves what can we do competitively so that the rest of the world will come and add value here? Embracing economies of scale that exist in minerals processing and working to create a competitive environment is the only way of producing competitively for the world market. I believe it is to this important question that we should be turning our minds.

I thank you



Chinese companies have made huge inroads into Namibia's construction sector

CHAPTER

12 Sector Construction

The construction industry in Namibia has a number of characteristics that makes it particularly interesting for the economist. Construction is a labour-intensive activity with the potential to employ large numbers of unskilled and semi-skilled as well as skilled workers. The industry consists of a wide range of enterprises from single person "micro enterprises" to large multinational companies and barriers to entry are relatively low at the smaller enterprise level. Public sector contracts, mostly awarded through the government tender process, are a major source of business and can be used as a policy tool to stimulate development. The State has aslo played a direct role in the industry through the Roads Contractor Company. Namibia's construction industry has traditionally been focused exclusively on the domestic rather than the export market but has been open to competition from other countries, especially South Africa and, increasingly during the past two decades, from China which sometimes also provides the finance behind the larger construction projects. The process whereby imports required by the industry are substituted by local products has also been an issue especially in cement. The construction sector is also one of the few industries in Namibia where there is both a minimum wage and an industry-wide pension arrangement. These characteristics make SME support, employment regulations, competition and corruption important policy issues for the sector as this chapter shows.

Construction

KEY EVENTS

YEAR	EVENT
1990	– Richard Kapelwa Kabajani appointed Minister of Works – Klaus Dierks appointed Deputy Minister of Works – Namibia Building Workers Pension Fund established – First post-Independence minimum wage gazetted
1991	
1992	– Labour Act passed – Marco Hausiku appointed Minister of Works
1993	– Construction Industries Federation of Namibia established – First minimum wage agreement reached under new Labour Act
1994	
1995	– Hampie Plichta appointed Minister of Works – "MWTC 2000 Project" launched by Ministry of Works
1996	– Tender Board Act passed
1997	– Trans-Kalahari Highway completed
1998	
1999	– Roads Contractor Company Act passed – White Paper on Labour-based Works published by the Ministry of Works – Trans-Caprivi Highway upgrade completed
2000	– Klaus Dierks leaves Parliament – Moses Amweelo appointed Minister of Works
2001	
2002	– Heroes Acre opened on 26 August – Construction of new State House begun
2003	
2004	– Sesheke Bridge over Zambezi opened
2005	– Contract threshold introduced for foreign companies by Ministry of Works – Joel Kaapanda appointed Minister of Works – New collective agreement between Construction Industries Federation and Metal and Allied Namibian Workers Union agreed
2006	– Roads Contractor Company CEO Kelly Nghixulifwa suspended – Northern Railway from Tsumeb to Ondangwa completed
2007	– Roads Contractor Company CEO Kelly Nghixulifwa resigns – New Labour Act passed
2008	– Helmut Angula appointed Minister of Works – New State House officially opened on 21 March – New collective agreement between Construction Industries Federation and Metal and Allied Namibian Workers Union gazetted
2009	– New collective agreement between Construction Industries Federation and Metal and Allied Namibian Workers Union gazetted – Construction of new Independence Memorial begun – Ban on labour hire companies declared unconstitutional by Supreme Court
2010	– Erkki Nghimtina appointed Minister of Works – Draft bill on Namibian National Planning and Construction Council brought before Parliament
2011	– N$2.5bn Ohorongo Cement commences production – Minister of Finance announces Targeted Intervention Programme for Employment and Economic Growth (TIPEEG)
2012	– Infant Industry Protection granted to Ohorongo Cement

2013
- Revised minimum wage gazetted
- Blueprint on Mass Housing Development Initiative published
- President Pohamba launches Mass Housing Development Initiative

2014
- Dr Pieter Oosthuizen appointed acting CEO of Roads Contractor Company

2015
- Alpheus !Naruseb appointed Minister of Works
- Immanuel Hanabeb appointed CEO of Roads Contractor Company
- Revised minimum wage gazetted
- Cabinet halts National Housing Enterprise work on Mass Housing Development Initiative
- Otjikoto Gold mine construction completed
- Public Procurement Act passed
- President halts tender on airport upgrade

2016
- Husab mine construction completed

2017
- Public Private Partnership Act passed
- Seth Herunga appointed acting CEO of Roads Contractor Company
- Central Procurement Board of Namibia inaugurated

2018
- John Mutorwa appointed Minister of Works and Transport
- Whale Rock Cement commissions new US$350m cement plant
- Revised minimum wage gazetted
- Neckartal dam construction completed

2019
- US$400m Namport container terminal inaugurated
- National Fuel Storage facility completed
- Construction Industries Federation hosts first annual conference

2020
- John Mutorwa reappointed Minister of Works and Transport
- West China Cement purchase of Ohorongo prevented by Namibia Competition Commission
- John Mutorwa re-appointed Minister of Works and Transport
- State of Emergency declared

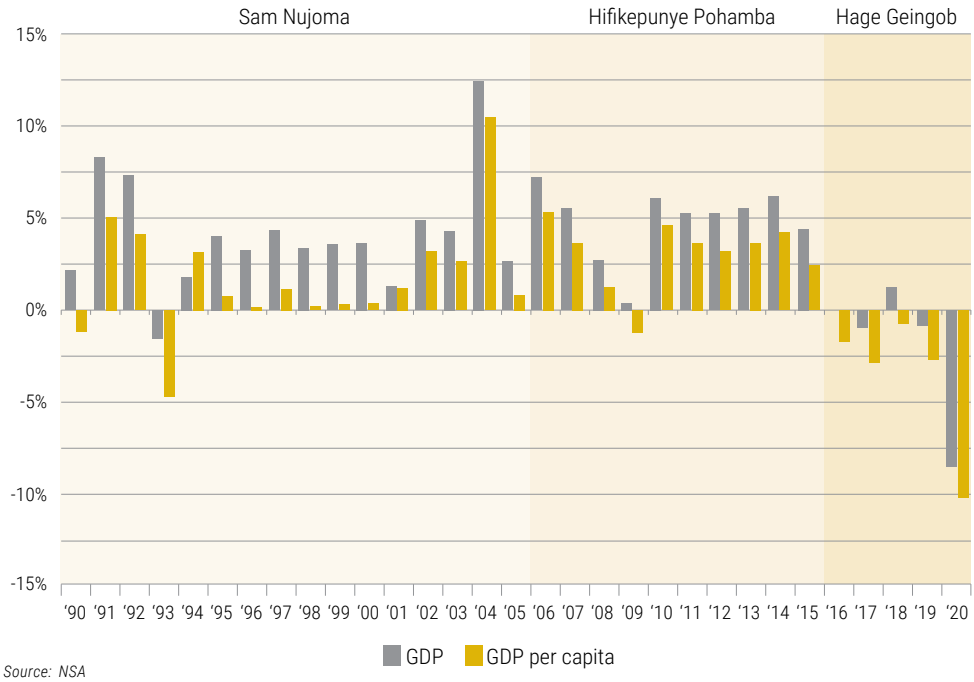
Introduction

The construction industry in Namibia has a number of important characteristics that are worth noting when assessing its role in the wider economy since Independence. As in other countries, the industry consists of a broad range of companies from small informal one-man operations to large multi-nationals. Compared to other industries, barriers to entry are fundamentally low and start-ups can enter the industry relatively easily. At the same time, it has also been open to competition from outside Namibia and has never been an industry reserved purely for locals. As well as employing very highly skilled architects and engineers, it has the potential to employ large numbers of unskilled and semi-skilled workers making labour costs and labour regulations important factors. The industry has always been primarily focused on the domestic rather than on the export market and is therefore highly dependent on domestic levels of private and public investment in buildings and construction works. The small size of Namibia's economy means that a single large project can have a significant impact on the industry as a whole. The sheer size of the public sector within Namibia's economy means the industry relies heavily on central, regional and local government as well as the huge number of State-Owned Enterprises (SOEs) for much of its bread and butter. The issue of public sector tendering and procurement as well as levels of corruption are therefore also critical to the industry's well-being. The oldest trick in the corruption playbook is for public servants to inflate the prices of public tenders and split the windfalls so derived with the winning bidders. Finally, the usefulness of construction to the wider economy is determined by the usefulness of the buildings and construction works it provides to the economy. There is always a danger for both private and public sectors to waste money on unproductive "white elephants" but the potential for this is especially high in the public sector where politicians rather than profit-seeking business people make the decisions over what does and does not get built.

Performance

CHART 12.1

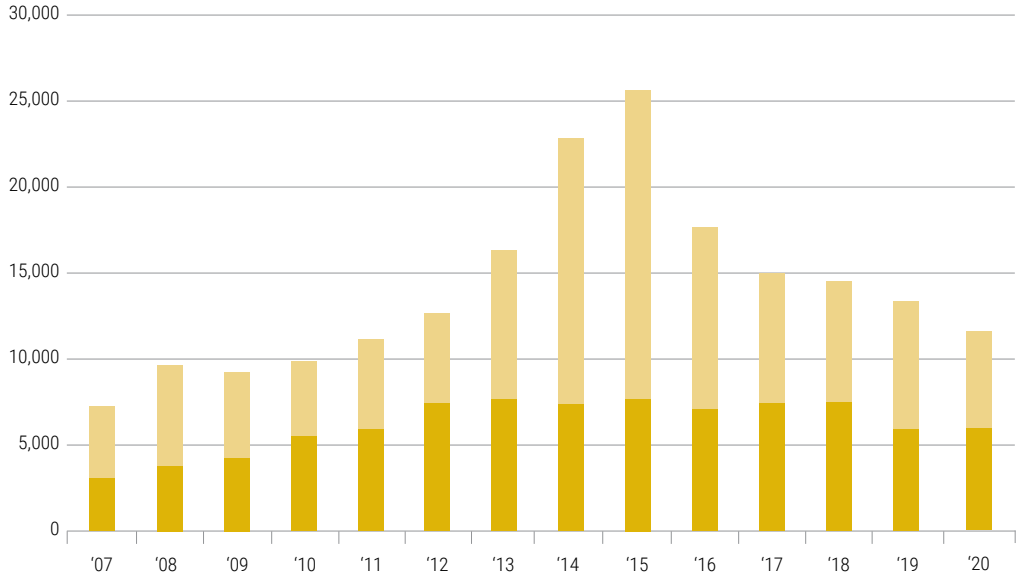
Percentage Change in GDP and GDP per capita (1990-2020)



Source: NSA

CHART 12.2

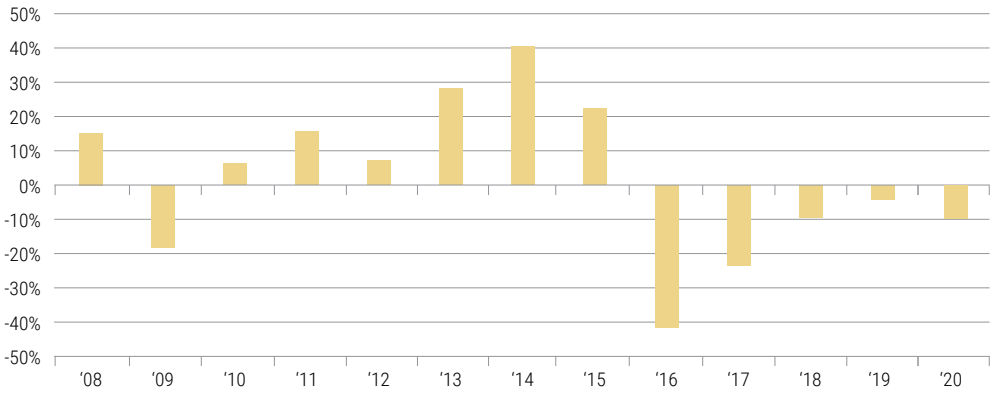
Buildings and Construction Works in N$m Constant Prices (2007-2020)



Source: NSA

CHART 12.3

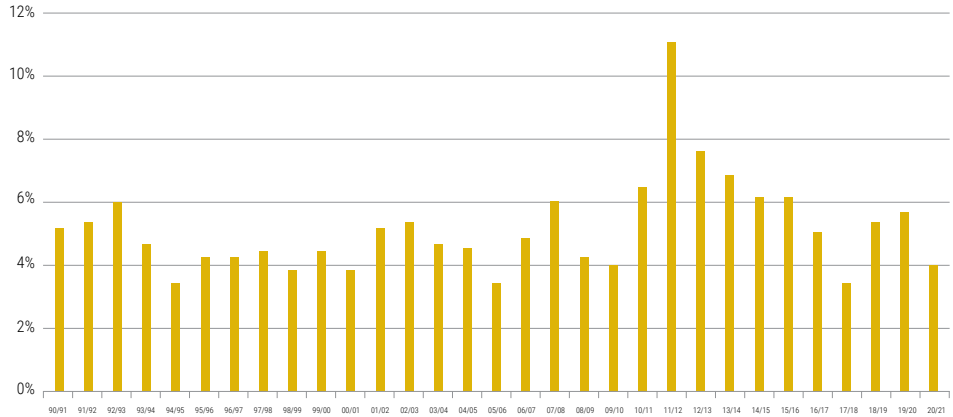
Construction Value Added (Annual Percantage Change)



Source: National Accounts

CHART 12.4

Government Capital Expenditure as Percantage of GDP



Source: Budget Documents

TABLE 12.1

Employed Population Aged 15 and Above in Construction

	'91 PHC*	'97 NLFS	'00 NLFS	'01 PHC	'04 NLFS	'08 NLFS	'09/10 NHIES	'12 NLFS	'13 NLFS	'14 NLFS	'16 NLFS	'18 NLFS
Total employed	18,609	18,538	21,387	22,926	19,545	23,316	32,644	42,577	47,859	56,747	63,005	45,057
Formally employed	–	–	–	–	–	–	–	–	36,788	6,276	15,590	15,619

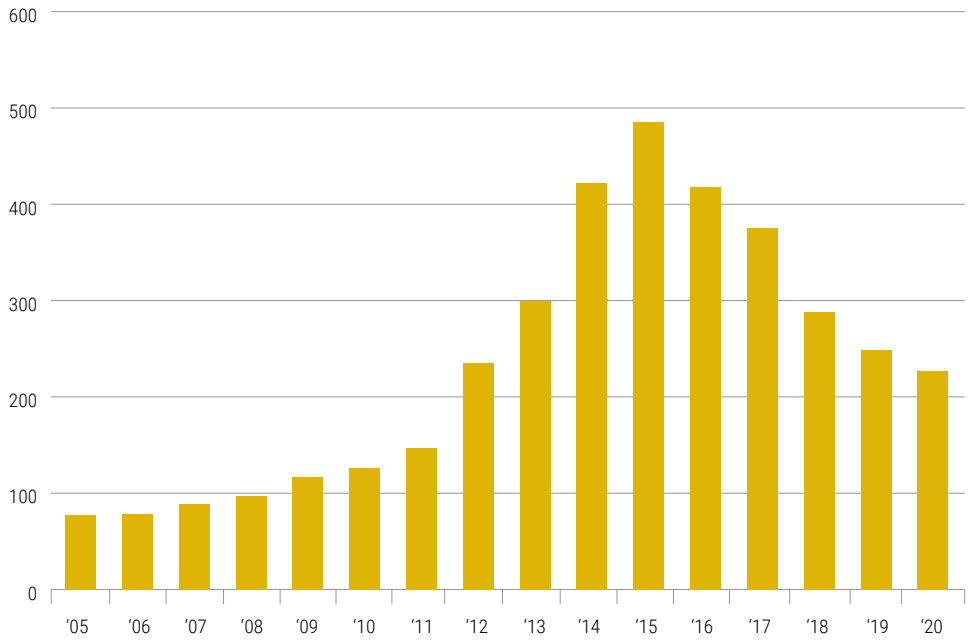
** excludes Walvis Bay*

Source: Namibia Labour Force Surveys

Since Independence the fortunes of the construction sector have broadly followed levels of investment in the economy. As outlined in Chapter 1, Namibia's levels of fixed investment since 1990 have remained fairly stable over time. Measured as a proportion of the size of the economy, government investment underwent a steady decline over the first 15 years or so. This was the outcome of the consistent and deliberate prioritisation of public spending on consumption rather than investment over successive budgets. Private sector investment shows no consistent long-term trend but was boosted by huge investment in the mining sector between 2013 and 2015 which has not been sustained since. As a result, construction has accounted for between two and six percent of GDP over the past three decades and seen employment grow from 18,609 in 1991 (excluding Walvis Bay) to a peak of 63,005 in 2016[1]. As with much of the economy, the decade following the 2008 Global Financial Crisis (GFC) has been a tale of two halves as. Strong private and public investment saw the construction of two cement plants, two major new mines as well as a new dam and port container terminal accompanied by investment in public infrastructure as part of Government's Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). These were large projects which provided short-term boosts but at the same time gave rise to a somewhat distorted picture of the overall state of the industry as underlying levels of private investment remained weak. As these projects reached completion, the economy stalled and Government started to rein back investment spending pushing the construction industry into a sharp decline which was compounded by the lockdown imposed as a response to the Covid pandemic. This decline is reflected in the membership of the Construction Industries Federation of Namibia (CIF), an industry body created in 1993 out of the Master Builders and Allied Trades Association which had been in existence since 1952[2].

CHART 12.5

Construction Industry Federation Membership (2005-2020)



Source: Construction Industry Federation

[1] See Namibia Labour Force Survey 2018
[2] See www.cifnamibia.com

Labour Regulations and Minimum Wages

Namibia's construction sector is unusual because of two arrangements which are not found in other sectors of the economy. First, there is a sector-wide pension fund called the Namibia Building Workers Pension Fund (NBWPF) designed to enable low-income construction workers to save for a pension. The NBWPF, established on 1 May 1990 following negotiations between the Master Builders and Allied Trades Association and the Namibian Building Workers Union, involves equal contributions by both employers and employees and is managed by an independent trust. The arrangement goes back further to the Wage and Industrial Conciliation Ordinance of 1952 which, following Independence, was superseded by the Labour Act of 1992. Although the NBWPF was established between just a single employer organisation and a single trade union, legally it covers all construction industry employers and workers.

Second, construction has been one of only four industries in the economy to be covered by minimum wage legislation[3]. The first post-Independence minimum wage agreement in construction was reached already in 1990 prior to the passing of the Labour Act[4]. This included an obligation to contribute towards the NBWPF. The Labour Act of 1992, and later the Labour Act of 2007, gave the Minister of Labour the power to make a collective agreement reached between individual employers and employees binding on an entire industry. These regulations have been the subject of regular negotiations between the CIF and the Metal and Allied Namibian Workers Union (MANWU) ever since, the latest being agreed in November 2017 and gazetted in April 2018. Both the CIF and MANWU are keen to see such agreements enforced across the entire industry but it is hard to say to what extent this is true. Given uneven enforcement and also the long periods of time that elapse not just between agreements but between agreements being reached and being gazetted, it is hard to say how effective this mechanism is in maintaining living standards for workers in the industry.

Construction is a labour-intensive industry and remuneration forms a major component of overall building costs. Although the issue of minimum wages and labour standards has been on-going since Independence, it gained greater prominence with the arrival of Chinese competition. As Chinese companies entered the Namibian market, there was clear evidence that some Chinese firms were not abiding by minimum wage legislation nor paying pensions and adhering to safety standards although they were not alone in doing so[5]. The CIF reports it has expelled not only Chinese but also Namibian member companies when it has become clear they were not adhering to the law. Kerry McNamara, an architectural agent responsible for evaluating government tenders on behalf of the Ministry of Works, once estimated that ignoring regulatory requirements can give bidders a 27 percent cost advantage. Furthermore, Chinese firms regularly won state tenders without the required Affirmative Action certificates. Government as a whole appeared to sanction the breaking of its own laws and regulations in a way that deliberately favoured Chinese and informal operators. If the aim of policy is to create a level playing field for all, the inability or unwillingness to enforce compliance suggests labour regulations are inappropriately stringent and cannot be policed.

[3] The others are agricultural farm workers, guards in the security industry and, from 1 April 2015, domestic workers.
[4] See Official Gazette No. 5915, 19 March 1990
[5] See "Nam Builders Ramp Up Pressure on Govt over Chinese firms", *The Namibian*, 2 April 2007

National Construction Council

Controversy about regulation and malpractice in the construction industry led to the idea of forming a Namibian Planning and Construction Council. However, although the idea was first mooted back in 2006 and a draft Bill was presented to Parliament in 2010, the draft legislation was not accepted. The draft Bill envisaged the Council comprising of representatives from a broad range of stakeholders including the CIF, the Ministry of Works and Transport, the Tender Board, and Local Authorities. The CIF sees the Council as a forum to discuss a range of industry issues from competition and protection to tendering and preferences for Namibian businesses. A second draft Bill for the establishment of a National Construction Council was reviewed at a stakeholder workshop organised by the Ministry of Works and Transport in November 2018 championed by then Deputy Minister of Works James Sankwasa but he subsequently lost his seat in Parliament. At the conclusion of the Namibia Economic Growth Summit in August 2019 action was promised before the end of the financial year but nothing has so far been forthcoming. It can only be speculated why it has been held up for so long but the aim of eliminating middlemen, fronting and "tenderpreneurs" may be one reason many are not keen to see it go ahead.

Roads Contractor Company

As in other sectors of the economy, Government has chosen to become directly involved in the construction industry through the Roads Contractor Company (RCC), which is directly involved in the business of road building. As one outcome of Government's MWTC 2000 project, large sections of the Ministry of Works, Transport and Communications were commercialised into separate state-owned companies. The first of these was the RCC, whose founding legislation was passed by Parliament in 1999[6]. Although the original intention was to create a competitive company which could capably fulfil public contracts to maintain and extend the country's road network, the RCC quickly ran into financial difficulties, a situation which was then compounded by corruption at the top level of management. This led to the suspension of its CEO Kelly Nghixulifwa in August 2006 and his eventual resignation at the beginning of 2007. After acting, former General Manager of Plant and Equipment Engelhard Haihambo was confirmed as CEO in 2009. However, Haihambo abruptly left after being informed his contract was not to be renewed and was replaced by Dr Pieter Oosthuizen in 2014. Oosthuizen in turn ended up resigning after public scrutiny of his qualifications and suitability for the job. In August 2015 Immanuel Hanabeb, a senior manager at Namport, was appointed acting CEO on secondment from Namport following the announcement of retrenchments earlier in the year. He in turn was replaced by Plant and Fleet General Manager Seth Herunga in July 2017 who took over as acting CEO only to be replaced by another insider former General Manager for Corporate Affairs Gerson Karaerua in 2019.

From the beginning, the RCC was guaranteed a certain amount of work annually by Government. At one point the RCC claimed that its maintenance division performed 70 percent of the work required to maintain Namibia's road network[7]. In 2005, it bought Bricks and Concrete Industries (BCI) which failed to prosper under the new owner. By 2013 it appeared that BCI was in financial trouble and had failed to pay its rent[8]. The Roads Authority (RA) has in the past awarded contracts to the RCC without going to tender and the RCC has been accused of carrying out substandard work and subcontracting to Chinese companies. Problems at the RCC persisted despite Government continuing to award it preferential treatment amid speculation that it was in fact other companies, especially Chinese companies, that actually did the work[9].

[6] Roads Contractor Company Act (Act No.14 of 1999)
[7] See page 73 Namibia Trade Directory 2009.
[8] See "Bricks and Concrete Industries Closes Shop", *The Namibian*, 8 March 2013
[9] See "RCC in Financial Crisis", *The Namibian*, 25 August 2014

Since 2017 there has been talk at Cabinet level of liquidation and rescue plans and the RCC was placed under judicial management in September 2017 to prevent its assets being forfeited. In June 2018 Works Minister Mutorwa appointed a temporary board of directors after it came to light that the RCC had negotiated a deal with Chinese company Nantong Sanjian which offered a N$580 million loan to the RCC in exchange for a stake in its contracts. Things came to a head in 2018 when a report on the future of the RCC was submitted to the Cabinet Committee on Treasury, allegedly containing a recommendation that the insolvent company be shut down. In July 2019 Cabinet instructed Namibia Post and Telecommunications Holdings (NPTH), the holding company of MTC and Telecom Namibia, to purchase the head office of the RCC for an estimated N$104 million to prevent the property being repossessed by Bank Windhoek due to non-payment of the mortgage. In September, not for the first time, RCC employees were informed that their salaries would be delayed. In October the Anti-Corruption Commission confirmed that it was investigating the qualifications of the RCC's Acting Head of HR. By 2020 the fate of the company still hung in the balance although N$21 million was allocated in the 2020/21 National Budget. The RCC has not made public an annual report since 2005. Its website no longer exists.

Chinese Competition

South African firms historically dominated the larger contracts in Namibia's construction market but since around 2000 the status quo has been dramatically shaken up by the arrival of competition from Chinese construction firms tendering not only for public but also private sector contracts. The most prominent of these have been China Jiangsu, China Nanjing and China Beijing Corporation, which are state-owned, as well as New Era Investment. While these appear to have reduced building costs for both public and private clients, they have forced many established construction firms to go out of business and have in the past been criticised for unfair competition and accused of not adhering to labour, tax and quality standards[10]. Government has been happy to use Chinese firms for many of its prestige projects including the Supreme Court, the new State House and the new Ministry of Lands and Resettlement building as well as for the Walvis Bay container port and Hose Kutako International Airport upgrade. Often the larger contracts are tied

[10] See "Solving a Chinese Puzzle", *Insight Namibia*, April 2006

to finance provided by the Chinese Government. In the early days the Chinese government made a series of grants to both Swapo[11] and the Namibian Government. Many suspected a political agenda or outright corruption behind much Chinese success in winning tenders. In one interview[12], the Chinese Ambassador suggested Chinese firms accounted for 15 percent of the local construction market while other observers put it far higher and threw in dark rumours about Chinese convicts being used as cheap labour. The Ministry of Labour and Social Welfare produced a report in 2006 which revealed that Chinese contractors were breaking the law and this provoked an angry reaction from the CIF[13]. The Labour Resource and Research Institute published a detailed study of the track record of Chinese companies in Namibia in 2009 concluding that "the current labour practices at Chinese firms in Namibia are unacceptable and cannot be tolerated"[14] . However, to date no Chinese companies have formally been found guilty of breaking any regulations although there has been at least one incident where labour inspectors have temporarily stopped operations[15]. One court case was brought in October 2007 by Namibia Construction and Murray & Roberts against the Chair of the Tender Board, the Ministry of Works and China Nanjing for the awarding of a N$75 million contract to a company which did not adhere to Government's own tender requirements for the building of a new Ministry of Lands head office[16]. However, by the time the case came to be heard, building work had been almost completed. Construction of the new State House in Windhoek was completed by Chinese and North Korean companies and was due to expand into Namibia's regions before budget cuts were made. Despite all the controversy, Chinese companies continued to win a disproportionately large share of the Namibian market[17]. However, the most comprehensive survey available to date suggests of 251 Government projects undertaken between 2010 and 2018, just 21 or 8.7 percent were awarded to Chinese firms but that this accounted for 37.6 percent by value[18]. Most of the largest and most controversial cases in the construction sector – the N$7 billion upgrade of Hosea Kutako International Airport[19] (involving the NAC and Anhui Foreign Economic Construction Group), the N$5.6 billion National Oil Storage Facility in Walvis Bay[20] (involving Namcor and China Harbour Construction Engineering, the RCC and Babyface Civils), the N$211 million upgrade of Ondangwa Airport[21] (involving the NAC and China State Construction Engineering Corporation) to name but three - have involved Chinese companies working in cahoots with well-placed local individuals. In all three cases prices bacame vastly inflated.

Cement Production

Historically, Namibia imported most of its cement from South Africa although a small plant later bought into by NSX-listed African Portland Cement (API) existed outside Otjiwarongo until 1999 when it was closed down, partly for environmental reasons. However, in 2005 cement prices suddenly dropped when a local company started to import cement from Brazil under the brand name Cheetah Cement. The price war that followed between Cheetah and Holcim (now Afrisam) saw the price of a 50kg bag of cement halve from N$54 to N$26. Cheetah ended up going under and prices quickly rebounded to their original levels.

The episode highlighted the importance of Namibia's domestic cement market and, with the 2010 World Cup in South Africa leading to a boom in construction, Namibia was eyed by investors as a cement production location. This resulted in the announcement in August 2008 that Ohorongo Cement Company, backed by

[11] "The Life of the Party: The Hidden Role of Money in Namibian Politics" by Martin Boer, IPPR Occasional Paper No.5, September 2004
[12] See "The Dragon Meets the Kudu", *Insight Namibia*, September 2005
[13] See CIF News Flash 10, March 2007
[14] See "Chinese Investments in Namibia: A Labour Perspective" by Herbert Jauch and Iipumbu Sakaria, LaRRI
[15] See "Construction Work at Chinese Company at Rundu Stopped", The Namibian, 14 August 2008
[16] See "Attack on Lands Office Building Contract Stuck in Starting Blocks", *The Namibian*, 29 January 2009
[17] See "Squeezing Locals Out?", *Insight Namibia*, March 2015
[18] See "Risks and Rewards: Making Sense of Namibia-China Relations", IPPR Briefing Paper, October 2019
[19] See "President Terminates Airport Deal", *The Namibian*, 22 December 2015
[20] See "Billion Dollar Oil Storage Blunders", *The Namibian*, 13 March 2020
[21] See "Chinese Company's N$211m Contract Cancelled", *The Namibian*, 7 June 2019

HOSEA KUTAKO INTERNATIONAL AIRPORT UPGRADE

In his State of the Nation Speech in June 2020, President Geingob highlighted the case of the tender to upgrade Hosea Kutako International Airport as evidence that he was prepared to act against corruption.

> The decision to cancel awarding of the Hosea Kutako International Airport upgrading tender, which was inflated from 3 to 7 billion Namibian Dollars. This was challenged in the High Court. We initially lost that case and appealed to the Supreme Court, which subsequently overturned the decision.
>
> President Hage Geingob

The decision by the Namibia Airports Company (NAC) and the Ministry of Works and Transport to award the tender in December 2015 was quickly followed by an announcement by President Geingob on 22 December that the award had been cancelled. This coincided with a period of extreme fluctuations in the US dollar-Namibia dollar exchange rate. The winning bidder, Anhui Foreign Economic Construction Group, took Government to court and won its case to get the President's decision overturned in September 2016. An application was made to the Supreme Court by the President, the Minister of Finance and the Minister of Works and Transport to have the award nullified and in March 2017 the Supreme Court duly ruled that the award had been unlawful.

Five years after the initial award of the tender, as Shikongo Law Chambers took Anhui to court over alleged unpaid legal fees of N$3.1 million, court papers showed that N$105 million in commission was due to be paid to the law firm Tjombe-Elago as part of the deal. This followed newspaper reports at the time that well-known middleman Knowledge Katti was due to earn N$100 million from the deal. It is undoubtedly true that President Geingob took action to stop a flawed contract but at the time no further action appeared to be taken against anyone involved in the deal.

German cement giant Schwenk, had received a mining licence from the Ministry of Mines and Energy and was to invest N$2.5 billion to build a cement factory between Tsumeb and Otavi producing 700,000 tonnes a year. Construction of the plant, which was outsourced to Polysius, commenced at the beginning of 2009 and was completed by the beginning of 2011 with the official inauguration attended by President Pohamba taking place on 4 February 2011. Meanwhile other cement projects including one by Karibib Portland Cement 12km from Karibib and one promoted by a group consisting of the Otjiwarongo Municipality, Whale Rock Cement, and a new Chinese partner Sino-Hydro on Cleveland farm outside Otjiwarongo[22] came to nothing. Shortly after Ohorongo commenced production, Angola – which was to be one of Ohorongo's key export markets – imposed an import ban on cement. In addition, low-priced imports from China continued to flood the Namibian market. Under pressure to make its investment pay, Ohorongo Cement took the step of asking the Namibian Government for Infant Industry Protection (IIP) which, Ohorongo argued, had always been a precondition for making the investment.

Although IIP was granted for a period of eight years and came into force on 27 July 2012 in the form of additional duties, the measure was challenged in the courts by Jack's Trading, an importer of Chinese cement. The beginning of 2013 saw the Attorney General refer the case to the Namibian Supreme Court but no clear ruling seems to have been forthcoming. Meanwhile, in October 2015 Whale Rock Cement – a joint-venture between Chinese and Namibian business people - announced it would invest US$350 million to build a cement plant in Otjiwarongo[23] but started importing cement clinker rather than producing it in Namibia despite having been granted a mining licence to mine limestone. In March 2019 Schwenk announced that it was to sell its entire majority stake in Ohorongo to Singapore-listed International Cement Group but then in January 2020 confirmed that it had instead entered into a sale and purchase agreement with West China Cement for N$1.5 billion in cash. However, the sale was blocked by the Namibia Competition Commission in August 2020 on the grounds that it could lead to coordination between Ohorongo Cement and Whale Rock Cement, despite the fact that Whale Rock has publicly denied any link with West China Cement[24].

Mass Housing Scheme

The lack of affordable housing in urban areas has been a major issue in Namibia since Independence. In November 2013, President Pohamba officially launched the ambitious Mass Housing Development (MHD) programme to be led by the National Housing Enterprise (NHE). The MHD programme planned to build 185,000 affordable houses by the year 2030, which was to be implemented in phases at a projected total cost of N$45 billion. According to the Blueprint on Mass Housing Development Initiative in Namibia, published in October 2013[25], the main objectives of the MHD programme included: 1) to provide access to affordable housing to the Namibian people; 2) economic empowerment through ownership of a tradable asset (a house) that can be used as security for further wealth and asset generation at household level; and 3) creating jobs and stimulating economic growth. The programme aimed to create 20,556 new jobs by 2030. The first phase of the project – estimated to cost in the region of N$2.7 billion – was to take place over the course of two years and planned to build 8,800 housing units across all fourteen regional capital centres, while 10,200 plots will also be serviced during this time. President Pohamba handed over 89 houses in Walvis Bay in November 2014 a year to the day since the initiative had been launched. However, in July 2015 Cabinet withdrew the mandate given to the NHE to implement the Scheme reportedly because of widespread corruption. By that time, only 1,468 houses out of the planned 10,000 units had been built under phase one of the Scheme of which more than half – 797 – had not been connected to municipal services[26].

[22] See "Cheetah Cement Finds New Partner", *New Era*, 21 January 2009
[23] See "Cheetah Cement Bank with a Bang", *The Economist*, 23 October 2015
[24] See "Ohorongo Sale to Chinese Buyer Blocked", *The Namibian*, 4 August 2020
[25] http://www.housingfinanceafrica.org/wp-content/uploads/2013/12/Blueprint-Mass-Housing.pdf
[26] See "NHE's Mass Housing Mandate Revoked", New Era, 30 July 2015

Corruption

The combination of expensive contracts and the lack of public scrutiny and accountability make construction industries breeding grounds for corruption in many countries. Transparency International used to produce a regular Bribe Payers Index[27] which showed that Russian, Chinese, Mexican and Indian firms were particularly likely to use bribes to win contracts and that public works and construction companies were the most corruption-prone when dealing with the public sector. Certainly, the history of post-Independence Namibia has been littered with corruption allegations surrounding the tender process for state construction projects so much so that *Insight Namibia* established Corruption Tracker and Procurement Tracker. Some large-scale projects[28] such as the State House and Heroes Acre were not put out to tender but awarded directly to Mansudae Overseas Projects of North Korea. Others are tied to finance provided by China. As IPPR research showed, the construction sector is plagued by perceptions of corruption and a large number of public contracts receive tender exemption[29]. Certainly, few firms bidding for tenders have an interest in jeopardising future contracts by causing trouble for a major client. Nontheless, in 2015 Parliament passed the Public Procurement Act[30] after Namibia had been included in the first round of compliance assessments under the United Nations Convention Against Corruption (UNCAC) knowing it would be assessed on procurement sometime between 2016 and 2020. The IPPR gave the Act a glowing review in August 2017[31] although the envisaged Central Procurement Board (CPB) of Namibia had only been inaugurated in April 2017. Above certain thresholds, all Government procurement including construction contracts are supposed to go through the new system although provision is made for exemptions in sensitive areas such as defence, security and intelligence. In April 2020 the IPPR published its Procurement Tracker which was scathing about the operations of the CPB concluding that, despite criticism from former Finance Minister Schlettwein, the IPPR "stands by the "factualness" of its reporting on the issue of the general state of non-compliance of state entities with the transparency provisions of the Public Procurement Act of 2015".[32]

"The combination of expensive contracts and the lack of public scrutiny and accountability make construction industries breeding grounds for corruption in many countries... Certainly, the history of post-Independence Namibia has been littered with corruption allegations surrounding the tender process for state construction projects so much so that *Insight Namibia* established Corruption Tracker and Procurement Tracker."

[27] See http://bpi.transparency.org/bpi2011/results/

[28] More information on public procurement can be found in "The Hidden World of Public Contracting" Corruption Tracker, *Insight Namibia*, March 2008.

[29] See "The Tender Board: Need for Root and Branch Reform", Anti-Corruption Research Programme Paper No. 3, IPPR, September 2011 and "Building Integrity: Corruption and the Construction Industry", Anti-Corruption Research Programme Paper No. 5, IPPR, October 2011.

[30] Public Procurement Act (Act No. 15 of 2015)

[31] See "Promoting Integrity: The New Public Procurement Framework", IPPR Briefing Paper, August 2017

[32] See "Procurement Tracker Namibia: Issue No 9", IPPR, April 2020

TRANSPARENCY INTERNATIONAL'S BRIBE PAYERS INDEX: BRIBERY MOST COMMON IN PUBLIC WORKS AND CONSTRUCTION

In 1999 Transparency International compiled its first Bribe Payers Index (BPI) and this was repeated in 2006 and then 2011. The last publication was based on a survey of more than 3,000 senior business executives on the extent to which companies from 28 of the world's leading developed and developing countries engage in bribery when doing business abroad. The countries were chosen according to the volume of their imports and inflows of foreign direct investment. Of the 28 leading international and regional exporting countries selected, companies from the Netherlands and Switzerland are seen as the least likely to bribe while companies from Mexico, China, and Russia are seen as the most likely to bribe. The survey showed that bribery was seen as most common in public works contracts and the construction sector.

OECD Anti-Bribery Convention

On 17 December 1997 all Organisation of Economic Cooperation and Development (OECD) countries plus five others signed an Anti-Bribery Convention which came into force on 15 February 1999. Of the worst offenders in the table above, only Mexico signed up to the OECD Anti-Bribery Convention since it was an OECD country. Since then, all 37 OECD countries plus Argentina, Brazil, Bulgaria, Costa Rica, Peru, Russia and South Africa have signed up. South Africa ratified the Convention in 2008. Despite not being a member of the OECD, Namibia is free to sign the Convention and participate in its anti-corruption activities. By 2020 China had not signed the Convention.

An additional ranking has been developed by business membership organisation TRACE International which produces an annual Bribery Risk Matrix covering 200 countries[33]. Rather than examining the propensity of firms from different countries to engage in bribery and corruption, this assesses the overall risk of bribery by country over four domains: business interactions with the government; anti-bribery deterrence and enforcement; government and civil service transparency; and capacity for civil society oversight. In 2019 Namibia was ranked 72 out of 200 receiving a total risk score of 47.

TABLE 12.2

Transparency International Bribe Payers Index

Territory	2011 Score	2011 Ranking
Netherlands	8.8	1
Switzerland	8.8	1
Belgium	8.7	3
Germany	8.6	4
Japan	8.6	4
Australia	8.5	6
Canada	8.5	6
Singapore	8.3	8
United Kingdom	8.3	8
United States	8.1	10
France	8.0	11
Spain	8.0	11
South Korea	7.9	13
Brazil	7.7	14
Hong Kong	7.6	15
Italy	7.6	15
Malaysia	7.6	15
South Africa	7.6	15
Taiwan	7.5	19
India	7.5	19
Turkey	7.5	19
Saudi Arabia	7.4	22
Argentina	7.3	23
United Arab Emirates	7.3	23
Indonesia	7.1	25
Mexico	7.0	26
China	6.5	27
Russia	6.1	28

For more information see www.transparency.org

[33] See https://www.traceinternational.org

Costs and Benefits of Public Construction Projects

Perfect procurement procedures and zero corruption are of little value if the need for and design of the infrastructure has not been properly established. In the private sector, whether to go ahead with a project or not rests on a business case which focuses on the financial costs and benefits of the project to the business. Private sector investors will put together the required business case. In the public sector this is a more complicated process because good project selection and design depends upon identifying not only financial costs and benefits but also the wider costs and benefits to the economy as a whole. This is captured through a process which economists call Cost-Benefit Analysis (CBA). Economists accept that often these costs and benefits are hard to put numbers on but if no attempt is made at all, it is only through luck that construction projects will prove their worth to the wider economy. The obvious institution where this should take place is the National Planning Commission which plays an important role in putting together Government's construction projects which are included in the annual Development Budget published alongside the national budget (albeit sometimes with a delay). However, as far as is known, the NPC does not subject projects to even the most superficial CBA and, if it does, these are not made public. The general belief inside and outside Government is that capital spending is a good thing for growth and that "supply creates its own demand". Government offices are built, roads are widened and airports are upgraded without much reference to costs and benefits. Of course, any construction project will boost short-term growth as each gives rise to economic activity and incomes for businesses and workers. But evidence that Government capital spending has boosted long-term growth is scanty to say the least. A good example of this is the 246km Northern Railway Line Extension from Tsumeb to Ondangwa inaugurated in July 2006 and which took four years and N$841 million to complete. Although of great political significance, the line has hardly been used since. However, Namibians will be paying for the railway line for many years to repay the Arab Bank for Economic Development in Africa (US$4·9 million) and the Kuwait Fund for Arab Economic Development (US$8·9 million) which helped finance the deal[34]. In 30 years only one public report has raised the issue of infrastructure being built without due attention to a robust feasibility study. This report was, rather predictably, fiercely criticised by Namport, the SOE that had commissioned the infrastructure in question. Namport rightly pointed out that it had not been consulted at all by the report's author[35].

Covid

Namibia recorded its first case of Covid on 14 March 2020 when Health Minister Dr Kalumbi Shangula announced that a Romanian couple arriving from Europe had tested positive at Hosea Kutako International Airport. On 17 March President Geingob declared a state of emergency closing Namibia's borders, banning gatherings of people, imposing a lockdown and effectively shutting down large parts of the economy. Stage 1 regulations were issued on 23 March and Stage 2 regulations on 4 May when lockdown was lifted. Construction activities effectively ceased during Stage 1 with only very limited emergency building work allowed. The Labour Directive Relating to Covid[36] issued by Labour Minister Utoni Nujoma on 20 April prevented companies from laying off workers and obliged employers to negotiate any changes to workers' terms of employment provoked a critical response from the CIF in a press release entitled "Don't Fight the Employer to Save Jobs". Although Finance Minister Iipumbu Shiimi attempted to protect Government's capital spending in his first national budget of 27 May 2020, development spending of N$6.4 billion involved only eleven new projects as he tried to limit the budget deficit. A CIF survey elicited responses from 61 of its members suggesting over two-thirds had made losses in the past financial year.

[34] See "Northern Railway Line No White Elephant", *The Namibian*, 9 June 2008
[35] See "Namport Within the Context of a Logistics Hub", *EAN Review Issue No1*, March 2019
[36] Labour Directive Relating to Covid, Ministry of Labour, Industrial Relations and Employment Creation, Government Notice No. 2020, April 2020

Conclusion

The very nature of the construction industry lends itself to new entrants which can start small but gradually take on bigger and more ambitious projects. Although there are undoubtedly far more formal black-owned construction businesses which are members of the CIF in 2020 than there were in 1990, there is little evidence that Namibia has succeeded in exploiting this potential to the full. Government has never designed a policy towards the sector and has rarely put effort into assessing public projects for the value they bring to the wider economy. Furthermore, there is little support to encourage construction businesses into foreign markets. The industry has grown in line with the domestic economy and levels of investment within it. Significant new entrants - primarily from China - have come in and started to dominate the sector at the level of larger projects. Well-placed Namibian individuals have probably enriched themselves as a result of weak tender procedures and half-hearted anti-corruption enforcement. While the economy and the number of contracts were growing there was probably enough for everyone, genuinely productive local businesses large and small, foreign entrants and rent-seekers. However, as Namibia passes through years of fiscal austerity and low growth and focused almost entirely on the domestic economy, the lack of a clear approach towards the sector will count heavily against it.

Annex

ANNEX 12.1

Roads Contractor Company: Key Financial Indicators

N$m	Revenue	Pre-tax profits	Tax paid	Capital and reserves	Employees
2001	223.9	38.4	13.5	130.4	1,904
2002	270.2	-29.3	-10.2	104.4	2,371
2003	341.4	0.8	0.4	104.9	1,516
2004	338.6	-2.9	-0.7	102.7	1,415
2005	400.9	9.9	3.5	109.1	1,297
2008	316.1	27.1	3.6	n/a	1,034
2009	368.4	17.7	1.2	n/a	901
2010	333.2	10.8	0.0	n/a	839
2011	388.0	28.7	0.0	n/a	894

Source: Roads Contractor Company Annual Reports

Useful References

Development Programmes: Estimates of Expenditure (Development Budget), National Planning Commission

Estimates of Revenue and Expenditure (National Budget), Ministry of Finance

Corruption Tracker, Insight Namibia (monthly)

Procurement Tracker, IPPR (last edition April 2020)

Useful Websites

Central Procurement Board of Namibia
www.cpb.org.na

Cement and Concrete Institute of South Africa
www.cnci.org.za

Construction Industries Federation of Namibia
www.cifnamibia.com

Hanns Seidel Foundation
(Insight Corruption Tracker)
www.hsf.org.na

Institute for Public Policy Research
(Procurement Tracker)
www.ippr.org.na

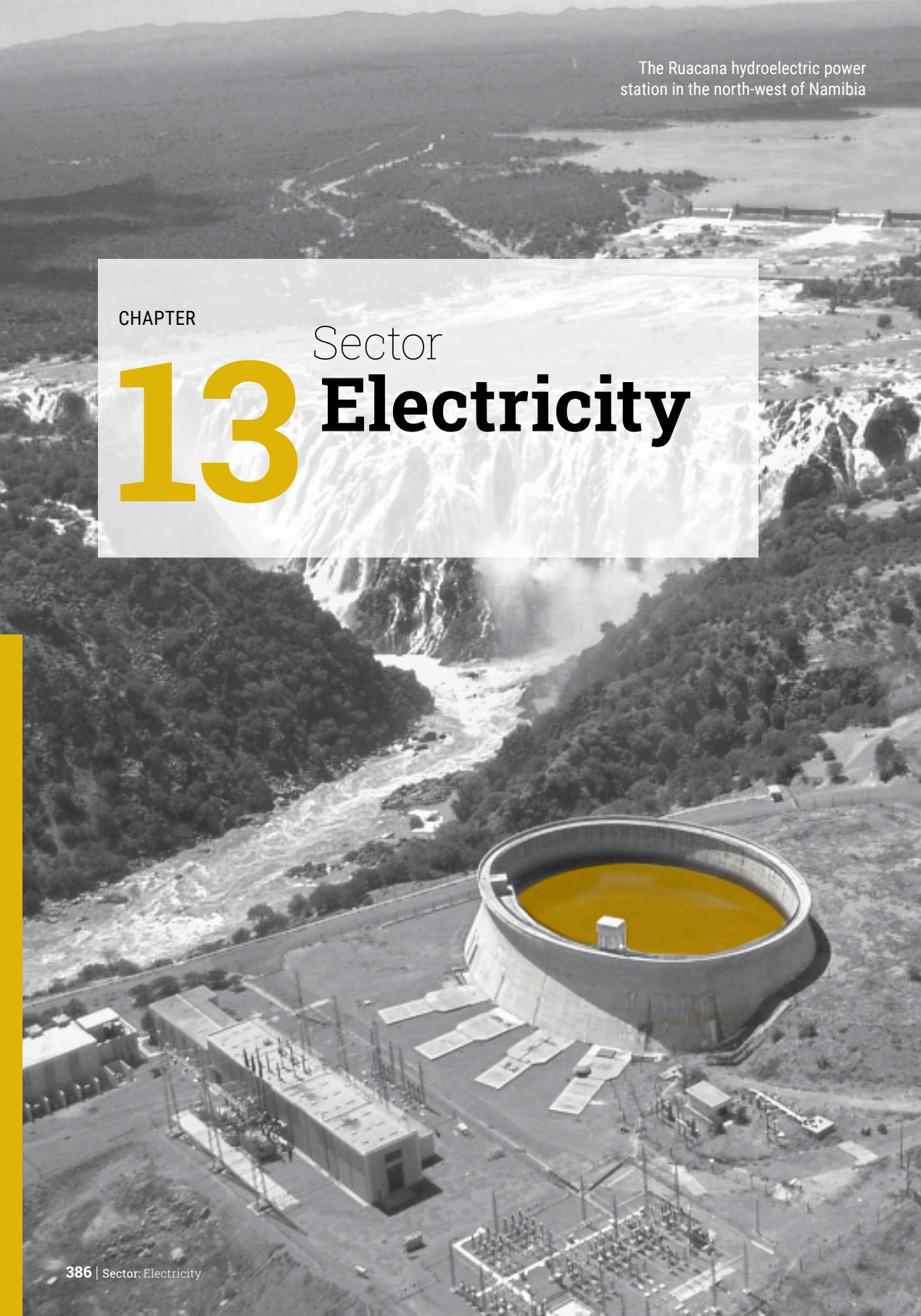
Ministry of Finance
(National Budget and Development Budget)
www.mof.gov.na

Namibia Statistics Agency
www.nsa.org.na

Organisation of Economic Cooperation and Development (OECD)
www.oecd.org

TRACE International
(Bribery Risk Matrix)
www.traceinternational.org

Transparency International
www.transparency.org



The Ruacana hydroelectric power station in the north-west of Namibia

CHAPTER

13 Sector Electricity

Since Independence, Namibia's electricity industry has undergone a fundamental rethink along similar lines to many other countries, including South Africa. What was once a monolithic industry dominated by SWAWEK and the municipalities has, in principle at least, been divided into separate generation, transmission and distribution industries. Independent Power Producers (IPPs) compete to supply power both to the grid and directly to customers while Regional Electricity Distributors (REDs) deliver power to the final consumer. The entire industry is regulated by an arms-length regulator – the Electricity Control Board (ECB) due to turn itself into the Namibia Energy Regulatory Authority (NERA). In tandem with this domestic reform, Namibia has become more firmly integrated into the southern African region through the Southern African Power Pool (SAPP) importing electricity not only from South Africa but also from Zambia, Zimbabwe and further afield. On top of this structural reform, significant resources have been devoted to rural electrification. This transformation has not come about easily. For many years policymakers and state monopoly NamPower put enormous effort into getting prestige generation projects off the ground to tackle Namibia's dire shortage of generating capacity. In the end, a combination of the failure to achieve success, weak public finances, a change in the policy framework, and the steady reduction in the cost of renewable energy combined to bring about a more diversified and sustainable mix of cost-effective generating capacity based on renewable energy IPPs.

Electricity

KEY EVENTS

YEAR	EVENT
1990	– Ministry of Mines and Energy established – Andimba Toivo ya Toivo appointed Minister of Mines and Energy – Polla Brand continues as MD of SWAWEK
1991	– SWAWEK commits to provide electricity for 80 percent of Namibians by 2000 – Rural electrification programme starts funded by Government and NORAD
1992	
1993	– Shell Exploration and Production Namibia and Energy Africa Kudu awarded licence for Kudu gas field – SWAWEK becomes liable for paying tax
1994	– SWAWEK starts paying tax to Government
1995	– SWAWEK Chairman Polla Brand dies in a car accident – Leake Hangala appointed MD of SWAWEK – Ten-year sales agreement signed with Eskom – Second 200kV feeder of 166km to Omburu distribution station – Namibia helps found Southern African Power Pool
1996	– SWAWEK renamed NamPower
1997	– 400kV single circuit transmission line of 900km commissioned from Aries to Kokerboom and Auas – NamPower signs MoU with Shell Exploration and Production Namibia and Eskom for 750MW CCGT at Oranjemund – Deputy Minister Jesaya Nyamu forcefully reaffirms Government's aim to build Epupa hydroelectric power station – Kyoto Protocol signed setting binding targets for 37 rich countries by 2012
1998	– White Paper on Energy published setting out 75 percent target for domestic electricity generation
1999	– Jesaya Nyamu appointed Minister of Mines and Energy
2000	– NamPower subsidiary Oshakati Premier Electric established – 400kV transmission line to South Africa completed – Namibian Rural Electricity Distribution Master Plan released – Electricity Act passed – Electricity Control Board established – Siseho Simasiku appointed CEO of Electricity Control Board
2001	– Maize Triangle Electrification Project launched
2002	– Dr Nickey Iyambo appointed Minister of Mines and Energy – NamPower restructuring completed – NamPower completes construction of 251km 400kV line to Skorpion – Shell withdraws from Kudu gas-to-power project
2003	– Ruacana adopts automated Profibus technology – 220kV line from Van Eck to Walvis Bay completed
2004	– NamPower signs MoU with Energy Africa and Namcor and initiates feasibility study – NamPower announces its BEE policy – Leevi Hungamo appointed chair of NamPower board
2005	– Erkki Nghimtina appointed Minister of Mines and Energy – Westcor joint venture established – NamPower receives investment grade credit rating from Fitch Ratings – NamPower receives N$250 million from fiscus to strengthen balance sheet – NamPower takes 37 percent stake in PowerCom – Namibian Rural Electricity Distribution Master Plan updated
2006	– Paulinus Shilamba appointed MD of NamPower – 10 year contract with Eskom expires

2007

- Parliament passes new Electricity Act to replace Electricity Act of 2000
- Government subsidises use of coal for Van Eck
- Off Grid Energisation Master Plan approved by Cabinet
- Tullow signs deal with Itochu
- NamPower signs Hwange deal with ZESA of Zimbabwe
- Construction starts of Caprivi Link
- Licence and IPP status granted to Aeolus wind farm
- NamPower launches N$3 billion bond note programme

2008

- Cabinet reaffirms target for greater electricity self-sufficiency

2009

- NamPower sells stake in PowerCom
- Cabinet approves cost-reflective tariffs by 2011/12
- ECB approves time of use (TOU) tariffs
- NamPower tenders for fourth turbine at Ruacana
- NamPower signs deal with ZESCO of Zambia
- Russian President Medvedev makes state visit to Namibia
- Tullow's Kudu licence not renewed
- Gazprom becomes shareholder in Kudu gas-to-power
- Copenhagen Climate Change Summit fails to set binding emissions targets

2010

- DRC announces pull-out from Westcor
- 250kW CBEND project inaugurated
- Government publishes Rural Electrification Master Plan

2011

- Caprivi Link inaugurated
- Tsumkwe solar diesel hybrid plant inaugurated
- Anixas power station inaugurated
- Gazprom withdraws from Kudu gas-to-power

2012

- Fourth turbine at Ruacana inaugurated
- Kudu gas-to-power conferred national project status by Cabinet
- NamPower announces 300MW Erongo Coal Project is priority

2013

- NamPower shelves Arandis Coal and commits to Kudu
- NamPower signs deal with Aggreko Ressano Garcia gas-fuelled power plant in Mozambique
- NamPower signs PPA with InnoSun Energy Holdings

2014

- NamPower signs export agreement with CEC
- NamPower signs 15-year deal with ZPC
- NamPower selects six preferred bidders for 250MW power plant

2015

- ZESA agreement terminated and replaced by agreement with ZPC
- Obeth Kandjoze appointed Minister of Mines and Energy
- Xaris Energy's Walvis Bay Power Plant conferred national project status by Cabinet
- First IPP InnoSun's Omburu photovoltaic plant inaugurated
- Government Xaris Energy project shelved due to cost increases
- Paulus Shilamba suspended
- Xaris reinstated as preferred bidder for NamPower

2016

- National Support Mechanism for Improving the Electrification of Households in Unelectrified Urban and Rural Areas endorsed by Cabinet
- Simson Haulofu appointed MD of NamPower

2017

- Cabinet approves National Integrated Resource Plan, Renewable Energy Policy and National Energy and Renewable Energy Policies
- BW Offshore concludes farm in agreement with Kudu project

2018

- Tom Alweendo appointed Minister of Mines and Energy
- Cabinet approves IPP Policy
- Ombepo wind farm IPP near Lüderitz inaugurated

2019

- Cabinet approves Modified Single Buyer market framework
- ECB developes Off-Grid Electrification Policy

2020

- Tom Alweendo reappointed Minister of Mines and Energy
- NERA and new Electricity Bill and Gas Bill

Introduction

The story of the electricity sector in Namibia started off as largely the story of the state-owned monopoly NamPower. NamPower started life as the South West Africa Water and Electricity Corporation ("SWAWEK" in Afrikaans) created by the Industrial Development Corporation (IDC) of South Africa on 9 December 1964. SWAWEK first built the R22 million 120MW Van Eck thermal power station in Windhoek named after Dr Hendrik van Eck, the first MD of SWAWEK and father of the Ruacana power station. The first two 30MW units came on stream in 1972, the third in 1973, and the fourth in 2012.

The agreement between the South African and Portuguese governments to build the Ruacana hydroelectric power station on the Kunene river in the far north west of the country was signed in 1969. However, with delays to Ruacana apparent, a decision was taken in 1976 to build an interim diesel power station in Walvis Bay consisting of four 6MW units nicknamed Paratus (Latin for "always ready") because it had to cater for peak demand and power outages at the new Rössing mine. Ruacana was eventually completed in 1978 with a capacity of 240MW at a cost of R162 million. A fourth generating unit was added to Van Eck in 1979 at a cost of R24 million. Thus, by Independence in 1990 Namibia had a total installed electricity generating capacity of some 384MW. SWAWEK's owner, the IDC, was bought out in 1986 and the shares handed over to Namibia's then Administrator General.

EPUPA AND BAYNES HYDROELECTRIC POWER

Government and NamPower were aware of the long-term need to reduce dependence on South African electricity imports and President Nujoma was determined to push for electricity self-sufficiency. Cabinet decided to pursue the idea of building a second hydroelectric power station at the Epupa falls on the lower Kunene River. By 1997 the project had reached feasibility stage and Government was preparing itself to raise the N$2.5 billion required to build the 300MW plant. In a model of good governance, the prefeasibility and feasibility studies (which had been financed by the Governments of Norway and Sweden) were made available for public scrutiny[1]. Government had already sunk a lot of political capital into the project, Deputy Minister of Mines and Energy at the time Jesaya Nyamu went as far as to say "It is not a question of whether Epupa will be built or not, but rather where it will be built."[2] However, the project stirred international controversy due to its impact on the environment and local Himba people in Namibia's north-west. Furthermore, the ongoing civil war in Angola increased the risks associated for a project that was going to cost some 20 percent of Namibian GDP. The European Investment Bank declined to fund the project which then fizzled out as meetings of the Permanent Joint Technical Commission set up by Angola and Namibia were postponed due to disagreements over the location of the project with the Angolans preferring Baynes to Epupa. However, Government only formally acknowledged the project was dead in 2005.

Attention then switched to the Baynes site. The Namibia-Angola Permanent Joint Technical Commission on the Cunene Basin (PJTC) between the Governments of Namibia and Angola awarded a tender for a feasibility study into a 500MW hydro plant to a Brazilian consortium in 2008. Work inched forward on Baynes which the Energy Ministers of Namibia and Angola in April 2020 declared would see construction of the dam start "after the end of 2022" with the power plant commissioned in the first quarter of 2029. It was envisaged to generate 600MW, adding 300MW to Namibia's domestic generating capacity and 300MW to Angola's and cost US$1.5 billion according to the 2014 feasibility study.

[1] See Economic Eye, *The Namibian*, 3 February 1998
[2] www.internationalrivers.org./en/africa/tribespeople-inivited-comment-dam-feasibility-study

The charismatic Polla Brand, who had been MD of SWAWEK since 1982, died in a car accident in December 1995. He had insisted he would not change the name of SWAWEK unless SWAPO too changed its name. Former Permanent Secretary of the Ministry of Mines and Energy Dr Leake Hangala was appointed SWAWEK MD in 1995 and shortly afterwards in 1996 SWAWEK changed its name to the Namibian Power Corporation or NamPower with a mandate in energy generation, transmission and trading. Energy trading took place with the nascent Southern African Power Pool (SAPP). A connection to ZESCO (formerly the Zambia Electricity Supply Corporation Limited) capable of delivering 3MW of power was established in 1998 and this provided a cost-effective way to electrify distant Katima Mulilo at the eastern end of Caprivi, now the Zambezi Region. Hangala's contract was renewed in 2000 and extended in 2005. He was replaced in 2006 by Paulinus Shilamba, the GM Technical Services at the Electricity Control Board (ECB). At that time NamPower was not immune to public criticism. Imker Hoogenhout, head of operations at NamPower until retiring in 2003 after 28 years of service, publicly criticised NamPower and MME in an outspoken broadside published in 2007[3].

With the frustrating experiences of Epupa in the 1990s and Kudu in 2000s detailed below, NamPower struggled to come up with a clear strategy for investment in new generating capacity. There was a period when new project ideas were announced regularly. A range of proposals were considered including an 80MW fourth turbine at Ruacana, a 360MW Baynes hydroelectric plant in Angola, a mini 30MW hydroelectric station at Popa Falls in the Caprivi, a series of mini hydro plants on the Orange River together generating 108MW (Lower Orange River Hydro Electric Pants or "LOHEPS"), a 21MW diesel-fired station at Walvis Bay, a larger 800MW coal-fired power station at Walvis Bay, a project based on fuel derived from washing out fuel tanks from shipping docking at Walvis Bay ("Walvis Bay slop") and a handful of renewable projects involving wood gas, wind and solar energy. In 2007 Belgian Electrawinds announced it was planning to build a 100MW wind park while in 2009 French company InnoVent announced it was planning to establish a 300MW wind park south of Walvis Bay[4].

In November 2009, as part of the push for greater generation capacity, NamPower announced it had awarded the contract for the fourth turbine at Ruacana to a consortium of international companies with completion envisaged for March 2012[5]. The original plant had been designed and built to accommodate a fourth turbine. The new 92MW unit was completed at a cost of N$750 million and was officially inaugurated by President Pohamba in May 2012. Shortly thereafter NamPower announced it had awarded a contract to Barloworld Namibia for the construction of the 21.5MW Anixas ("place of wild birds" in Topnaar) diesel peaking plant at Walvis Bay[6]. The original project was to be a joint-venture with Anglo American but the mining giant pulled out as the impact of the world economic crisis led to severe cost-cutting and a halt to new projects. A slightly larger N$350 million 22.5MW plant ended up being completed on time and to budget and was inaugurated by President Pohamba in November 2011. In August 2011, NamPower also inaugurated a small 200kW off-grid hybrid solar PV diesel plant (the largest of its kind in Africa) supplying the entire settlement of Tsumkwe.

In 2010 the CBEND Project (Combating Bush Encroachment for Namibia's Development) installed a 250 kW bush-to-electricity power plant at a cost of N$13.3 million on farm Pierre in the Otavi area, one of the most bush infested areas of Namibia. The plant is fueled with invader bush and feeds electricity directly into the national grid. This proof-of-concept project was designed to determine the financial feasibility of this approach, assess the technical robustness of the technology and establish Namibia's first Independent Power Producer (IPP). The project was implemented by the Desert Research Foundation of Namibia (DRFN) in partnership with the Namibia Agricultural Union and the Namibia National Farmers Union and funded by the European Commission through the National Planning Commission Secretariat's Rural Poverty Reduction Programme.

[3] See "Electricity in Namibia: Quo Vadis?", *The Namibian*, 11 May 2007
[4] See "French firm to Start 300MW Wind Farm", *The Namibian*, 10 September 2009
[5] See "Fourth Turbine for Ruacana Plant Ready by 2012", *The Namibian*, 6 November 2009
[6] See "Barloworld Namibia to Build N$250m Walvis Bay Power Station", *Engineering News*, 5 November 2009

By that stage, NamPower had succeeded in establishing useful trading arrangements with SAPP and adding some modest domestic generating capacity in the shape of Anixas and the fourth unit at Ruacana. However, this was all rather too little and too late to help deal with the impending supply shortages arising from decades of underinvestment in generation capacity in South Africa upon which Namibia had historically relied. Namibia's 1998 Energy White Paper had envisaged the country being 75 percent self-sufficient in electricity generation by 2010, a target that was as far from being achieved as ever. NamPower boss Shilamba made regular public warnings about the upcoming supply challenge but flip-flopped about which grand priority projects were about to get off the ground. A range of Short-Term Critical Supply (STCS) options were explored which included mostly neglected Demand Side Management (DSM) possibilities and expensive emergency diesel generation as well as imports.

As part of a series of stop-gap measures designed to pave the way for the ultimate construction of Kudu gas-to-power, NamPower in 2014 selected an unknown company Xaris Energy as one of six preferred bidders to construct a 250MW open cycle gas turbine at Walvis Bay using imported LNG in opposition to advice from the ECB and other experts. However, it became apparent that the bidding process had been subject to irregularities and that Xaris was backed by several well-known Namibian politicians. The project's website listed Xaris Energy, NamPower, Ariya Capital, General Electric and FGK Investments as equity partners[7] and promised to deliver 300MW of power by 2016. Shortly after taking office in March 2015, it was reported that President Geingob had instructed his new Minister of Mines and Energy to shelve the project, ostensibly due to the doubling of its price tag from N$3.5 billion to N$7 billion. However, the project was resurrected at a Cabinet meeting on energy in December 2015 with the proposal that NamPower take a 30 percent stake. Appointed for a second term, Shilamba was suddenly suspended in July 2015, ostensibly because of tender irregularities. In October Kahenge Simson Haulofu was appointed acting MD and then in July 2016 permanent MD.

Electricity Control Board, Regional Electricity Distributors, IPPs and Regulation

The Energy White Paper of 1998 set out Government's long-term thinking on the electricity sector[8]. The subsequent Electricity Act of 2000[9] marked a key policy milestone in Namibia and put this thinking into practice. In line with international trends, the Act split up what had been a monopolistic electricity industry into three separate components: generation, transmission and distribution and made provision for the existence of Independent Power Producers (IPPs) to generate electricity for sale to the grid. A parallel study into electricity distribution led Cabinet to approve the establishment of five Regional Electricity Distributors (REDs) to rationalise the distribution of electricity to consumers. In addition, price regulation was introduced through the establishment of the Electricity Control Board (ECB) under its first CEO Siseho Simasiku. From 2000, NamPower tariffs would have to be approved annually by the ECB. By the end of 2012 the Northern RED (NORED established in 2002), Central Northern RED (CENORED established in 2005) and Erongo RED (established in 2005) were in operation while by 2020 the Southern RED (SORED) and Central RED had not been established partly due to fears by local authorities about the impact the existence of REDs may have on their revenue base. The original rationale for establishing REDs was to rationalise the 50 or so distributors (each with different tariffs and service quality). Furthermore, the ECB had no influence over municipalities

[7] See https://walvisbaypowerplant.com/about-the-project/project-partners/
[8] White Paper on Energy Policy 1998 can be downloaded from http://www.mme.gov.na/publications.htm
[9] Electricity Act 2000 (Act No.2 of 2000)

which continued to depend on electricity tariffs as a major source of revenue. The need to establish such an expensive body to regulate a single state-owned generation and transmission company has also been criticised for the same reason. The Electricity Act of 2000 was later replaced by the Electricity Act of 2007[10] which enhanced and clarified the operations of the ECB.

The policy framework was created with the twin aims of encouraging private investors to invest in IPPs and fostering competition. The Kudu gas-to-power described in detail below was envisaged to be an IPP (despite having NamPower as a shareholder). An IPP licence was granted to Aeolus Power Generation, a joint venture between Dutch investor Leo Gastel and Haddis Tilahun's United Africa Group, in April 2007 to build a 92MW wind farm consisting of 102 turbines along Namibia's coast[11]. This project was subsequently scaled down to 44MW but was never constucted.

In 2015 as efforts to construct new electricity generating capacity based on fossil fuels floundered and the cost of renewables continued to decline, the Ministry of Mines and Energy, the ECB and NamPower initiated the Renewable Energy Feed-In Tariff (REFIT) programme with the intention to reduce electricity imports and attract private investment in the development of renewable energy resources in Namibia. The REFIT programme was designed to accelerate investment in renewable energy technologies by offering long-term contracts to renewable energy IPPs to feed in the electricity they generated into the grid. The envisaged capacity of 70 MW was expected to be generated through the REFIT programme translated into 14 IPPs each generating 5 MW.

In the end, Namibia's first IPP was inaugurated in May 2015 when InnoSun Energy opened its first 4.5MW solar voltaic Omburu power plant south of Omaruru selling its power to NamPower under a 25-year Power Purchasing Agreement (PPA) signed in December 2013. InnoSun is part of France's InnoVent but the Omburu project has Black Diamond Investment as a local shareholder. In October 2016 InnoSun started construction of a small 5MW three turbine wind park near Lüderitz which gained IPP status as Ombepo ("wind" in Oshiwambo) and started producing electricity in December 2018. Some N$118 million of finance for the N$180 million project was provided by the Development Bank of Namibia while Lüderitz Town Council holds a five percent share. In October 2019, Sertum Energy opened a 5MW PV Plant at Trekkopje mine. Sertum Energy is an IPP with a 25-year PPA with NamPower. It is a collaboration between Italy's Enertronica and local businessman Elton Katangolo. In June 2019, Alten Energías Renovables commissioned Namibia's largest solar PV plant with generating capacity of 45.5 MWp as a joint venture with NamPower, and Namibian solar companies Mangrove, Talyeni and First Place Investment. The plant, located in Mariental, covers an area of 100ha and is planned to produce electricity for 70,000 residents.

Despite progress on IPPs, a formal IPP Policy was only adopted by Cabinet in 2018 according to the ECB which also reported that IPPs contributed eight percent to domestic electricity generation in the year to 31 March 2020. Within the National Integrated Resource Plan (NIRP) approved by Cabinet in 2017, NamPower plans to build 150MW of capacity based on four project and this will be complemented by an additional 70MW from 14 smaller IPPs as laid out in the table. Cabinet approved the Modified Single Buyer (MSB) market framework from 1 September 2019 allowing IPPs to sell directly to customers without having to go through NamPower. Already by the end of 2019, NamPower had signed 19 Power Purchase Agreements with ECB-licenced IPPs and this had not been added to by the end of 2020.

[10] See Electricity Act 2007 (Act No. 4 of 2007)
[11] See "Namibia First in Africa to Start Wind Park", *The Namibian*, 25 April 2007

KUDU GAS-TO-POWER

The offshore Kudu gas field, located 170km off the south coast of Namibia, was discovered by Chevron and SOEKOR in 1974. In May 1993 Government awarded a drilling licence to Shell Exploration and Production Namibia (SEPN) and Energy Africa Kudu for area 2814A. By 1997 the idea of piping the gas ashore to drive a Combined Cycle Gas Turbine (CCGT) power station was being investigated in detail based on gas reserves of 1.3tcf. However, after further drilling SEPN decided to relinquish the licence leaving Energy Africa as the sole operator. Ten percent of the venture was divested to Namcor. Between 2003 and 2004 NamPower, Energy Africa, Eskom and Namcor carried out a joint pre-feasibility study on the idea of building an 800MW CCGT sited near Oranjemund. In 2005 Irish independent Tullow Oil bought Energy Africa and renewed the push for a gas-to-power project. A production licence was awarded in August 2005 on the understanding that Kudu gas-to-power would go ahead but this was followed by a period of uncertainty during which NamPower and Energy Africa failed to agree terms on a gas sales agreement despite a public deadline for a Final Investment Decision by the end of 2007. Eskom, whose role as a major client had always been critical but which had always played a rather ambivalent role in moving the project forward, quietly pulled out at the end of 2007 despite a severe shortage of generating capacity in South Africa. Tullow brought in Japanese engineering giant Itochu as a 20 percent shareholder in 2007.

Energy Africa announced a major project rethink in April 2008. Instead of laying an expensive pipeline to Uubvlei, it made more sense to employ shuttle tankers to bring the gas ashore to markets around Southern Africa. This idea did not exclude a CCGT at Walvis Bay[12]. The role of South Africa was again highlighted during a visit to Namibia by President Mbeki in August 2008 when the South African Trade Minister declared South Africa was committed to jointly developing Kudu gas-to-power[13]. However, Tullow's licence was allowed to expire in August 2009. This came shortly after the state visit of Russian President Medvedev to Namibia. During the visit, Gazprom International's MD Boris Ivanov underlined his company's interest in participating in the project describing Kudu as "quite a nice sexy little project". A period of uncertainty followed as a whole stream of announcements by Gazprom regarding Kudu was made without official announcements on the Namibian side. By the end of 2009 Government had obliged Tullow to accept Gazprom as the 54 percent majority shareholder in the project. There was still no power purchase agreement with Eskom and it was far from clear whether Tullow or NamPower had agreed. However, in May 2011 Gazprom abandoned the project saying it did not pass its "high level approval" criteria. In the meantime, NamPower had gone ahead and commissioned work on a possible 300MW coal-fired power station and identified Arandis, the epicentre of the country's uranium industry, as the optimal location. In a presentation to the Chamber of Mines of Namibia Conference in May 2012, Shilamba stated clearly that the Arandis coal project was NamPower's preferred option ahead of Kudu to close the supply gap by 2016. The estimated cost of the project, which was to be based on Circulating Fluidised Bed (CFB) or "clean coal" technology, was in the region of N$8 billion. However, the beginning of 2013 saw this position turned on its head with Shilamba stating that "the priority is to make Kudu work this year" and NamPower board chair, the influential and ubiquitous Leevi Hungamo, resigning in protest at Minister Katali's refusal to heed NamPower's recommendation[14].

In November 2014 on a trip to China, Katali announced that Tullow and Itochu had withdrawn from the project leaving government to find an alternative partner for their 46 percent share. At the same time, Katali indicated that the China National Offshore Oil Corporation (CNOOC) was interested in becoming a partner. In a later press release on its full 2014 results, Tullow stated that the project had not ranked highly enough in its capital allocation process confirming what had already been known that it was a marginal project. At a meeting in Cape Town in October 2015, Namibia's Petroleum Commissioner Immanuel Mulunga announced that a preferred technical operator had been selected to take 31 percent in the project but failed to name the partner. Mulunga maintained that the project was on track and that a final investment decision would be made by mid-2016. However, at a conference on energy organised by the Economics Association of Namibia in Windhoek shortly afterwards, Finance Minister Calle Schlettwein publicly asserted that Kudu "could be forgotten" and that investments in renewable energy made more sense[15]. In the speech, Schlettwein put the cost of electricity from Kudu at 255 cents per kWh compared to the costs of renewables in South Africa of between 67 and 146 cents depending on the type of generation.

By that stage Kudu gas-to-power had been around for almost two decades but it had proven impossible to reconcile the complex interests of all the parties involved. Government wanted to see electricity dependency on South Africa reduced and would prefer to see Namibia exporting electricity rather than gas, a position supported in the African Development Bank's 2014-18 Strategy Paper for Namibia[16]. NamPower wanted to limit exposure to hard currency costs and had ambitions to become a major regional player in generation trying even to bypass Eskom and sell directly to major customers such as mines. Eskom was fighting to maintain its hegemony over the region and was never fully committed to Kudu. Tullow wanted to maximise profits for shareholders and show it was capable of pulling off the sort of high risk project that Kudu represented. It would be as happy selling gas in hard currency as supplying gas to a CCGT in Namibia. Gazprom made promises under political pressure before taking a proper look at the project. NamPower saw Zambia's Copperbelt Energy Corporation (CEC) as another possible partner in the project. With the establishment of Namibia's first renewable IPP in 2015 and the complete lack of support from the Ministry of Finance under then Minister Schlettwein, it looked unlikely that Kudu would ever get off the ground. Nonetheless, in February 2017 Norwegian company BW Offshore concluded a farm-in agreement taking a 56 percent stake with the remaining 44 percent held by Namcor. However, since taking over as Mines Minister Tom Alweendo has stressed that Government is not keen to participate in funding the project which means it is unlikely to happen. Since then Namibia's fiscal position and credit-worthiness has taken a knock and this position is now more a reflection of harsh economic realities. Because it had always been "on the verge of going ahead", Kudu tended to overshadow other smaller less glamorous investments in generation and thus served to delay more realistic if less glamorous plans for generation capacity.

[12] See "Commercial Agreements Hamper Development of Kudu Gas Field", *The Namibian*, 10 February 2009
[13] See "RSA to Help Develop Kudu", *The Namibian*, 6 August 2008
[14] See "Hungamo Jumped Before He Could Be Pushed", *The Namibian*, 7 March 2013
[15] See http://www.ean.org.na/wp-content/uploads/2015/11/Key-Funding-Economic-Challenges-for-Power-in-Namibia-Honorable-Calle-Schlettwein-Ministry-of-Finance-EnergyConf2015.pdf
[16] See "Namibia Country Strategy Paper 2014-18", African Development Bank, February 2014

TABLE 13.1

NamPower Domestic Generating Capacity at end of 2020

NamPower Plant – Installed and Proposed	Type	Capacity
Installed		
Ruacana	Hydro	347MW
Van Eck	Coal	90MW
Anixas	Diesel	22.5MW
Paratus	Diesel	12MW
Proposed		
Omburu	Solar PV	20MW
Lüderitz Wind Power Project	Wind	40MW
Otjikoto Biomass Power Project	Biomass	40MW
Anixas II Firm Power Project	Gas	50MW

Source: NamPower

TABLE 13.2

REFIT IPPs

Ejuva One Solar Energy (Pty) Ltd	5	Solar PV	Operational	Gobabis, Omaheke Region
Ejuva Two Solar Energy (Pty) Ltd	5	Solar PV	Operational	Gobabis, Omaheke Region
Camelthorn Business Venture No Two (Pty) Ltd	5	Solar PV	Operational	Outapi, Omusati Region
Momentous Solar One (Pty) Ltd	5	Solar PV	Operational	Keetmanshoop. Karas Region
HOPSOL Power Generation (Pty) Ltd	5	Solar PV	Operational	Grootfontein, Otjozondjupa Region
Sertum Energy (Pty) Ltd	5	Solar PV	Operational	Trekkopje, Erongo Region
Aloe Investment No. 27 (Pty) Ltd	5	Solar PV	Operational	Rosh Pinah, Karas Region
ALCON Consulting Services (Pty) Ltd	5	Solar PV	Operational	Aussenkehr, Karas Region
UNISUN Energy (Pty) Ltd	5	Solar PV	Under construction	Okatope, Oshikoto Region
Tandii Investment (Pty) Ltd	5	Solar PV	Operational	Okatope, Oshikoto Region
NCF Energy (Pty) Ltd	5	Solar PV	Operational	Okatope, Oshikoto Region
Ombepo Energy (Pty) Ltd	5	Wind	Operational	Lüderitz, Karas Region
Osona Sun Energy (Pty) Ltd	5	Solar PV	Operational	Osona, Otjozondjupa Region
Metdecci Energy Investment (Pty) Ltd	5	Solar PV	Operational	Karibib, Erongo Region

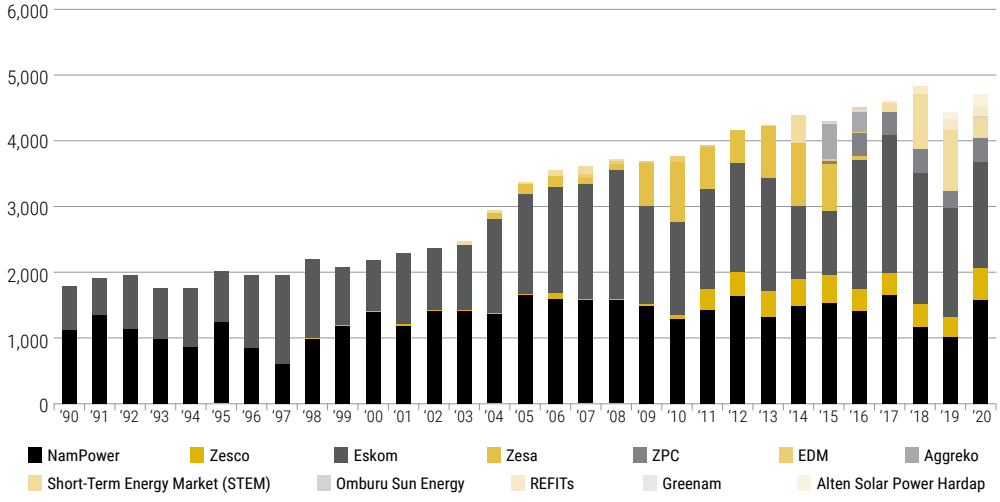
Source: NamPower

Regional Integration

For historical reasons, Namibia has long been integrated with South Africa's electricity grid. A connection to ZESCO of Zambia capable of delivering 3MW of power was established in 1998 and this provided a cost-effective way to electrify distant Katima Mulilo at the eastern end of Caprivi. This link underwent a significant upgrade through the N$3.2 billion Caprivi Link DC Interconnector which was officially inaugurated by the presidents of Namibia, Zambia and Zimbabwe in November 2010 and which could ultimately connect Namibia to both the Zambian and Zimbabwean electricity networks through the ZIZABONA (Zimbabwe, Zambia, Botswana, Namibia) project. However, by the end of 2020 the full project had not been completed.

CHART 13.1

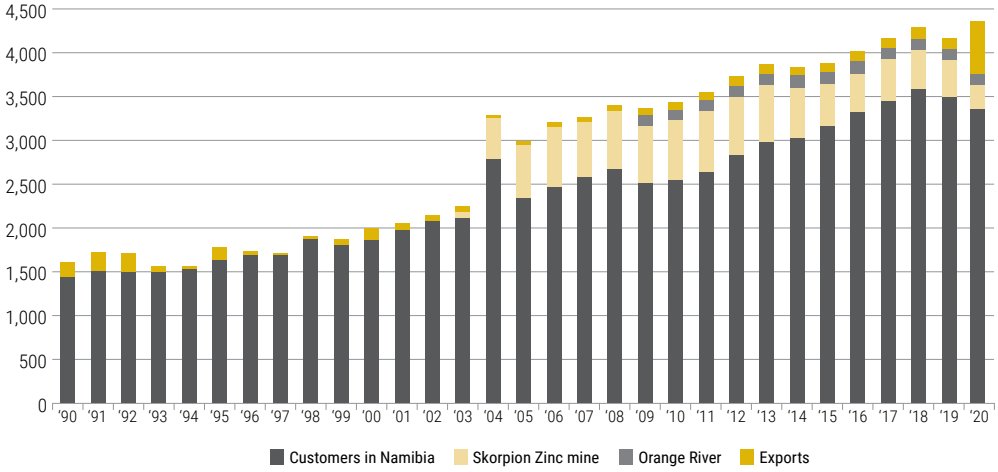
Units of Electricity Into System (million kWh)



Source: NamPower annual reports

CHART 13.2

Total Electricity Sales (million kWh)



Source: NamPower annual reports

Following the state visit of President Robert Mugabe in February 2007, Namibia signed what was viewed by many as a highly political agreement with ZESA of Zimbabwe for the supply of 150MW of power for five years from the Hwange coal-fired power station in a deal which saw Namibia lend an initial US$40 million followed by a further US$10 million to refurbish the ageing plant. The first supply took place in early 2008. This agreement was superseded in 2014 by a new 15-year 80MW agreement with the Zimbabwe Power Corporation (ZPC), a subsidiary of ZESA Holdings.

Namibia was one of the founding members of the Southern African Power Pool (SAPP) established on 28 August 1995 by seven of the eleven members of SADC. At the time the SAPP was the first formal international power pool outside Europe or North America. It has since gone on to include all SADC members with the exception of the islands of Mauritius and Madagascar. The aim of the SAPP is to form a single competitive electricity market in Southern Africa and enable members to trade electricity. SAPP has certainly allowed Namibia to diversify its sources of imports away from complete dependency on South Africa but, given that the region as a whole faces a shortage of power, diversification has been limited. The aim of greater regional integration rather conflicted with Namibia's aim of greater (or total) self-sufficiency but no one seemed to notice the contradiction. In 2019, electricity imports from long-term agreements with Eskom, ZPC and ZESCO accounted for 37 percent, six percent, and seven percent of NamPower's total energy supply respectively with SAPP's Short-Term Energy Market (STEM) accounting for 21 percent.

Namibia was also a founding member of the Western Power Corridor (Westcor), the Gaborone-based joint venture between BPC of Botswana, ENE of Angola, Eskom of South Africa, NamPower of Namibia and SNEL of the DRC, formed under the auspices of the SAPP on 7 September 2005. Westcor is a long-term project designed to tap the massive hydroelectric potential of the Congo river in phases including the eventual construction of the massive 39,000MW Grand Inga power plant. By the end of 2009, however, the DRC appeared to be favouring a generation deal with mining giant BHP Billiton instead and in February 2010 the DRC announced it was pulling out of Westcor. In October 2012, the final meeting of Westcor's country shareholders took place at Eskom's headquarters to be replaced by a bilateral treaty between South Africa and the DRC[17] aimed at developing the five dams at Grand Inga as part of a USD80 billion project delivering up to 100,000MW. This huge project was on the radar screens of the World Bank and the African Development Bank but it was always likely to take many years to come to fruition.

Apart from Baynes, regional interest has moved on to consider large-scale solar renewable projects. In August 2020, Mines and Energy Minister Tom Alweendo announced that an agreement with Botswana was imminent to develop a phased 5 GW solar project consisting of solar PV and CSP[18]. Negotiations between the two governments is supported by the US under the Power Africa initiative established by President Obama and has the support of the World Economic Forum's Global Future Council on Energy.

[17] See "Curtain Falls on Westcor's Congo Project", *Business Day*, 3 October 2012
[18] See "Namibia-Botswana Project for Building Both Photovoltaic and Concentrated Solar Power Plants", Helioscsp, 25 August 2020

Rural Electrification

One of the immediate priorities for Government in 1990 was to extend the electricity grid to more remote parts of the country. Because the commercial viability of such a policy was questionable, Namibia's rural electrification programme was initially financed largely by central government with substantial support from the Government of Norway. NamPower started making contributions of its own from 1995 onwards and has been contributing annually since the 20-year investment plan contained in the Rural Electrification Master Plan was adopted in 2000. Government's aim contained in the White Paper on Energy Policy published in 1998 was that 25 percent of rural households would be connected by 2010, double the 12 percent which was estimated had already been achieved in 1991.

Rural electrification took place in phases with work starting in the Omusati, Ohangwena, Oshana and Oshikoto regions between 1991 and 1993, the western Kavango in 1992 and 1993, the eastern Kavango in 1993 and 1994. Further electrification covered parts of Otjozondjupa and Omaheke in 1994 and 1995 while most main centres in the Hardap and Karas regions were electrified between 1995 and 1998. The first phase of rural electrification in the Caprivi region took place in 1995 and 1996 and a second phase in the Oshana, Ohangwena, Oshikoto and Omusati regions during 1997. Larger settlements in the Erongo and Kunene regions as well as a third phase in former Ovamboland were covered in 1998 and 1999. In the first ten years following Independence, an estimated 400 rural towns, villages and settlements and an estimated 8,330 households were connected to the grid. Significant resources continue to be devoted to rural electrification from the national budget. The 2011/12 TIPEEG budget saw N$100 million allocated to rural electrification out of a total programme of over N$650 million with N$60 million and N$45 million allocated in subsequent years.

According to the Rural Electricity Distribution Master Plan, 61 per cent of localities were without access to electricity in 2010, meaning that only 39 per cent had electricity access. In terms of settlements, out of the 5,858 identified unelectrified rural settlements only 1,543 have been scheduled for electrification within the 20 years of REDMP implementation. Between 2005 and 2010 a total of N$235.7 million was allocated towards rural electrification.

While rural electrification undoubtedly represents a very important signal to rural communities that central Government is committed to their development, its commercial viability remains questionable. It is one thing to bring the grid to a village but quite another to ensure that people there can afford to use it. A report by the International Energy Agency put the electrification rate in rural Namibia in 2014 at 15 percent while the World Bank estimated that access to electricity by the rural population had risen from seven percent in 1990 to 36 percent in 2018[19]. This latest figure compares to 54 percent for the entire population.

TABLE 13.3
Funding for Rural Electrification 1991-1999

Agency	Period	Amount
NORAD	1991-1998	N$84 million
Government	1991-1999	N$102 million
NamPower	1995-1999	N$42.5 million

Source: Rural Electrification in Namibia: An Information Brochure, MME December 2000

[19] See https://trackingsdg7.esmap.org/country/namibia

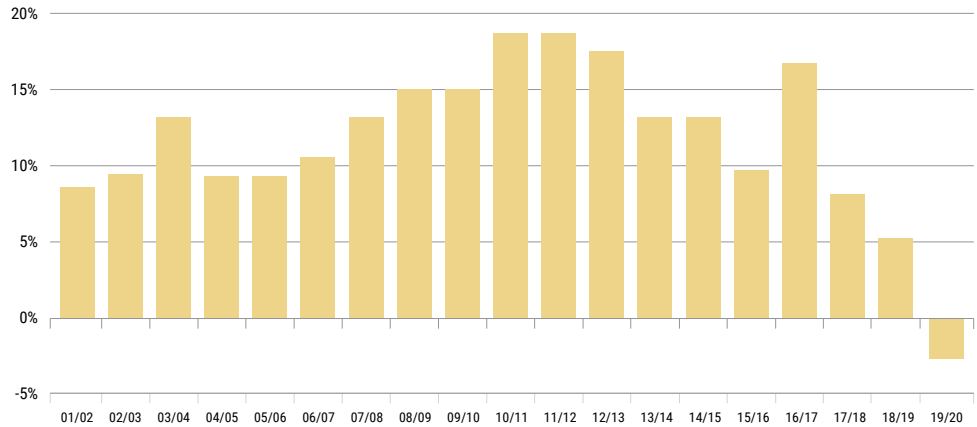
Electricity Self-Sufficiency and Affordability

Although former president Sam Nujoma was a staunch advocate of electricity self-sufficiency, most official Government documents such as the Energy White Paper and National Development Plans always steered clear of this as an explicit policy goal. NamPower's own mission statement is to deliver "affordable and reliable electricity". As long as South Africa delivered some of the world's cheapest electricity thanks to its low-cost coal fired power stations, it seemed a good idea to import cheap electricity rather than develop more expensive domestic options. However, as South Africa ran into capacity constraints thanks to 30 years of underinvestment, policy uncertainty, higher than expected growth and frequent problems at Koeberg, Namibian policymakers started to look at self-sufficiency in a new light. The Cabinet Retreat in April 2008 reaffirmed the goal of moving the country towards greater electricity self-sufficiency which was contained in the 1998 White Paper. The key issue for the economy was whether domestic options could deliver electricity at an equivalent cost to options that depended on imports. There was a danger that the region as a whole would over-invest in generation in the coming decade leading once again to a long period of underutilisation. Efforts at developing joint projects with regional giant Eskom came to nothing and it was always clear that political pressure would have to be brought to bear at the highest level for such a strategy to bear fruit. Certainly, Eskom has gone through an extended period during which numerous problems – political, governance, financial – have become apparent. It is by no means out of the woods yet and this is likely to hamper its ability to act. Meanwhile, electricity represents one area where southern African regional integration is producing concrete results and a regionally coordinated investment programme seems more possible now than ever before. This should help to lessen the degree to which self-sufficiency overrides economic efficiency. NamPower saw this as an opportunity to become a significant player and invested in new transmission capacity to the region in the form of the N$3 billion Caprivi DC Interconnector and the associated ZIZABONA (ZImbabwe, ZAmbia, BOtswana, NAmibia) project. However, NamPower has yet to show it can pull off a major new generating project which would allow it to become a more important regional player and its less grandiose but more appropriate strategy of smaller generating projects and signing PPA's with IPPs will make this unlikely.

Price Regulation, Competition and Investment

CHART 13.3

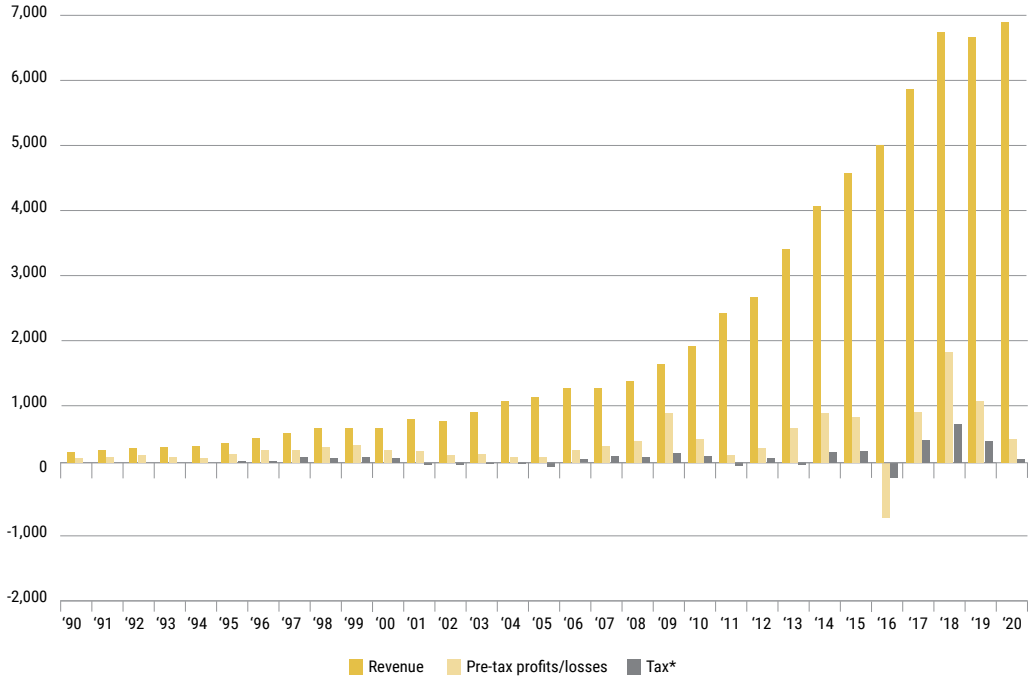
NamPower Average Tariff Approvals by ECB (2001-2020)



Source: ECB

CHART 13.4

NamPower Financial Performance (N$m)



Source: NamPower Annual Reports

The chart displays NamPower's revenue, profits before tax, and tax paid since 1990. The company only became liable for tax from 1 July 1993 making its first payments in 1994. During the 1990s NamPower's profits rose almost in line with revenues. However, this rise in profits came to a halt in 2000 with the establishment of the ECB and the introduction of more independent price regulation. Since then revenues have continued to rise but profitability has fluctuated. Since 2000, NamPower's profits before tax have been a mere fraction of what they were during the 1990s, a reflection of NamPower's limited ability to set prices and the steadily higher costs of generation and imported supply.

TABLE 13.4

Budgeted Transfers from the National Budget to NamPower under Vote 09 Main Division 12 (N$m)

N$m	'06/07	'07/08	'08/09	'09/10	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20
	250	500	250	120	100	100	150	0	500*	0	0	0	0	0

Source: Ministry of Finance

** for Kudu gas-to-power*

NamPower's profits and retained earnings are important sources of funding for investment but NamPower has been a recipient of transfers from the national budget. In 2006/07 the Ministry of Finance allocated N$250 million from the national budget to strengthen NamPower's balance sheet in advance of major investments which was followed by further injections of equity up to 2012/13. The transfer of N$120 million in 2009/10 was intended to pay for the additional costs of coal necessitated by the power shortage and the need to keep Van Eck running.

While NamPower was struggling to address its prime mandate, it got distracted by taking a 37 percent stake in second mobile operator PowerCom in 2005 (which it then sold in 2009) and has been paying dividends to Government. Clearly, policies on prices, dividends and subsidies have not been well coordinated. The key question is whether the consumer or the taxpayer should pay the significant costs of new investment. Fitch Ratings has undertaken detailed work on NamPower, the first Namibian company to have been rated in this way, as has IJG, sponsoring broker to the bond issued in June 2007[20]. By the end of 2015 NamPower had raised N$750 million from this N$3 billion note programme.

NamPower continues to combine both generation and transmission (although they are run as separate business units) while industry structure envisaged by Namibia where competing IPPs sell power to a single state-owned grid has now been changed to the Modified Single Buyer (MSB) model which cuts out NamPower. NamPower's domination of the electricity sector is slowly diminishing and that is probably a good thing. Its latest CEO and recent boards appear to have accepted this diminished status and the more pragmatic approach. As outlined in Chapter 20: Public Enterprises, NamPower was ranked as the top-performing Commercial Public Enterprise by the IPPR in March 2020[21].

> With the exception of relatively minor demand side measures brought on by power shortages, there seemed little prospect of major Namibian initiatives in the field of renewable energy especially while large projects such as Kudu gas-to-power received the lion's share of policymakers' attention.

[20] N$250 million of NMP19N listed on the NSX with a coupon rate of 10.00% and maturity date 10 November 2019 and N$500 million of NMP20N listed on the NSX with a coupon rate of 9.35 percent and maturity date 24 July 2020
[21] See "IPPR Public Enterprise Annual Rankings 2020", Issue No.1, IPPR, March 2020

Renewable Energy

With considerable solar, wind and biomass resources, Namibia seems an ideal location for a major move into renewable energies. NamPower itself established a renewable energy unit and the Renewable Energy and Energy Efficiency Institute (REEEI) was established at the Polytechnic of Namibia in 2006 which in 2014 was renamed the Centre for Renewable Energy and Energy Efficiency (CREEE) as part of the Namibia Energy Institute at the Namibia University of Science and Technology (NUST). However, the issue was much the same as in other parts of the world in that renewable energy was not generally ready to compete with non-renewable sources without subsidies. Reliability too was an issue. Furthermore, with abundant and politically important coal reserves and a home-grown nuclear industry, South Africa looked set to continue to generate some of the world's cheapest electricity over the coming decades. With the exception of relatively minor demand side measures brought on by power shortages, there seemed little prospect of major Namibian initiatives in the field of renewable energy especially while large projects such as Kudu gas-to-power received the lion's share of policymakers' attention.

However, the ongoing power shortage and the failure to get a major generation project off the ground forced NamPower to take more of an interest in renewables including not only wind but also solar (both photo voltaic and concentrated solar power) and an investigation of biomass based on Namibia's ubiquitous invader bush (which could also substitute for coal in Van Eck) with assistance from Germany's KfW. As renewable costs came down, the REFIT programme helped stimulate investors in IPPs to come forward and Namibia's third decade of Independence ended with renewables having become a major and increasing component of Namibia's generation mix both through IPPs and also NamPower's own investment programme as described above.

THE KYOTO PROTOCOL AND THE PARIS AGREEMENT

The Kyoto Protocol was signed on 11 December 1997 in Kyoto Japan and set legally binding emissions obligations for 37 industrialised countries ("Annex I countries") to return their emissions of greenhouse gases to an average of five percent below their 1990 levels by 2012. Because they were not classed as industrialised countries, Namibia and South Africa were not bound by the Kyoto Protocol. However, both Namibia and South Africa could benefit because Annex I countries were able to reduce their emissions by supporting reductions in other countries that would otherwise not have taken place through emissions trading and the Clean Development Mechanism. President Geingob signed the Paris Agreement on behalf of Namibia at the UN headquarters in New York on 22 April 2016. Some 171 UN members signed the agreement on the same day. Namibia ratified the Paris Agreement on Climate Change on 21 September 2016.

Useful References

ECB Annual Reports

GRN (1998) White Paper on Energy

Kamwi (2007) Namibia Power Corporation, IJG, Windhoek

Ministry of Mines and Energy (2000), Rural Electrification in Namibia: An Information Brochure, Windhoek, December

"Namibia's Energy Future: A Case for Renewables", Konrad Adenauer Stiftung, October 2012

"Namibia Country Strategy Paper 2014-18", African Development Bank, February 2014

NamPower (2006), NamPower: Ten Years and Beyond, Windhoek

NamPower Annual Reports

"Planning Power: Review of Electricity Policy in Namibia", by Matthias Schmidt, IPPR Research Report No. 11, September 2009

REEECAP (2008) Electricity Supply and Demand Management Options for Namibia: A Technical and Economic Evaluation, prepared by Emcon, Economics Information Services and GEOcc

Van der Linden E (1993) Namibia's Energy Sector: A Country Review, NEPRU Working Paper No.23, Namibian Economic Policy Research Unit, Windhoek 1993

Useful Websites

Electricity Control Board
www.ecb.org.na

Eskom
www.eskom.co.za

Ministry of Mines and Energy
www.mme.gov.na

Namibia Energy Institute
http://nei.nust.na

NamPower
www.nampower.com.na

Southern African Power Pool
www.sapp.co.zw

Tracking SDG7
https://trackingsdg7.esmap.org

Annex

ANNEX 13.1

NamPower Key Financial Indicators

N$m	Revenue	Pre-tax profits/losses	Tax*	Equity and reserves	Employees
1990	162.4	66.8	0.0	502.1	795
1991	187.4	89.6	0.0	600.5	801
1992	226.4	110.4	0.0	2,157.3	778
1993	234.4	86.5	0.0	2,301.5	768
1994	256.7	71.8	18.2	2,446.4	749
1995	307.3	126.2	29.4	2,591.9	751
1996	382.8	190.5	31.3	2,583.2	771
1997	449.9	188.8	83.3	2,979.1	814
1998	528.4	240.9	68.2	3,138.2	789
1999	532.1	275.9	82.7	3,318.4	827
2000	541.8	200.5	69.0	2,982.1	831
2001	675.0	179.8	24.9	2,978.7	831
2002	644.0	110.1	-43.7	3,794.3	816
2003	787.4	132.7	29.0	3,803.6	818
2004	956.0	86.1	16.6	3,915.3	839
2005	1,016.6	82	-63,7	4,059.2	891
2006	1,158.3	198,2	52,7	5,761.5	960
2007	1,150.0	261,6	102,4	6,089.8	843
2008	1,254.7	334,5	88,2	6,801.8	844
2009	1,524.9	768,6	146	7,674.4	888
2010	1,804.2	371,4	98,2	7,947.6	910
2011	2,309.2	123,1	-53,5	11,906.8	966
2012	2,555.6	226,6	76,1	12,111.4	931
2013	3,305.6	536	-38	-	944
2014	3,967.9	773	157	-	956
2015	4,480.5	706	175	-	998
2016	5,006.0	- 870.7	- 229.2	18,584.9	1,041
2017	5,805.8	809.4	377.0	19,585.3	1,079
2018	6,594.8	1,734.5	508.1	20,867.3	1,086
2019	6,579.5	1,049.7	298.7	22,230.2	1,123
2020	6,892.3	354.7	34.8	22,876.5	1,161

** NamPower only became liable for tax from 1 July 1993*

Source: NamPower annual reports

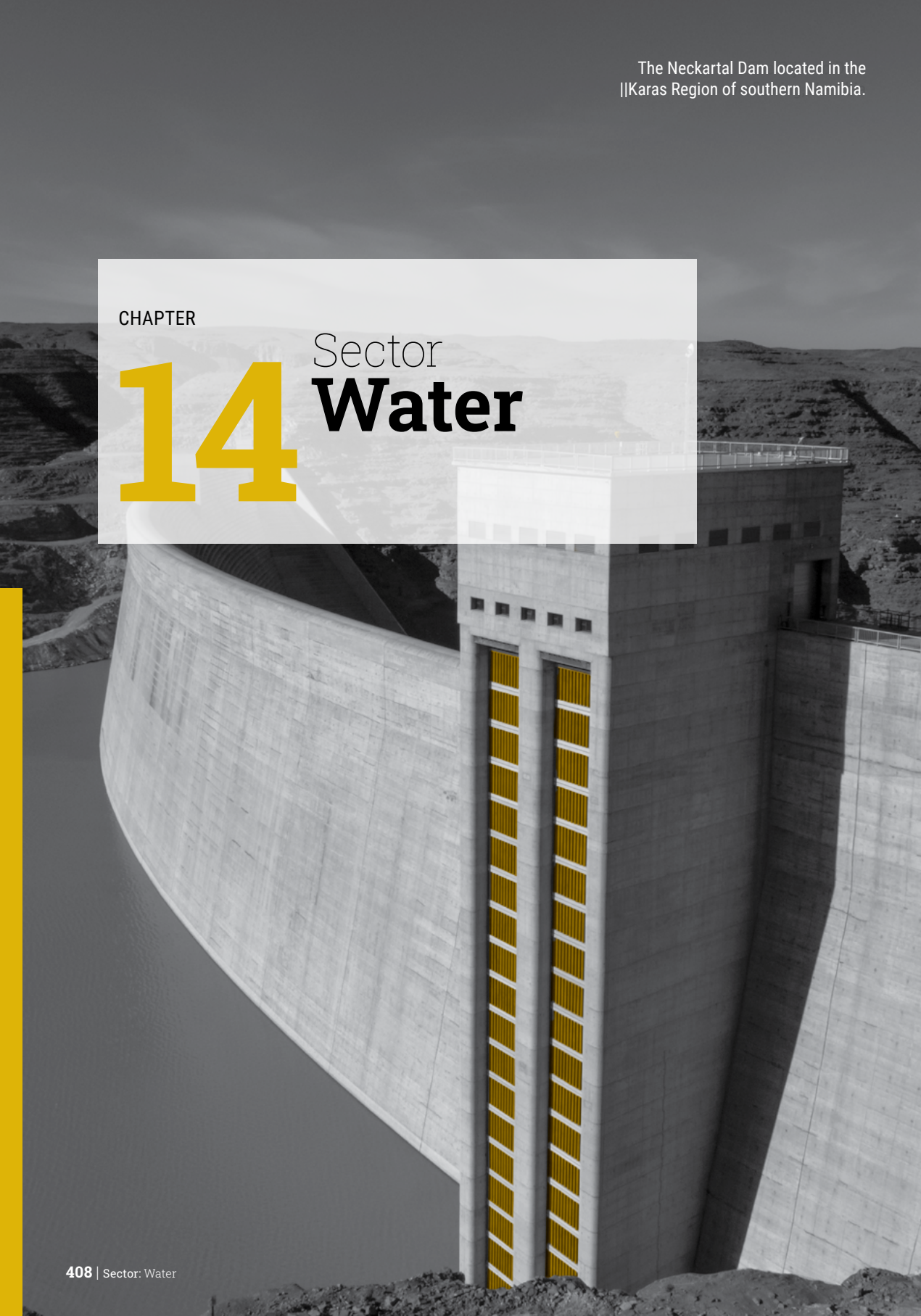
ANNEX 13.2

NamPower Electricity Demand and Supply

	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
NamPower	1,790	1,919	1,948											
Zesco	1,149	1,368	1,155	994	879	1,257	873	630	1,004	1,198	1,407	1,211	1,429	1,421
Eskom	-	-	-	-	-	-	-	-	15	18	19	21	21	21
Zesa	641	551	793	752	874	758	1,078	1,319	1,192	869	766	1,045	921	988
ZPC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EDM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Energy Market (STEM)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Omburu Sun Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	36
REFITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greenam	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Alten Solar Power Hardap	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,790**	**1,919**	**1,948**	**1,746**	**1,753**	**2,015**	**1,951**	**1,949**	**2,211**	**2,085**	**2,192**	**2,277**	**2,371**	**2,466**
Customers in Namibia	1,446	1,518	1,510	1,502	1,525	1,638	1,701	1,699	1,881	1,807	1,878	1,981	2,082	2,117
Skorpion Zinc mine	-	-	-	-	-	-	-	-	-	-	-	-	-	76
Orange River	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exports	166	201	203	49	28	146	30	1	23	56	100	69	54	53
Total	**1,612**	**1,719**	**1,713**	**1,551**	**1,553**	**1,784**	**1,731**	**1,700**	**1,904**	**1,863**	**1,978**	**2,050**	**2,136**	**2,246**
Average price per unit sold (cents)	-	-	-	-	-	-	-	-	17.4	18.1	18.9	20.2	21.6	27.6

Source: NamPower annual reports

'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
1,379	1,660	1,606	1,576	1,572	1,490	1,305	1,430	1,643	1,331	1,498	1,536	1,421	1,660	1,165	1,006	-
9	23	78	24	27	29	47	319	378	389	420	422	334	334	361	324	-
1,423	1,514	1,620	1,733	1,961	1,501	1,429	1,522	1,645	1,718	1,091	982	1,956	2,090	1,991	1,640	-
87	158	162	104	85	648	891	637	496	781	962	702	55	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	59	349	348	357	281	-
-	-	6	69	52	24	95	2	-	-	-	35	23	3	-	-	-
-	-	-	-	-	-	-	-	-	-	-	517	301	-	-	-	-
47	8	82	115	22	-	-	-	-	19	413	20	55	136	828	916	-
-	-	-	-	-	-	-	-	-	-	-	2	12	12	12	12	-
-	-	-	-	-	-	-	-	-	-	-	-	-	28	112	150	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72	-
2,945	**3,363**	**3,554**	**3,621**	**3,719**	**3,692**	**3,767**	**3,910**	**4,162**	**4,238**	**4,384**	**4,275**	**4,506**	**4,611**	**4,826**	**4,435**	**-**
2,795	2,349	2,481	2,590	2,682	2,529	2,551	2,650	2,840	2,986	3,031	3,169	3,324	3,454	3,585	3,503	-
471	596	682	629	663	639	673	690	662	647	571	474	440	471	444	409	-
-	-	-	-	-	122	130	127	133	139	145	139	145	132	142	128	-
23	31	36	40	47	68	77	76	91	89	84	88	99	100	114	119	-
3,289	**2,976**	**3,199**	**3,259**	**3,392**	**3,358**	**3,431**	**3,543**	**3,726**	**3,861**	**3,831**	**3,870**	**4,008**	**4,157**	**4,285**	**4,159**	**-**
30.1	33.8	34.7	38.4	34.2	51.5	58.9	67.9	77.3	96.7	109.5	122.7	134.6	153.2	166.9	175.0	-



The Neckartal Dam located in the ||Karas Region of southern Namibia.

CHAPTER

14 Sector Water

Government's most ambitious policy in the water sector was to create the bulk water supply parastatal NamWater out of the old Department of Water Affairs, leaving rural water supply under the charge of the Ministry of Agriculture, Water and Forestry. NamWater was mandated to charge the full cost of supplying bulk water to consumers but this has proved difficult, both administratively and politically. After years of delay and false starts, NamWater announced its intention to embark on a water desalination project having pulled out of a joint venture with Trekkopje uranium mine. Trekkopje's owner, French nuclear giant AREVA, completed construction of its own desalination project at Wlotzkasbaken in 2010 but, with the mothballing of the mine due to low uranium prices, agreement stalled on how best this additional capacity could be brought into use for the benefit of the country's thirsty uranium industry and the wider economy. It has gone on to become the major source of water for the town of Swakopmund. A deal to sell the plant to NamWater has come to nothing since Cabinet established a negotiating team in 2014. A second major new piece of infrastructure has been constructed in the south of Namibia but the eventual price tag of Neckartal dam has meant there is no further public money to develop the envisaged irrigation projects.

Water

KEY EVENTS

YEAR	EVENT
1990	- Gert Hanekom appointed Minister of Agriculture, Fisheries, Water and Rural Development
1991	
1992	- Anton von Wietersheim appointed to renamed Minister of Agriculture, Water and Rural Development - John Mutorwa appointed Deputy Minister of Water Affairs to deal with effects of nationwide drought
1993	- Anton von Wietersheim resigns and is then dismissed - Nangolo Mbumba appointed Minister of Agriculture, Water and Rural Development - Cabinet approves Water and Sanitation Sector Policy (WASP)
1994	- Cabinet approves creation of bulk water supply parastatal
1995	
1996	- Helmut Angula appointed Minister of Agriculture, Water and Rural Development
1997	- Namibia Water Corporation Act passed
1998	- Helge Habenicht appointed NamWater CEO - NamWater unveils plans to build desalination plant - Bulk water tariffs increase to achieve cost recovery
1999	
2000	- NamWater shortlists three companies for desalination plant
2001	- Namibia Water Corporation Amendment Act passed - Court case in US between Ionics and NamWater
2002	- Helge Habenicht suspended as NamWater CEO
2003	- Helge Habenicht dismissed as NamWater CEO - Paul Smit appointed acting Minister of Agriculture, Water and Rural Development - Dr Vaino Shivute appointed NamWater CEO
2004	- Water Resources Management Act passed - Dr Nickey Iyambo appointed to renamed Minister of Agriculture, Water and Forestry - DTA and NUDO push for NamWater to be turned back into government department
2005	
2006	
2007	- AREVA's UraMin and NamWater jointly announce construction of water desalination plant
2008	- NamWater announces construction of water desalination plant - National Desalination Committee established - Water Supply and Sanitation Policy published - John Mutorwa appointed Minister of Agriculture, Water and Forestry
2009	- President Pohamba inaugurates AREVA desalination plant - Cabinet approves water tariff increases - Dr Vaino Shivute reappointed CEO of NamWater
2010	- AREVA desalination plant inaugurated again - AREVA signs 10-year operating deal with Keyplan
2011	- Cabinet approves 14 percent increase in water tariffs

2012
- Vast aquifer discovered in northern Namibia
- Andrew Ndishishi replaced by Joseph Iita as permanent secretary
- Namibia Water Investment Conference takes place
- AREVA mothballs Trekkopje uranium mine

2013
- AREVA signs water supply agreement with NamWater
- Water Resources Management Act passed
- President Pohamba declares state of emergency due to drought

2014
- Government appoints negotiating team to buy AREVA desalination plant
- Dr Vaino Shivute re-appointed for another five years as CEO of NamWater

2015
- John Mutorwa reappointed Minister of Agriculture, Water and Forestry
- Joseph Iita not reappointed as Permanent Secretary
- NamWater agrees 5-year business plan
- NamWater raises N$200 million through debut bond on NSX

2016
- President Geingob declares state of emergency due to drought

2017

2018
- Water tariffs increases gazetted

2019
- Abraham Nehemia appointed CEO of NamWater
- President Geingob declares state of emergency due to drought
- Public Enterprises Governance Act passed
- Construction of Neckartal dam completed

2020
- Neckartal dam inaugurated
- Calle Schlettwein appointed Minister of Agriculture, Water and Land Reform

Introduction

Government's most radical policy in the field of water was the commercialisation of bulk water supply, which Cabinet approved in principle in 1994. The Namibia Water Corporation Act was passed by Parliament in 1997 and NamWater was officially incorporated that December while assets were transferred the following April. NamWater was mandated to supply water to municipalities, industry, mines, government institutions as well as certain communities and individuals outside municipal boundaries. German national Helge Habenicht was appointed CEO. A series of budget transfers were made in the years leading up to and following NamWater's creation totalling N$125 million. The key characteristic of NamWater was that it was mandated not to make profits but to cover the full cost of supplying bulk water through its pricing policies. Oddly, it was not exempted from paying corporate income tax. Prior to the construction of Neckartal dam, NamWater owned and operated 16 dams, 14 water supply networks, and 17 water treatment plants[1]. Rural water supply remained the responsibility of the Department of Water Affairs in the Ministry of Agriculture, Water and Rural Development, renamed in 2004 as the Ministry of Agriculture, Water and Forestry and later in 2020 the Ministry of Agriculture, Water and Land Reform.

[1] See http://www.namwater.com.na/data/Infrastructure.html

Water desalination

From the very beginning, it was already clear that major investment in new water supply infrastructure would be required at the coast given the dependence of Walvis Bay and Swakopmund on alluvial aquifers. NamWater opted for water desalination since relying on underground sources was clearly not sustainable. A tender was issued and three companies were shortlisted. US company Ionics ended up being selected to build a plant in Swakopmund provided it met all NamWater's requirements. This it failed to do causing Ionics to forfeit a US$500,000 bid bond. Ionics launched lawsuits against NamWater in the US and South Africa but lost both in March 2001 leaving Scottish firm Weir Westgarth as favourite. However, the project ended up being shelved due to unspecified "problems".

Soon thereafter, Habenicht was suspended in 2002 accused of gross negligence, fraud and misconduct while an investigation was conducted. He ended up admitting to gross negligence and was fired in March 2003. He was replaced on 1 January 2004 by Acting CEO Dr Vaino Shivute who was Permanent Secretary of the Ministry of Agriculture, Water and Rural Development at the time. Shivute's contract was extended in 2006, in 2009 and again in 2014.

In November 2007 NamWater signed an agreement with UraMin, which was bought by French nuclear group AREVA (later renamed Orano) at approximately the same time, to help construct a N$1.67 billion 45 million cubic metre water desalination plant north of Wlotzkasbaken to service the company's planned Trekkopje uranium mine as well as supply NamWater clients on the coast. The intention was that NamWater would eventually become the majority owner of the plant. However, in August 2008 NamWater publicly stated its intention to go ahead independently with a second N$1.8 billion 90 million cubic metre plant near Mile 6 north of Swakopmund. A National Desalination Committee was established headed by Andrew Ndishishi, Permanent Secretary of the MAWF. NamWater was to receive N$50 million from the National Budget for each of the three financial years from 2008/09 to help finance this new infrastructure.

Having decided to develop the Trekkopje uranium mine and use water-intensive heap leaching to extract uranium from the mined ore, AREVA had little choice but to go ahead and develop its own desalination plant rather than wait for NamWater to assess its options. Construction of a 20 million cubic metre plant – the largest desalination plant in Sub-Saharan Africa – started in early 2008 under a separate company – the Erongo Desalination Company (EDC) – and was inaugurated by President Pohamba in October 2009 and, rather puzzlingly, again in April 2010. AREVA had always made clear its intention to bring in an independent operator and its desire to sell down its shareholding in the project over time, preferably to NamWater. It signed a 10-year operating agreement with Keyplan, a subsidiary of South Africa's The Aveng Group (renamed Nafasi Water in 2019), in April 2010. Its Namibian desalination plant was the first it had built for one of its mines but it ended up supplying about 70 percent of Swakopmund's water requirements. By the end of 2009 Namibia's United Africa Group (UAG) was being touted as a possible partner and shareholder in the project but details of the deal were shrouded in secrecy. In the absence of concrete public information, the relationship between AREVA and UAG continued to be the subject of much speculation[2]. Following the Fukushima disaster in Japan in March 2011, which resulted in uranium prices plummeting, in October 2012 AREVA finally announced it had decided to mothball Trekkopje mine leaving the desalination plant without its primary consumer which had planned to consume seven million cubic metres of water a year. The obvious thing to do would be to sell the plant to NamWater through a Public Private Partnership (PPP) arrangement and for Government to abandon the idea of a separate second desalination plant, which would have been difficult for NamWater to finance without significant Government support. Discussions took place between AREVA and other uranium mining and exploration companies but agreement on price could not be

[2] See "AREVA paid millions to United Africa", *The Namibian*, 23 November 2012.

reached and only two companies put firm offers on the table[3]. The opaque relationship between the EDC and UAG appeared to unravel completely. In August 2013, AREVA announced that it had signed a water supply agreement with NamWater. In September 2014 Cabinet appointed a negotiating team to examine the purchase of the plant. By October 2015 both AREVA and Government issued a joint press release stating that progress was being made on the deal. At the same time, NamWater's plans for a second desalination plant seemed to have fizzled out. In a reshuffle of permanent secretaries in May 2012, Andrew Ndishishi, who had spearheaded the initiative of a separate NamWater desalination plant, was moved to Health and Social Services and replaced by Joseph Iita.

Amidst this uncertainty, Namibia hosted its first Namibia Water Investment Conference in September 2012 to raise international public and private sector interest in investing in Namibia's water sector[4]. Iita's contract was not renewed and he was replaced by acting permanent secretary Abraham Nehemia. In March 2015 NamWater had announced its intention to float a bond on the NSX as part of a bid to raise N$1.15 billion for infrastructure development. In April 2015 NamWater raised N$200 million in its debut bond sale after being rated by Fitch[5]. NamWater published a five year plan which omitted any mention of a new desalination plant. Instead Government attention switched to a new project and resources were directed towards the huge new Neckartal dam. In the ten years to June 2020 NamWater purchased over 55 million cubic metres of water from EDC[6] for distribution to consumers in the Erongo region paying N$361 million and selling for N$441 million during the last financial year for which information is available[7]. Following the establishment of the Ministry of Public Enterprises in 2015, it was decided to leave NamWater reporting to the Ministry of Agriculture, Water and Forestry (renamed the Ministry of Agriculture, Water and Land Reform in March 2020). NamWater CEO Shivute eventually retired and was replaced by Abraham Nehemia in January 2019.

The EDC desalination plant north of Swakopmund

[3] See "That Sinking Feeling", *Insight Namibia*, December 2011.
[4] www.nwic.com.na
[5] See Fitch NamWater 2015 Report
[6] See "Erongo Desalination Plant Provided 55 Million Cubic Metres of Potable Water to the Region Over Ten Year Period", Namibia Economist, June 2020
[7] See NamWater Annual Report 2019

Neckartal Dam

Under pressure to deliver development in the south of Namibia, Government announced in 2010 its intention to construct the first new dam in Namibia since the building of Oanob Dam in the late 1980s harnessing the Fish River 40km west of Keetmanshoop. The bidding for the N$2.8 billion contract was mired in irregularities and the bidding process had to be completed twice under legal challenge from competing bidders and the involvement of the Anti-Corruption Commission. Eventually the winning tender of Italian company Salini Impreglio was recognised and construction started in September 2013 with completion envisaged for 2017. In the end construction reached completion in September 2019. The dam – Namibia's largest – has a storage capacity of 857 million cubic metres – three times larger than Hardap dam – and has a 82.5 metre high curved gravity roller compacted concrete wall with a crest length of 518 metres ended up costing N$5.7 billion to build. It is the first phase of a larger Neckartal Irrigation Scheme which is intended to irrigate 5,000 hectares of land for crop production. A 2.95MW hydropower station will generate electricity for the national grid. Financing Neckartal was far from straightforward and payments were made from a variety of sources – central government and the Infrastructure Development Fund, the Development Bank of Namibia and NamWater – to Salini Impregglio as certain milestones were reached. The project was always more a leap of faith which did not lend itself to commercial infrastructure finance. As with Namibia's other dams, Neckartal is due to be handed over to NamWater to run and maintain. Due to the exceptionally good rainy season, the dam reached full capacity in early 2021, much earlier than many had predicted. However, Government said it did not have the funds to undertake irrigation schemes near the dam as the N$5.7 billion price tag of phase one meant there was nothing left for phase two irrigation projects[8].

New Aquifer

In July 2012, scientists from Germany's Federal Institute for Geoscience and Natural Resources (Bundesanstalt für Geowissenschaften und Rohstoffe or BGR) announced the discovery of a vast new aquifer in northern Namibia known as Ohangwena II flowing under the border between Angola and Namibia[9]. The discovery, which had been made with the assistance of scientists from Germany's BGR and others, was estimated to have sufficient water to sustainably supply 40 percent of Namibia's water demand for 400 years and provide a long-term solution to the water requirements of northern Namibia. The last that was heard was that the Ministry of Agriculture, Water and Forestry was carrying out a study of Ohangwena II to determine its potential as a source of water for the north and a small production well field was being developed in Eenhana[10].

Water Pricing and Paying for Bulk Water Supply

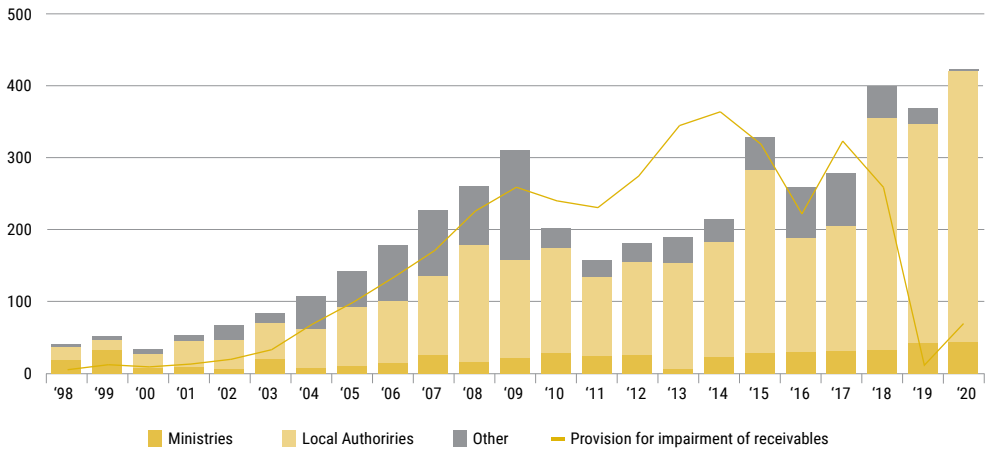
Delivering bulk water in a large, arid, sparsely-populated country whose economy is dominated by a number of thirsty mines is inherently challenging whilst building and maintaining bulk water infrastructure is expensive. Although NamWater was created with the mandate to recover costs, it is under constant political pressure to deliver water to poor rural communities at a price they can afford. Furthermore, many senior politicians and civil servants are also farmers. Charging for water is therefore an especially sensitive issue in water scarce Namibia. NamWater has come in for public criticism when it has tried to take action to cut supplies and its cost recovery mandate has come in for widespread criticism. The clearest example of this

[8] See "Neckartal Irrigation Scheme Envisages Increasing Food Security", *New Era*, 26 October 2020
[9] See http://www.bbc.com/news/science-environment-18875385
[10] See "Ohangwena II Aquifer Study Ongoing", *The Namibian*, 15 July 2016

took place in 2004 when the PDM (then called the DTA) and NUDO tried to make an election issue out of water pricing by calling for NamWater to be turned back into a Government department and for richer consumers to cross-subsidise poorer ones[11]. As a result, over the years NamWater's financial performance has been plagued by the inability of key customers, not only the smaller and newer municipalities and towns but also Government departments and State-Owned Enterprises, to pay their bulk water bills[12]. The company's annual reports provide information about outstanding bills that have to be written off.

CHART 14.1

Trade and Other Recievables to NamWater (N$m)



Source: NamWater Annual Reports

Parliament passed the Water Resources Management Act in 2013[13] which made provision for a Water Regulator whose role was to set prices. As a natural monopoly, there is no competitive pressure to reduce costs. In theory at least, a Water Regulator could carry out the independent assessment of what the true cost of supplying bulk water should be and set prices accordingly in a way that kept pressure on NamWater to keep costs down. However, by the end of 2020 the Act had not come into force. As things stand, Cabinet still has to approve changes to bulk water prices (although municipalities are not constrained by regulations in what they charge) which are then gazetted but price rises have been difficult to push through. In September 2009 NamWater made a submission to Cabinet to increase water tariffs – they had not been raised since 2007 – and increases were finally approved and gazetted at the very end of 2009. Cabinet approved a further 14 percent average increase in 2011 after NamWater reportedly requested a 23 percent rise[14]. The last price rises were agreed to come into force on 1 November 2018 and it was decided not to increase tariffs in 2020. Because prices do not fully cover costs and are therefore insufficient to allow the accumulation of financial surpluses which would strengthen its balance sheet, NamWater is not in a position to fund larger infrastructure projects.

[11] See "Spot the Difference: Namibia's Political Parties Compared" edited by Justine Hunter, NID, 2004.
[12] See, for instance, "NamWater to Get Serious with Debtors", *The Namibian*, 17 July 2003.
[13] Water Resources Management Act 2013, Act No. 11 of 2013
[14] See "Namibia: Water Costs Going Up", *The Namibian*, 1 June 2011.

TABLE 14.1
Household Access to Potable Water

	'91	'01	'11	'15/16
Namibia	254,389	346,455	464,839	544,655
Piped water inside	21.9%	52.7%	30.1%	84.4%
Piped water outside	11.9%	-	19.7%	-
Public pipe	16.0%	27.9%	21.5%	-
Borehole	14.7%	6.6%	6.8%	7.5%
Well protected	-	-	1.9%	-
	64.5%	87.2%	80.0%	91.9%
Urban		136,909	228,955	294,827
Piped water inside	-	78.2%	46.6%	97.7%
Piped water outside	-	-	24.5%	-
Public pipe	-	19.6%	26.1%	-
Borehole	-	0.6%	0.3%	0.6%
Well protected	-	-	0.2%	-
		98.4%	97.7%	98.3%
Rural		209,546	235,884	249,827
Piped water inside	-	36.1%	14.1%	68.6%
Piped water outside	-	-	15.1%	-
Public pipe	-	33.3%	17.0%	-
Borehole	-	10.6%	13.1%	15.7%
Well protected	-	-	3.5%	-

Source: PHC 1991, 2001, 2011, 2015/16 NHIES

All in all, the principle of achieving cost recovery appears to have been difficult to put into practice. As NamWater CEO Vaino Shivute put it "whether you abolish NamWater or not, the costs of supplying bulk water will still be there. It will only be transferred to Government". The principle behind the creation of NamWater was that creating a commercialised SOE to deliver bulk water would clarify the full costs of delivering bulk water and force bulk water users to pay for what they use. If Government wishes to make water more affordable for particular communities it can subsidise water through transfers to NamWater from the national budget. With decisions on pricing as well as key infrastructure developments in the hands of the politicians, NamWater will continue to rely on central government funding to cover shortfalls in revenue as well as build and maintain the infrastructure required to deliver bulk water supply.

Useful Websites

NamWater
www.namwater.com.na

Annex

ANNEX 14.1

Key Financial Indicators: NamWater

Year	Revenue (N$m)	Profits before tax (N$m)	Tax (N$m)	Capital and reserves (N$m)	Employees
1998	-	-	-	959.1	938
1999	160.1	-7.9	0.0	0.0	1,180
2000	168.4	1.2	3.6	955.9	975
2001	210.4	21.0	-7.0	969.9	1,160
2002	231.8	-30.7	6.2	938.0	812
2003	236.9	-22.7	-	915.2	742
2004	263.5	-83.1	0.0	832.1	719
2005	321.5	27.9	0.0	860.0	671
2006	363.0	42.8	0.6	919.3	630
2007	373.7	48.3	35.4	932.3	620
2008	416.8	59.7	0.0	997.0	601
2009	414.8	35.5	-26	1,006.1	626
2010	435.9	12.5	38.5	1,057.2	626
2011	447.8	27.3	43.7	1,511	645
2012	543.6	37.8	-7.6	1,877.6	651
2013	656.3	43.4	20.8	2,481	563
2014	831.9	78.3	27.4	3,208	660
2015	-	-	-	-	758
2016	1,129.8	-3.4	-47.6	3,835.0	807
2017	1,288.2	-28.0	-16.7	3,745.5	837
2018	1,575.3	185.5	-47.5	6,688.4	594
2019	1,624.6	14.7	14.4	7,555.9	891

Source: NamWater Annual Reports

ANNEX 14.2

NamWater Transfers from National Budget

	'96/97	'97/98	'98/99	'99/00	'00/01	'01/02	'08/09	'09/10	'10/11
NamWater	40.0	30.0	20.0	15.0	10.0	10.0	50.0	50.0	50.0

Source: Budget Documents

Handicrafts are an important economic component of Namibia's tourist industry

CHAPTER

15 Sector Tourism

Perhaps because it has always been viewed as an industry dominated by whites and foreigners, Government has never really prioritised tourism. Despite the sector's undoubted economic potential based primarily around landscapes and wildlife, the Ministry of Environment and Tourism has never enjoyed the prestige or the budget of other ministries and the process of institutional reform following Independence – which led to the creation of the commercialised entities Namibia Wildlife Resorts and the Namibia Tourism Board – was exceedingly slow. Despite this, private companies have innovated, communal conservancies have mushroomed (albeit with lavish support from foreign donors) and the industry as a whole enjoyed steady if unspectacular growth over the past three decades. Although proving tourism's full importance to the economy with accurate statistics is always difficult, the advent of the Tourism Satellite Accounts in 2006 meant that the industry's contribution to the economy has started to be more fully appreciated. Despite policy uncertainty and sometimes inappropriate regulation, the industry has seen foreign tourist numbers grow from a variety of markets in Africa, Europe and elsewhere. Tourism's brief spell as a sector worthy of special attention under the Targeted Intervention Programme for Employment and Economic Growth was not sustained and public spending on tourism remains low. Information on the entry of black Namibians into the sector as business owners and managers is scarce. Government appears set to maintain an active role in the sector despite the litany of failures over many years at state-owned Namibia Wildlife Resorts. After three decades of relative success, Covid has thrown a huge cloud of uncertainty over the entire industry.

Tourism

KEY EVENTS

YEAR	EVENT
1990	– Ministry of Wildlife, Conservation and Tourism created – Nico Bessinger appointed Minister – Namibia holds tourism congress
1991	– Namib Air renamed Air Namibia – Namibia Tourism Establishment Survey conducted – Air Namibia introduces Windhoek-Frankfurt service using leased Boeing 747SP – UTA introduces Windhoek-Paris service
1992	– Namibia Visitor Survey conducted – Namibia Tourism Development Study completed by Hoff & Overgaard – Federation of Namibian Tourism Associations (FENATA) established – Windhoek-London service introduced by Air Namibia – Lufthansa extends Johannesburg service to Windhoek
1993	– Namibia Tourism Development Programme initiated with EU support
1994	– White Paper on Tourism approved by Cabinet
1995	– Ministry changes name to Ministry of Environment and Tourism (MET) – Gert Hanekom appointed Minister – Namibia Tourism Development Plan initiated – White Paper on Promotion of Community-Based Tourism published
1996	– Nature Conservation Amendment Act passed – Visitor Survey conducted by Ministry
1997	– Ministry of Environment and Tourism restructured to create single directorate of tourism – Namibia Visitor Survey 1996/97 conducted – Philemon Malima appointed Minister
1998	– Namibia Wildlife Resorts Company Act passed – Communal Area Conservancy Programme officially launched
1999	– Air Namibia buys Boeing 747-400 – Namibia Wildlife Resorts formally launched – Victoria Nicodemus appointed CEO of NWR
2000	– Namibia Tourism Board Act passed
2001	– Namibia Tourism Board established
2002	– Visitor arrival form revised – Namibia Visitor Exit Survey 2002 conducted – Windhoek Country Club and Resort rescued by Government – Community Based Natural Resource Management Association established
2003	– Namibia Tourism Board officially opens offices – Namibia Tourism Industry Survey 2003 conducted
2004	– Tourism levy introduced by Namibia Tourism Board
2005	– Willem Konjore appointed Minister of Environment and Tourism – Direct flights to London Gatwick initiated by Air Namibia
2006	– Tobie Aupindi appointed CEO of Namibia Wildlife Resorts
2007	– Environmental Management Act passed – First tourism satellite accounts launched – Tourism and wildlife concessions policy launched – Gideon Shilongo does not renew his contract as CEO of NTB – Digu //Naobeb appointed CEO of Namibia Tourism Board
2008	– Netumbo Nandi-Ndaitwah appointed Minister of Environment and Tourism – World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 93rd out of 130 countries – Tourism White Paper published
2009	– World economic crisis – Deputy Minister Leon Jooste resigns – Millennium Challenge Account Compact comes into force – Windhoek Country Club and Resort breaks even – World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 82nd out of 133 countries

2010
- Tobie Aupindi resigns as CEO of NWR four months prior to end of contract

2011
- Benedict Libanda appointed CEO of Environmental Investment Fund
- NWR receives significant funds under TIPEEG
- Nghidinwa Daniel appointed acting CEO of NWR
- World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 84th out of 139 countries

2012
- Environmental Investment Fund disburses first grants
- Jackie Asheeke fired as NWR board chair
- Uahekua Herunga appointed Minister of Environment and Tourism

2013
- World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 91st out of 140 countries
- Namibia hosts Adventure Travel World Summit

2014
- Zelna Hengari appointed MD of NWR

2015
- Pohamba Shifeta appointed Minister of Environment and Tourism
- World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 70th out of 141 countries

2016

2017

2018

2019
- Zelna Hengari suspended as MD of NWR
- Bank of Namibia publishes report on leakage in tourism industry
- World Economic Forum's Travel and Tourism Competitiveness Index ranks Namibia 81st out of 140 countries

2020
- High-Level Panel on the Namibian Economy makes recommendations on NWR
- Pohamba Shifeta re-appointed Minister of Environment, Forestry and Tourism
- Matthias Ngwangwama appointed MD of NWR
- International Tourist Revival Initiative launched

Introduction

Government's early recognition of Namibia's tourism potential was signalled by the establishment of the Ministry of Wildlife, Conservation and Tourism out of the previous Department of Wildlife and Nature Conservation in 1990. In 1991 tourism was declared a priority sector and work started on putting together a modern policy framework that would maximise the economic potential of the country's tourist assets. This culminated in Namibia's first White Paper on Tourism which was published in 1994[1]. The Ministry was renamed the Ministry of Environment and Tourism (MET) in 1995 and remained the same until it became the Ministry of Environment, Forestry and Tourism (MET) in 2020. However, being Minister of Environment and Tourism has not been seen as a prestigious Cabinet post and it was to take another 15 years before the main infrastructure was put in place to promote and sustain Namibia as an international tourist destination.

[1] White Paper on Tourism, March 1994

Namibia Wildlife Resorts

At Independence, a department within the Ministry of Wildlife, Conservation and Tourism owned and ran Government's tourist establishments. In 1994 Cabinet took the decision to commercialise these resorts but it was not until 1998 that the Namibia Wildlife Resorts (NWR) Company Act was passed by Parliament[2]. NWR was to be a financially independent, Government-owned company which operated and maintained 22 tourist resorts and camping sites around the country consisting of:

- Ai-Ais, Fish River and Hobas, Duwisib Castle, Seisriem/Sossusvlei, the Namib Naukluft Park, Hardap and Shark Island in Lüderitz in the south of Namibia;
- Daan Viljoen, Gross Barmen, Reho Spa and von Bach Dam in central Namibia;
- Terrace Bay, Torra Bay, Jakalsputz, Khorixas, Mile 108, Mile 72, and Mile 14 in the west; and
- Namutoni, Okaukuejo, Halali, Waterberg and Popa Falls in the north.

According to its founding legislation, the NWR's board was to consist of the Permanent Secretary of the MET, a representative from the Ministry of Finance and the Ministry of Lands, a park conservation specialist, an employee of the company elected by the workforce, and representatives from the tourism industry. The Act envisaged Government's tourism assets being transferred to the NWR.

Government appointed Victoria Nicodemus as NWR's first CEO in 1998. Shortly afterwards, a tourism expert from Mauritius was provided as an advisor to the CEO with funding from the EU but he resigned reportedly out of frustration. The Peace Project of 1998, which aimed to deal with discontent among ex-PLAN fighters, saw NWR forced into employing staff with neither the aptitude for nor the training in tourism. Despite Nicodemus being voted Businesswoman of the Year in 2004 by the Namibia Economist newspaper, it was becoming clear that NWR was already in deep financial trouble. NWR was forced to hold on to N$48 million of national park entrance fees which should have been paid over to the Ministry of Environment and Tourism as well as withholding N$10 million in VAT to the Receiver of Revenue while a transfer of N$10 million was made to NWR in the 2001/02 budget. Private tourist operators, many of whom relied on NWR in key locations such as Etosha and Sossusvlei, started to despair and this helped exacerbate the antagonism that already existed between the NWR and much of Namibia's private tourism industry.

Things finally came to a head in 2005 when Nicodemus resigned. A lull ensued until the youthful but untested Tobie Aupindi, who had been working for the upmarket private tourism operator Wilderness Safaris, was finally appointed CEO in April 2006. He immediately set about fundamentally transforming the ailing SOE[3]. Aupindi succeeded in obtaining N$50 million from the 2007/08 budget and a further N$120 million loan underwritten by Government to pump into the company's dilapidated assets. This money was used to build new assets – a new upmarket lodge, the Sossus Dune Lodge, near Sossus Vlei, a new camp Onkoshi in Etosha – and upgrade existing assets such as Waterberg and Ai-Ais. As part of its business plan, in July 2008 NWR announced a series of partnerships with private companies to upgrade and manage Daan Viljoen (with Prosperity Africa), Von Bach (Tungeni Investments), Reho Spa (Aantu Energy) and four campsites in the West Coast Recreation Area (Pisces Investments and Tungeni Investments). Aupindi publicly stated his ambition to make a profit by 2009 but the financial information that was made public by the Ministry of Finance showed this was not going to be easy[4]. His tenure in office was dogged by constant press reports of poor management practice and wrongdoing and it did not help him when his nemesis, maverick journalist John Grobler, revealed his salary to be over N$1.6 million a year[5]. In an extremely detailed article, Grobler later linked Aupindi as a beneficiary in a number of the Public Private Partnerships (PPPs)

[2] Namibia Wildlife Resorts Company Act 1998 (Act No.3 of 1998)
[3] See "The Only Way is Up", *Insight Namibia*, August 2006
[4] See the Medium-Term Expenditure Framework documents for the period

Otjikoto Nature Reserve
Reception & Admin Offices

he himself had put in place[6]. However, Aupindi was both thick-skinned and politically well-connected. By the end of 2009 it did not look as if his position was being threatened by this stream of media allegations but then, at the end of 2010, Aupindi announced he would step down as CEO four months prior to the expiry of his five-year contract to pursue other business interests, reportedly receiving a payoff of N$5 million thanks to a questionably drafted employment contract[7]. Following two unsuccessful attempts to replace Aupindi through open competition, he was eventually succeeded by the unassuming Nghidinwa Daniel, the deputy permanent secretary of the Ministry of Trade and Industry (MTI). Daniel was later confirmed as permanent CEO but returned to MTI and was replaced by NWR company secretary Zelna Hengari. The passionate and ambitious NWR board chair Jackie Asheeke ended up being effectively fired in July 2012 by then Tourism Minister Ndaitwah as the company became ever more dysfunctional despite the board having been confirmed in January 2010 for a three-year term[8].

In February 2020, the High-Level Panel on the Namibian Economy (HLPNE) recommended NWR enter into joint ventures and partnerships with private companies as a way of improving its performance[12].

NWR continued to lurch from one crisis to the next. Under the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) launched in the 2011/12 budget, NWR once again received significant transfer of just under N$250 million from the budget thanks to tourism having been identified as a sector with the potential to increase employment. This targeted use of state funds for tourism, however, was not sustained and transfers subsequently dropped to N$20 million a year from 2014/15. However, in April 2019 Hengari was suspended on full pay, primarily due to a PPP deal she had signed with Sun Karros Lifestyle Safaris without the approval of the board or the Minister[9]. NWR ended up appointing insider Matthias Ngwangwama as its new MD in April 2020. In July 2020 NWR board chair Leonard Iipumbu announced that NWR had made its first profit since 1999 but the figure quoted of N$22 million represented a very poor return on over 20 years of investment[10]. By the end of 2020, the NWR's website had markedly improved[11] and annual reports were available for the three financial years to 2019. In February 2020, the High-Level Panel on the Namibian Economy (HLPNE) recommended NWR enter into joint ventures and partnerships with private companies as a way of improving its performance[12]. It is not clear why direct state involvement is desirable at all in a highly competitive sector where innovation and service delivery are key.

[5] See "Tobie in the Pound Seats", *The Namibian*, 21 September 2009
[6] See "Beneficiaries of BEE Partnerships Revealed", *The Namibian*, 18 September 2009
[7] See "Super Golden Handshake for Aupindi", *The Namibian*, 26 June 2012
[8] See "NWR on Brink of Collapse", *The Namibian*, 21 May 2012
[9] See "NWR Suspends Hengari over Sun Karros Deal", *The Namibian*, 24 April 2019
[10] See "NWR Records First Ever profit", *The Namibian*, 23 July 2020
[11] See www.nwr.com.na
[12] See "High-Level Panel on the Namibian Economy: Final Report Executive Summary" 25 February 2020

Namibia Tourism Board

It took more than ten years after Independence to establish the Namibia Tourism Board (NTB), a statutory body whose job is to regulate and promote Namibia's tourism industry. It was to have offices in Windhoek, London, Frankfurt, Cape Town and Johannesburg and later in Paris and Rome. The Namibia Tourism Board Act[13] was passed in 2000 but took a further three years to become operational. The first CEO was Gideon Shilongo, tempted over from Namibia Breweries. During his spell in charge, Shilongo put in place the regulations and the tourism levy[14] required regulate the industry and fund the NTB. The tourism levy, which came into force on 1 November 2004, was based on two percent of the bed and breakfast tariff of accommodation establishments other than campsites and caravan parks. Despite this achievement, Shilongo ended up not renewing his five-year contract and returned to his previous position out of frustration that "tourism was being paid lip service" by Government[15]. Despite the introduction of the tourism levy, which amounted to some N$9 million in 2006/07, the NTB continued to receive transfers from the national budget. But this was still far too little for Shilongo who argued the NTB required something approaching N$70 million a year to do a proper job. He was replaced by the NTB's manager of industry services Digu //Naobeb in August 2007. The NTB received support from the US Millennium Challenge Account (MCA) for a significant website upgrade. Like NWR, the NTB received a boost in budget allocations to N$70 million under TIPEEG in 2011/12 from the previous year's N$32 million but this allocation tailed off steadily since then as shown in the Annex.

Other Government-owned Companies

There are a number of other companies fully or partially owned by Government that are involved in the tourism sector. Air Namibia is Namibia's state-owned national airline. It operates international and regional routes and is an important part of Namibia's tourist infrastructure. Air Namibia's history and financial problems are covered in more detail in Chapter 16: Transport. Air Namibia has required transfers from the national budget every year since 1999 totalling more than N$9 billion but many in Namibia's tourism industry believe Air Namibia's direct international flights have been vital for sustaining tourist numbers, especially from Germany and that this is a price worth paying.

[13] Namibia Tourism Board Act 2000 (Act No.21 of 2000)
[14] Notice No. 137 of 2004 in Government Gazette No.3235
[15] See "Tourism is Being Paid Lip Service", Insight Namibia, March 2007

The Windhoek Country Club was completed in 1995 by Stocks & Stocks for the Miss Universe Pageant and underwritten by Government. Initially it was owned and operated by Stocks Hotels and Resorts (since 1999 Legacy Hotels and Resorts). When the hotel ran into financial problems, the Namibian Government ended up effectively taking ownership. Legacy was kept on as the operator and in 2006 a new business plan was adopted involving the refurbishment and the purchase of the land on which it was located. By the beginning of 2008 this strategy appeared to be bearing fruit and the operation appeared to be making an operating profit up to 2019[16]. Government was reported to be reviewing its options: renewing the relationship with Legacy (possibly for a further 15 years), selling it off (possibly to a BEE company) or selling it to NWR which had expressed a keen interest but no action was taken. It is hard to assess the financial state of the company but it came in for criticism (along with NWR) from the Minister of Environment and Tourism suggesting it had not quite been turned around[17]. In February 2020, the HLPNE recommended Government divest itself of the Windhoek Country Club.

State-owned road and rail company TransNamib converted the old station in Swakopmund into the Swakopmund Hotel and Entertainment Complex in 1995 which was half owned by the TransNamib pension fund and half by Legacy Hotels and Resorts. In August 2020 the future of the joint venture was reported to be in the balance after the hotel failed to pay its employees for three months following lockdown[18]. Although Legacy operated both the Windhoek Country Club and the Swakopmund Entertainment Centre, the two hotels are completely separate entities. TransNamib also owns and runs the Desert Express train which is aimed at the tourist market.

Private Industry

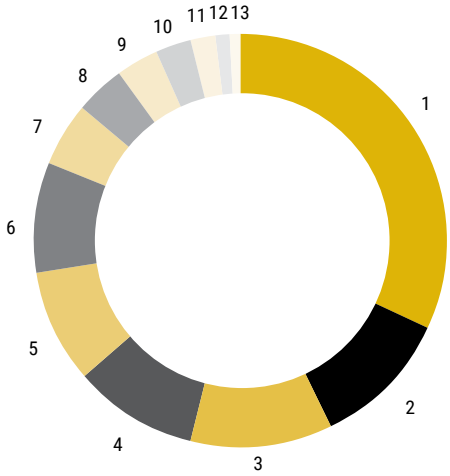
The introduction of the tourism levy on classes of accommodation establishments by the NTB finally allowed better data to be collected from the industry. All tourism businesses are obliged to register with the NTB which posts a full list of registered tourism businesses and accommodation establishments on its website[19]. Accommodation makes up by far the majority of tourism establishments. The breakdown of accommodation in 2013 by type of establishment is provided in the chart.

In terms of numbers, the vast majority of Namibia's private tourist companies are small, individually or family-owned businesses. The larger companies that do exist mostly belong to larger operations in South Africa and elsewhere and fall into two categories: accommodation and tour operators. Membership details for both are available from the Hospitality Association of Namibia[20] and the Tour & Safari Association[21].

[16] See "Windhoek Country Club Hits N$158m Revenue", The Namibian, 6 December 2019
[17] See "Loss-Making Parastatals a Liability – Shifeta", New Era, 10 February 2016
[18] See "Future of Swakopmund Hotel in Balance", The Namibian, 25 August 2020
[19] http://www.namibiatourism.com.na/trade_docs/regulated_businesses.xls_2008.pdf | http://www.namibiatourism.com.na/trade_docs/ accommodation_establishments_2008.pdf
[20] www.hannamibia.com
[21] https://tasa.na

CHART 15.1

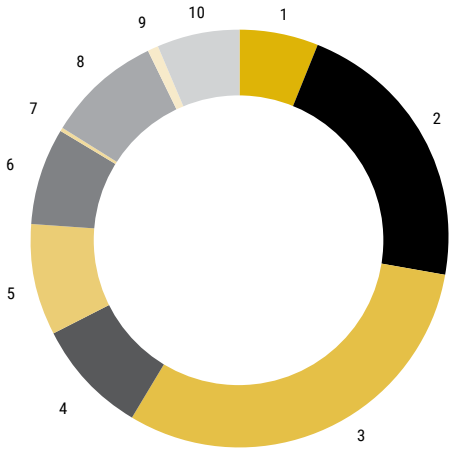
Registered Tourism Accommodation (2013)



1. Self-Catering | 624
2. Lodges | 215
3. B&B | 214
4. Guest Farm | 194
5. Guesthouse | 173
6. Campsites | 166
7. Rest Camp | 97
8. Hotels | 77
9. Hotel Pension | 66
10. Backpackers Hostels | 55
11. Tented Camps | 35
12. Tented Lodges | 25
13. Camping and Caravan Parks | 11

CHART 15.2

Registration Tourism Accomodation (2013)



1. Vehicle Rental Operators | 111
2. Tour and Safari Operators | 414
3. Trophy Hunting Operators | 581
4. Tour Facilitators | 167
5. Shuttle and Transport Operators | 167
6. Foreign Tour Operators | 138
7. Conference Centres | 4
8. Booking Agents | 171
9. Air Charter Operators | 18
10. Activity Operators | 121

TABLE 15.1

Selected Major Accommodation Companies in Namibia

Company	Owner	Operations in Namibia
Avani Hotels and Resorts	Avani Hotels and Resorts (Thailand)	Avani Hotel, Windhoek
Gondwana Desert Collection	Nature Investments (Namibian investors)	Kalahari-Anib Lodge Cañon Lodge, Village, Roadhouse Klein Aus Vista Lodge Namib Desert Lodge Etosha Safari Camp
GRN (operated by Legacy Hotels)	GRN (operated by Legacy Hotels)	Windhoek Country Club and Casino Swakopmund Hotel and Entertainment Centre
Hansa Hotel	Rummel and Scheithauer family	Hansa Hotel, Swakopmund
Hilton Hotel	Hilton Group	Hilton Hotel, Windhoek
Leading Lodges of Africa	Paul van der Vijver	Divava Okavango, Divundu Epacha, Outjo Le Mirage, Sesriem
Namib Rand Safaris	Brückner family	Wolwedans Namib Rand Nature Reserve
O&L Leisure Hotels & Lodges	Ohlthaver & List	Midgard Country Estate Mokuti Lodge Strand Hotel Chobe Water Villas
Namibia Wildlife Resorts	GRN	See above
Protea Hotels	South Africa	Furstenhof, Windhoek Protea Ondangwa Pelican Bay, Walvis Bay Walvis Bay, Walvis Bay Sea View Zum Sperrgebiet, Lüderitz Zambezi River Lodge, Katima Mulilo Guesthouse Indongo, Swakopmund The Burning Shore, Swakopmund Thuringer Hof, Windhoek
Safari Hotels Group	Safari Hotels Group	Safari Hotel, Windhoek
Strand Hotel	Ohlthaver & List Group	Strand Hotel, Swakopmund

TABLE 15.2
Selected Major Tour Operators in Namibia in 2020

Company	Owner
African Eagle	South African investors
African Extravaganza	Friedolf and Barbara Sturm
African Travel Concept	TUI listed on the Frankfurt Stock Exchange Germany
Cheetah Tours and Safaris	Helmut Schäfer
Kuoni Private Safaris	Swiss-based Kuoni Group / Private Safaris
Leading Lodges of Africa / Nuvella	Christophe van der Vijver
Matiti Safaris	Namibian investors
Pack Safari	Pack family Namibia
Sense of Africa	Tourism Investment Corporation South Africa
Springbok Atlas Tours & Safaris	Imperial Holdings listed on JSE South Africa
SWA Safaris	Wilfried Sentefol
Wilderness Safaris	South African and international investors

Namibia's burgeoning private tourism industry quickly recognised that it needed to communicate effectively with Government on tourism issues. As a result, industry associations came together to form the Federation of Namibian Tourism Associations (FENATA) in 1992. The umbrella group represents the private sector tourism associations in Namibia[22]: the Bed and Breakfast Association of Namibia (B&BAN), the Hospitality Association of Namibia (HAN), the Namibia Professional Hunter's Association (NAPHA), the Association of Namibian Travel Agents (ANTA), the Car Rental Association of Namibia (CARAN), the Namibian Academy for Tourism and Hospitality (NATH), the Tour Guides Association of Namibia (TAN), the Emerging Tourism Enterprises Association (ETEA), the Tour and Safari Association (TASA), the Tourism Related Namibian Business Association (TRENABA), the Namibia Association of Community-Based Natural Resource Management (CBNRM) Support Organisations (NACSO), and the Namibian Association for Protected Desert Areas (NAPDA). NWR and FNB Namibia's Tourism Desk were also members of FENATA. HAN opted to leave FENATA in July 2008[23] but later rejoined whilst some affiliates have changed their names over the years to better reflect their membership and purpose.

[22] See http://www.fenata.org/members
[23] See "HAN Pulls Out of FENATA", *Namibia Economist*, 18 July 2008

Conservancies

The Government's Community-Based Natural Resource Management Programme (CBNRM) led to the Nature Conservation Amendment Act in 1996 which gave communal area residents the same rights over wildlife and tourism as freehold farmers. Self-selecting communities of people who choose to work together can register a conservancy with the Ministry of Environment and Tourism provided the conservancies have clearly defined and undisputed boundaries, a defined membership, and a management committee representative of community members. Once approved, conservancies are registered and gazetted via the Government Gazette.

According to the Namibian Association of CBNRM Support Organisations (NACSO), the number of communal conservancies has grown since the first one, Nyae Nyae, in the Otjozondjupa region was registered in 1998 to the extent that there were 86 by the end of 2018 covering an area of 169,756 km^2 and involving 223,000 people[24]. In addition, there were 43 registered community forests covering 72,537 km^2.

According to NACSO, CBNRM activities including hunting, crafts, campsites, trophy hunting and joint-venture tourism helped generate cash income and in-kind benefits for rural communities to the value of more than N$147 million in 2018, up from N$1.2 million in 1998. Of this amount the largest shares were generated by joint-venture tourism (N$100 million) and trophy hunting (N$40 million). Some 86 conservancies had a total of 61 enterprises based on natural resources and there were 943 conservancy employees. NACSO argues that CBNRM activities have also led to significant "linkage and multiplier" effects in the economy as well as a substantial increase in the stock of wildlife in conservancy areas and therefore the "capital value" of wildlife. In support of this, NACSO quotes elephant numbers which it says have increased from 7,500 in 1995 to 22,800 in 2016.

Nonetheless, this progress has come only after massive investment, mostly by foreign donors, who since 1990 are estimated to have contributed most of the N$2.5 billion investment in CBNRM activities. Nevertheless, NACSO calculates that over the 28 years from 1990 to 2018 the initiative has so far yielded N$1,212 million in economic benefits achieving an internal rate of return of 18 percent.

Foreign Tourist Arrivals

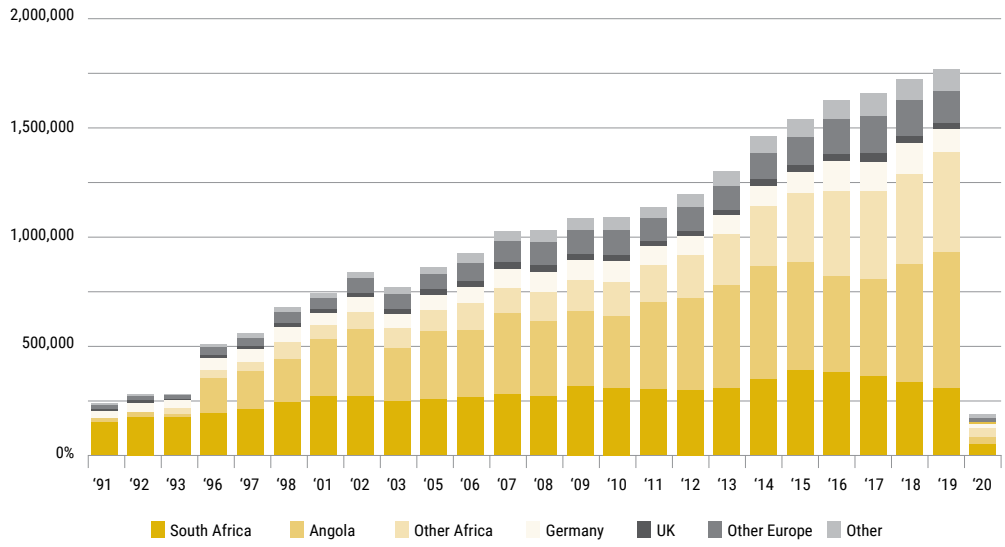
From the beginning, tourism policy in Namibia has recognised that the greatest economic potential lay in encouraging more foreign tourists to Namibia. As part of Namibia's tourism strategy, it was decided to request visitors entering and leaving Namibia to fill out a form so that statistics could be collected on visitors. These forms started to be regularly collected and processed in 1996 by the Ministry of Home Affairs on behalf of the MET. By 1998 this arrangement had run into administrative problems and it was not until 2001 that arrival statistics were published again. However, the form was changed in 2002 because the previous border entry form provided fewer tick boxes for purposes of entry than the number of indicated options. But the new form asked visitors to indicate their nationality rather than their country of present residence. This meant that statistics on purpose of entry and "real" foreign arrivals were unreliable since no distinction is made between, for example, Europeans coming to Namibia from Europe and those living in and coming from South Africa. Furthermore, not all the old forms were replaced by new ones at all border control points with the result that the 2003 arrival statistics are based on a mixture of old and new forms. This was finally rectified in 2008 with the introduction of a completely new form.

[24] "The State of Community Conservation in Namibia 2018", NACSO, 2018

Accepting these shortcomings in arrival statistics, the number of foreign tourist arrivals has undoubtedly increased significantly since 1990. The first estimate of the number of foreign tourist arrivals to Namibia was made in 1991 by Hoff & Overgaard, the consultants who carried out Namibia's first comprehensive tourism study. They estimated 213,000 foreign tourists visited Namibia in that year with a further 282,000 in 1992. Tourist numbers have risen steadily over time to reach 1,595,973 in 2019.

CHART 15.3

International Tourist Arrivals by Nationality (1991-2020)



Source: Ministry of Environment and Tourism

Foreign tourist arrivals are defined according to the UN WTO definition as "any visitor travelling to a country other than of his/her residence but outside of his/her usual environment for more than one night but less than 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited". Foreign tourist arrivals totaled 1,595,973 in 2019. Africa accounted for 78.4 percent of all foreign tourist arrivals, Europe 16.0 percent, North America 2.1 percent and Other Regions 3.4 percent. The top ten countries of origin in order of numbers of arrivals were: Angola, South Africa, Zambia, Germany, Zimbabwe, Botswana, United Kingdom, Other Africa, France and United States. Tourist arrivals from Europe, North America and other countries outside Africa came overwhelmingly for leisure tourism (80.5 percent, 75.6 percent and 70.2 percent respectively) while only 21.2 percent of arrivals from Africa came for holidays. The peak period for overseas tourists coming to Namibia is during May-September. Hosea Kutako International Airport (HKIA) accounted for 19.9 percent of arrivals while the northern border posts accounted for 30.0 percent. The average length of stay in 2019 ranged from 15 days for South Africans

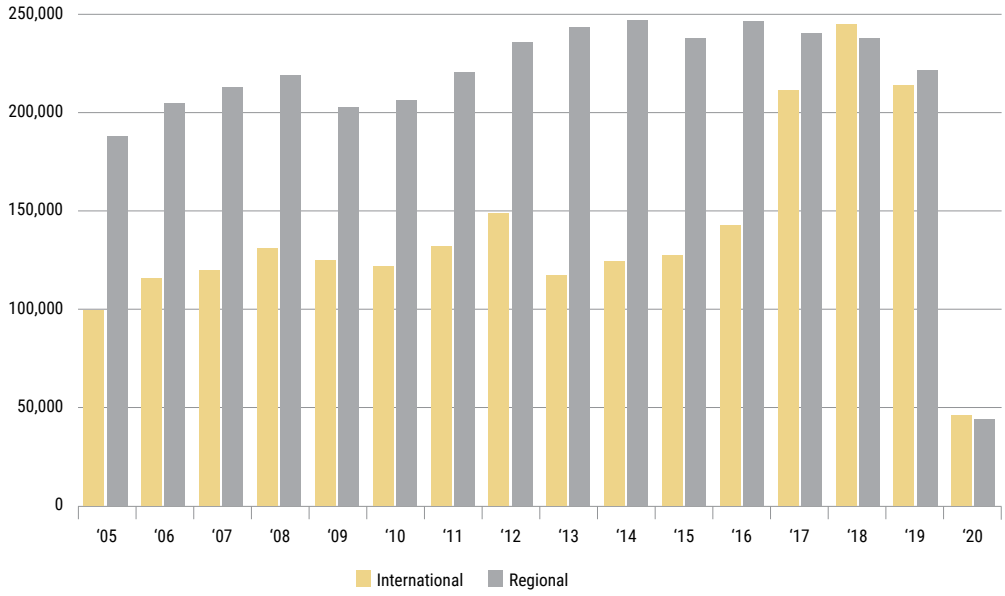
[25] See "Neither Here Nor There", *Insight Namibia*, October 2004
[26] See "Let the Numbers Guide", *Insight Namibia*, February 2015

to 18 days for Germans and as much as 36 days for Zimbabweans and 21 days for other Africans. However, arrival numbers alone say very little about their economic contribution[25] and aggregate numbers often quoted hide the important nuances that can help inform tourism policy[26].

Namibia's tourist arrival statistics are generally published with a significant delay although this has improved over recent years. The Namibian Airports Company (NAC) collects monthly data on arrivals and departures at each of its airports including the all-important HKIA. The chart shows annual international and regional arrivals at HKIA for the period since the beginning of 2005. Steady if not spectacular long-term growth was apparent interrupted by the onset of the world economic crisis in 2009 but resumed thereafter until Covid struck.

CHART 25.4

HKIA Passenger Arrival Statistics (2005-2020)



Source: Namibia Airports Company

The NTB and the HAN both produce regular data on national room and bed occupancy rates, both useful measures of capacity utilisation in the tourism industry. Occupancy rates are, however, a relative measure so if capacity shrinks occupancy rates could increase even though the absolute number of tourists may decline. The NTB data is based on obligatory data returns from all registered tourism accommodation facilities while the HAN data is based on a sample of HAN members who voluntarily submit data. Both samples can change from month to month. The NTB data is released every four months or so while the HAN data is released on a monthly basis. The data suggests that bed occupancy rates declined during the Global Financial Crisis and plunged as a result of Covid.

TOURISM SATELLITE ACCOUNTS

The economic value of tourism is particularly hard to measure because tourism encompasses such a variety of activities. These problems are not peculiar to Namibia but apply to all tourism industries in all countries. Economists and statisticians have tried to overcome these problems by developing economic models called Tourism Satellite Accounts (TSA) using increasingly standardised internationally accepted methodologies. Surveys which measure what tourists spend (tourist demand) and the income earned by tourist establishments (tourist supply) are combined with knowledge of the entire economy to develop an overall picture of the contribution tourism makes to an economy, including both the direct and indirect benefits. These TSAs depend critically on the quality of the data that is used, data which is often difficult and expensive to collect.

Namibia's first full TSA were published in 2007 for the year 2006 and have been published four times since, the most recent edition being for 2015. They are calculated according to a standard methodology used by the World Travel and Tourism Council (WTTC) in an initiative led by the NTB. These represent the best estimates to date of the full contribution the tourism industry makes to the Namibian economy.

TABLE 15.3
Key Indicators Tourism Satellite Accounts

	2006	2009	2011	2012	2015
Direct contribution to GDP (N$bn)	1.7	3.0	3.6	3.8	5.2
Direct contribution to GDP (%)	3.8%	4.0%	3.9%	3.8%	3.5%
Direct and indirect contribution to GDP (N$bn)	7.0	12.1	14.3	15.5	15.1
Direct and indirect contribution to GDP (%)	14.2%	14.0%	15.7%	15.5%	10.2%
Direct contribution to employment	20,000	21,100	21,892	22,857	44,729
Direct and indirect contribution to employment	79,100	83,700	86,700	88,200	100,720
Spending by foreign visitors (N$bn)	4.0	6.5	5	n/a	7.6

Source: Namibia Tourism Satellite Accounts, Fifth Edition, NTB

Tourism White Paper

In 2008, again after much delay, a new Tourism White Paper was approved by Cabinet and published superseding the first White Paper produced in 1994. The White Paper provided welcome clarification of Government's position regarding conservancies and tourism development on communal land. It recognised the importance of trans-frontier parks and conservation areas (such as the Ai-Ais Richtersveld Park or the Kavango-Kwando-Zambezi Park) as well as regional cooperation. It advocated strong environmental management practices as laid out in the Environmental Management Act[27] and other legislation. Under tourism infrastructure, the policy appeared to give open-ended support to the continued subsidisation of Air Namibia stating:

> Maintaining a national airline not only raises the profile of Namibia in business and political circles abroad, but also ensures reliable links for trade and tourism with key external markets. Most importantly, it avoids Namibia being dependent on foreign carriers, whose business decisions are dependent on factors outside the control of the State.[28]

The White Paper used the term Broad-Based Black Economic Empowerment (BBBEE) and provided an official endorsement of the Tourism Industry Charter of 2004 as well as stating that Government would support a plan to ensure that BBBEE is progressing and that these principles are applied in tourism businesses[29]. The White Paper ended up by committing Government to producing a "national tourism growth strategy and action plan" drafted under the auspices of the MET and NTB.[30]

Policy Issues

Data, Monitoring and Tourist Satellite Accounts

Until the advent of the TSAs, it was not possible to fully quantify the contribution made by the tourist industry to the overall economy. However, there is no magic about the TSAs and they depend, like other economic models, on quality data based on regular quality surveys and official data collection. Without these, Namibia's TSAs are little more than expensive thumb-sucks and ongoing efforts to improve data and ensure it is regularly produced is important if the TSAs are to provide an accurate picture. So far Namibia's TSAs have been produced by foreign consultants. There is no reason why they cannot be produced locally.

[27] Environmental Management Act 2007 (Act No.7 of 2007)
[28] See Section 2.15.3
[29] See Section 2.22.2
[30] See Section 4.2

Tourism Promotion, the Namibia Tourism Board and the Tourism Levy

After much agonising, it was decided to fund the NTB partly from a tourism levy paid by the tourism industry and by 2018/19 the NTB was generating some N$44.6 million from these levies. The levy ensures private industry has a more direct interest in ensuring the NTB functions effectively and the NTB has to be more responsive to private industry concerns and can channel these to policymakers in central government. A potential spin-off from the arrangement could have been more reliable statistics on tourism establishments and their commercial operations.

In recent years Government has allocated very limited funding to the Directorate of Tourism and the NTB which has continued to receive budgetary support even after the tourism levy became fully operational. The question is whether enough is being spent on promoting Namibia as a tourist destination. However, it is hard to assess how effective the NTB's promotional spending has been and therefore equally hard to see how effective judgements on this issue can be made if adequate data and the ability to analyse it is not available. The tourism industry also baulked at the newly-introduced Vocational Training Levy which came into existence on 1 April 2014 but ended up collaborating with the NTA to produce a Sector Skills Plan in May 2015.

Namibia Wildlife Resorts

After the appointment of Tobie Aupindi in 2006, NWR declared its intention to carry out a radical turnaround strategy. Fundamentally, however, there is little economic justification for the State to be involved in a competitive industry like tourism. One justification has been that many of NWR's locations (in national parks within certain communities) mean that these sites cannot simply be privatised. Another is that private companies would price local tourists out of the market. However, the special sensitivities that go with these characteristics could be addressed by private sector operators as many companies have already demonstrated[31] while pricing locals out of the market does not appear to have been much of a concern to NWR as it tried to move up-market. Government has generally been extremely reluctant to relinquish its active involvement in the economy and embrace privatisation and it looks as if NWR is just another example of this approach. However, with significant amounts of public money at stake, as well as potentially negative consequences for the entire industry if things go wrong, the risks to the taxpayer are considerable. Although NWR does finally appear ready to divulge financial information and appears to have stemmed losses, the fundamental arguments in favour of privatisation have not disappeared. It remains to be seen if the HLPNE's recommendation will be acted upon but fiscal constraints may eventually force the issue.

Black Economic Empowerment

No study has yet been done on the degree of black Namibian ownership in the tourism industry. FENATA adopted a BEE Charter of its own in 2004 which focused on seven areas[32]:

- Skills development
- Apprenticeships, internships and sponsorships
- Strategic representation and employment equity
- Ownership and joint-venture partnerships
- Preferential procurement
- Enterprise development
- Social responsibility programmes

[31] See "Innovation and Long-Term Thinking", *Insight Namibia*, May 2007
[32] Tourism Industry Transformation Charter: A User's Guide

On the issue of ownership, the Charter made four commitments:

- Tourism enterprises may choose to give or sell a percentage of the business shares to employees, previously disadvantaged individuals and/or groups
- Other enterprises may choose to support in joint ventures with a conservancy or local group
- Tourism enterprises may choose to enter into equity share arrangements or joint venture partnerships within a concession
- The equity share model may not be applicable to small businesses. In such cases, other aspects of the Charter may be used to subscribe to the objective of Broad-based Black Economic Empowerment.

Although the Charter represents a thoughtful and positive statement of intent, it contained no quantitative targets or measurable outcomes. Despite being endorsed by the Tourism White Paper, it does not appear that much has come of the Charter and no in-depth monitoring and evaluation has taken place.

NWR used its turnaround plan to encourage access by BEE groups in managing and rebuilding some of its less important assets. However, the vast majority of tourism businesses in Namibia are small individually or family-owned businesses rather than large corporations. It will not be easy to widen ownership of such small businesses (as recognised by FENATA's fourth commitment) suggesting the emphasis should be more on encouraging new businesses, especially in the north of the country which has steadily opened up to the tourism mainstream. The very fact that Namibia's tourism industry lends itself to small-scale businesses owned by individuals with comparatively low start-up costs makes it a potentially valuable springboard into business for newcomers. The Gondwana model, which draws in small shareholders who have the potential to contribute to the business, may be another way of encouraging broader ownership[33].

Leakage

Leakage occurs when the benefits of spending by tourists do not accrue to the country they visit. Some leakage is natural and inevitable as foreign agents, tour companies and airlines charge for their services. Some leakage is harmful such as the practice of transfer pricing and holding profits offshore. For a long time no one knew the extent of leakage in Namibia's tourist industry but the perception that leakage – both legal and illegal – was prevalent continued to dominate the thinking of many policymakers. It is damaging because it encourages the view that the industry is not helping to promote national development and is, therefore, less worthy of official support. Realistically, the scope for reducing illegal leakage through greater regulation, policing and enforcement is likely to be extremely limited and end up costing more than it saves. The opposite approach of maintaining competitive tax rates, fostering macroeconomic stability and administering liberal exchange controls is more likely to be effective. Greater disclosure by companies and better statistics and analysis would help to assess the extent to which leakage is a problem. In 2019 the issue was finally addressed in a study by the Bank of Namibia[34] which generally gave the industry a clean bill of health concluding the following:

> The data and facts [therefore] suggest that there is no evidence of wide-spread non-compliance by tourist industry players.
>
> Report on Foreign Exchange Abuse in the Tourism Industry
> Bank of Namibia

[33] See "Innovation and Long-term Thinking", *Insight Namibia*, May 2007
[34] See "Report on Foreign Exchange Abuse in the Tourism Industry", Bank of Namibia, December 2019

Value Chain Analysis

It is generally assumed that the more foreign tourists spend in Namibia, the greater the benefit they bring to the local economy. While this is likely to be broadly true, it is possible that these benefits are not as great as many people believe for two reasons: 1) higher spending tourists might simply increase the amount spent on imported goods and services thereby increasing import leakage and 2) higher spending tourists might spend in ways that benefits the better off in Namibia. Elsewhere studies have shown that lower spending tourists such as backpackers often have more of an impact on poorer communities than high-spending ones. More in-depth "value chain analysis" can help identify both the magnitude and the distribution of benefits from different types of tourist, thereby providing policymakers with useful information about the kind of tourism that most benefits the local economy.

Value of Tourist Concessions

Government slowly started to increase the amount of revenue it received from tourist concessions but the total amount was budgeted at N$2 million in 2019/20, a figure which has not altered substantially over time. The Government approved a Tourism and Wildlife Concessions Policy in 2007[35]. It is not clear how these concessions are valued but Government could be significantly short-changed if it does not have the information required to negotiate terms. There may be a case for Government to employ an independent concession valuator in the same way as has always been done for diamonds. The issue of tourist concessions is also touched upon by the HLPNE.

Angola

The enormous increase in the number of Angolan tourists coming to Namibia has been one of the most significant changes to Namibia's tourist industry since Independence, yet perhaps also one of the least researched. From an estimated 13,000 Angolan tourists in 1993, numbers have climbed to some 563,978 in 2019. Angolan nationals constitute the most numerous arrivals of any nationality to Namibia. Access to Namibia was enhanced by the ending of the civil war in 2002 following the shooting dead of UNITA leader Jonas Savimbi as well as the high growth the country experienced on the back of the oil boom that followed: Angola's GDP grew by over 10 percent a year between 2002 and 2007. The vast majority of Angolans enter Namibia via the northern border posts. It was estimated that in 2003 Angolan nationals spent up to N$3 billion in Namibia every year acting as an important source of demand in the economy, especially for the retail sector[36]. This impact has subsequently declined with the declining fortunes of the Angolan economy but reliable data on the economic impact of Angolan tourists is hard to come by.

Diversifying Tourism Products and Markets

Namibia's tourism marketing efforts have focussed very much on the traditional markets of Western Europe. Yet tourist arrival statistics show the number of visitors from outside Europe to be still very small. Namibia might consider putting more of an effort into attracting visitors from India and China, for example, since these countries' middle classes rival those of Europe in size as do their population densities. There may be more scope for specialising in US-style business conventions or specialised holidays that require good weather such as flying or tennis. While it should be left to private businesses to decide whether or not to risk investing in such new directions, there may be actions Government could take to move things forward. One such an initiative was included in Namibia's Millennium Challenge Account Compact in September 2009.

[35] See "Policy on Tourism and Wildlife Concessions on State Land", Ministry of Environment and Tourism, 2007

[36] In 2003 NEPRU carried out an assessment of trade potential between Namibia and Angola see "Trade Assessment: Namibia and Angola", NEPRU, May 2003

With US support, Namibia was to make a concerted effort to attract visitors from North America[37]. Namibia also hosted the Adventure Travel World Summit in October 2013. However, by the end of 2019, these initiatives do not seem to have made much of an impact and the nationality of tourists coming to Namibia had not changed significantly despite steady overall growth in tourist arrivals. Meanwhile Namibia trundles along ranking 81st out of 140 countries in the 2019 World Economic Forum's Travel and Tourism Competitiveness Index[38].

TABLE 15.4
WEF Travel & Tourism Competitiveness Index Rankings

	2011	2013	2015	2017	2019
Namibia	84	91	70	82	81
Botswana	94	91	88	85	92
South Africa	66	64	48	53	61
Mauritius	53	58	56	55	54
Seychelles	n/a	38	54	n/a	62
Kenya	103	96	78	80	82
Cape Verde	89	87	86	83	88
Tanzania	110	109	93	91	95
Ranking in Sub-Saharan Africa	3	4	4	3	4
Total number of countries	**139**	**140**	**141**	**136**	**140**

Source: WEF Travel & Tourism Competitiveness Reports

Covid

As in other countries, Namibia's tourist industry was particularly hard hit by the Covid pandemic and the associated measures the authorities took to contain it. International flights to and from HKIA were halted from 27 March until 1 September. Soon after lockdown was imposed, the industry presented detailed proposals to Government and the International Tourism Revival Initiative was launched in June 2020. Despite this, occupancy rates at the end of 2020 remained far below the 40 percent benchmark that HAN says is required for tourism establishments to break even.

[37] http://www.mca.gov.na/investment_sector_tourism.php
[38] https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019

Useful References

Hospitality Association of Namibia (HAN) Tourism Occupancy Statistics

Namibia Tourism Board (NTB) Namibia Tourism Satellite Accounts

Namibia Tourism Board (NTB) Annual Reports

Namibia Wildlife Resorts (NWR) Annual Reports

Ministry of Environment and Tourism (MET) and Namibian Association of CBNRM Support Organisations (NACSO) State of Community Conservation in Namibia Reports

Ministry of Environment and Tourism (MET) Annual Tourist Statistical Reports

World Economic Forum (WEF) Travel & Tourism Competitiveness Reports

Useful Websites

Environmental Investment Fund of Namibia
www.eifnamibia.com

Hospitality Association of Namibia
www.hannamibia.com

Namibian Association of CBNRM Support Organisations
www.nacso.org.na

Namibia Tourism Board
www.namibiatourism.com.na

World Tourism and Travel Council
www.wttc.org

World Economic Forum
www.weforum.org

Annex

ANNEX 15.1

Namibia Tourism Board Key Financial Indicators

	Revenue	Budget transfer	Levies received	Net surplus
2002/03	16.0	14.2	0.0	5.3
2003/04	30.9	27.9	0.0	9.2
2004/05	24.9	17.9	1.8	-13.4
2005/06	32.2	21.3	8.8	0.7
2006/07	39.0	27.4	10.8	3.8
2007/08	43.8	28.2	12.3	7.9
2008/09	46.3	27.6	15.5	4.9
2009/10	50.6	32.0	15.6	14.4
2010/11	54.7	34.4	17.5	13.5
2011/12	-	-	-	-
2012/13	-	-	-	-
2013/14	-	-	-	-
2014/15	76.2	50.0	23.8	-2.9
2015/16	81.4	22.0	29.4	-10.1
2016/17	62.0	-	-	7.6
2017/18	57.9	10.0	42.6	-19.0
2018/19	54.4	6.0	44.6	0.7

Source: NTB Annual Reports

One of TransNamib's veteran GE locomotives

CHAPTER

16 Sector Transport

Partly for historical and partly for economic reasons, State-Owned Enterprises play a key role in Namibia's transport sector. TransNamib, Air Namibia and more recently the Namibia Airports Company have rarely been out of the headlines as a result of poor management and endless political interference. The former two appear to have lost market share to private competitors and rely exclusively on the national budget to finance investment. By contrust, under competent and stable management, Namport quickly became an effective commercialised entity running the country's two harbours but stumbled at the hurdle of a critical major expansion programme. One of the key questions facing the transport parastatals is whether they are able to make the significant investments the economy requires without raising private capital and bringing in private shareholders.

The institutions planning, running, regulating, building and maintaining Namibia's road network were completely restructured from a government department through the creation of the Roads Authority, the Road Fund Administration and the Roads Contractor Company. However, toll roads have yet to be introduced and it is by no means clear whether the current arrangement can effectively maintain the road network without substantial additional financial support from the national budget.

Transport

KEY EVENTS

YEAR	EVENT
1990	– Namib Air inaugurates first intercontinental flight to Germany using Boeing 747 SP – Richard Kapelwa Kabajani appointed Minister of Transport – Klaus Dierks appointed Deputy Minister of Transport – Namib Air renamed Air Namibia
1991	
1992	– Marco Hausiku appointed Minister of Transport – Government buys Falcon 700B
1993	– LTU makes inaugural flight to Windhoek
1994	– Namibian Ports Authority Act passed – Wessie Wessels appointed Namport MD – Walvis Bay port handed over to Namport – White Paper on Transport Policy approved by Cabinet
1995	– Hampie Plichta appointed Minister of Transport – Task Force for the Restructuring of TransNamib established – Southern Africa Regional Air Transport Authority created – Government creates new board for TransNamib – Policy on Road User Charging approved by Cabinet – MWTC 2000 Project launched
1996	– Francois Uys dismissed by TransNamib board – Peingeondjabi Shipoh appointed TransNamib MD
1997	– Collision between German and US military planes over Namibian waters – TransNamib restructured
1998	– Airports Company Act passed – Tukondjelanee Elijah Nghihalua appointed CEO of NAC – National Transport Services Holding Company Act passed – Air Namibia separated from TransNamib with Ministry of Finance as shareholding ministry – Ahmed bin Jaffar appointed MD of Air Namibia – Trans-Kalahari Highway officially opened
1999	– Roads Authority Act passed – Road Fund Administration Act passed – Willy Klein resigns as TransNamib board chair – Trans-Caprivi Highway officially opened
2000	– Klaus Dierks leaves Parliament – Moses Amweelo appointed Minister of Transport – Walvis Bay Corridor Group established
2001	– John Shaetonhodi appointed acting MD of TransNamib
2002	– Otto Herrigel resigns as TransNamib board chair – Klaus Dierks appointed TransNamib board chair – John Shaetonhodi appointed MD of TransNamib – Gernot Riedel appointed MD of Air Namibia – RFA raises N$100 million by issuing 10 year bond with government guarantee
2003	– Sebby Kankondi appointed MD of Namport
2004	– Kosmas Egumbo appointed MD of Air Namibia – Sesheke Bridge over Zambezi opened
2005	– Joel Kaapanda appointed Minister of Transport – Penda Kiiyala appointed MD of Road Fund Administration
2006	– Mass distance changes introduced – Vemunjengua Kavari appointed CEO of Namibia Airports Company

2007
- Mass distance charges re-introduced

2008
- Helmut Angula appointed Minister of Works, Transport and Communication
- Titus Haimbili appointed MD of TransNamib and later suspended
- TransNamib strike

2009
- Government buys Falcon 7X
- Namibia Logistics Association established
- Bisey Uirab appointed MD of Namport
- Titus Haimbili formally reinstated as MD of TransNamib

2010
- Erkki Nghimtina appointed Minister of Works and Transport
- Kosmas Egumo leaves Air Namibia
- Theo Namases appointed acting MD of Air Namibia
- Erastus Ikela leaves Roads Authority
- Conrad Lutombi appointed acting CEO of Roads Authority

2011
- Cabinet approves new Air Namibia turnaround strategy with IATA support
- Namport selects a single preferred bidder for port expansion

2012
- Ben Biwa appointed MD of Namibia Airports Company but later suspended
- Tamer El-Kallawi appointed acting MD of Namibia Airports Company
- Namibia Airports Company undergoes wide-reaching restructuring
- Theo Namases appointed MD of Air Namibia
- Titus Haimbili fired by TransNamib
- Namport re-opens port expansion tender

2013
- Sara Naanda appointed CEO of TransNamib
- China Harbour Engineering Company wins N$3 billion Namport port expansion bid
- Conrad Lutombi appointed CEO of Roads Authority

2014
- Sara Naanda suspended as CEO of TransNamib
- Johan Piek appointed Executive Turnaround Project Manager at TransNamib
- Theo Namases suspended as MD of Air Namibia

2015
- Alpheus !Naruseb appointed Minister of Works and Transport
- Leon Jooste appointed Minister of Public Enterprises
- Tamer El-Kallawi appointed MD of Namibia Airports Company
- Advocate Mandi Samson appointed MD of Air Namibia

2016

2017

2018
- First Namibia State of Logistics Report published
- Johnny Smith appointed MD of TransNamib

2019
- Walvis Bay container terminal expansion inaugurated
- Xavier Masule appointed acting MD of Air Namibia
- Finance Minister Schlettwein submits Cabinet paper on Air Namibia
- Bisey /Uirab appointed MD of Namibia Airports Company

2020
- John Mutorwa appointed Minister of Works and Transport
- Leon Jooste reappointed Minister of Public Enterprises

Introduction

In contrast to other sectors, independent Namibia's transport sector has been dominated by State-owned Enterprises acting as direct commercial players rather than just regulators, sometimes in direct competition with private companies. TransNamib, Air Namibia, Namport, the Namibia Airports Company, and the Roads Authority and Road Fund Administration are all key participants in Namibia's transport sector. As this chapter testifies, Namibia's transport parastatals have generally been subject to the most extraordinary degrees of mismanagement and political interference – following depressingly familiar patterns – at the expense of long-term management stability and this has slowed down or halted the critical investment required to take the wider economy forward.

TransNamib

TransNamib was created in 1987 as an integrated transport company with road, rail and air operations. It has rarely been out of the headlines since Independence in 1990. Already in 1995 Deputy Minister of Works, Transport and Communication, the energetic Klaus Dierks, announced the establishment of a Task Force for the Restructuring of TransNamib appointing a three-man team consisting of Petrus Damaseb, Gabor Bruszt and Trevor Ferrel to conduct a thorough investigation into the company's affairs, how it could be restructured and how affirmative action could be promoted within the company. Government was convinced that the company, led since 1990 by the combative François Uys, was dragging its heels on promoting black Namibians, especially at management level. As a result of the Task Force findings, Government decided to dismiss the entire board of directors under Johann-Albrecht Brückner and appoint engineer Willy Klein as the new board chair. It was not long before Uys was dismissed by the board in April 1996 and replaced with the Permanent Secretary of the Ministry of Works, Transport and Communication Dr Peingeondjabi Shipoh.

The year that followed saw TransNamib record the first loss since it was created, largely due to the poor performance of Air Namibia's intercontinental routes – although this explanation was disputed by some. The corporation was eventually restructured in 1997 and divided into three autonomous subsidiaries (Air Namibia, TransNamib Transport and TransNamib Properties) owned by a new company, TransNamib Holdings, again a controversial move which some observers believed just added to costs and diluted the integrated nature of the company.

Parliament passed the National Transport Services Holding Company Act in 1998 to regulate the ownership of railway infrastructure which reverted back to the State with operations remaining the responsibility of TransNamib. TransNamib's rail operations were renamed Namrail.

With mounting losses on the international air routes, Air Namibia was separated from TransNamib in March 1999 and former Bank of Namibia Governor, Malaysian national Jaffar bin Ahmad, was appointed CEO replacing the flamboyant former Permanent Secretary of the Ministry of Foreign Affairs Andreas Guibeb who had been embroiled in a fraud scandal in 1995. However, TransNamib's losses continued to spiral and the company failed to produce an annual report for the year 2001. Klaus Dierks was appointed board chair and Shipoh was eventually replaced in 2002 by former Minister of Labour John Shaetonhodi who promised to turn the company round without shedding jobs. Shaetonhodi asked Government to write off N$40 million in unpaid PAYE and bail it out with an additional N$32 million.

Separated from Air Namibia, TransNamib continued to hit the headlines, mainly due to its rail operations. In 2004 TransNamib purchased four locomotives (fitted with Cummings engines) and 30 tank wagons from China following this up with 17 more locomotives financed by a N$250 million – reportedly concessional – loan from the Export-Import Bank of China. This decision dogged the performance of the company's rail operations[1] for many years with sceptics pointing to the unreliability of the engines. Furthermore, the company was expected to run services on the politically high-profile northern railway extension north of Tsumeb to Ondangwa. It has never been entirely clear how profitable this route was intended to be. Deputy Minister Paul Smit insisted it was "no white elephant"[2]. The long-term thinking was that the rail service would help link Walvis Bay to Angola as part of the Trans-Cunene Corridor. The new Omugulugwombashe Express, which was inaugurated in 2006 as a shuttle service between Windhoek and Ondangwa, was taken out of service. In July 2009 Minister of Transport Helmut Angula admitted to Parliament that four Chinese-built locomotives purchased in 2004 had been grounded by TransNamib in June 2007 due to their poor performance and safety concerns. Clearly TransNamib had consistently underinvested in locomotives and rolling stock creating serious problems in service delivery. This was highlighted again in a high-profile accident at Mariental in December 2009 which resulted in the death of a 12-year old boy. In 1990 TransNamib had 88 locomotives to shift under two million tons of freight a year. Its fleet of GE diesel locomotives dated back as far as 1968. By 2005 51 locomotives were being required to move over two million tons.

Shaetonhodi ended up leaving TransNamib in 2005 under a cloud of allegations concerning corruption and nepotism. A long series of legal wrangles followed involving senior management. The MD position was not filled until 2008 when Titus Haimbili was eventually appointed. However, Haimbili was suspended by the board in August and placed under investigation. This uncertainty at top management level led the commercial banks to withdraw overdraft facilities while the dismissal led to a high-profile national strike with the Namibian Transport and Allied Workers Union (NATAU) accusing new board chair Festus Lameck of wanting Haimbili's job. The strike lasted six days despite being declared illegal by the Labour Court and cost the economy some N$180 million according to the Namibian Employers Federation (NEF)[3]. A shutdown of rail freight services has the potential to hit the country's economy hard since it is difficult to transport bulk commodities such as petrol, coal and sulphuric acid by road. Haimbili was later found not guilty of five of the six charges of fraud, corruption and nepotism the company had filed against him[4] and was reinstated only to be fired in April 2012 along with Charles Funda, the company's chief operating officer[5]. Haimbili challenged his dismissal in court but the High Court refused to adjudicate on the matter referring the case to the Labour Commissioner. Haimbili and Funda rejected the company's offer of a severance payment

[1] See "Getting By", *Insight Namibia*, September 2007
[2] See "Northern Rail No 'White Elephant'", *The Namibian*, 9 June 2008
[3] See "TransNamib Strike Cost N$180m: Rukoro", *The Namibian*, 16 September 2008
[4] See "TransNamib's Titus Haimbili Off the Hook", *The Namibian*, 8 April 2009
[5] See "Haimbili Fired", *The Namibian*, 11 April 2012

worth three months' salary. At the time Haimbili apparently earned a net salary of N$79,000 per month. The Anti-Corruption Commission (ACC) was reportedly investigating the purchase of 100 open top wagons from Chinese company CSR Yangtze for N$67 million while the company's tender committee had apparently recommended the purchase of 125 wagons for N$66 million from another company CSR Maishan. Haimbili ended up being awarded N$900,000 in compensation by the Labour Court in September 2012. TransNamib ended the year with Eugenia Tjaronda as acting CEO with board member Sara Naanda of NamPower, who had been jointly responsible for sacking Haimbili, being appointed CEO in early 2013. Through all this turbulence, the company continued its lamentable decline with Naanda comparing it to "a patient in ICU[6]". Naanda in turn ended up being suspended in October 2014 and was charged with breach of confidentiality obligations, conflict of interest and breach of trust as well as dealings with companies linked to her then boyfriend Augustinus Katiti[7]. To make things more interesting, this happened as the TransNamib board Chair Dr Pieter Oosthuizen was himself being investigated by the ACC over claims he had no valid work permit. Prior to that, Johan Piek had been appointed Executive Turnaround Project Manager for three years from 15 October 2014. The 180-day strategy apparently involved reviving 12 GE locomotives, restructuring operations and addressing the company's debt problems. Piek was reportedly earning N$2.5 million a year and public accusations were made about the status of his work permit. Controversy refused to die down when it came to light that the Minister of Works Erkki Nghimtina had approved the turnaround strategy without consulting Cabinet.

A long interlude followed Naanda's eventual exit after an out of court settlement in 2016 during which Hippy Tjivikua stood in as acting CEO but he too was suspended and replaced with Michael Feldmann in April 2017 until finally the former head of the Walvis Bay Corridor Group, Johnny Smith, was appointed CEO in February 2018. Cabinet approved a N$2.5 billion business plan for the company in November 2018[8]. Transport Minister Mutorwa appointed a new board in February 2019 as the old board was reportedly about to suspend Smith for alleged corruption[9]. TransNamib experienced significant growth in the tonnage of freight transported by both rail and road during the period from the coming into force of the new Act in 1999 to 2006 but growth stalled thereafter. Many observers believe its rail services lost significant market share to private road haulage companies due to poor service and underinvestment. In April 2019 Smith announced that TransNamib would stop providing road services and concentrate on rail freight aiming to double freight volumes from 1.5 million to 3 million tonnes a year[10]. TransNamib has not published an Annual Report since 2013 and as far as is known has not contributed income tax or dividends to the fiscus for many years. According to Smith, TransNamib made a loss of N$317 million in 2018 and, under the current five-year business plan, is due to make a first profit by 2022. TransNamib held its first annual general meeting in seven years in March 2020. The company presented Government, as the sole shareholder, with an unqualified audit for the past financial year. The audit reportedly stated that during the 2019/20 financial year TransNamib generated revenue of N$517 million, representing a 10.5 percent increase on the previous year.

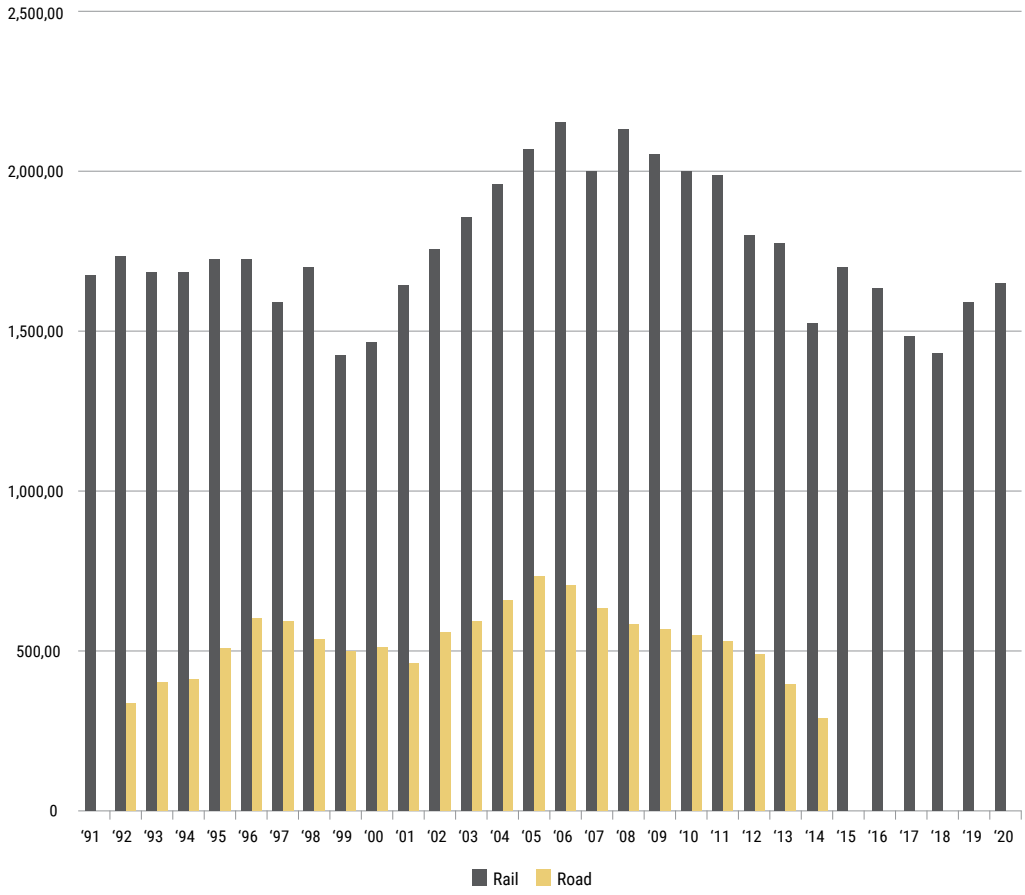
TransNamib converted the old railway station in Swakopmund into the Swakopmund Hotel and Entertainment Complex in 1995 in an arrangement which saw it half-owned by the TransNamib pension fund and half by Legacy Hotels and Resorts. This arrangement has continued but TransNamib and Legacy were reported

[6] See "TransNamib CEO Job Raises Eyebrows", The Namibian, 16 January 2013
[7] See "TransNamib Charges its Suspended CEO", New Era, 26 March 2015
[8] See "TransNamib Wants N$2.5bn for Five Years", The Namibian, 15 November 2018
[9] See "Mutorwa Disempowers TransNamib Board", The Namibian, 30 January 2019
[10] See "Resurgent TransNamib to Abandon Road for Rail", New Era, 10 April 2019

to be holding talks about the future of the hotel after it failed to pay employees as a result of the lockdown imposed due to Covid[11]. Although Legacy operated both the Windhoek Country Club Resort and Casino (WCCR) and the Swakopmund Entertainment Centre, the two hotels are completely separate entities. In 2007 TransNamib reported the accumulated loss on the hotel had risen to N$21.1 million and that it had written down the value of its investment to zero. In 2011 WCCR chairman Sven Thieme announced that a transformation of WCCR's fortunes had taken place and that the company could henceforth fund its own capital and operational needs[12]. In February 2013 the company paid off a N$40 million loan it had received from the Government Institutions Pension Fund (GIPF). TransNamib also owned and ran the Desert Express train which is aimed at the tourist market but this is now run as a joint venture with Exclusive Africa Tours and Safaris[13]. A collision between the Desert Express and a truck near Osona Military Base in Okahandja in September 2015 did nothing to help the company's image[14].

CHART 16.1

TransNamib Rail and Road Freight (1991-2020)



Source: TransNamib Annual Reports

[11] See :Future of Swakopmund Hotel in Balance", The Namibian, 25 August 2020
[12] See "Country Club Shows Record Results", The Namibian, 6 December 2011
[13] www.desertexpresstrain.com
[14] See "TransNamib's Desert Express Collides with Truck", New Era, 16 September 2015

Air Namibia

Air Namibia can trace its roots back to South West Air Transport founded in 1946. In 1990 Namib Air, in which the pre-Independence Administration had acquired a majority share, was renamed Air Namibia. Former permanent secretary of the Ministry of Foreign Affairs Andreas Guibeb was appointed MD in 1995 and talked big about creating a world-class company but the airline immediately started to lose money.

After a troubled existence as part of TransNamib, it was decided to create a separate company. The new Air Namibia commenced operations in 1999 with former governor of the Bank of Namibia Jaffar bin Ahmad at the helm, someone with no known experience of running an airline. Later in the year Air Namibia took delivery of a brand new N$684 million Boeing 747-400 Combi financed through the US Export Bank and underwritten by the Namibian Government. Prime Minister Hage Geingob went to Seattle to take delivery of the plane amid growing scepticism at home[15].

However, instead of stemming the losses, the company started to haemorrhage money and Government was obliged to make the first of a series of significant transfers from the fiscus under the budget classification of equity participation. Things became so bad that bin Ahmad was given a N$4 million payoff in 2001 and replaced by Gernot Riedel. A Presidential Commission of Inquiry was undertaken in 2001 which found that the new Boeing 747-400 purchased in 1999 was in fact inappropriate. A new board, including Leake Hangala (then MD of NamPower), Advocate Vekuii Rukoro (then MD of Sanlam Namibia), and Inge Zaamwani (then MD of Namdeb), was asked to come up with a turnaround strategy and a deal was announced which was to see 40 percent of the airline owned by South African Airlink and 15 percent by André Compion's Comav. Regional flights from Windhoek's Eros airport were stopped in October 2002, ostensibly due to safety concerns, but some suspected this was a measure to protect Air Namibia from South African Airlines which had been running a shuttle service to South Africa popular with business travellers. After a drawn-out process, Air Namibia eventually managed to sell its Boeing in 2004 replacing it with two leased Airbus A340-300s. Kosmas Egumbo, again someone with no airline experience, was appointed MD shortly afterwards.

Although the number of passengers carried by Air Namibia appeared to increase, losses continued unabated which led the Minister of Finance to commission an independent review in 2006[16]. This was completed but was not acted upon. Air Namibia stopped its Windhoek to London Gatwick route in June 2009 but later in the year launched new routes to Lusaka and Accra taking advantage of a change in regulations which allowed airlines to compete on routes other than local routes.

Egumbo ended up serving a full five-year contract in office but decided not to extend it beyond the end of 2009. Air Namibia's head of HR Theo Namases was appointed acting MD until she was finally permanently appointed in May 2012 following stories in the press that former head of the Namibian Defence Force Martin Shalli was being lined up for the job. Under Namases, Air Namibia had embarked on another ambitious turnaround strategy which involved the purchase and leasing of a new fleet of aircraft including Airbus A-319s and Embraer ERJ-135s for regional routes and A-330s for the international routes. The strategy, which had apparently been put together with the help of the International Air Transport Association (IATA) and approved by Cabinet in 2011, required further significant injections of cash from government.

[15] See "White Jumbo or White Elephant?", Economic Eye, *The Namibian*, 25 October 1999
[16] See Section 108 of 2007/08 Budget Speech

However, in early 2013 the plan was unceremoniously dumped by the company's newly appointed board led by chairman Harald Schmidt[17]. Namases herself was suspended in June 2014 while the company undertook unspecified investigations. Namases came out in July 2015 defending herself against accusations that she had had improper dealings with Paragon Holdings owned by Desmond Amunyela and Lazarus Jacobs but declined to have her job back citing lack of trust between her and the board. Chief Operating Officer Rene Gsponer took over from Namases as acting MD but was replaced by Advocate Mandi Samson in August 2015. In July 2018 Samson announced Air Namibia would publish its annual audited financial statements from 1998 to 2014 but this did not take place.

Samson resigned in March 2019 shortly after a new board had been appointed and was replaced with Xavier Masule as interim MD. After N$500 million had been allocated to Air Namibia in the 2019/20 National Budget, Public Enterprises Minister Leon Jooste made a trip to the US to negotiate an early release from lease deals with lessor Castlelake[18]. This came two months after Finance Minister Calle Schlettwein had reportedly submitted a paper to the Cabinet Committee on Treasury entitled "Non-Sustainability of Air Namibia" which outlined why the airline should be shut down. The report said Government had pumped N$8.3 billion into the airline between 1999 and 2019 and it would require a further N$4.3 and N$5 billion to turn the airline around. An approach was also made to Ethiopian Airlines, Lufthansa and South African Airways offering a strategic stake in the airline but this did not seem to go very far and received short shrift from Lufthansa. New board chair Advocate Deidre Sauls-Deckenbrock resigned in September 2019 and was replaced by Escher Luanda but the search for a new MD was suspended. As Air Namibia chopped and changed flights to Accra and Luanda, new competition arrived in the form of Flywestair which commenced flights to Cape Town from Windhoek's Eros Airport four days a week from September 2019. Despite much protesting by Schlettwein and Jooste that Air Namibia should not be bailed out, the year ended with Government agreeing a N$578 million loan guarantee which would allow Air Namibia to clear its debts with the Airports Company of South Africa (which had threatened to suspend Air Namibia's flights to and from South African airports) and continue trading during the first quarter of 2020[19]. The 2020/21 National Budget in saw a further N$984.6 million allocated to Air Namibia as the Covid pandemic put a halt to international travel and Namibia closed its airports. In February 2020 the High-Level Panel on the Namibian Economy recommended Air Namibia be liquidated and that a new airline should exit international routes and focus on domestic and regional routes. Theo Mberirua replaced Xavier Masule as Interim MD in July 2020. Air Namibia ended 2020 in suspended animation.

Over the years many have argued that, despite its financial losses, Air Namibia creates net gains for the economy as a whole through its impact on the tourism industry. If there are benefits they have come at a staggering cost and it is hard to believe international connectivity – reputedly the main cause of its losses – could not be achieved in more cost-effective ways. Before the pandemic, Ethiopian Airlines, Qatar and KLM as well as South African Airways were flying intercontinental flights to Hosea Kutako International Airport (HKIA). By 2020 even those in the tourist industry who had been supportive of Air Namibia seem to have acknowledged that the price was too high. Direct subsidies to the airline from the national budget during the period since 1999 have amounted to approximately N$8.3 billion according to the Ministry of Finance itself. However, very little public information is available about the companies commercial and financial performance.

[17] See "Air Namibia Dumps Business Plan", *The Namibian,* 5 February 2013
[18] See "Govt Could Pay N$2,5 billion to Shut Down Air Namibia", *The Namibian*, 7 August 2019
[19] See "Air Namibia Gets a N$500m Government Guarantee", *The Namibian*, 24 December 2019

Namport

Namport was one of the first commercial SOEs created in independent Namibia. Parliament passed the Namibian Ports Authority Act in 1994, days before the handover of Walvis Bay to Namibia amidst much wrangling with South Africa's Portnet, the previous owner and operator of Namibia's two ports of Walvis Bay and Lüderitz. Lüderitz had been operated by TransNamib since Independence and had already started to thrive as home to the new white fish industry before being handed over to Namport in April 1995. Prior to the handover of Walvis Bay on 28 February 1994, Portnet demanded N$84.7 million for the transfer of the port's assets and threatened that, if this was not forthcoming, it would ship all moveable assets to South Africa. The potential for building a third port north of Walvis Bay at Möwe Bay had already been investigated in the early 1990s but the handover of Walvis Bay to the Namibian authorities rendered this unnecessary.

Unlike so many of Namibia's SOEs, Namport has led a relatively quiet life with few stories of poor corporate governance spilling out into the public spotlight. Under its first CEO Wessie Wessels the company grew steadily although a damaging strike did take place in 1998. The Walvis Bay Corridor Group (WBCG), a Public Private Partnership involving Government, SOEs and business, was created in 2000 to promote the port as a gateway to southern African markets via the Trans-Kalahari and Trans-Caprivi Highways. Transport Minister Moses Amweelo trimmed Namport's board of directors from eight to five members in August 2002.

Wessels was replaced in 2003 by Sebby Kankondi and growth continued. Namport proved it could work successfully with private sector partners teaming up with Elgin Brown & Hamer to build, run and maintain a new N$65 million floating dock at Walvis Bay in 2006 based on a dock purchased in Malta. In March 2008 the company announced an ambitious N$1.2 billion expansion plan which would allow it to handle 500,000 containers a year as opposed to the 140,000 handled in 2007. Kankondi resigned in August 2008 "in search of greener pastures" despite having had his five-year contract renewed earlier in the year. Later in the year he was appointed head of BIDVest Namibia which listed on the NSX in October 2009. Namport replaced him with Bisey Uirab.

Under Uirab the aim of increasing port capacity was taken forward but immediately ran into controversy when it emerged that the short-listing process had yielded just a single company, Chinese Harbour Engineering Company, out of the 18 bids received for the N$3 billion expansion project. There was confusion on the issue of whether Namport was asking for financing bids to be included. Amid howls of protest and even diplomatic intervention from the Japanese government which had financed much of the prefeasibility work, the project was suspended as other bidders took the case to the Anti-Corruption Commission (ACC). The ACC absolved Namport of any wrongdoing and the tender process was eventually re-opened. By the deadline in February 2013 seven companies or groups of companies had submitted bids. China Harbour Engineering Company eventually ended up winning the bid and signed a N$3 billion contract in November 2013. Uirab was reappointed for a further five years in May 2014. The new container port terminal designed to handle 750,000 containers a year was inaugurated in August 2019 with policymakers hoping it would help Namibia become a major logistics hub in southern Africa. However, the investment came in for criticism by the Economic Association of Namibia (EAN)[20]. The report highlighted the declining number of vessel visits to Namibia's two ports which had peaked in 2002 and declined ever since. This drew a sharp response from Namport which said the report's author, Rainer Ritter, had not consulted the company. Prior to the inauguration, it was announced Uirab would move to become CEO of the Namibia Airports Company (NAC). He was replaced by Kavin Harry as acting CEO.

[20] See "Namport Within the Context of a Logistics Hub", Public Entity Public Funds Review Issue No.1, March 2019, EAN

Roads Authority and Road Fund Administration

The idea of charging road users for the road network was publicly floated by Deputy Minister of Works Transport and Communication Klaus Dierks as early as 1990 although work on the issue had already been undertaken by SWAPO in exile with the assistance of the Swedish Government. Nevertheless, it took almost a decade – after the launching of the MWTC 2000 Project and the passing of the Road Fund Administration and the Roads Authority Acts in 1999 – until the idea was put into concrete form with the formal launching of the Road Fund Administration (RFA) and Roads Authority (RA) in 2000 by then Prime Minister Hage Geingob. The RFA and the RA were headed by Erich !Gaoseb and Justin Runji respectively. Whereas previously Namibia's roads had been funded exclusively by the taxpayer from the national budget, from then on a system of road user charges collected by the RFA was to finance the design, planning and management of the trunk, main and district road network outside municipal areas through the RA. Urban roads were the principal responsibility of local government but they were to receive a maintenance grant from the RFA. At the same time the Roads Contractor Company (RCC) was to tender for the work required to build and maintain the network along fully commercial lines.

TABLE 16.1

Namibia's National Road Network (km)

	1990	2010	2018
Surfaced	4,581	6,387	7,893
Gravel surfaced	25,421	24,744	26,047
Earth	8,658	12,735	13,316
Gypsum/Salt	226	272	300
Total	38,886	44,138	47,555

Source: Roads Authority Annual Report, Transitional National Development Plan

Both the RFA and the RA were to experience bumpy rides in the first five years of existence. !Gaoseb was dismissed at the end of 2001 and replaced by Shakespeare Masiza. Masiza continued until 2005 when he was replaced by former NPC civil servant Penda Kiiyala. A Presidential Commission of Inquiry into the Activities, Affairs, Management and Operation of the RFA and RA was conducted and presented to President Sam Nujoma in 2004. Kiiyala was later suspended in May 2011 and replaced with Ali Ipinge in November 2014 who was reappointed in November 2019. Justin Runji lasted until he was fired in 2004 and replaced with Erastus Ikela. Ikela left the RA in 2010 and was replaced by Conrad Lutombi as Acting CEO and then in 2013 as CEO. He was reappointed in 2018.

The original combination of the road user levy on fuel (collected by the petroleum companies), vehicle licence fees (collected by NaTIS – the Namibian Traffic Information System) and cross-border charges (collected by an outsourced agency currently Iroko Investments) were complemented from 1 April 2006 by mass distance charges on heavy goods vehicles to fund the shortfall needed to maintain the road network. The new charges faced a hostile reception and led to the transport industry represented by the Namibia Road Carriers Association (Namroad) successfully suing Government in the High Court later in the year. However, they were re-introduced on 1 April 2007 with modifications so that truck owners no longer needed to pay the charges upfront based on government mileage estimates but could pay monthly on the basis of their own logbooks.

Although these revenue sources have risen since 2000, the total amount collected by the RFA has been insufficient to finance all the operations of the RA and substantial sums of money have continued to be budgeted every year from the national budget. It has proven particularly hard to raise the road user levy on fuel in times of rising international oil prices[21]. Ikela spoke of N$900 million as the sum required to fulfil the RA's mandate of which N$450 is required just for maintaining the existing road network. Ikela left the company in 2010 and Conrad Lutombi was appointed acting CEO and subsequently confirmed as CEO for five years from 1 October 2013 and reappointed in 2018. Lutombi oversaw the publication of the RA's Strategic Plan for 2018/19-2022/23 and the RA inaugurated a new N$286 million head office in Windhoek in June 2019. In February 2020, the High-Level Panel on the Namibian Economy (HLPNE) recommended that the RA and RFA be merged.

Namibia Airports Company

The Namibia Airports Company (NAC) became operational in 1999 following the passing of legislation in 1998[22] with the Ministry of Finance as shareholding ministry and the Ministry of Transport as regulatory ministry. The company owns and runs Namibia's eight airports – Hosea Kutako International Airport plus Eros, Katima Mulilo, Keetmanshoop, Lüderitz, Ondangwa, Rundu and Walvis Bay. International flights at Eros airport were terminated in 2002, allegedly due to safety considerations, but this negatively impacted on the NAC which complained bitterly it had not been consulted. Tukondjelanee Elijah Nghihalua was appointed the first CEO of NAC but resigned in 2004 amid rumours that he had been forced to step down following an investigation into maladministration and fraud. Vemunjengua Kavari was appointed MD in 2006 but left in 2009 before his five-year contract expired in circumstances that were unclear. By the end of 2009 the position was still vacant with Advocate Matti Asino filling in as acting CEO. Ben Biwa was appointed CEO but was suspended in November 2012 just nine months after being appointed. During Biwa's short tenure, the NAC had undergone a drastic restructuring programme in the wake of the discovery that its costs were out of control and that, among other things, staff were being paid unsustainably high salaries. All employees were offered new conditions of employment which led to strike action in April 2012 in which the Labour Court had to intervene. Furthermore, HR consultant Brian Nalisa was hired to take charge of the restructuring process and was reportedly paid N$5 million without completing the assignment. Biwa eventually agreed to resign after being offered a golden handshake of two years' salary estimated to be worth over N$2 million but the precise details of the case remain shrouded in secrecy[23]. Tamer El-Kallawi was appointed acting CEO in November 2012 and quickly round himself at the centre of media articles alleging the questionable awarding of contracts but was nonetheless confirmed as CEO of NAC in May 2015. Deloitte carried out a forensic investigation into the NAC in 2017 and El-Kallawi ended up facing charges of corruption, bribery, fraud and dishonesty[24] and was suspended in June 2017. Josephine Soroses was appointed acting CEO for two months followed by Lot Haifidi in September 2017 but he resigned and was replaced by Albertus Aochumeb but was reappointed later in the year after Aochumeb was offered a diplomatic posting. Following a change of board and board chair in October 2018, Namport's Bisey /Uirab ended up being appointed CEO in May 2019[25]. The controversial and long-awaited expansion of Hosea Kutako International Airport described in Chapter 12: construction kicked off in September 2019 and was expected to be completed by September 2020. The NAC's last available annual report is for 2015/16 making it difficult to assess the state of the company.

[21] See "A Very Political Price to Pay", *Insight Namibia*, August 2006
[22] Airports Company Act (Act No. 25 of 1998)
[23] See "Biwa Gets Golden Handshake", *The Namibian*, 11 March 2013
[24] See "Airport Bosses Charged", *The Namibian*, 29 September 2017
[25] See "/Uirab Takes Up NAC Job for N$2,1m a Year", *The Namibian*, 5 March 2019

Walvis Bay Corridor Group

The Walvis Bay Corridor Group (WBCG) is a partnership between the public and private sectors which aims to promote the use of the port of Walvis Bay and the road corridors – the Trans Kalahari, Walvis Bay-Ndola-Lubumbashi, the Trans Cunene and Trans Oranje corridors – thereby helping Namibia to become a major regional transport hub within SADC. This is achieved primarily through improvements in infrastructure and customs administration. The WBCG was established in 2000 with financial support of the Namibian Government and foreign donors. It has branch offices in Lusaka, Johannesburg, Lubumbashi and Sao Paolo. Until early 2018 its Business Development Executive was the long-serving Johnny Smith who was replaced by former TransNamib acting CEO Hippy Tjivikua in October 2019 who, although tainted, had never been convicted[26].

State of Logistics Report

In order to turn Namibia into a "Logistics Nation", a Logistics Hub Master Plan was put together in 2015[27]. With the help of donors, the WBCG commissioned Namibia's first State of Logistics Report which was published in 2018. The Report ranked Namibia above Angola and Mozambique but below South Africa and Tanzania in terms of a Logistics Performance Indicator (LPI) comprising the six elements: efficiency of customs and border management clearance, the quality of trade and transport infrastructure, the ease of arrangement competitively priced shipments, the competence and quality of logistic services, the ability to track and trace consignments, and the frequency with which shipments reach consignees within scheduled or expected delivery times. The report contained a wealth of information on logistics in Namibia and its role within southern Africa linking Angola, Zambia, Zimbabwe as well as to a lesser extent Botswana, the DRC, Malawi and South Africa and demonstrates how important Namibia and Walvis Bay are for Zambia. There is information on the road haulage sector and the idle to moving times for different routes. Information is also provided on rail haulage and the report lays out the limited capacity of Namibia's rail system but states "with improvements, rail freight volumes could almost double within the next five years from the current 1.6 million to three million metric tonnes, representing almost one third of the total freight traffic volume in Namibia." Air transport and the IT network are also covered. All in all, the report concluded the following:

"Namibia is set to become a logistics hub for the SADC region by 2025. Looking ahead, the following developments, among others, are likely to determine the state of logistics in Namibia going forward:

- Completion and commissioning of the South Port Development Project at Walvis Bay
- Completion and commissioning of the North Port of Walvis Bay, SADC Gateway Development
- Capacity enhancement leading to significantly increasing railway percentage share for various cargos for which rail has a distinct advantage
- Completion of port/rail infrastructure around the Port of Lüderitz and commencement of manganese exports through the port
- Implementation of the Namibia-Botswana cross-border railway cooperation

[26] See "Hippy Tjivikua new Walvis Bay Corridor Boss", The Namibian, 4 October 2019
[27] The "Master Plan for the Development of an International Logistics Hub for SADC Countries in Namibia (March 2015)" was formulated through the technical cooperation scheme of Japan International Cooperation Agency (JICA) and adopted by National Planning Commission.

- Sustainable improvement in Namibia's logistics performance.
- Cross-border enhancement by implementing measures such as one-stop border posts
- Digitalisation of corridors e.g. single window
- Strategic marketing strategy with a special focus on the Zambian market"

Overall, however, the report represents more of a bringing together of information rather than a critical analysis leading to clear recommendations. Nonetheless, it represents a welcome move towards "joined up thinking" so that key SOEs – Namport, TransNamib, Namibia Airports Company, Air Namibia and the RFA and RA – as well as the WBCG start working in concert.

Namibia Logistics Association

The growing importance of Namibia as a gateway to southern Africa and the important role Government plays in the transport sector led to the creation of the Namibia Logistics Association (NLA) in June 2009 as a forum through which the private logistics industry can negotiate with Government. François Uys, former MD of TransNamib, was appointed its first Secretary General but he was later replaced by Harald Schmidt. The NLA had a useful website[28] and published an informative quarterly newsletter but this no longer seems to be the case.

Policy Issues

TransNamib

Since Independence TransNamib's profit record and management problems have been well documented. However, since Air Namibia was separated off, TransNamib has consisted of road and rail operations within its own specific legislative framework[29]. Its road operations were exposed to competition and these have been allowed to wither on the vine. TransNamib's rail operations, on the other hand, constitute a natural monopoly since it is unlikely any private investor would attempt to construct a second competing rail network. As things stand, TransNamib owns the rolling stock but not the track. The network is owned by the Government and the Government pays for maintenance and extension through the budget[30]. It is clear the network currently requires large amounts of capital to bring it fully up to standard. In recent years TransNamib has been seeking to raise N$2.5 billion to upgrade railway rolling stock and infrastructure. A better structure for Namibia's railways might be for the rail network to be owned by a fully commercial SOE which would operate on a cost-recovery basis making enough money to maintain and the run the network by charging private rolling stock operators to use it within a clear system of regulated priced. The State would divest itself from TransNamib's rail operations which would then compete to offer services with other private rolling stock and road operators. Such an arrangement is already allowed under the National Transport Services Act of 1998. However, by the end of 2020 the State looked set to continue the existing arrangements but it was not clear if it was be able raise the funds for the long-term investment required.

Namport

Namport has established a reputation for being one of the better run SOEs in Namibia coming fourth in the IPPR's Public Enterprise Annual Rankings for 2020. It has also developed a track record of working with private sector partners to successfully grow its business, something other SOEs could perhaps learn from. The only question is whether it would be better run if it had private shareholders or if it were entirely

[28] www.nla.org.na
[29] National Transport Services Holdings Company Act 1998 (Act No. 28 of 1998)
[30] Under Vote 24 Transport Main Division 03 Railway Infrastructure Management

privatised. Although Namport has no competition in Namibia (unless the two ports were divided into separate companies), the need to compete with other ports in the region would provide a certain amount of competitive pressure, help keep prices down and reduce the need for price regulation. Private shareholders may also be more aggressive in seeking business in other countries thereby growing the business. The degree of success would hinge primarily on finding the right investors but there are no grounds for thinking they could not be found. In the meantime, Namport is set on expansion after ambitious infrastructure upgrades.

Air Namibia

From the beginning, a fundamental disagreement has existed between those who believe Air Namibia can make it on its own as a small national airline operating intercontinental routes and those who believe either that Air Namibia should link up with a bigger international partner or should be allowed to fold leaving other airlines to operate the routes that make commercial sense. As with so many national flag carriers, the issue of national pride has become intertwined in the discussion of the airline's future. With hindsight it looks as though Government missed the opportunity to reach a deal with a larger partner during the 1990s when the outlook for the international airline industry looked less bleak than it does now. There were times, such as in 2001, when it looked as if some sort of a deal might be struck. But it never happened and Government for a long time seemed resigned to taking the knock on the chin and resorting instead to minimising losses. The tourism industry appeared generally supportive of this stance but recent losses have dwarfed any benefits the industry might have produced due to the presence of direct flights to Europe and elsewhere. Air Namibia has kept soldiering on despite everything but a combination of Covid and the parlous state of Namibia's public finances suggests 2020 is the last year this can continue without serious action being taken.

Roads

Namibia is a large country with a small population which makes it likely that the costs of road building and maintenance will be higher than elsewhere. The question is: what is the best way of funding the road network? The original intention of making those who use the roads pay for them was to have solved this problem but it appears to have be dropped in favour of funding through fees and transfers from the State. However, it is not clear whether this is because road users are simply not prepared to pay the full cost of the road network or because the current system of management and administration is inefficient. The RFA Act is clear on this issue: road users should pay to the extent that the costs can be justified on the grounds of economic efficiency. Government has to step in and contribute when this is not the case. The danger is that, for political reasons, Government will continue to expand the road network at the expense of road maintenance where it really matters. There is a strong case to re-examine the current system with a view to introducing efficiency incentives into the RFA, RA, RCC and tendering for road projects as well as coming up with what central government should reasonably contribute towards the road network. If implemented, the HLPNE recommendation to merge the RA and RFA may help reduce costs and increase efficiency.

Public Enterprise Governance

Very clearly, Namibia has had a long-standing problem of public enterprise governance which has long been recognised by everyone including its top politicians. Nowhere is this clearer than in the transport sector where TransNamib, Air Namibia, the Roads Authority, the Road Fund Administration, and the Namibia Airports Company (but significantly not Namport) have suffered from decades of mismanagement and strategic uncertainty. Chapter 20: Public Enterprises deals with this issue in more detail. More radical measures will have to be taken so that public enterprise boards and top management can get on with the business of running the companies in a way that serves the national interest and is accountable to the public.

Useful References

Air Namibia Annual Reports

Namibia Airports Company Annual Reports

Namport Annual Reports

Roads Authority Annual Reports

Roads Contractor Company Annual Reports

Road Fund Administration Annual Reports

TransNamib Annual Reports

Namibia Logistics Association newsletter

Useful Websites

Air Namibia
www.airnamibia.com.na

Economics Association of Namibia
www.ean.org.na

Namibia Airports Company
www.nac.com.na

Namibia Logistics Association
www.nla.org.na

Namport
www.namport.com

Road Fund Administration
www.rfanam.com.na

Roads Authority
www.ra.org.na

TransNamib
www.transnamib.com.na

Walvis Bay Corridor Group
www.wbcg.com.na

Annex

ANNEX 16.1

TransNamib Key Financial Indicators

	Revenue	Profits before tax	Taxation	Equity and reserves	Employees	Contractors
1990	230.6	61.0	0.0	374.3	3,810	-
1991	279.8	7.2	0.9	383.4	3,862	-
1992	318.8	16.3	0.9	439.7	3,374	-
1993	342.8	15.8	0.0	453.1	3,402	-
1994	380.5	13.5	0.0	465.1	3,399	-
1995	426.1	27.9	0.0	480.1	3,291	-
1996	484.6	8.7	7.0	389.0	3,213	-
1997	517.7	-68.7	-21.7	341.9	3,107	-
1998	507.6	-50.2	-23.5	315.4	3,189	-
1999	572.9	12.6	-14.3	342.4	1,935	-
2000	270.1	-34.7	0.0	307.8	1,935	-
2001	n/a	n/a	n/a	n/a	1,935	-
2002	310.0	-81.4	0.0	154.9	1,935	-
2003	361.3	86.3	0.0	241.3	1,935	-
2004	420.3	37.9	0.0	212.5	1,988	-
2005	415.6	19.7	0.0	235.0	1,873	-
2006	450.2	12.6	0.0	265.5	1,732	-
2007	440.2	-34.4	0.0	231.1	1,732	-
2008	491.5	-243.7	-10.1	34.9	1,738	-
2009	570.5	146.4	-82.2	55.9	1,738	-
2010	582.7	65.7	13.6	121.1	1,690	-
2011	551.5	-73.9	0.0	333.9	1,756	-
2012	565.3	-60.5	0.0	230.0	1,802	-
2013	527.1	182.9	0.0	46.7	1,802	-
2014	502.6	-126.0	0.0	-79.2	n/a	-
2015	425.4	-121.7	0.0	-200.9	1,637	-
2016	435.1	-83.3	0.0	-284.2	1,478	23
2017	459.7	-225.9	0.0	-510.1	1,361	53
2018	468.5	2,223.8	0.0	1,691.8	1,216	53
2019	522.5	-66.1	0.0	1,493.0	-	-
2020	542.8	-262.7	0.0	1,462.9	1,300	-

Source: TransNamib annual reports

ANNEX 16.2

Budgeted Transfers to Air Namibia

	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07	'07/08	'08/09	'09/10
N$m	9.5	20.0	293.0	325.0	400.0	366.0	116.0	153.4	538.7	150.0	156.0

	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20	'20/21
N$m	120.5	865.8	1,140.2	472.2	427.2	579.8	695.1	486.1	740.0	500.0	984.6

Source: Budget Documents

ANNEX 16.3

Namport Key Financial Indicators

				17 months			11 months	
	'95	'96	'97	'98	'99	'00	'01	'02
Revenue	57.5	68.0	73.9	133.3	97.9	99.6	134.1	166.3
Pre-tax profits	9.9	21.6	20.6	46.9	11.2	11.9	14.9	21.4
Taxation	n/a	8.2	7.4	14.8	n/a	4.9	6.3	13.0
Capital and reserves	55.2	68.2	90.5	385.0	305.0	313.9	324.8	337.4
Employees	355	385	388	406	407	413	442	459

	'03	'04	'05	'06	'07	'08	'09	'10
Revenue	181.2	211.3	220.9	291.7	419.8	681.1	616.0	566.0
Pre-tax profits	17.4	7.5	33.5	42.9	113.4	174.6	290.0	192.7
Taxation	6.6	11.3	19.5	14.9	21.8	55.6	84.0	39.0
Capital and reserves	563.6	569.4	755.6	780.0	866.6	970.4	1,221.0	1,350.7
Employees	472	591	569	592	606	576	601	611

					7 months				
	'11	'12	'13	'14	'15	'16	'17	'18	'19
Revenue	646.8	755.2	812.9	874.5	917.8	544.6	890.8	1,033.8	1070.35
Pre-tax profits	231.8	255.0	217.3	234.3	260.6	111.8	73.1	181.6	172.4
Taxation	68.0	58.0	78.0	96.0	86.5	3.4	11.2	1.5	25.194
Capital and reserves	1,499.7	1,696.6	1,835.9	2,554.2	2,745.8	2,834.5	2,892.9	3,059.1	3,220.9
Employees	692	825	829	854	986	1004	981	977	965

Source: Namport Annual Reports

One of TransNamib's
veteran GE locomotives

Technical offices of Telecom Namibia

CHAPTER

17 Sector Telecommunications

During the 1990s, Namibia experienced a fundamental change in the way telecommunication services were delivered through the creation of the commercialised fixed-line operator Telecom Namibia in 1992 followed by the commercialised mobile operator Mobile Telecommunications in 1995, both owned by Government through the holding company Namibia Post and Telecommunications Holdings. Further fundamental changes took place in the 2000s and a second mobile operator Cell One – later bought by Orascom and renamed Leo – was licensed in 2006, an event which highlighted the dire need to revise the country's telecoms legislation, especially after Telecom Namibia also entered the wireless market with Switch in 2006. Drawn out consultations on a new Communications Act finally resulted in the passing of new telecoms legislation in 2009. The legislation gave rise to the Communications Regulatory Authority of Namibia (CRAN) paid for by levies on the industry and stipulated that telecoms companies must be majority Namibian owned. During the third decade of Independence, the institutional and policy framework had been established and CRAN tried to show its teeth as an independent regulator. However, it failed to get its way on major issues of competition but better regulation allowed Namibians to benefit from lower prices in mobile telephony despite MTC's position as the *de facto* monopolist. Paradoxically, despite a policy framework designed to promote competition in the telecoms sector, Namibia has ended its third decade of Independence with Government in full ownership of highly profitable MTC and loss-making Telecom Namibia.

Telecommunications

KEY EVENTS

YEAR	EVENT
1990	
1991	
1992	– Post and Telecoms Act passed with MWTC as line ministry – Namibia Post and Telecoms Holdings (NPTH) established – Telecom Namibia established – Bo Eklöf appointed MD of Telecom Namibia – Namibian Communications Commission established under MIB
1993	
1994	
1995	– Mobile Telecommunications (MTC) established with Swedish technical partners Telia and Swedfund – Per Eriksson appointed MD of MTC
1996	– Theo Mberirua appointed MD of Telecom Namibia
1997	
1998	– Bertil Guve replaces Per Eriksson as MD of MTC
1999	– Telecommunications Policy and Regulatory Framework adopted envisaging liberalisation by 2004 and second mobile operator – MTC introduces Tango prepaid service
2000	– NCC nominated to coordinate second cellular licence
2001	– Bengt Strenge appointed MD of MTC
2002	– Draft Communications Bill introduced to make way for Communications Authority of Namibia (CAN) – Frans Ndoroma appointed MD of Telecom Namibia
2003	– Deadline for granting second cellular licence missed
2004	– Namibian Communications Commission Amendment Act passed – Telia Overseas AB and Swedfund International AB sell 49 percent of MTC to NPTH for approximately N$500 million – Granting of second cellular licence delayed – Telecom Namibia enters agreement with Mundo Startel of Angola
2005	– Deadline for second fixed-line licence missed – Telecom Namibia signs agreement with VSNL/Tata for the Second National Operator in South Africa
2006	– Portugal Telecom buys 34 percent of MTC for N$1.02 billion – PowerCom (Cell One) awarded second cellular licence and announces SIM cards will be out by end of the year – Mac Allman appointed MD of Cell One – José Ferreira replaces Bengt Strenge as MD of MTC – Telecom Namibia introduces Switch fixed-wireless service – MTC launches 3G broadband service
2007	– Cell One officially launches service – Lars-Christian Iuel appointed MD of Cell One – Antonio Miguel Ferreira Geraldes appointed MD of MTC
2008	– Ministry of Information and Broadcasting changed to Ministry of Information and Communication Technology – Joel Kaapanda appointed Minister – Telecom launches bond programme
2009	– Orascom buys Cell One – Soban Pasha appointed MD of Cell One – Cabinet lifts restrictions on Switch – NCC regulates interconnection charges – Cell One tenders for BEE partners – Cell One renamed Leo – MTC and Leo awarded international voice licences – Telecom granted credit rating by Fitch Ratings – Communications Act passed – Communications Regulatory Authority of Namibia (CRAN) board appointed

2010

- Orascom announces merger with Wimpelcom
- Joel Kaapanda appointed Minister of Information and Communications Technology

2011

- Telecom Namibia exits Angolan Mundo Startel venture
- Investec and Nedbank Capital acquire Powercom/Leo
- NCC/CRAN caps termination rates
- CRAN formally starts operations
- Stanley Shanapinda appointed CEO of CRAN

2012

- Stanley Similo appointed interim CEO of Leo
- NaCC approves takeover of Powercom/Leo by Telecom Namibia
- CRAN imposes privatisation condition on Telecom Namibia
- Frans Ndoroma steps down as chair of NPTH
- High Court rules against CRAN
- Telecom Namibia acquires Powercom/Leo
- Theo Klein appointed interim CEO of Powercom/Leo
- West Africa Cable System becomes active
- MTC rolls out 4G service in Windhoek

2013

- Leo rebranded as TN Mobile
- Mobile Termination Rate reduced to N$0.20

2014

- Frans Ndoroma retires and replaced by acting MD Theo Klein
- Stanley Shanapinda resigns as CEO of CRAN and replaced by Hilma Hitula as acting CEO
- Cabinet decides to dismantle NPTH
- Telecom sells stake in Neotel

2015

- Tjekero Tweya appointed Minister of Information and Communications Technology
- CRAN issues summons against MTC which withdraws product offer
- Hilma Hitula dies and is replaced by Festus Mbandeka as CEO of CRAN

2016

- Portugal Telecom sells 34% stake in MTC to NPTH

2017

- Nimbus Infrastructure becomes first Capital Pool Company to list on NSX

2018

- Namibia Competition Commission rejects merger between NPTH and Samba Dutchco BV
- Stanley Simataa replaces Tjekero Tweya as Minister of Information and Communications Technology
- Telecom CEO Theo Klein suspended and replaced by Armando Perny

2019

- Dr Licky Erastus appointed CEO of MTC
- Nimbus becomes Paratus Namibia Holdings main board listing on NSX

2020

- Stanley Simataa launches Namibia's Broadband Policy
- High-Level Panel on Namibian Economy recommends listing MTC on NSX and Telecom forming joint venture or partnership
- Peya Mushelenga appointed Minister of Information and Communications Technology
- Parliament passes Post and Telecommunications Companies Establishment Amendment Act
- Stanley Shanapinda appointed CEO of Telecom Namibia
- Emilia Nghikembua appointed CEO of CRAN

Introduction

Until 2009, Namibia's telecoms sector was governed by legislation that was desperately out of date. The 1992 Posts and Telecommunications Act[1] and the accompanying Post and Telecommunications Companies Establishment Act[2] made provision for the establishment of Namibia Post and Telecommunications Holdings (NPTH), the holding company of Telecom Namibia, Namibia Post and, from 1995, Mobile Telecommunications (MTC) under the line Ministry of Works, Transport and Communication (MWTC). NPTH was established as a property development company providing property facilities and custodial services to its subsidiary companies but little in the way of strategic guidance, coordination, support or material involvement in the business decisions of its three subsidiaries which operated more or less independently of each other.

In the same year the Namibian Communications Commission Act[3] gave rise to the Namibian Communications Commission (NCC). The NCC was originally established primarily to licence radio frequency users and regulate radio and TV broadcasters with little consideration for the telecoms sector. The main function of the NCC was to allocate radio frequencies to users including radio and TV broadcasters and mobile telephony operators as well as to award licences to telecoms operators. The advent of MTC in 1995 required an amendment to the NCC Act[4] and gave the NCC the power to regulate the prices MTC was allowed to charge. Later in 2000 the NCC was given the responsibility of coordinating the application and tendering process for the second cellular licence. However, when it became clear that it did not have the authority, a second amendment to the NCC Act was passed by Parliament in March 2004[5].

This legislation and the accompanying institutional structures reflected government's thinking at the time. Prior to the 1992 Act, telecoms had been the responsibility of a government department within the Ministry of Works, Transport and Communication. Both the income and expenditure side of its operations, including its investment decisions, were dictated to a large extent by national budgetary allocations. In what proved a far-sighted move, Government – with Swedish support – was convinced that the high-tech and fast-moving telecoms sector would be better served by a commercial entity rather than a bureaucratic government department.

[1] Posts and Telecommunications Act (Act No. 19 of 1992)
[2] Posts and Telecommunications Companies Establishment Act (Act No. 17 of 1992)
[3] Namibian Communications Commission Act (Act No. 4 of 1992)
[4] Namibian Communications Commission Amendment Act (Act No. 1 of 1995)
[5] Namibian Communications Commission Amendment Act (Act No. 4 of 2004)

NPTH

As pointed out above, Cabinet memoranda at the time viewed NPTH as a temporary vehicle allowing Telecom to subsidise NamPost which was expected to take far longer to break even. As things turned out, NamPost reached profitability far earlier than expected. Over time, all three NPTH subsidiaries developed capabilities and assets in areas that were originally envisaged for NPTH although all property used by the three subsidiaries continued to be owned and maintained by NPTH.

Telecom Namibia

Rather than opt for outright privatisation of the country's fixed-line operator, however, Government created Telecom Namibia. There appears to have been three main reasons why Government was determined to keep Telecom in state hands. First, state ownership had historically been the classic prescription in the case of fixed-line networks which possessed the characteristics of a natural monopoly. Without regulation, private ownership of a natural monopoly would always be prone to abuse. Second, Government wanted Telecom Namibia to pursue developmental as well as commercial goals and was concerned a private company would "cherry pick" – serving richer urban areas while neglecting poorer rural populations. Third, a certain amount of economic nationalism baulked at the idea that the country's telecoms infrastructure (part of the nation's "family silver") could end up in the hands of foreign shareholders, a likely outcome if the company were to be privatised. Furthermore, although this has never been explicitly stated, Telecom Namibia was to be part of a burgeoning State-Owned Enterprise (SOE) sector serving as a training ground for a cadre of new black Namibian managers and professionals (see Chapter 20: State-Owned Enterprises).

Telecom Namibia was to carry out its ambitious programme of investment without placing a direct burden on the national budget. It was to be allowed to recoup the costs of these investments through the prices it charged over a given period of time and would be governed by a performance agreement with the MWTC (although this did not carry any legal backing). Furthermore, under the terms of its licence, Telecom was granted the monopoly on international voice and data gateways to and from Namibia. Telecom Namibia was to focus on improving the country's fixed-line telephony infrastructure and had a universal service obligation (USO). No one seems to have thought at that stage that mobile telephony, which was still very much in its infancy in developing countries, had the greater potential to reach the vast mass of the country's population.

However, with no profit motive, no competition and only a weak regulatory framework consisting of a rather flimsy performance agreement with its line ministry, there were no strong incentives to perform. Although growth in turnover turned out to be relatively robust, profitability did not rise by anywhere near the same extent. As a study commissioned by SIDA[6] pointed out "a significant part of Telecom's top-line growth has been the result of sharp price increases at the expense of customers. Whereas turnover has grown more than five times since the corporatisation, installed DEL's [Direct Exchange Lines] have merely doubled over the same period." This came as no great surprise given Namibia's geography and demographics and Telecom's obligation to fulfil developmental goals.

[6] Resource Paper 2 Cooperation between Namibia and Sweden in the Transport and Communications Sectors: Commercialisation in the Namibian Transport and Communications Sectors, Herman Marais February 2006

Mobile Telecommunications

Mobile Telecommunications (MTC), created in 1995, came under the regulatory ambit of the NCC requiring, as it did, the use of specific radio frequencies and therefore frequency licences. The arguments that applied to Telecom – natural monopoly, cherry picking and economic nationalism – could equally have been applied to MTC. Yet, perhaps because at the time cellular telephony was a relatively new technology requiring scarcer technical expertise, Government decided to take a different approach towards MTC compared to Telecom Namibia. Two significant foreign partners and shareholders were brought in from the beginning and foreign MDs appointed (Swedish nationals Per Eriksson then Bertil Guve followed later by Bengt Strenge). And while there has always been pressure on MTC to extend its network to as much of the country as possible, this has never been set out in a performance agreement in the same way as for Telecom Namibia. Perhaps it was assumed that mobile phones would always be a luxury for the rich. Technology and time have shown this assumption to be spectacularly mistaken. The introduction of prepaid Tango services by MTC in 1999 helped boost its customer base to over 610,000 subscribers by the time competition arrived in the mobile telephony market in 2006.

From the word go, MTC had to pay Telecom Namibia for international traffic. At that time cellular telephony was still in its infancy with "2G" GSM making its debut mostly in richer countries. However, in stark contrast to Telecom, MTC's financial performance was exceptional. In 2006, prior to the introduction of competition, MTC made a remarkable pre-tax profit of N$508.6 million from a turnover of N$936.8 million. Until 2006 MTC was a monopoly. Yet, as former MD Bengt Strenge stated in one interview[7], MTC did well in spite of being a monopoly. By way of comparison in terms of national coverage, neighbouring Botswana achieved higher penetration rates more quickly with two privately-owned operators[8].

In 2004 Telia and Swedfund sold their combined 49 percent shareholding in MTC to the Namibian Government for a reported N$500 million. Two years later in July 2006, 34 percent of MTC was sold to Portugal Telecom for N$1.02 billion following a competitive bidding process involving 15 companies. Portugal Telecom already had interests in South America and China and also seven African countries where it had more than five million subscribers. Until 2004 it had also been a major shareholder in Mascom of Botswana. Its operations in Angola (where it owned 25 percent of Unitel) were undoubtedly a factor which helped win the bid. And it was noteworthy that Government decided not to opt for a South African company. From the sale, a portion went to pay off the loan used to pay Telia and Swedfund while N$648 million found its way into Government coffers in the additional budget in November[9]. Portuguese national José Ferreira was appointed to replace MD Bengt Strenge who stepped down on 1 September. Ferreira had worked for Mascom in Botswana for almost five years between 1998 and 2006.

[7] "We have done well in spite of being a monopoly." interview with Bengt Strenge, *Insight Namibia*, June 2005
[8] MTC had succeeded in attracting 610,000 customers out of a population of 2 million by the end of 2006, neighbouring Botswana had 840,000 customers out of a population of 1.7 million a year before.
[9] See "Statement for the Additional Budget – Financial Year 2006/07", November 2006, paragraph 13.

For several years, few fundamental changes took place in Namibia's telecoms sector. Telecom Namibia remained a monopoly provider of fixed-line services responsible to the MWTC while MTC remained a monopoly provider of cellular services regulated by the NCC. Some diversification in the provision of services was achieved: Telecom introduced toll free services, ISDN, video-conferencing and voice mail services as well as establishing international connectivity between Namibia and the rest of the world via INTELSAT satellites. Telecom launched its long-awaited ADSL service in 2008. MTC introduced its prepaid Tango service in 1999, which permitted a significant increase in its customer base, while the introduction of GPRS in 2004 further allowed Internet access from GPRS enabled handsets.

Namibia's overall telecoms performance during that time can be better assessed in comparison to other countries which adopted different approaches. Botswana too had a 100 percent state-owned fixed-line operator the Botswana Telecommunications Corporation (BTC) while in South Africa the state-owned monopoly Telkom was partially privatised floating on the New York Stock Exchange and the Johannesburg Stock Exchange in 2003. While Namibia's MTC has for the most part been a public-private partnership, Botswana licensed two entirely private companies Mascom and Orange (previously Vista) from the beginning in 1998. South Africa started by granting two licences in 1994, one to Vodacom, a 50:50 partnership between Telkom and the UK's Vodafone, and MTN, an entirely private company. Privately owned Cell C received its mobile licence in 2001 while Virgin Mobile South Africa, owned entirely by the UK's Virgin Group plc, entered the market as a Virtual Network Operator (VNO) in 2006 under a joint venture with Cell C rather than a full licence holder. Both Botswana and South Africa had independent regulatory authorities with far higher levels of resources than the NCC ever enjoyed, even taking into account South Africa's much larger size. Both were financed by a combination of licence fees and industry levies.

"Crucially, Namibia historically came out poorly in price comparisons and both Botswana and South Africa had far higher mobile teledensities than Namibia suggesting that Namibia's state-owned monopoly model was inferior to a model that relied on competition between more than one company."

International comparisons of telecoms performance are often difficult to make since there are so many different prices for so many different services. Clearly, however, price is a crucial determinant of teledensities and one can expect higher prices to be associated with lower teledensities, especially in countries with predominantly low-income populations. Crucially, Namibia historically came out poorly in price comparisons and both Botswana and South Africa had far higher mobile teledensities than Namibia suggesting that Namibia's state-owned monopoly model was inferior to a model that relied on competition between more than one company.

TELECOMS TERMS

3G: Third generation technology provides the ability to transfer both voice data and non-voice data. 3G often operates on different frequencies to 2G which has required mobile operators to build entirely new networks and licence entirely new frequencies at considerable cost. 3G requires different handsets to 2G.

4G: Fourth generation technology provides mobile ultra-broadband Internet access. Conceivable applications include amended mobile web access, IP telephony, gaming services, high-definition mobile TV, video conferencing, 3D television and Cloud Computing. 4G requires different handsets to 3G.

5G: Fifth generation technology provides greater bandwidth and therefore higher download speeds than 4G and allow networks to be used not exclusively for cellphones but for general internet service providers competing with existing ISPs such as cable internet. 5G requires different handsets to 4G.

ADSL: Asymmetric Digital Subscriber Line is a technology that allows faster data transmission over a copper cable than a conventional modem can provide. It is commonly used to provide users who require more bandwidth in one direction such as faster downloads but who do not require bandwidth in the other direction.

Base station: The infrastructure that determines the location and extent of a cell and transmits signals to and from handsets.

Broadband: A signaling method in telecommunications which handles a wide range of frequencies that can be divided into channels or bits. The wider the bandwidth, the more data can be carried.

CDMA: Code Division Multiple Access is a mobile digital radio technology that permits greater sharing of the same frequency channel and which has the advantage that a larger number of phones can be served by a smaller number of cell sites.

Cellular telephony: Telephony that employs mobile radiotelephones which use a network of short-range transmitters located in overlapping cells throughout a region, with a central station making connections to regular telephone lines.

EDGE technology: Represents a further improvement of GPRS and allows higher speed data transmission.

Fixed-line telephony: Telephony that employs a physical line usually made out of either copper or optic fibre to transmit voice or data as opposed to wireless telephony which makes use of radio waves.

Fixed-wireless: Refers to wireless telephony that is limited to a certain area and cannot roam between cells across a wider region.

GSM: Global System for Mobile communications is the most popular technology standard for mobile phones worldwide and allowing roaming between operators. Both its signaling and speech channels are digital call quality which means it is considered a second generation ("2G") system.

Interconnection rate: The cost charged by one operator for a call that originates from another operator.

Killer application: The use of a technology that consumers really want and are willing to pay for.

Mobile Termination Rate: The fees mobile phone companies charge other carriers to terminate calls on their networks.

On-net: Refers to transmission on the network belonging to the same operator.

Universal Access Obligation:
The obligation on an operator to provide services to the entire population of a country or region.

GPRS: General Packet Radio Switching is a system that introduces more efficient packet as opposed to circuit switching onto GSM.

HSDPA: High Speed Downlink Packet Access is a 3G technology allowing for higher data transfer speeds.

ISDN: Integrated Services Digital Network is a circuit switched digital technology that allows the digital transmission of voice and data over ordinary telephone copper wires resulting in better quality and higher speeds than with analogue systems.

Number portability: The ability of telecoms consumers to keep their phone number when they change service provider.

Off-net: Refers to transmission on the network belonging to another operator.

Pre-paid services: Services that are paid for before they are used rather than paid afterwards under a normal contract.

VoIP: Voice over Internet Protocol which allows voice to be transmitted over the Internet.

Government, through NPTH, was the sole shareholder in Telecom, the monopoly fixed-line provider, and the majority shareholder in MTC, the monopoly cellular provider. Neither company directly trespassed on each other's market. However, Telecom was clearly not as financially successful as MTC which, arguably, made the greatest impact on providing telephony services to the masses thanks to its Tango product. In 2006 alone MTC was able to increase its customer base by 150,000 people thanks to reductions in the price of starter packs and lower-priced recharge vouchers. Indirectly, MTC was steadily eroding the rationale for Telecom's presence in the retail market. Added to this Telecom's monopoly had been due to end by 2004 since the adoption of the Telecommunications Policy and Regulatory Framework for Namibia 1999[10].

Cell One

Things started to change dramatically in the telecoms sector with the arrival of the first major new player since 1995 following the granting of a second cellular licence in 2006. The draft Communications Bill, first drafted in 1999 as a follow-up to the SADC Protocol of 1998[11], had envisaged the introduction of competition in cellular telephony by 2003 through the granting of a second cellular licence. However, it was not until August 2006 that a second licence was awarded to Cell One (owned by PowerCom) after a run-off between just two competing bids (the other being from ZDE of China). PowerCom was a company with four major shareholders: a Norwegian group Telecom Management Partner (39 percent), NamPower (37 percent), Nam-mic (12 percent), and Old Mutual Namibia (ten percent) as well as an educational trust established by the shareholders (two percent). The company's origins lay in the idea that NamPower's fibre optic control network could be used as the basis for a second telecoms operator. PowerCom's licence, for which it agreed to pay N$65 million prior to launching, laid out a detailed timetable for the roll-out of its network across Namibia. The company estimated it would invest N$2 billion over a period of five years. PowerCom was initially headed by UK national Mac Allman and employed Dr Leake Hangala, previously the MD of one of its shareholders NamPower, as a director. The PowerCom board of directors was made up of representatives its four major shareholders.

Early on PowerCom stated its intention to compete on service quality rather than on price. It offered 3G HSDPA and its prepaid service was entirely electronic, eliminating the need for the more costly and less secure voucher system used by MTC. PowerCom started with several advantages. It could invest in the most up-to-date technology without first having to recoup investment in old systems. It did not have to build all the infrastructure it required by itself. And it knew exactly what the competition was offering. PowerCom announced its SIM cards would be "under as many Christmas trees as possible"[12] but the launch ended up being delayed. "We will not launch until we are sure the quality is ready," Allman stated to the media on 20 December 2006.

[10] "Telecommunications Policy and Regulatory Framework for Namibia 1999", Ministry of Information and Broadcasting, 1999
[11] Telecommunications Policies for SADC, June 1998
[12] See "Cell Operator No. 2 Ready to Roll", *The Namibian*, 16 August 2006

3G

In an interview May 2005 Bengt Strenge had argued that Namibia did not have the volumes to justify 3G since voice and sms were the "killer applications"[13]. He stated MTC had "no concrete plans" to introduce EDGE technology. However, with the advent of Cell One on the horizon, MTC launched a 3G service using High Speed Downlink Packet Access (HSDPA) technology on 15 December 2006. Since starting operations in 1995, MTC had used GSM900 system ("2G") later upgrading to GPRS (General Packet Radio Switching) in 2005 ("2.5G"). 3G refered to the third generation technologies. Many concluded that MTC's rather rushed introduction of a 3G service was a direct result of competition and hard on the heels of PowerCom's announcement earlier in the year of its intention to introduce 3G although MTC insisted it had already taken the decision to roll out 3G already in October 2005, not long after Strenge had poo-pooed the idea in public.

Switch

MTC had already pre-empted the launch of Cell One by introducing a 3G HSDPA service at the end of 2006. Telecom likewise did not take the entry of a new player lying down. On 23 November 2006 it launched a fixed-wireless service called "Switch" to great fanfare and a high-profile marketing campaign. Fixed wireless is a radio frequency-based mobile technology based on cells using masts and base stations. The fixed refers to the fact that it does not allow roaming between cells. However, because cells can cover anything up to 40km^2 it can cover a whole city such as Windhoek (although more masts are required for greater capacity). However, technically it is possible to link up cells to form a proper cellular network and this happened in some countries. Telecom rolled out 800MHz Code Division Multiple Access (CDMA) bought from Huawei Technologies of China for N$44 million in February 2006. This technology had the advantage that Telecom would no longer be responsible for cables to premises, the PABX or the telephone thus reducing maintenance and service costs. Its mobility made it far more convenient to customers and it allowed high-speed Internet access about three times faster than ISDN. Switch only offered pre-paid options called Switch Easy and Switch Time in a clear bid to lure away lower income customers that formed the bulk of MTC's customer base as well as those who could not afford Tango. Switch was initially offered in Windhoek but Telecom promised it would be offered to 31 additional towns and rural settlements in future.

However, Telecom's entry into mobile telephony caused friction with the NCC which claimed it was not licensed to offer mobile services despite having allocated Telecom the 800MHz frequency in February 2005. MTC's new shareholders Portugal Telecom were also shocked to discover that the basis of their entry into the Namibian market had been changed: it had paid for 34 percent of MTC on the basis of one competitor in mobile telephony not two. The NCC made its opinion clear that Switch was illegal[14] but Government did not appear ready to let it act as an "arms-length" institution. In December Cabinet decided to create a new ad hoc committee under the chairmanship of the Prime Minister to look into the matter[15]. In March 2007 Cabinet tried to reach a compromise on Switch by allowing Telecom to offer the service but limiting Switch to within a radius of 60km and prohibiting roaming between towns. The uncertainty surrounding the service continued for several years until Cabinet decided to lift all restrictions on Switch in May 2009 – three years after its original introduction – on the basis of a recommendation from the Attorney General.

[13] "I do not think there is the demand for the type of data speed that 3G would allow in our market." Bengt Strenge, *Insight Namibia*, June 2005.
[14] See "Telecom, NCC at Loggerheads", The Namibian, 24 November 2006
[15] See "Recent Cabinet Resolutions", The Namibian, 21 December 2006

Interconnection charges

Despite the formal introduction of competition, Cell One clearly struggled to make inroads into MTC's market share (although the company never published figures or financial statements), not least because the cards were to a large extent stacked in MTC's favour. The NCC had never regulated interconnection or termination charges in Namibia. When a call is made originating on the network of one operator and terminates on the network of another, the customer is charged by the operator where the call originates but some cost is borne by the operator where the cost terminates. The call charge therefore has to be split but exactly how this was to be done was left to the operators themselves to sort out. That meant that market incumbents with a large number of existing clients could effectively defend themselves against newcomers by raising the interconnection charges and thus discourage their clients from making off-net calls – calling other networks. Interconnection charges for mobile-to-mobile calls were N$1.06 per minute while charges for mobile-to-fixed were 63 cents. International calls received locally on mobile phones through Telecom Namibia were subject to interconnection charges of 59 cents per minute.

This situation led to a battle between MTC on the one side and Cell One and Telecom on the other which became heated and spilled over in public leading to the intervention of Minister Kaapanda in August 2008[16]. The situation was finally rectified when the NCC ruled in July 2009 that termination rates should be standardised to 60 cents per call and that this should fall to 30 cents by January 2011[17]. An independent study had found that the interconnection charge of an efficient operator should have been 24 cents[18]. Because more people called MTC from the Telecom and Cell One networks than vice versa, the new unified charges meant that there continued to be net transfers to MTC from Telecom and Cell One but less so than before. In November 2013 CRAN finally reduced the Mobile Termination Rate (MTR) to 20 cents with the consensus of all players in the market[19].

4G

Following the completion of the West African Cable System (WACS) landing point near Swakopmund, in May 2012 MTC announced the introduction of a 4G service in Windhoek said to be "ten times faster" than its previous broadband service. This meant Namibia became only the second country in Africa (after Angola) to introduce a 4G service. Portugal Telecom had been behind the roll out in Angola. MTC's MD Miguel Geraldes announced plans to cover 45 percent of Namibia within the year.

Leo

The longer Cell One struggled to gain a foothold in the market, the greater the odds became that a larger player would come in and buy it. In April 2008 Cell One announced it was changing its management agreement with TMP[20]. Then in January 2009 the company suddenly announced it was to be bought by Telecelglobe – part of Egypt's Orascom Group – for N$580 million. The deal went through and a new management team was quickly installed with Pakistani national Soban Pasha as MD. Later in that year in September, Cell One was rebranded as Leo – Swahili for "today". However, despite numerous offers and more intense marketing, it was not clear by the end of 2009 that Leo was starting to become solidly profitable.

[16] See "Cell One, Telecom Gang Up on MTC", *The Namibian*, 27 August 2008
[17] See "NCC Slashes Mobile Charges", *The Namibian*, 8 July 2009
[18] Research ICT Africa
[19] See Government Gazette No. 5369
[20] See "Cell One Fires Norwegians, Now Seeking Partners", Namibia Economist, 4 April 2008

At the end of 2010 Egyptian-owned Orascom agreed to merge with Russia's Wimpelcom. As part of the deal, Orascom sold Leo to the two banks which had financed the Orascom takeover of Cell One, South Africa's Investec and Nedbank Capital in a cashless deal which saw the two banks assume US$60 million of debt owned by Powercom. Leo, which had been faring badly against the dominant established player MTC, now found itself owned by two investment banks rather than a strong telecoms strategic partner. Although no financial statements were ever published, the company was treading water until a new owner could be found and was losing money hand over fist. Stanley Similo, who had been with the Leo since 2009, was formally appointed interim CEO in April 2012. Similo was appointed Director General of the Namibian Broadcasting Corporation (NBC) in September 2015.

Telecom Namibia

In the search for new markets, Telecom Namibia extended its reach into neighbouring countries. In 2004 it entered into an agreement with Mundo Startel of Angola. In 2005 Telecom teamed up with VSNL/Tata to become the Second National Operator in South Africa. In 2009 Telecom and MTC jointly participated in the West Africa Cable Systems (WACS) linking Europe to various points on Africa's western coast including South Africa. In need of additional funding, Telecom Namibia decided to tap the local bond market in 2008 and set about following NamPower's example by seeking a credit rating from Fitch Ratings. It received an investment grade rating based on a Namibian Government guarantee and by the end of 2009 had succeeded in raising N$147 million out of a N$600 million note programme. However, investments in Angola and South Africa proved problematic. In 2011 Telecom Namibia threw in the towel and exited its Angolan investment after losing more than N$100 million over seven years[21]. Its 10.5 percent stake in Neotel failed to yield a return and the company sold out to Vodacom in 2014[22]. In total, Telecom's 2013/14 report revealed the company had suffered impairment losses of N$556.3 million from Neotel in South Africa and Mundo Startel in Angola. CRAN's 2015 market review[23] provides the following critical assessment:

> Telecom Namibia's poor performing foreign investments have been at the expense of the domestic market. A strategy to grow the domestic market by offering better services and lower prices would have positioned Telecom Namibia as a strong competitor in Namibia instead of a potential bankruptcy risk. Telecom Namibia's foreign investment strategy has negatively affected shareholder value and thus state assets. Its excessive administrative expenses are not proportional to its revenues base and further losses can be expected for the next financial years.

[21] See "Telecom Burns Cash in Angolan Venture", The Namibian, 8 May 2012
[22] See "Telecom to Stay with Neotel", The Namibian, 28 May 2012
[23] See "CRAN 2015 Annual Report ICT Sector Performance Review", CRAN, September 2015

The Policy Framework

Many of the most important changes in Namibia's telecoms sector – the entry of Portugal Telecom, Cell One, Orascom and Telecom's Switch – came about in the absence of a clear and effective regulatory framework. The Communications Bill, first mooted in the Policy of 1999 and first discussed in 2002, was only finally passed by Parliament in October 2009[24]. Part of the reason for delay lay in turf battles between the Ministries of Works, Transport and Communication and of Information and Broadcasting, an issue that was finally resolved with the creation of the Ministry of Broadcasting and Communication Technology in 2008. Further delays came about due to Government's insistence that security issues be included within the Bill giving the security services wide-ranging powers to record messages and conversations.

The new Act contained many of the key ingredients required to develop a modern telecoms sector. It made provision for an independent arms-length regulator, the Communications Regulatory Authority of Namibia (CRAN), financed by licence fees and a levy on the gross turnover of telecoms companies. It gave CRAN the powers to regulate both mobile and fixed line operators and the ability to grant service neutral licences, that is, licences which are not dependent on any particular fixed or wireless technology. It guaranteed number portability which would allow customers to move operator without having to change their numbers. The new Act stipulated further that telecoms companies had to be 51 percent Namibian-owned. Although this may have made sense from a nationalistic and political perspective, some observers pointed out that this virtually dictated continued Government involvement in the sector since few private sector players in Namibia would have the means to raise a 51 percent stake in a telecoms company[25].

A four-person CRAN board was appointed by Cabinet for three years and announced in December 2009. It consisted of the chair Lazarus Jacobs, deputy chair Hilma Hitula, Tulimevava Mufeti and Tylvas Shilongo. Jacobs was the director and shareholder of Paragon Investment Holdings, Hitula was the director of Hitula Property Investments and deputy chairperson of Lorentz Angula, Mufeti was Project Manager: Management Information Systems Development at the University of Namibia (UNAM), and Shilongo was Senior General Manager at the Namibia Central Intelligence Service. CRAN became formally operational in May 2011 and in June Stanley Shanapinda was appointed acting CEO. However, before that in March 2011 the nascent CRAN had already won an important victory and succeeded in imposing a price cap preventing mobile operators from discriminating against other networks through higher interconnection charges as described above. This resulted in a further drop in prices and gave Namibian consumers some of the cheapest prepaid mobile prices in Africa[26]. Remarkably, the price of mobile telephony in Namibia had gone from being among the highest to being among the lowest in Africa thanks to the advent of competition and improved regulation. Hilma Hitula was appointed acting CEO in June 2014 after Shanapinda resigned to pursue studies abroad. Sadly, she passed away in April 2015 and was replaced by Festus Mbandeka.

In February 2020, the Minister of Information and Communications Technology Stanley Simataa launched Namibia's National Broadband Policy and Implementation Action Plan first laid out in October 2019. The policy aims to provide broadband speeds of 2Mbps to 95 percent of the population by 2024, promote the development of content and applications, reduce the digital divide, and provide incentives for further investment in broadband deployment. The policy covers the period until 2029 while the Action Plan covers the first five years from 2019.

[24] Communications Act 2009, Act No.8 of 2009
[25] This argument is put forward by Dr Christoph Stork of Research ICT Africa
[26] See "Universal Service Baseline Study", Draft for Public Comment, Dr Christoph Stork, ICT Africa

TABLE 17.1

African Telecoms Affordability and Infrastructure Rankings 2020

Affordability - 20Gb Africa Rankings		Infrastructure - 4G Coverage Africa Rankings	
Tunisia	1	Mauritius	1
Sudan	2	Seychelles	2
Zimbabwe	3	Gabon	3
Somalia	4	Rwanda	4
Nigeria	5	Morocco	5
Algeria	6	Tunisia	6
Egypt	7	South Africa	7
Burundi	8	Egypt	8
Zambia	9	Comoros	9
Cameroon	10	Lesotho	10
Senegal	11	Cameroon	11
Cape Verde	12	Botswana	12
Morocco	13	Senegal	13
Rwanda	14	Uganda	14
Tanzania	15	Ivory Coast	15
Comoros	16	eSwatini	16
Uganda	17	Zambia	17
Ghana	18	Benin	18
Namibia	**19**	Libya	19
Libya	20	**Namibia**	**20**
Mozambique	21	Kenya	21
Niger	22	Zimbabwe	22
Kenya	23	Ghana	23
Lesotho	24	Mozambique	24
Angola	25	Mali	25
Mali	26	Algeria	26
Ivory Coast	27	Malawi	27
Liberia	28	Liberia	28
Guinea	29	Togo	29
Ethiopia	30	Madagascar	30
South Africa	31	Nigeria	31
Madagascar	32	Burundi	32
Benin	33	Somalia	33
Guinea-Bissau	34	Tanzania	34
Malawi	35	Chad	35
Chad	36	South Sudan	36
Botswana	37	Angola	37
Mauritius	38	Gambia	38
Gabon	39	Ethiopia	39
Burkina Faso	40	Central African Republic	40
Gambia	41	Djibouti	41
Mauritania	42	Congo	42
eSwatini	43	Burkina Faso	-
Togo	44	Cape Verde	-
Sierra Leone	45	Congo Democratic Republic	-
Sao Tome and Principe	46	Equatorial Guinea	-
Congo Democratic Republic	47	Eritrea	-
Congo	48	Guinea	-
South Sudan	49	Guinea-Bissau	-
Seychelles	50	Mauritania	-
Central African Republic	-	Niger	-
Djibouti	-	Sao Tome and Principe	-
Equatorial Guinea	-	Sierra Leone	-
Eritrea	-	Sudan	-

Source: ICT Research Africa

Table 17.2
Namibia Telecoms Key Statistics

Countries	Area Square km	Population	Population Density	GNI per capita per month USD	Source
Namibia	823,290	2,494,530	3.03	421.67	WDI 2020 (2019 data)

		Nominal		Monthly GNI per capita		
		USD	Africa Rank	%	Africa Rank	Source
Affordability	20 GB prepaid monthly use	16.55	10	3.9%	8	RIS 2021 Q2
	300 MB prepaid monthly use	2.70	30	0.6%	12	RIS 2021 Q2
Adoption					Africa Rank	Source
	SIM per 100 inhabitants			113.2	12	ITU Dec 2020
	Mobile broadband SIM			66.2	10	ITU Dec 2020
Infrastructure					Africa Rank	Source
	National Backhaul km per 10,000 inhabitants			43.36	1	NSRC 2020
	Fibre km per 1,000 sqkm			13.14	14	NSRC 2020
	IXPs			1	34	PCH 2020
	3G Coverage			69%	32	ITU Dec 2020
	4G Coverage			39%	25	ITU Dec 2020
	Average Mobile download speed (Mbps)			3.9	26	Cable.co.uk Oct 2020

Migration towards data-centric business model	MNO	Current Period	Base Period	Total revenue as % of base	EBITDA Margin (current)	Share of digital revenues (current)	Share of digital revenues (base)
	MTC	2020	2015	119.2%	52%	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

Impact of 10% higher broadband penetration			Source
	GDP USD million	12,367	WDI 2020 (2019 data)
	Tax to GDP Ratio	29.26%	WDI 2020 (2018 data)
	Productivity Gain for additional 10% Broadband penetration	2.46%	ITU 2020
	Additional GDP USD million	304.2	
	Additional Tax USD million	89.0	

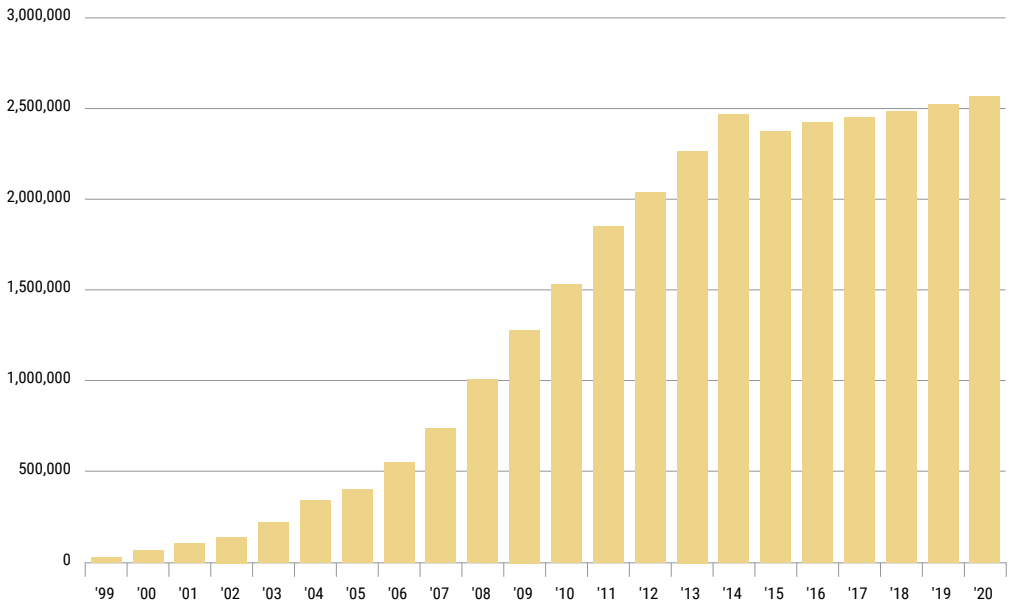
Source: ICT Research Africa

THE COMMUNICATIONS ACT OF 2009:

- Abolished NCC and established Communications Regulatory Authority of Namibia (CRAN) financed by fee and levies on the telecoms industry
- Gave CRAN the power to regulate mobile and fixed-line telecoms companies
- Allowed CRAN to grant service neutral licences
- Allowed CRAN to regulate interconnection charges
- Guaranteed number portability between operators
- Stipulated that telecoms companies be 51 percent Namibian-owned
- Obliged telecoms companies to store all electronic communications at their own cost so that they can be used by Interception Centres staffed by members of the Namibia Central Intelligence Service

CHART 17.1

MTC Active Subscribers (1999-2020)



Source: MTC Annual Reports

Telecom Namibia and Leo

Telecom Namibia had long had plans to enter the mobile telephony market and when its initial approach for MTC was rebuffed, it introduced Switch. However, with Leo up for sale following the deal between Orasom and Wimpelcom, it saw an opportunity to enter as a fully-fledged player. There followed a long period of uncertainty during which it was not clear whether Telecom had in fact made a bid and CRAN claimed as late as early 2012 that it had not yet received an application for the acquisition of Powercom despite rumours of Telecom Namibia having already taken over management of the company[27]. In July 2012 Telecom Namibia's MD Frans Ndoroma stepped down as chair of NPTH to make way for the takeover of Leo[28]. After finally receiving the application, CRAN ruled that, in line with the spirit and letter of the Communications Act which aimed to promote competition, it would only allow the deal to go through if 25 percent of Telecom Namibia were sold to private investors, something which the company's founding statute, the 1992 Act, did not allow. Curiously, the Namibian Competition Commission (NaCC) had already approved the takeover in April. However, in September 2012 the High Court ruled that CRAN did not have the power to impose this precondition[29] paving the way for the takeover of Powercom by Telecom Namibia in November for the nominal sum of N$2. Telecom Namibia's Theo Klein was appointed interim CEO. Namibia thus found itself in the unusual position of having two competing mobile operators both majority-owned by government. Klein was appointed acting MD of Telecom from 1 November 2014 following the retirement of the long-serving Ndoroma. However, he was suspended in November 2018 and replaced with Acting MD Armando Perny until Dr Stanley Shanapinda – who had headed CRAN until 2014 – was appointed MD in November 2020. Telecom Namibia ended the third decade of Independence losing money with no clear future strategy. While the High-Level Panel on the Namibian Economy reported in February 2020 and recommended listing MTC on the NSX, it recommended that Telecom Namibia form a joint venture or partnership. It is not clear who would be interested in such a deal.

Portugal Telecom had owned a 34 percent stake in MTC since 2006 but in October 2013 the company announced it was to merge with Brazil's Oi. The merged entity held a range of African telecoms assets including the stake in MTC through Netherlands-registered Africatel Holdings. Oi filed for bankruptcy in June 2016 and the stake in MTC was transferred to Africatel co-owner Samba Luxco. Samba Luxco ended up selling this stake to NPTH after CRAN and NaCC approved the sale in March 2018 after CRAN had initially opposed the sale on competition grounds. MTC's 2019 Annual Report showed that the company had 2.5 million active subscribers and that its mobile network covered 97 percent of the population with over 86 percent having access to mobile broadband. In June 2019 MTC announced that it would become the first State-Owned Enterprise to list on the NSX and that this would take 15 months. However, the listing scheduled for 2020 was delayed. Bizarrely, Namibia ended its third decade of Independence with its telecoms sector entirely in the hands of Government.

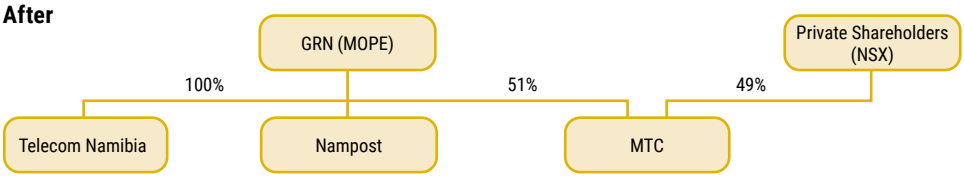
Following the buy-back of 49 percent and the sale of 34 percent of MTC in 2006, the 15 percent difference was supposedly set aside to promote BEE but this issue has fallen rather silent in recent years. A listing on the Namibian Stock Exchange (NSX) to open up ownership to the general public is also an option that could be considered. But a situation whereby one player is fully Government owned (Telecom Namibia and Leo) and one partly Government owned (MTC) could raise difficulties in a situation where the regulator may not be impartial.

[27] See "Leo Buyout Premature", *The Namibian*, 11 January 2012
[28] See "Ndoroma Resigns from NPTH to Clinch Leo Deal", *The Namibian*, 19 July 2012
[29] See "Court Clips CRAN's Wings", *The Namibian*, 25 September 2012

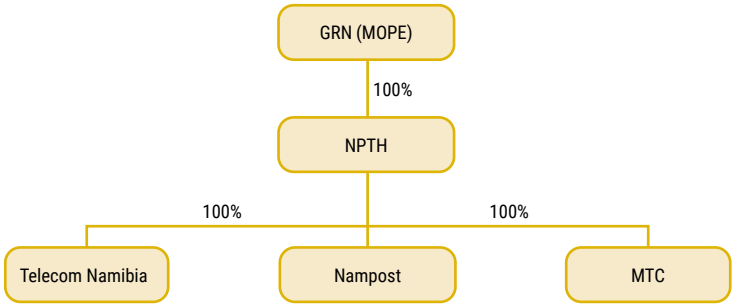
DIAGRAM 17.1

Previous and New Telecoms Shareholding Structure

After



Before

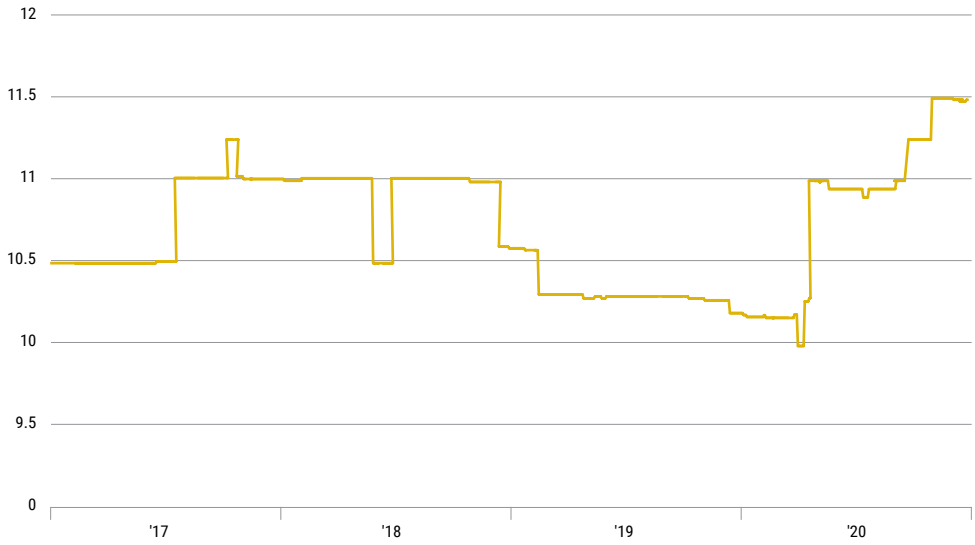


Paratus Namibia – the New Kid on the Block

The story of telecoms in Namibia told so far has mainly involved State-owned companies and foreign investors. Internet Technologies Namibia (ITN) was founded by Namibians Barney Harmse, Rolf Mendelsohn and Miles October in Namibia in 2005. Harmse had co-founded and run UUNET Internet Africa during the 1990s. Harmse led ITN through a busy decade of innovation in Namibia. ITN launched the first commercially available Multi-Protocol Label Switching (MPLS) solution in 2006, started a WiMAX roll-out in 2007, and commissioned the Omajowa 2 VSAT Earth Station in 2008 culminating in the creation of the ITN Group in 2009. ITN commissioned a VSAT Hub in London in 2010 and completed the first private cross-border connection to South Africa in 2011. In 2012 ITN was awarded a "class comprehensive telecoms service licence" by CRAN and completed the first cross-border connection to Zambia. In 2013 ITN connected to WACS and launched a voice service with an 083 number. In 2014 ITN changed its name to Paratus and acquired Vox Telecom Namibia. In 2015 it acquired Canocopy and started offering private cloud solutions to clients as well as completing a fibre ring in Windhoek. In 2016 Paratus launched Mobile LTE (4G) in Windhoek. In October 2017 Nimbus Investments became the first Capital Pool Company (CPC) to list on the NSX with the aim of investing in ICT infrastructure. In 2018 Nimbus acquired a 26.5 percent stake in Paratus Africa for N$95 million effectively buying its Namibian operations. By that stage Paratus Africa had become the largest privately-owned Pan African telecoms operator delivering products and services in 22 countries with licenced offices in Angola, Botswana, Mozambique South Africa, Zambia as well as Namibia. Harmse announced that the company would invest N$150 million in infrastructure over three years including N$100 million in fibre. The Namibian investments of Nimbus were subsequently listed on the NSX main board replacing Nimbus as Paratus Namibia Holdings (PNH) in January 2020. Andrew Hall is the MD of Paratus Namibia.

CHART 17.2

Paratus Namibia Share Price (N$ per share)



Paratus Namibia has generally operated under the radar but the company hit the headlines when the City of Windhoek and CRAN ordered Paratus to stop digging trenches under pavements in parts of the city to lay fibre optic cables in early 2020. Paratus sought an urgent application to the High Court which found in the company's favour in March 2020[30]. Paratus accused the City of Windhoek of seeking to frustrate its roll out because it wanted to establish its own fibre optic network.

NPTH

The question of NPTH: what does it do and what value does it add has been around for decades. The SIDA paper referred to above was quite clear on this issue concluding that "it has for some time been difficult to imagine valid reasons for NPTH's continued existence, as evidenced by the initiation of Cabinet level enquiries already in 1998 into the possible unbundling of NPTH's operating companies". It has been pointed out by some that NPTH is unnecessarily duplicating cost structures and that it presents a 'value trap' considering that it has been paying dividends to government subsequent to its subsidiaries declaring their own dividends. Analysts have indeed pointed out that the continued delays around the unbundling of Telecom Namibia, NamPost and MTC is "holding back the logical competitive development of the telecommunications industry of Namibia." However, NPTH is hardly a big expensive structure as its annual reports testify. Its property management activities pay for themselves and appear to be highly valued by its subsidiaries. Much of the past lack of pass through of dividends to the exchequer had to do with investment or buying back shares from previous shareholders, notably Telia and Swedfund. The payment of N$648 million to Government out of the N$1.02 billion paid by Portugal Telecom came about due to the need to repay a N$300 million loan for the buy-back of the 49 percent in 2004[31]. Way back in October 2014, Cabinet agreed to dismantle NPTH but it was only in August 2020 that Parliament passed the Post and Telecommunications Companies Establishment Amendment Act[32] which allowed this to happen. The removal of NPTH will make little difference to the operations of Telecom Namibia, MTC or Nampost.

[30] See "Paratus Gets Interdict Against City Council", The Namibian, 27 March 2020
[31] NPTH used N$200 million in cash from dividends and borrowed a further N$300 million to purchase the 49 percent from Telia and Swedfund.
[32] "Telecommunication Sector Reform for Development" by Dr Christoph Stork and Steve Esselaar NEPRU Policy Brief No.17

Policy Issues

CRAN

The NCC was historically a small, weak institution funded from the national budget under the vote of the Ministry of Information and Broadcasting. It employed just three professionals and had a budget of N$5.3 million which it vastly underspent. It occasionally showed its teeth by, for example, refusing to allow MTC to raise prices in October 2004 (since when MTC has gone on to make even greater profits). Under the Communications Act of 2009 this position of weakness was expected to change with the establishment of CRAN. Yet there was always a danger it would become yet another bloated parastatal agency with a large budget unable to attract the skilled personnel required for telecoms regulation and unable to assert itself. One estimate[33] suggested a 0.5 percent levy on Telecom and MTC would generate N$9.58 million, sufficient for proper regulation and enough to cover the outsourced research and international consultants required. By way of comparison, the Botswana Communications Regulatory Authority (BOCRA) established in 1996, which already had a broader mandate than the NCC, generated revenue of P96.3 million in the year ending 31 March 2012 and employed 71 people[34] while the Independent Communications Authority of South Africa (ICASA) established in 2000 had a budget of R320.3 million in the year ending 31 March 2012 and employed 350 people[35]. While CRAN made a strong start with limited resources, for example in demanding that MTC compensate customers for misleading them with its Aweh-Aweh campaign[36] and halting MTC's N$2 for 10Mb per day promotion in early 2015 following complaints from consumers, the court ruling against the condition it tried to impose on Telecom Namibia's acquisition of Leo was a severe setback for what was supposed to be a strong arms-length regulator. CRAN's mysterious reversal of its view on the issue of whether NPTH should be allowed to purchase Portugal Telecom's stake in MTC is another egregious example of its lack of teeth. Assuming the courts were not subject to interference, Namibia's legal and regulatory framework is not delivering the real competition some of its authors believed would form the core of effective telecoms legislation

Ownership

In contrast to times past, when it could be argued that state ownership was necessary to prevent inefficient pricing by a natural monopoly, there is no longer sound economic logic in favour of state ownership in a sector where genuine competition can be created through intelligent regulation. As long as Government remains the sole shareholder in competing companies, there will always be an incentive to make regulatory decisions on the basis of what is best for the shareholder rather than the consumer and the national economy. Government has derived significant income from its shareholdings in MTC but very little from Telecom Namibia. Some have argued that this has constituted "taxation by the back door". After all Government managed to buy 49 percent of MTC for N$500 million and just two years later sell 34 percent for N$1.02 billion. In such a situation, it will be hard for CRAN to become a genuine and credible independent regulator. Economic principles suggest that any roadmap for the future should include the full privatisation of Telecom Namibia and MTC so that both telecoms companies operate on a level playing field. The entry of Paratus onto the scene suggests government ownership is not necessary to create a dynamic and innovative ICT sector.

[33] "Telecommunication Sector Reform for Development" by Dr Christoph Stork and Steve Esselaar NEPRU Policy Brief No.17
[34] See BTA Annual Report 2012 www.bta.org.bw
[35] See ICASA Annual Report 2011/12 www.icasa.org.za
[36] See "MTC Isn't Aweh Rules Watchdog", The Namibian, 20 January 2012

Telecom Namibia

Changing technology is forcing people to ask whether there is any longer a need for a fixed-line telecoms operator such as Telecom Namibia. At the end of 2020 Telecom Namibia had some 396,000 fixed and mobile customers, compared to MTC's two-and-a-half million active subscribers. Given the right products and pricing, the market in Namibia may include the entire adult population of the country and mobile subscriptions in Namibia were estimated at 2.82 million by Statista at the end of 2020. Mobile telephony has the potential to deliver telecoms services far more cheaply and effectively to many more people than fixed line telephony and this was accentuated with the arrival of 3G and then 4G. As far as the retail market is concerned, the future appears to be wireless. Telecom Namibia's repeated attempts to transform itself into a fully-fledged mobile operator or adapt to delivering specialist services for business, demonstrates this point. It did not succeed in clinging on to its monopoly provision of international traffic as both MTC and Leo were awarded international voice licences in July 2009. This explains its attempt to enter the mobile market via fixed-wireless CDMA as well as past talk of restructuring NPTH and taking over 51 percent of MTC[37]. Telecom Namibia was legally entitled to offer roaming with its Switch product and neither Portugal Telecom nor Leo could claim they were not aware of Telecom's statutory rights prior to making their investments. Portugal Telecom's valuation of MTC was based on there being two mobile operators while Leo had a commitment that a third operator would not be allowed for another five years. Telecom Namibia's takeover of Leo, however, took Namibia into uncharted territory in which it is far from clear whether consumers will ultimately benefit. Whether Telecom Namibia, which has a patchy history of introducing new technology in a competitive commercial environment, can make a go of mobile telephony against a dominant established player remains to be seen. CRAN's latest market review stated that MTC's share of on outgoing traffic calls and sms sent over the three-year period was above 99 percent while in voice calls it was 96 percent, making it a *de facto* mobile monopolist[38].

Useful Websites

Communications and Regulatory Authority of Namibia
www.cran.na

Mobile Telecommunications (MTC)
www.mtc.com.na

Paratus Namibia
https://na.paratus.africa

Research ICT Africa
www.researchictafrica.net

Telecom Namibia
www.telecom.na

[37] See "MTC, Telecom Cross Swords", The Namibian, 14 June 2006
[38] See "Telecommunication Sector Performance Review for 2017/18", CRAN, March 2019

Annex

ANNEX 17.1

Telecom Namibia Key Financial Indicators

Year	Revenue (N$m)	Net profit before tax (N$m)	Taxation (N$m)	Fixed assets (N$m)	Equity (N$m)	Dividend (N$m)	Return on fixed assets	DELs	Staff
1993	225.2	61.3	24.6	98.6	99,3	-	37.30%	-	2,300
1994	219.5	54.2	19.7	143.7	133,8	-	24.00%	61,025	2,050
1995	270.0	42.0	15.4	270.8	214,8	8	9.80%	71,283	1,879
1996	330.6	63.0	19.2	415.4	257,8	8	10.60%	87,148	1,689
1997	373.4	50.6	14.8	589.7	303,8	8	6.10%	99,904	1,673
1998	454.4	-0.2	-	779.0	307,8	-	0.00%	105,877	1,818
1999	588.0	63.3	22.2	781.6	340,9	8	5.30%	108,193	1,728
2000	652.4	56.3	21.0	879.7	376,3	-	4.00%	110,176	1,667
2001	764.2	42.8	16.2	924.7	394,9	8	2.90%	117,398	1,654
2002	896.3	75.4	27.9	860.1	418,6	2.5	5.50%	121,413	1,574
2003	981.0	110.5	40.7	828.3	480,4	8	8.40%	127,552	1,548
2004	1,020.4	169.2	48.2	824.4	566	12	14.70%	136,35	1,516
2005	1,055.3	132.7	48.1	797.3	626,4	24.2	10.80%	138,997	1,463
2006	1,058.8	174.1	61.8	1,227.4	980,3	16.9	10.60%	136,163	1,306
2007	1,060.7	-2.7	27.9	1,471.3	956	-	-	138,171	1,069
2008	1,080.5	8.7	33.1	1,587.6	1,062.4	-	-	145,36	1,025
2009	1,129.8	-77.9	9.2	1,543.7	844,5	-	-	148,672	943
2010	1,133.6	-104.3	18.0	1,549.8	722,2	-	-	157,063	889
2011	1,144.9	-47.4	40.1	1,551.1	618,1	-	-	159,059	864
2012	1,223.0	83.7	27.1	1,592.5	674,7	-	-	168,482	1,076
2013	1,309.5	-193.0	-25.3	1,902.5	508,7	-	-	180,11	-
2014	1,352.6	-290.4	-84.4	1,986.3	302,5	-	-	190,665	1,368
2015	1,430.8	-107.7	-54.2	1,802.3	892	-	-	-	-
2016	1,532.3	-45.9	-19.7	1,646.7	850,8	-	-	-	986
2017	1,518.4	228.4	18.9	1,434.7	815,1	-	-	-	-
2018	1,540.4	-50.3	-7.9	1,350.2	777,9	-	-	-	1,028
2019	1,573.9	-43.3	-56.0	1,295.6	428.3	-	-	-	-
2020	1,511.8	15.6	-30.6	1,319.5	477.8	-	-	-	979

Source: Telecom Annual Reports

ANNEX 17.2

MTC Key Financial Indicators

Year	Revenue (N$m)	Net profit before tax (N$m)	Taxation (N$m)	Fixed assets (N$m)	Dividend (N$m)	Subscribers	Staff
1995	2,2	-9.3	-	29	-	n/a	28
1996	17	-5.3	-	32	-	n/a	32
1997	36,6	7,4	-	35,9	1	n/a	42
1998	68,9	30	-	54,1	5	n/a	57
1999	101,7	36,9	-	82,5	12,5	30	73
2000	191,2	53,8	-	153	-	71	n/a
2001	262,3	82,6	-	208,6	12,5	106,6	n/a
2002	371,9	146,6	-	212,6	30	143,345	156
2003	503,5	224,6	74,2	230,3	47,5	223,671	190
2004	687,3	354,3	119	309,2	80	343,602	229
2005	769,4	439,3	146,5	354,9	110	403,743	276
2006	936,8	508,6	171,3	472,3	80	555,501	272
2007	1,112.7	516,7	177	738,5	245	743,509	296
2008	1,232.3	538,4	180,7	913,9	220,8	1,008,658	397
2009	1,389.5	585,8	198,8	956,9	369,5	1,283,530	416
2010	1,406.7	583,8	187	1,022.7	383,6	1,534,528	395
2011	1,452.8	478,9	160	939,7	364	1,854,675	407
2012	1,616.6	520	167,4	1,007.9	341	2,042,595	428
2013	1,831.8	672,6	248,2	1,019.3	384	2,269,500	465
2014	2,081.8	745,9	241,1	961,4	462	2,472,100	488
2015	2,250.5	721,8	230,4	845,2	522	2,377,533	546
2016	2,323.5	851,7	272,3	830,1	481	2,424,209	564
2017	2,420.9	1,036.4	325	865	488,5	2,453,997	577
2018	2,498.2	1,165.8	358,1	1,004.9	374,3	2,484,617	593
2019	2,613.7	1,127.2	330,2	1,161.4	412,7	2,523,638	640
2020	2,683.3	1,118.3	345.9	1,260.0	977.8	2,575,823	670

Source: MTC Annual Reports

Businessman with face mask getting money from ATM in Windhoek

CHAPTER

18 Sector Banking

For most of the last 30 years, Namibia's banking sector has been dominated by four commercial banks: FNB Namibia, Standard Bank, Bank Windhoek and Nedbank (previously Commercial Bank of Namibia) each of which has pursued a different model of ownership and control in relation to parent or partner banks outside Namibia. The regulator, the Bank of Namibia, has tried to encourage new entrants – both private and state-owned – into the market with the aim of encouraging competition, lowering costs and improving access to financial services for poorer Namibians. A Financial Sector Strategy summing up much of Government's approach towards the sector was published in 2011. Over the years, new financial institutions such as City Savings and Investment Bank, the Development Bank of Namibia, FIDES (which later became Trustco Bank Namibia), E-Bank and the SME Bank have been established but only the Development Bank of Namibia has stood the test of time. Successive Finscope surveys suggest that access to financial services has improved. Nonetheless, the four main private banks have remained rather conservative and remarkably profitable. It is precisely because of their conservative credit policies that they were able to weather the Global Financial Crisis so well. The sector has a key role to play in helping the economy meet the challenges thrown up by the Covid pandemic and the lockdowns and restrictions it has given rise to.

Banking

KEY EVENTS

YEAR	EVENT
1990	- Swabank renamed Commercial Bank of Namibia - Bank of Namibia Act passed
1991	- Banking Institutions Amendment Acts passed
1992	- Standard Bank Group dual-lists on NSX
1993	
1994	- City Savings and Investment Bank launched
1995	
1996	- Bank Windhoek merges with Namibia Building Society - Minerals Development Fund of Namibia Act passed
1997	- FNB Namibia lists 22 percent on the NSX at N$3.80 per share - Bank of Namibia Act passed
1998	- Banking Institutions Act passed
1999	
2000	- Malaysian partners withdraw from CSIB
2001	- NAMFISA Act passed - Bank Windhoek rebranding - Namibian Harvest buys CSIB for N$40 million
2002	- Development Bank of Namibia Act passed - SWABOU takes over CSIB
2003	- Lazarus Ipangelwa appointed CEO of FNB Namibia - FNB Namibia merges with Swabou - Nedbank buys out BNP Paribas and DIE GmbH - Martin Shipanga appointed MD of Nedbank Namibia - Theo Mberirua appointed MD of Standard Bank Namibia - Competition Act passed
2004	- Development Bank of Namibia launched - David Nuyoma appointed first CEO of DBN - Commercial Bank of Namibia changes to Nedbank Namibia
2005	- Barclays buys ABSA - Lazarus Ipangelwa dies in car crash - James Hill appointed CEO of Bank Windhoek
2006	- Advocate Vekuii Rukoro appointed CEO of FNB Namibia Holdings - Bank Windhoek buys out ABSA
2007	- Mpumzi Pupuma appointed MD of Standard Bank Namibia - Finscope Survey conducted
2008	- Erastus Hoveka appointed CEO of Nedbank Namibia - ABSA granted provisional banking licence
2009	- ABSA establishes representative office in Windhoek - Marius Alberts appointed MD - FIDES granted provisional banking licence - Governor Tom Alweendo forces banks to reduce interest rate spread - Platinum Habib Bank granted provisional banking licence - Platinum Habib Bank provisional licence withdrawn - FIDES granted banking licence - Financial Sector Charter adopted by Namibian banks - Ian Leyenaar appointed CEO of FNB Namibia
2010	- Payment Systems Management Amendment Act passed - Banking Institutions Amendment Act passed - FIDES granted permanent banking licence - ABSA applies for banking licence
2011	- Government publishes Financial Sector Strategy - Christo de Vries appointed MD of Bank Windhoek - Finscope Survey conducted
2012	- Barclays announces restructuring of African assets under Barclays Africa - SME Bank given banking licence and opens for business

2013

- Bank Windhoek lists on Namibian Stock Exchange
- EBank granted provisional banking licence
- Lionel Matthews replaces Erastus Hoveka as MD of Nedbank Namibia
- Tawana Mumvuma appointed MD of SME Bank

2014

- Junius Vetumbuavi Mungunda appointed CEO of Standard Bank Namibia
- EBank granted permanent banking licence
- Trustco buys FIDES Bank which becomes Trustco Bank Namibia
- Sarel van Zyl appointed CEO of FNB Namibia
- Provisional banking licences granted to Letshego Bank Namibia and Banco Privado Atlantico Europa followed by Bank BIC Namibia

2015

- Bank of Namibia directive eliminates cash deposit fees
- Bank of Namibia extends Letshego's provisional banking licence
- Bank of Namibia grants full banking licence to Banco Privado Atlantico (branch of foreign banking institution)

2016

- Bank Windhoek Holdings rebranded as Capricorn Investment
- Baronice Hans appointed MD of Bank Windhoek

2017

- SME Bank placed under provisional liquidation
- FNB Namibia buys EBank

2018

- Development Bank of Namibia resumes lending to SMEs
- Development Bank of Namibia registers medium-term note programme on NSX
- FNB Namibia Holdings changes name to FirstRand Namibia

2019

- Standard Bank Namibia lists on NSX
- Development Bank of Namibia raises funds through private placements

2020

- Bank of Namibia introduces special measures for banks due to Covid
- Martha Murorua appointed CEO of Nedbank Namibia
- Credit Guarantee Scheme for SMEs relaunched

Introduction

For most of the period since Independence, Namibia's banking sector has consisted of four commercial banks plus a growing range of state-owned financial institutions starting with Agribank, the National Housing Enterprise and the Post Office Savings Bank added to over time by the Development Bank of Namibia and the SME Bank. During the last decade two new commercial banks opened their doors: EBank and Trustco Bank Namibia. The banking sector is regulated by the Bank of Namibia while the non-banking financial sector was regulated by the Directorate of Financial Institutions in the Ministry of Finance until 2001 when the Namibian Financial Institutions Supervisory Authority (NAMFISA) was created.

Bank Windhoek

Bank Windhoek is owned by the Capricorn Group, a diversified financial services group based in Windhoek in which Namibia's Government Institutions Pension Fund (GIPF) has a 25.9 percent shareholding. Bank Windhoek started life after Independence focussing on Afrikaans-speaking customers. However, the arrival of ex-Volkskas boss Rip van Vuuren in the mid-1990s sparked a launch into corporate banking and led to a fundamental rebranding in 2001. Since then Bank Windhoek has gone a very different way to the other three banks, jettisoning its big brother shareholder by buying out the 34.4 percent held by ABSA Bank of South Africa at the end of 2006[1]. ABSA had been bought by Barclays Bank the year before and its new owner's approach was either to take a controlling stake or relinquish its shareholding. Bank Windhoek is also the only Namibian bank to attempt to enter regional markets outside South Africa buying 44.2 percent of Cavmont Capital Holdings in Zambia (which owns 100 percent of Cavmont Capital Bank) and opening Bank Gaborone in 2008. James Hill was appointed MD in 2005. This strategy resulted in Bank Windhoek experiencing exceptionally strong growth. Despite breaking the link with ABSA, Bank Windhoek was again being mentioned as a takeover target by the South African bank which ended up opening a representative office in Windhoek after initially announcing its intention to fully enter the Namibian market and being granted a provisional banking licence in June 2008. By 2009, some of Bank Windhoek's key shareholders including the ageing Koos Brandt decided they wanted to sell down their remarkably successful investment and started to consider selling a shareholding back to ABSA. The Bank of Namibia, however, made it clear that it was not prepared to see yet another Namibian bank sold to yet another South African banking group. It would, however, consider a sale to ABSA's parent company, UK-based Barclays. Barclays meanwhile was recovering from the fallout from the world banking and economic crisis and announced in 2012 that it was restructuring its African assets, which would in future be held by ABSA and renamed Barclays Africa. In 2011 James Hill was replaced as MD of Bank Windhoek by Christo de Vries, a surprise choice given his South African nationality. At the same time, the Bank of Namibia finalised its Financial Sector Strategy which envisaged the mandatory listing of Namibian banks on the NSX. The IPO of Bank Windhoek Holdings Group (BWH) – the largest public offering by a Namibian company to that date since the founding of the NSX – took place in June 2013 at N$8.75 per share. Baronice Hans replaced Christo de Vries in February 2016 and Bank Windhoek Holdings was renamed the Capricorn Investment Group (CGP) in September 2016[2]. By the end of 2020, Capricorn shares were trading at N$12.97.

CHART 18.1

Capricorn Investment Group share price since listing in 2013

Source: NSX

[1] See "Alone They're Going to Do Better", *Insight Namibia*, December 2006
[2] The Capricorn Group structure can be seen at https://www.capricorn.com.na/Pages/About-Us/Our-Structure.aspx

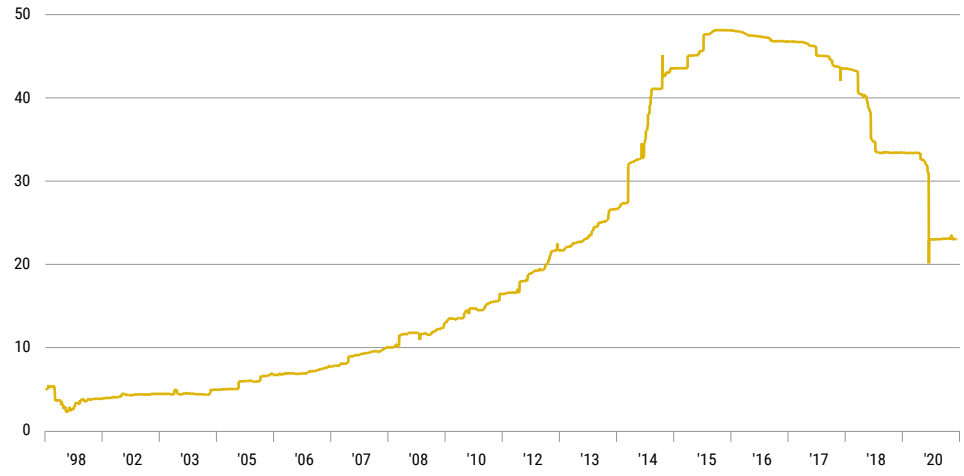
First National Bank Namibia

FNB Namibia has operated in Namibia since 1907. As part of South Africa's FirstRand Group, FNB Namibia Holdings became the first Namibian bank to list on the NSX floating 22 percent of its shares in 1997. FNB merged with SWABOU in 2003 amidst a certain amount of controversy[3]. FNB restructured with FNB Namibia Holdings as the holding company of FNB Namibia, FNB Insurance Brokers, FNB Unit Trusts, WesBank, RMB Asset Management, Outsurance Namibia, Momentum and Swabou Life. The bank announced a BEE deal at the end of 2004 with Mwahafar Ndilula's Sovereign Capital and Ranga Haikali's Chappa 'Ai Investments, trade unions and staff that was to see local ownership increase from 22 percent to 45 percent. Former Deputy Governor of the Bank of Namibia, Lazarus Ipangelwa, became Namibia's first black Namibian bank CEO in 2003 but tragically died in a car crash in September 2005. Advocate Vekuii Rukoro, who was heading Sanlam Namibia, was appointed CEO of FNB Namibia Holdings in 2006 while South African national Leonard Haynes was appointed CEO of FNB Namibia.

At the end of June 2009, FNB Namibia's main shareholders were FirstRand Bank Holdings with 59.8 percent while its largest Namibian shareholder was the Government Institutions Pension Fund (GIPF) with 14.5 percent. The FNB Employee Share Incentive Trust owned 3.3 percent while Sovereign Capital owned 1.3 percent and Chappa'ai Investments 0.7 percent. In 2013 FNB Holdings chief Vekuii Rukoro announced his intention to step down to become head of Meatco. Ian Leyernaar had been appointed CEO of FNB Namibia in 2009 and was appointed CEO of FNB Namibia Holdings in 2013. He was replaced as head of FNB Namibia by Namibian-born Sarel van Zyl in December 2014. In July 2018 FNB Namibia Holdings changed its name to FirstRand Namibia. Insider Conrad Dempsey was identified as the person to succeed Sarel van Zyl as FirstRand Namibia's CEO from September 2020. In 2020 GIPF held 14.8 percent of FirstRand Namibia and the general public 26.8 percent. This success is reflected in the fact that its share price has climbed steadily over the years listing on the NSX at N$3.80 in 1997 and ending 2020 at N$23.04.

CHART 18.2

Chart of FirstRand Namibia share price since 1998



Source: NSX

[3] See "First Mover Advantage", *Insight Namibia*, October 2004

Nedbank Namibia

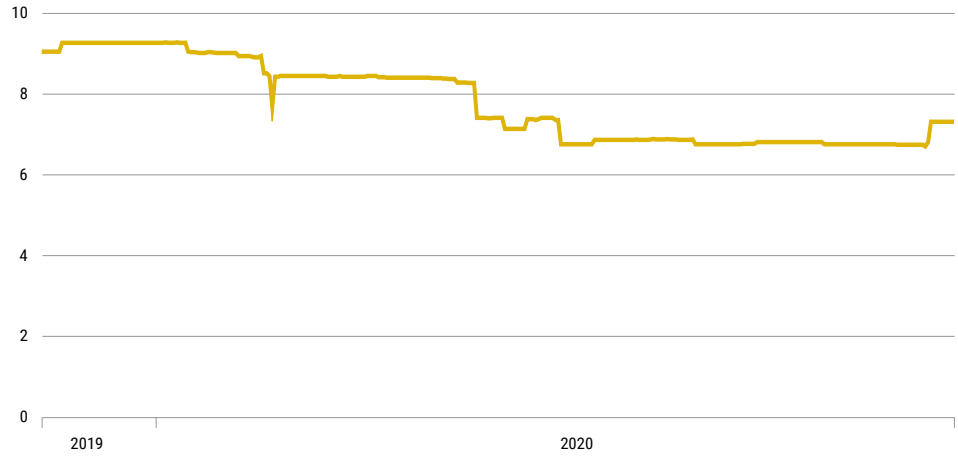
What is today Nedbank Namibia started life in 1973 as Die Bank van Suidwes Afrika or Swabank. In 1979 it changed its name to the Bank of South-West Africa/Namibia as the political winds of change started blowing harder. In 1980 Dresdner Bank AD acquired a major interest. A further name change to the Bank of Namibia was mooted on the eve of Namibian Independence in 1989 but the bank was forced to cede its name to the new central bank just months later. Instead Swabank adopted the name Commercial Bank of Namibia. A year later a Geneva-based European banking consortium acquired a majority share. In 1993 Commercial Bank merged with Namibian Banking Corporation and Nedcor became a shareholder. Nedcor became managing shareholder in 2001 while BNP Paribas remained the majority shareholder. In 2003 Nedbank bought out BNP Paribas and Deutsche Investitions- und Entwicklungsgesellschaft GmbH leaving Nedbank holding 93.46 percent with the balance being held by some 500 Namibian individuals[4]. Martin Shipanga, formerly CEO of Windhoek Municipality, was appointed MD of Nedbank in 2003 but left quietly and abruptly after two years at the helm. He was replaced by Bill Turton who in turn was superseded by Erastus Hoveka from the Development Bank of Namibia in 2008. After years of unspectacular results, Hoveka resigned in 2013 to be replaced by Lionel Matthews who had been CEO at Old Mutual Investment Group Namibia. Matthews took early retirement and was replaced by Martha Murorua in July 2020. Despite remaining profitable, Nedbank Namibia lost ground on Namibia's other three commercial banks which are all of similar size and considerably larger than Nedbank Namibia.

Standard Bank Namibia

Standard Bank Namibia was 100 percent owned by South Africa's Standard Bank Group – South Africa's largest bank by assets and earnings – which became the first banking group to dual-list on the NSX in 1992. Standard Bank Namibia was the first local bank to raise a bond listed on the NSX in 2001. Standard Bank was headed for a long time by Vic Moll but appointed Theo Mberirua, who had headed Telecom Namibia, as MD in 2003. Mberirua was later moved to head the holding company and replaced by South African national

CHART 18.3

Standard Bank Namibia Holdings share price since 2019



Source: NSX

[4] See "Staying Green", *Insight Namibia*, November 2004

Mpumzi Pupuma in 2007. Mberirua ended up quietly leaving the group in 2008. The bank underwent several difficult years and lost some key personnel but by 2012 had recovered and was firmly one of Namibia's "big three" banks. In 2014 Junius Vetumbuavi Mungunda of Deloitte Namibia replaced Pupuma as CEO but in August 2020 announced that he would be leaving the bank in April 2021. After many years of dithering, Standard Bank Namibia Holdings (SNO) listed 25.1 percent of its shares on the NSX in November 2019 at a price of N$9.00 which by the end of 2020 had fallen to N$6.90.

City Savings and Investment Bank

City Savings and Investment Bank (CSIB) has been the only complete newcomer to Namibia's retail banking scene in the years since Independence. Established in 1994 with Malaysian (58.94 per cent was held by Bank Industri & Teknologi Malaysia Berhar) and Namibian shareholders (including Aaron Mushimba, Peter Katjavivi and the GIPF), the bank aggressively courted market share by stressing its Namibian credentials ("The Bank We Call Our Own"). However, it quickly ran into problems as a result of poor management and poor systems. CSIB was bought by Aaron Mushimba's Namibian Harvest in 2001 and a bad debt book was separated into Futeni Collections. However, SWABOU then bought CSIB with the intention of creating a SWABOU Bank but was itself then bought by FNB Namibia in 2003.

Banks Compared

By the end of 2020 Bank Windhoek and FNB Namibia had maintained their historical dominance and were the largest of the four commercial banks by advances, net interest income, and pre-tax profits. It also had the lowest cost-to-income ratio and the highest return on assets. FNB's pre-tax profits were almost twice as large as the next bank, Bank Windhoek. Bank Windhoek's aggressive approach to market share had seen it jump to second by advances in recent years. Given their sustained high levels of profitability, the four commercial banks continue to represent a significant source of tax revenue for Government[5].

TABLE 18.1
Commercial Bank Financial Performance Indicators as of 31 December 2020

N$m	First National Bank Namibia	Bank Windhoek	Standard Bank Namibia	Nedbank Namibia
Total advances	29,994.0	32,691.9	22,798.6	12,071.3
Net interest income	1,453.0	1,584.3	1,332.5	857.1
Non interest income	1,905.0	1,066.6	1,262.8	373.1
Pre-tax profits	1,254.0	1,003.2	839.0	395.8
Tax	376.0	281.7	225.5	65.4
Cost-to-income	52.6%	59.1%	57.0%	59.2%
RoE	16.6%	14.8%	16.4%	13.5%
RoA	2.6%	1.7%	1.8%	1.6%
Date	30 June 2020	30 June 2020	31 December 2019	31 December 2019

Source: Company Annual Reports

[5] See "First Mover Advantage", *Insight Namibia*, October 2004

Trustco Bank Namibia

Trustco Bank Namibia started life as FIDES Bank, a microfinance bank which was born out of a donor-supported microfinance pilot project called Koshi Yomuti which ran from 2002 by Financial Systems Development Services and targeted the north's rural population. Germany's KfW was a 24.90 percent shareholder along with Swiss Microfinance Holding (30.00 percent), Investisseurs et Partenaires pour le développement of France (22.45 percent), Belgium-based fund Volksvermogen NV (12.60 percent) and the French cooperative bank Crédit Coopératif (10.00 percent - since late 2011). It had no Namibian shareholders. It was granted a provisional banking licence by the Bank of Namibia in 2009 and received its permanent licence in 2010 becoming Namibia's fifth commercial bank. Its headquarters were in Ongwediva and it had four branches, all in the north of Namibia, with plans to open a fifth in Katutura in Windhoek. FIDES Bank was headed by French national Romain Tevels. Following reports of financial difficulties and problems with its Katutura branch, in May 2014 the bank announced it was to be bought by Quinton Van Rooyen's Trustco Group for an undisclosed sum and was renamed Trustco Bank Namibia. Trustco Group Holdings (TUC) had listed on the NSX in 2006. At the time of the deal Trustco announced the bank had 14,000 individual and SME borrowers as well as 40,000 deposits. In October 2019 Trustco Group Holdings announced that it was to restructure its businesses into a simpler slimmer structure likely to involve separate listings at some stage in the future.

Development Bank of Namibia

The Development Bank of Namibia (DBN) emerged from a long period during which Government had tried to use existing state lending institutions to finance projects that commercial banks were not keen to fund. In 2001 Deputy Governor of the Bank of Namibia Lazarus Ipangelwa was tasked to look into establishing a development bank following a feasibility study carried out in 1997 by First Washington Associates. The Development Bank of Namibia Act was passed in 2002 and the new bank opened in April 2004 headed by David Nuyoma, former head of the Namibia Investment Centre and with O&L boss Sven Thieme as board chair. Government had already started to make a series of budget allocations from 2002/03 onwards to capitalise the new bank which formally took over the assets of the Development Fund of Namibia (DFN) in 2005 and was set to do the same with the Namibia Development Corporation (NDC).

The DBN's strategy was to work with the commercial banks rather than against them. A deal to provide finance to SMEs was signed with Bank Windhoek in 2006. An explicit BEE financing framework was introduced in 2007. In stark contrast to most other State-Owned Enterprises (SOEs), Nuyoma operated in a conservative but transparent manner: the DBN became one of the few Namibian SOEs to publish (and distribute!) a monthly newsletter and make its annual report available in a timely way on its website[6]. It is also one of the very few institutions in Namibia to publish the salary details of its CEO. The DBN moved to its own premises in the old Bank of Namibia building in central Windhoek in June 2008. Although the idea of private shareholders taking equity stakes in the DBN had been a possibility from the start, by the end of 2020 this had not happened.

In its first years there was criticism that the DBN was too risk averse and too expensive and also that it was extremely slow in processing applications. It was also puzzling that a new and undercapitalised lending institution should be paying dividends to Government[7]. In 2009 the DBN also came under fire for a planned N$120 million equity investment in Ohorongo Cement[8]. Critics argued that Namibia's development lending institution should lend primarily to Namibian-owned projects and should not be lending money to foreign

[6] See "We Have Put a Premium on Governance", *Insight Namibia*, August 2005

[7] See "The Exception to the Rule", *Insight Namibia*, August 2007

[8] See "Miscarriage of Cheetah Cement Project", New Era, 20 January 2010

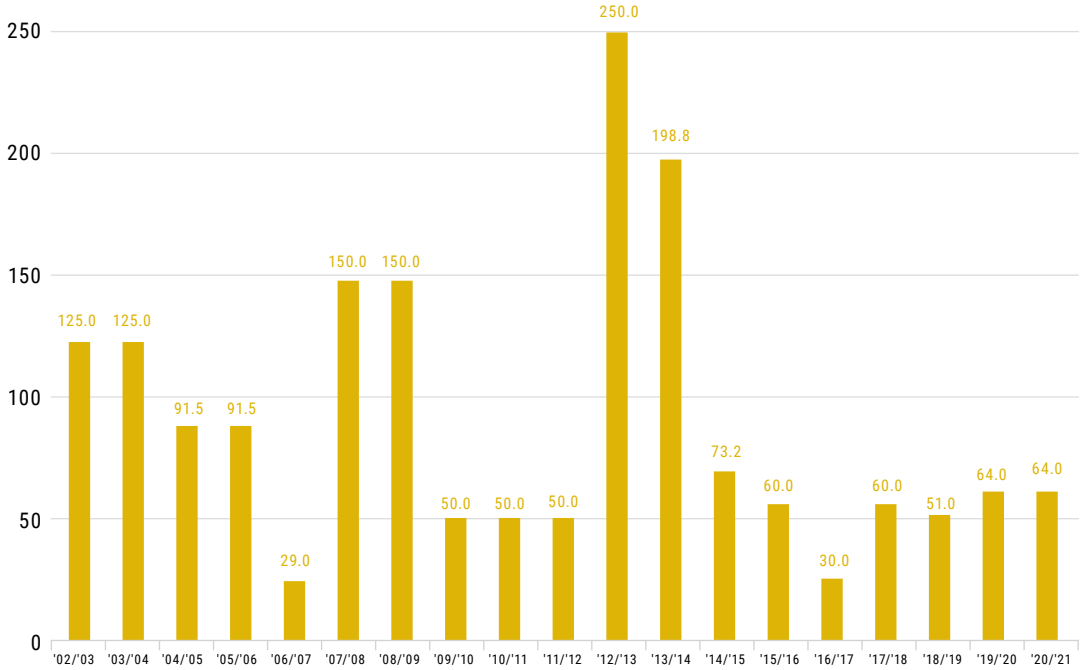
investors who should instead be bringing their own money with them. However, the DBN's mandate was to participate in strategic projects of this kind. Further down the road it would surely have come under more criticism for not investing in the project.

The creation of the SME Bank in 2012 could be interpreted as an implicit criticism of the DBN's conservative lending policies and Nuyoma's refusal to compromise important banking practices. At the end of 2012 it was announced that Nuyoma would leave the DBN after eight years at the helm to become the CEO of the Government Institutions Pension Fund. He was replaced by Martin Inkumbi who had joined the DBN in 2006 and been Head of Lending since 2011. The DBN stopped its lending to SMEs in November 2015 in recognition of the role of the new SME Bank. However, as explained elsewhere in this chapter, the SME Bank quickly turned out to be a fiasco and was placed in provisional liquidation in July 2017. The role of lending to SMEs fell back to the DBN which reconfigured its SME Centre as a result and once again started to receive transfers from central Government to support this function. In the 2020/21 National Budget it received N$64m to boost lending as part of Government's response to the Covid-19 pandemic.

By 2020 the DBN had established itself as an effective and complementary financial institution within Namibia's banking ecosystem. It has not been classified as a commercial public enterprise and falls under the Ministry of Finance rather than the Ministry of Public Enterprises. It continues to produce excellent and timely annual reports providing a wide range of analytical information on its operations including details on non-performing loans and impairments which rose as the economy slowed after 2016. In many ways, the DBN is a model for other SOEs to follow. Quite how it has succeeded in this while so many other SOEs have failed is a Namibian mystery.

CHART 18.4

Budgeted Transfers to DBN from National Budget



Source: Budget Documents

SME Bank

Namibia's SME Bank was born out of Government's experience with the Small Business Credit Guarantee Trust (SBCGT) and also a certain amount of frustration at the DBN's inability to satisfy the needs of small borrowers. In 2004 Cabinet took a decision to transform the SBCGT into a self-sustaining financial institution and decided that such an institution would be sustainable only if it could take deposits from the public. Cabinet agreed to establish an SME Bank and money to capitalise the bank was allocated in the national budget. Zimbabwe's Metropolitan Bank was chosen as its technical partner ahead of five other banks. The process was championed by incoming Trade and Industry Minister Hage Geingob who had been appointed in 2008. The Bank of Namibia provisionally granted a banking licence in March 2011 but only on the condition that certain unspecified conditions be met. It seems that one of the regulator's main concerns was the proposal to allow Zimbabwean businessman Enock Kamushinda a 35 percent stake in the venture. Kamushinda had made it onto the name-and-shame list of the Anti-Corruption Trust of Southern Africa (ACT). Furthermore, the chairman of the board was none other than the PS of the Ministry of Health and Social Services, the ubiquitous Andrew Ndishishi, well known for his involvement in a series of controversies while serving as a senior civil servant. He was later replaced by Secretary to the Cabinet Frans Kapofi. Nonetheless, a ground breaking ceremony was held in Windhoek in February 2012 at which Trade and Industry Minister Hage Geingob complained bitterly about the difficulty of obtaining a banking licence[9]. Geingob announced that the SME Bank head office in central Windhoek was to open officially in October 2012 but the Bank of Namibia only formally announced it had been granted a permanent banking licence on 30 November 2012. Globally, SME Banks are not noted for their high levels of profitability as making money from lending small amounts of money to high-risk borrowers is an inherently difficult thing to do. Why private shareholders would want to invest in a venture that has been so openly politically driven and why depositors would want to put their money into such a venture remained something of a mystery. Court papers revealed shareholders comprised of Government through Namibia Financing Trust (65 percent), Metropolitan Bank of Zimbabwe (30 percent) and a Zimbabwean company World Eagle Investments (five percent). It appears that Kamushinda's shareholding in the SME Bank was reduced to five percent. The SME Bank's website provided no information about its senior management. Cabinet Secretary Frans Kapofi was board chair before he went on to become Minister of Presidential Affairs under incoming President Geingob. Zimbabwean national Tawanda Mumvuma was the bank's CEO who confirmed in an interview that the bank was 35 percent owned by Zimbabwean investors[10]. The SME Bank received significant transfers from the National Budget. It came as no surprise when in July 2017 the High Court ordered that the SME Bank be placed under provisional liquidation and its assets be frozen. Liquidators Ian McLaren and David Bruni were appointed and immediately started the process of recovering monies owned. This has involved legal action and also high-profile figures including Kamushinda. The SME Bank saga is a sorry tale from start to finish that has led to hundreds of millions of dollars going missing and seriously damaged the reputation of the banking regulator, the Bank of Namibia, and Hage Geingob, who went on to become President in March 2015.

EBank

In June 2014, the Bank of Namibia announced it had granted a full banking licence to EBank Namibia, created by Pointbreak in collaboration with MTN's technology provider TYME Capital. Ebank was Namibia's first branchless bank and relied on technology to enable customers to deposit and withdraw money through a nationwide network of retail partners and merchants. Its board of directors included Monica Geingos (formerly Kalondo), wife of President Geingob, Mike Mukete (CEO and a former Assistant Governor of the Bank of Namibia), Martin Shipanga (a former MD of Nedbank Namibia), Coenraad Jonker and Gerald Riedel. In October 2017 FNB Namibia announced that it had bought Ebank and Pointbreak for a reported N$300 million and EBank was fully absorbed into its own operations and the brand retired.

[9] See "Geingob Feels 'Sorry' for Investors", *The Namibian*, 14 February 2012

[10] See "On the Spot – a New Dawn for SMEs", *New Era*, 25 July 2014

NAMIBIA FINANCIAL SECTOR STRATEGY

Towards the end of 2012 the Ministry of Finance, the Bank of Namibia and NAMFISA published a document entitled "Namibia Financial Sector Strategy 2011-2021: Towards Achieving Vision 2030". In her foreword, Minister of Finance Kuugolgelwa-Amadhila describes the document as "a long-term development strategy for the Namibian financial sector".

The strategy comprises six main outcomes and describes what is required to achieve these outcomes

Outcome 1
Namibia to have an active capital market (securities market) characterised by higher turnover, liquidity and immedaiacy. In this regard, the NSX local market capitalisation is expected to reach 75% of GDP by 2021.

Outcome 2
Appropriate safety nets shall be put in place to protect depositors and to ensure and maintain financial stability.

Outcome 3
A: The national financial literacy rate shall be increased by 2020 from the baseline to be determined by FinScope 2011.
B: Namibia shall have and implement a consumer protection legal framework in the financial sector, which will ensure transparency and disclosure as well as consumer complaints and redress mechanisms.

Outcome 4
A: Improved access to financial services and products by eligible Namibians by reducing lack of access from the current baseline of 51.7% to 26%.
B: Namibia shall have effective institutions in place that will provide sufficient support to SMEs and offer adequate products, services and knowledge to increase access to finance.

Outcome 5
A: There shall be increased Namibian ownership of financial institutions.
B: There shall be significant representation of Namibians at Board and management level of financial institutions.

Outcome 6
Skills needed by the financial sector shall be identified and developed.

The strategy is a clearly and coherently written document but, perhaps unavoidably, it fudges a lot of the main issues. For example, whereas previous drafts contained quantitative targets for Namibian ownership, the final draft simply states: "Regulators will recommend to the Minister of Finance to issue the appropriate level of Namibian ownership of financial institutions under their respective jurisdictions. This could be achieved through a relevant regulatory framework." Encouragingly, the Strategy makes reference to the New Equitable Economic Empowerment Framework (see Chapter on Black Economic Empowerment).

Policy Issues

Banking Competition

In 2003 the IPPR undertook a ground-breaking study[11] which suggested Namibia's banking sector was too profitable as a result of high and opaque fee structures and a lack of competition. This contributed to public concern which had already existed for some time. Under the chairmanship of Hage Geingob, the Parliamentary Standing Committee on Economics, Natural Resources and Public Administration held special hearings into the issue of high bank charges in 2006 following a motion by CoD MP Kala Gertze. However, this did not lead to further action except for the establishment of the Namibia Competition Commission, the legislation for which had already been passed in 2003. The Bank of Namibia appears to have concluded that encouraging new entrants into the market was the only solution to excess profits and high fees. In May 2008 ABSA was granted a six-month banking licence to enable it to carry out feasibility studies on entering the Namibian market. After having hired key people including Marius Alberts (previously with Bank Windhoek) as MD, ABSA's strategy was thrown into confusion by the world financial crisis and changes in senior management in South Africa. ABSA ended up opening a representative office in Windhoek at the end of 2009 and planned to focus on corporate finance. Since then, new banking institutions – Trustco Bank Namibia and EBank as well as the SME Bank – have been granted full banking licences and others – Letshego and Banco Privado Atlantico – have been granted provisional licences which should help increase competition. However, by 2020 Namibia's commercial banking system remained much as it had always been. Since 2014 the Bank of Namibia has produced a comprehensive annual comparison of fees and charges levied by Namibian banks and examined whether they were in line with the stipulations of the Payment Systems Management Amendment Act of 2010[12]. These reports can be found on the Bank of Namibia's website[13].

Interest Rate Spreads

Linked to the issue of banking competition is the issue of interest rate spreads. There has long been concern that the difference between Namibia's central bank rate (the Namibian repurchase or repo rate) and the prime lending rate the commercial banks charge their best clients (the "spread") is unjustifiably high: at the beginning of 2009 the spread between the Namibian repo rate and the prime lending rate was 475 basis points compared to 350 basis points in South Africa. SARB Governor Tito Mboweni made several public statements that the spread in South Africa was already too high[14] and this theme was taken up in early 2009 by the then Namibian Governor Tom Alweendo at a meeting with the Bankers Association of Namibia (BAN). Part of his concern was that the aggressive interest rate cuts he had overseen since the end of 2008 in response to the global crisis were not being passed on in full to banking clients. In his words, the monetary transmission belt was not properly working. He went on to issue a written ultimatum demanding that Namibia's commercial banks reduce their spread to "not more than 375 basis points" by the end of 2009. Following further meetings with BAN, Alweendo softened his stance somewhat and the banks ended up reducing their spread to 425 basis points by October. However, they were allowed to keep their home loans 25 basis points higher than their prime rates although Alweendo insisted that they meet the 375 basis point target by the end of October 2010. Since the concept of prime lending rate is anyway rather inexact, the Bank of Namibia may have concluded that it is futile anyway to push further on the issue of spreads and instead seek broader powers to regulate the banks' lending and pricing policies.

[11] "Complex Fees + Lack of Competition = Excess Profits? Retail Bank Charges in Namibia", IPPR Briefing Paper No. 27, November 2003
[12] Payment Systems Management Amendment Act (Act No.6 of 2010)
[13] https://www.bon.com.na/Bank/Payments-and-Settlements/Publications/Banking-Fees-Comparison-Report.aspx
[14] See "Repo 'Spread' Remarks Have Bankers Puzzled", *Business Day*, 19 May 2009

Access to Financial Services

In a country of such skewed income inequality, access to financial services has long been a political and economic issue. However, it was not until successive FinScope surveys started quantifying the issue that it has received the serious attention of policymakers. The last available FinScope survey in 2017[15] revealed that some 22 percent of Namibia's population did not have access to formal financial services and were therefore "financially excluded" compared to the 31 percent in 2011 and 51 percent found in the 2007 survey. This is an issue that has been taken up by the Namibia Financial Sector Strategy which aimed to bring down the level of exclusion to 26 percent by 2021. However, whether much can be achieved by applying moral and regulatory pressure on the commercial banks (some of which, notably Bank Windhoek, have made efforts to introduce lower cost bank accounts for specific groups such as students, pensioners and others) is open to question. The fundamental cause of financial exclusive is far more likely Namibia's poor record of formal employment creation added to the fact that many Namibians continue to choose to save in the form of livestock rather than money. This may be an entirely rational choice given the high returns to livestock compared to below-inflation returns to bank savings, not to mention the travel costs associated with accessing bank finance.

Banking Ownership

Given Namibia's history, the ownership of its financial services industry and especially its commercial banks has always been a sensitive issue and seen as symbolic of Namibia's continued economic subservience to South Africa. However, it took policymakers over two decades to act on the issue. The publication of the Namibia Financial Sector Strategy finally placed the issue at centre stage even if no concrete measures were proposed. The irony was that further government pressure might not have been necessary as the two most successful banks were those that had the highest levels of Namibian ownership: Bank Windhoek (which ABSA exited in 2005 and thereafter experienced phenomenal growth) and FNB Namibia (which listed on the NSX in 1997 and thereafter implemented what appeares to have been an extremely successful empowerment deal involving ownership). Trustco Bank and EBank were also majority Namibian-owned. These experiences suggest that banks which have greater local autonomy do better than those which constantly have to refer to a foreign parent for decisions. This logic may apply to more companies than just banks.

High-Risk Lending

Bank lending to start-ups and greenfield projects has been a constant theme in the discussion of Namibia's banking sector since Independence. Many accuse the established commercial banking sector of being too conservative and doing little more than make fat profits from collateralised lending. Partly in response to this, Government promoted first the NDC and DFN (as well as Agribank in the agriculture sector) but then decided to create the DBN. However, it was not immediately clear this was what was required[16]. Looking through DBN's early portfolio, it was hard to detect signs of the higher risk or strategic lending it was set up to cater for. Many of the largest loans were made to well-established businesses or government bodies. The emergence of the SME Bank was perhaps a sign that Namibia's politicians regarded the DBN as not doing

[15] See https://finmark.org.za/search?locations%5B%5D=NAM

[16] See "Do We Need a Development Bank?" IPPR Opinion No. 2 October 2001

[17] See "FNB Opens Doors to SMEs Without Security", *The Namibian*, 28 August 2020

enough on smaller, higher risk lending. However, the DBN has now established itself as a well-run institution and is back in the business of SME lending relaunching a Credit Guarantee Scheme for businesses with a turnover of up to N$10 million with FNB Namibia in August 2020[17]. Its record of non-performing loans and impairments suggest it has indeed been involved in riskier lending than the commercial banks.

Financial Sector Regulation

The rationale for a division of labour between regulators for banking and non-banking regulation has never been entirely clear but seems to have come about more due to historical accident. Clearly it makes sense for the Bank of Namibia to regulate the banking sector. At the time the NAMFISA Bill was being discussed in Parliament, there was some thinking about placing non-banking regulation in the Bank of Namibia too. However, NAMFISA was created as a separate institution in 2001. There may be good arguments – cost effectiveness, information sharing, co-ordination – to bring NAMFISA within the Bank of Namibia. Namibia escaped relatively unscathed from the Global Financial Crisis – Namibia's banks were not directly exposed to sub-prime mortgage assets – and this led to a sense that the country's financial regulators had done their jobs well. However, there is little room for complacency and the performance of both institutions has been called into question. NAMFISA mishandled Legal Shield and failed to prevent fraud at Avid Investment, the ODC, and Prowealth. The Bank of Namibia granted a provisional banking licence to Nigeria's Platinum Habib Bank only five weeks before Nigeria's central bank named it as one of four banks in a "grave situation"[18], was involvement in the SME Bank after initially objecting to certain Zimbabwean shareholders following its due diligence, and reportedly granted a licence to Angola's Isabel dos Santos' Bank BIC in 2016 without completing due diligence on her business[19]. Indeed, the SME Bank announced it was to open before it had received a licence. Its backer, former Trade and Industry Minister Hage Geingob who went on to become Prime Minister for the second time following SWAPO elections at the end of 2012 and President in March 2015, complained very publicly about the process[20]. From the outside of what has been an opaque process, it very much appears that the Bank of Namibia bowed to political pressure.

COVID

The arrival of Covid represented a huge challenge for both the banking sector and policymakers. Banks have an important role to play in keeping economies ticking over during lockdowns. Monetary policy had already been considerably loosened by the time the State of Emergency was declared on 17 March 2020 and the economy had already been suffering from four years of low or negative growth, the longest period since Independence. The year 2020 had started with the Bank of Namibia's repo rate at 6.50 percent. However, further cuts were made in February, March, April, June and August to take it down by 275 basis points to 3.75 percent, a post-Independence low. A range of other measures were announced on 26 March which the Bank emphasised had been the outcome of extensive consultation with the Bankers Association of Namibia. These measures included the following:

- Allowing banks to grant loan repayment moratoria to customers of between six to 24 months;
- Relaxing the determination on liquidity risk management which obliges banks to match their cash outflows to their cash inflows over a period of seven days;
- Reducing the capital conservation buffer - liquid reserves that banks are required

[18] See "Nigerian Bank Loses Local Licence", *The Namibian*, 14 October 2009
[19] See "Bank of Namibia 'Went Easy' on Dos Santos", *The Namibian*, 27 January 2020
[20] See "Geingob Feels 'Sorry' for Investors", *The Namibian*, 14 February 2012

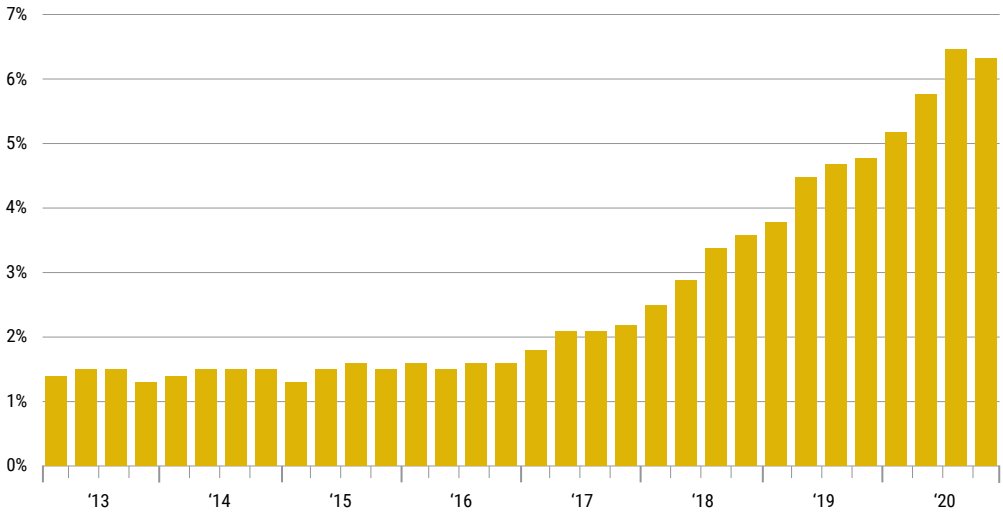
to build up in good times - to zero percent for at least 24 months; and

- Postponement of the effective date of implementation for the 25 percent single borrower limit and concentration risk limit - used to limit exposure to businesses and sectors and thus reduce risk.

The overall intention of these measures was to allow banks greater scope to lend to a stricken economy and to vulnerable businesses which regulations would otherwise have made difficult or impossible. It is too early to assess the impact of these measures given the trajectory of the pandemic and its impact on the economy but they served to demonstrate that policymakers could act quickly when required to do so.

CHART 25.3

Non-Performing Loans as Percentage of All Loans (2013-2020)



Source: Bank of Namibia

Useful References

First Rand Namibia Holdings Annual Reports

Standard Bank Namibia Annual Reports

Bank Windhoek Annual Reports

Nedbank Annual Reports

Development Bank of Namibia Annual Reports

Bank of Namibia Annual Reports

NAMFISA Annual Reports

Namibia Financial Inclusion Surveys

Useful Websites

Bank of Namibia
www.bon.com.na

Bank Windhoek
www.capricorn.com.na

Development Bank of Namibia
www.dbn.com.na

Finmark Trust
www.finmark.org.za

FirstRand Namibia
www.fnbnamibia.com.na

NAMFISA
www.namfisa.com.na

Nedbank Namibia
www.nedbank.com.na

Standard Bank Namibia
www.standardbank.com.na

Annex

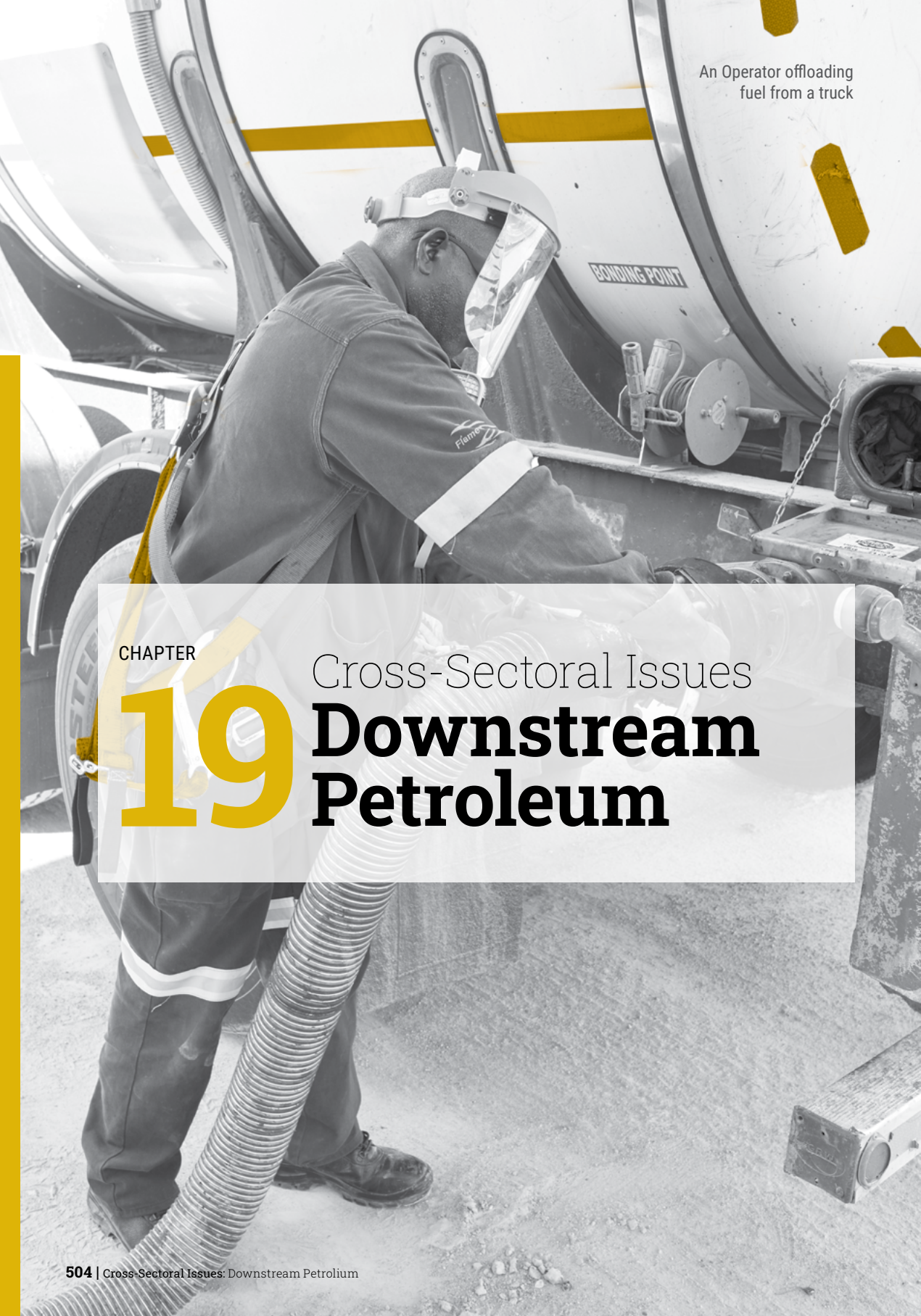
ANNEX 18.1

Development Bank of Namibia Key Financial Indicitors

	Operating income	Pre-tax profits	Total assets	Total employees
2004	11.7	4.0	137.9	19
2005	39.5	27.3	382.1	19
2006	55.0	41.7	532.0	20
2007	73.1	55.5	648.9	17
2008	89.1	50.0	848.9	25
2009	86.5	36.3	1,038.0	25
2010	96.7	71.7	1,218.3	33
2011	97.1	35.3	1,602.6	25
2012	139.8	92.5	2,030.3	49
2013	178.0	104.7	2,376.9	59
2014	234.9	147.2	2,919.9	78
2015/16*	364.9	208.8	4,593.8	79
2016/17*	375.6	172.0	7,819.0	82
2017/18*	426.8	219.5	8,818.7	90
2018/19*	416.6	211.7	9,670.7	105
2019/20*	451.6	229.1	9,535.4	109

* Financial year changed from calender year to year from 1 April

Source: DBN annual reports



An Operator offloading fuel from a truck

CHAPTER

19

Cross-Sectoral Issues

Downstream Petroleum

As a country dependent entirely on petroleum imports, policymakers have only very limited ability to influence the price of petrol and diesel on which much of the economy depends. The Minister of Mines and Energy has certain powers to influence the timing of price changes while there is little doubt that any policy involving the subsidisation of petrol and diesel would be extremely expensive, hard to target at those most in need, and difficult to withdraw. Furthermore, the levies and taxes on fuel which provide revenue for a range of activities, including helping to finance the country's road network, have not been determined according to any coherent plan. Government's operational arm in downstream petroleum, Namcor, has been dogged by controversy and poor performance for much of the period since Independence.

Downstream Petroleum
KEY EVENTS

YEAR	EVENT
1990	- Ministry of Mines and Energy created - Andimba Toivo ya Toivo appointed Minister of Mines and Energy - Petroleum Products and Energy Act passed - National Petroleum Corporation of Namibia (Namcor) established - Skerf Pottas appointed MD of Namcor
1991	- Petroleum (Exploration and Production) Act passed - Petroleum (Taxation) Act passed
1992	
1993	
1994	- Petroleum Products and Energy Amendment Act passed
1995	
1996	
1997	- Quarterly fuel price adjustment mechanism introduced - Joe Mazeingo appointed MD of Namcor
1998	
1999	- Jessaya Nyamu appointed Minister of Mines and Energy - Cabinet mandates Namcor to import 50 percent of Namibia's petroleum requirements
2000	- Petroleum Products and Energy Amendment Act passed - Dedicated three cents per litre levy to finance Namcor introduced on fuel
2001	
2002	- Dr Nickey Iyambo appointed Minister of Mines and Energy
2003	- Basic Fuel Price methodology replaces In Bond Landed Cost methodology - Dedicated Namcor levy on fuel terminated - Namcor imports first shipment of 20,000 tonnes of fuel into Namibia
2004	- Norconsult finalise report on strategic reserve storage for Namcor
2005	- Erkki Nghimtina appointed Minister of Mines and Energy - Namibia Liquid Fuel awarded fuel contract by Namcor - South African refineries shut down causing fuel shortages in Namibia
2006	- Leaded petrol phased out in accordance with SADC decision - Quarterly changes to fuel prices replaced by monthly changes - Government allocates N$156 million to the National Energy Fund
2007	- Namibia Liquid Fuel contract terminated and not renewed - Namibia Liquid Fuel contract investigated and cleared by Anti-Corruption Commission - Sam Beukes appointed MD of Namcor - Namcor awards contract to Afroneft
2008	- Afroneft deliveries rejected by fuel wholesalers - Namcor decides against fuel refinery but opts for fuel storage facility
2009	- Namcor asks Government for N$200 million to cover trading losses - Namcor announces new joint venture with Afroneft - Namibia signs MoU with Nigeria for construction of oil refinery - Namcor offered shareholding in oil refinery by PetroSA
2010	- BP announces withdrawal from Namibian downstream market selling to Puma Energy - Isak Katali appointed Minister of Mines and Energy - Cabinet revokes Namcor fuel supply mandate but introduces Namcor levy to provide it with an income stream

2011
- Sam Beukes officially suspended as MD of Namcor then dismissed
- Shell announces joint-venture deal with Vivo Energy for African downstream operations

2012
- Johannes !Gawaxab replaces Siseho Simasiku as Namcor board chair
- Obeth Kandjoze appointed Namcor MD
- Namcor launches branded fleet of tanker trucks
- First International Oil& Gas Conference held in Windhoek

2013
- Low sulphur diesel Automotive Diesel Oil (ADO) 50 introduced from 1 May 2013
- Lead Replacement Petrol (LRP) 93 phased out from 1 May 2013

2014
- Second International Oil & Gas Conference held in Windhoek
- Namcor awards tender for upgraded storage facility at Walvis Bay

2015
- Obeth Kandjoze appointed Minister of Mines and Energy
- Immanuel Mulunga appointed Namcor MD

2016
- Fuel levy increased for first time since 1998

2017

2018
- Tom Alweendo appointed Minister of Mines and Energy

2019
- Diesel 500ppm phased out from 1 January 2019
- Namibia Competition Commission refuses to grant competition exemption to Namcor
- Namcor opens first retail petrol station

2020
- Tom Alweendo reappointed Minister of Mines and Energy
- National Oil Storage Facility inaugurated
- Immanuel Mulunga reappointed MD of Namcor

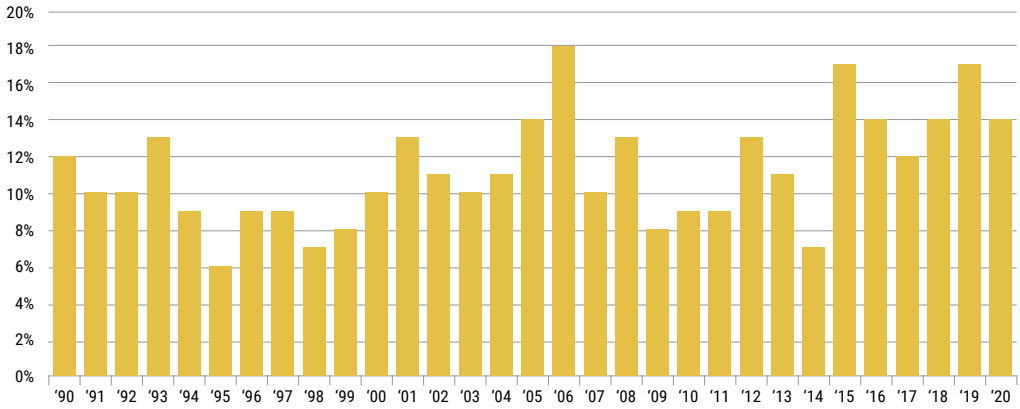
Introduction

Namibia is not yet an oil producing country and has no capacity to refine crude oil for the production of petrol and diesel fuels. All fuels are therefore imported, primarily by ship from South African refineries in Durban and Cape Town through the port of Walvis Bay. From 1990 to 2020 refined petroleum products have accounted for over ten percent of all Namibia's merchandise imports by value. The Ministry of Mines and Energy (MME) regulates the industry while the Namibian Petroleum Corporation (Namcor), a legally enacted entity with limited liability under the Namibian Companies Act with the Government as sole shareholder, acts as the operational arm of Government in both the upstream (exploration and drilling) and downstream (wholesale and distribution) parts of the petroleum industry. Namcor also acts as advisor to the MME and assists in the allocation of oil and gas licences and monitoring of exploration activities. Under the Petroleum Act of 1991[1], Namcor also has the right to carry out reconnaissance, exploration and production activities.

[1] Petroleum (Exploration and Production) Act 1991, (Act No.2 of 1991)

CHART 19.1

Imported Refined Fuel as Percentage of Imports of Goods



Source: NSA

Distribution and Sale

There have been many licenced wholesalers of petroleum products in Namibia of which the main ones were BP, Caltex Oil, Engen, Shell and Total. Each supplied its own network of distribution outlets but all shared import and storage facilities at Walvis Bay which used to be managed by BP as "housekeeper". In 2004 these companies plus Namcor organised themselves into the Namibian Oil Industry Association taking over the role of liaising with Government from BP. Namibia's primary oil storage depots at Walvis Bay contained 90 percent of the country's storage capacity. The remaining capacity was spread over secondary depots around the country, all of which had rail links to the primary depots. From the primary depots in Walvis Bay, the product is moved by rail tankers to the twelve inland depots (at Windhoek, Okahandja, Tsumeb, Keetmanshoop, Mariental, Grootfontein, Otjiwarongo, Karasburg, Otavi, Gobabis, Ondangwa and Outjo). Products are moved from these secondary depots by road tankers to fuel service stations around the country. The rail and road costs involved in the distribution of regulated ("controlled") petroleum products are passed on to the consumer at the pump although there is a degree of cross-subsidisation designed to keep prices down in parts of the country far from Walvis Bay.

Historically, all Namibia's petroleum imports were organised by the five main wholesalers. However, in May 1999 Cabinet mandated Namcor to import 50 percent of Namibia's petroleum requirements and the first shipment arrived in March 2003. In 2005 Sasol, with local partner Namibia Liquid Fuel (NLF), was awarded the contract to supply this requirement in a controversial tender beating off six other bidders. The contract with NLF was highly controversial for several reasons: it involved high-level people inside Government, it was supposed to be an example of "broad-based black economic empowerment" and it was never clear whether the local company made any contribution towards the work required to supply the fuel[2]. Although the award of the contract was later investigated and cleared by the Anti-Corruption Commission[3], it ended in 2007 and was not renewed.

[2] See "NLF: Low Risk High Returns", *Insight Namibia*, August 2006
[3] See "Liquid Fuel a 'Clean Deal'", *The Namibian*, 18 July 2007

At the beginning of 2008 a shipment of fuel from Namcor's new supplier Afroneft was held up by the refusal of the Namibian wholesalers to unload it claiming the single-hulled vessel, the Farandol, did not meet international safety standards. Afroneft was owned by UK-based Glencore. A task team set up by Minister Erkki Nghimtina to investigate the incident ended up recommending that the contract with Afroneft be terminated. Namcor ran into further problems when it emerged in March 2009 that the company was asking for N$200 million from Government to cover "under-recoveries" due to foreign exchange losses[4]. Namcor announced it would terminate the agreement and set up a 50:50 joint venture called Namcor International Trading with Afroneft instead. However, Namcor MD Sam Beukes, who had been appointed in 2007, was put on "special leave" in November 2010 then officially suspended in February 2011 before eventually being sacked in November 2011. He was called before a disciplinary inquiry following a forensic audit ordered by Cabinet into the petroleum supply contract with Glencore, which found that Beukes and the entire former Namcor board had failed to do a "proper due diligence regarding the supply agreement". Government eventually paid N$538 million to Glencore when it terminated the supply contract[5]. Beukes was replaced by acting MD Robert Mwanachilenga who resigned in March 2011 to be replaced by a new acting MD Eugene Shepard who also went on to resign in May 2012.

Meanwhile, Old Mutual African Operations MD Johannes Gawaxab had been appointed chair of the Namcor board in February 2012 taking over from long-standing chair Siseho Simasiku. Namcor insider Obeth Kandjoze was appointed Namcor MD in October 2012. Prior to this period of uncertainty, Cabinet had decided to revoke Namcor's mandate to import 50 percent of Namibia's fuel in October 2010 due to technical insolvency, something which was unsuccessfully challenged in court by partners Glencore Energy and Petroneft International after the case had gone all the way to Namibia's High Court[6].

In March 2010, BP announced that it was pulling out of Namibia and four other southern African countries following a strategic review of its African assets followed by a similar announcement from Shell. At the time the two companies commanded 45 percent of the local retail market in Namibia. Trafigura-owned Puma Energy ended up buying BP's southern African assets for N$3.2 billion including its 29 service stations and storage facilities in Namibia. Shell ended up selling a majority share in its African downstream assets in October 2011 to joint-venture partner Vivo Energy in a deal which saw Vivo manage and run the fuel outlets and the distribution chain of Shell-branded fuel and lubricants. This meant Engen, Vivo Energy, Puma Energy, and Total were the fuel importers importing the country's fuel requirements.

In the wake of national elections at the end of 2014, Obeth Kandjoze was nominated as one of incoming President Geingob's eight appointed MPs in early 2015, and was subsequently appointed Minister of Mines and Energy. Immanuel Mulunga, who had spent the previous ten years as the Petroleum Commissioner, replaced him as MD of Namcor after Cabinet reportedly overturned the initial appointment of Leonard Apollus from De Beers Marine Namibia[7]. Several years before in 2011, oil exploration company Chariot had accused Mulunga of a soliciting a bribe in exchange for an oil exploration licence telling Chariot it had "not done enough personally for him" and that he was "human and had needs"[8]. Subsequently, Mulunga faced a series of investigations. In June 2018, newly appointed Mines Minister Tom Alweendo and Public Enterprises Minister Leon Jooste blocked a plan by Namcor's board to suspend Mulunga over an oil supply tender by Malaysian company Hydrax Oil[9]. Mulunga rode out all these difficulties and was reappointed MD in October 2020.

[4] See "Namcor N$200m in Red", *The Namibian*, 19 March 2009
[5] See "Axed Namcor MD Fights for 'Justice'", *The Namibian*, 9 November 2011
[6] See "Glencore, Petroneft Lose Against Govt", *The Namibian*, 22 June 2012
[7] See "Cabinet Overturns Namcor Appointment", *Windhoek Observer*, 7 August 2015
[8] See "Chariot Alleges Bribery", *New Era*, 24 March 2011
[9] See "Alweendo, Jooste Block Mulunga Suspenstion", *The Namibian*, 2 July 2018

Oil Refinery and National Oil Storage Facility

There have been several attempts to explore the viability of an oil refinery in Namibia and news of investments in this field have regularly hit the headlines[10]. At one stage Namcor looked to have settled the issue when a study it commissioned failed to back the idea. In November 2009 Namcor announced it had been invited by PetroSA to become a 10-15 percent shareholder in a new 400,000 barrels a day refinery project[11]. A joint venture like this probably held out the best hope for Namibia to become involved in oil refining but the initiative came to nothing as management and financial woes overwhelmed Namcor.

Namcor announced it would instead build a N$700 million storage facility instead[12]. After a period of management and board instability, Namcor chair !Gawaxab confirmed in October 2012 that the 75 million litre storage project was still on but would cost N$1 billion. After years of delay, a N$4 billion tender was awarded in 2014 to a consortium consisting of China Harbour Construction Engineering Company, the Roads Contractor Company and Babyface Civils, a company owned by businessman Vaino Nghipondoka. The project included a 75-million-litre oil storage facility, petroleum pipelines, an oil tanker jetty and buffer pump station. However, despite costs escalating astronomically, no one was held accountable although a final warning was given to the Permanent Secretary of the Ministry of Finance Ericah Shafudah. As the chair of the Tender Board, Shafudah was supposed to safeguard the Government's financial interests. Although it seems clear she did not in fact play this role, she denied any wrongdoing. Permanent Secretary at the National Planning Commission, Leevi Hungamo and chief legal adviser in the Attorney General's office Chris Nghaamwa were also charged over the project's cost escalation but both were acquitted and Hungamo resigned from Government shortly afterwards. The ground-breaking ceremony took place in early 2015 and the National Oil Storage Facility was completed in June 2018 at a cost of N$5.5 billion although further upgrades were necessary to meet international firefighting standards[13]. It received its first consignment of diesel in December 2020. A dedicated levy on fuel of 60c/l within the NEF levy was introduced to help pay for the facility.

Namcor again attempted to secure a mandate to import 50 percent of Namibia's fuel requirements. However, in November 2019, the Namibia Competition Commission (NaCC) refused to grant an exemption to Namcor from provisions of the Competition Act for its application for a 50 percent import mandate for fuel[14]. The NaCC had to be convinced that the gains from such a decision would outweigh the anti-competitive effects. In November 2019, Namcor opened its first ever retail petrol station at Hosea Kutako International Airport representing a first step in establishing a national network of profitable retail sites.

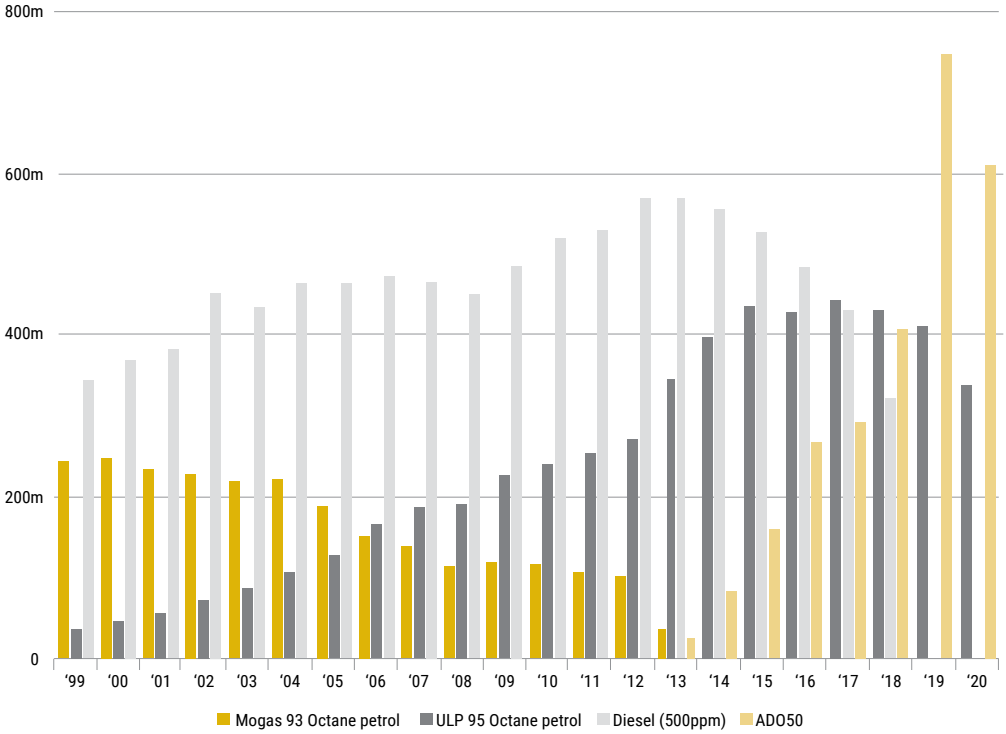
Price Regulation

The import, distribution and sale of certain "controlled fuels" are regulated by the Petroleum Products and Energy Act of 1990[15]. Diesel, LRP93 (lead replacement petrol) and ULP95 (unleaded petrol) were defined as controlled fuels. Diesel was regulated only at the wholesale level while petrol was regulated both at the wholesale and retail levels. Other fuels such as LPG, paraffin, kerosene and jet fuel were not controlled. Leaded petrol LP97 was completely phased out on 1 January 2006[16] and the MME announced in 2013 and there was to be no gazetted retail price for LRP97 from June 2013 while at the same time 50ppm sulphur diesel ADO50 would be introduced[17].

[10] See "Walvis Oil Refinery Dream Revived", *The Namibian*, 28 April 2009
[11] See "Namibia Offered Stake in SA Refinery", *The Namibian*, 30 November 2009
[12] See "Namcor Eyes Storage Tanks", *The Namibian*, 1 September 2008
[13] See "Oil Storage Keeps Gobbling Up Millions", *The Namibian*, 6 August 2019
[14] See "NaCC Refuses Namcor 50% Import Mandate Exeption", *New Era*, 19 November 2019
[15] Petroleum Products and Energy Act 1990 (Act No.13 of 1990)
[16] See www.nolead.com.na
[17] https://economist.com.na/4731/special-focus/no-lead-less-sulphur/

CHART 19.2

Total Fuel Consumption from Pump (litres)



Source: MME

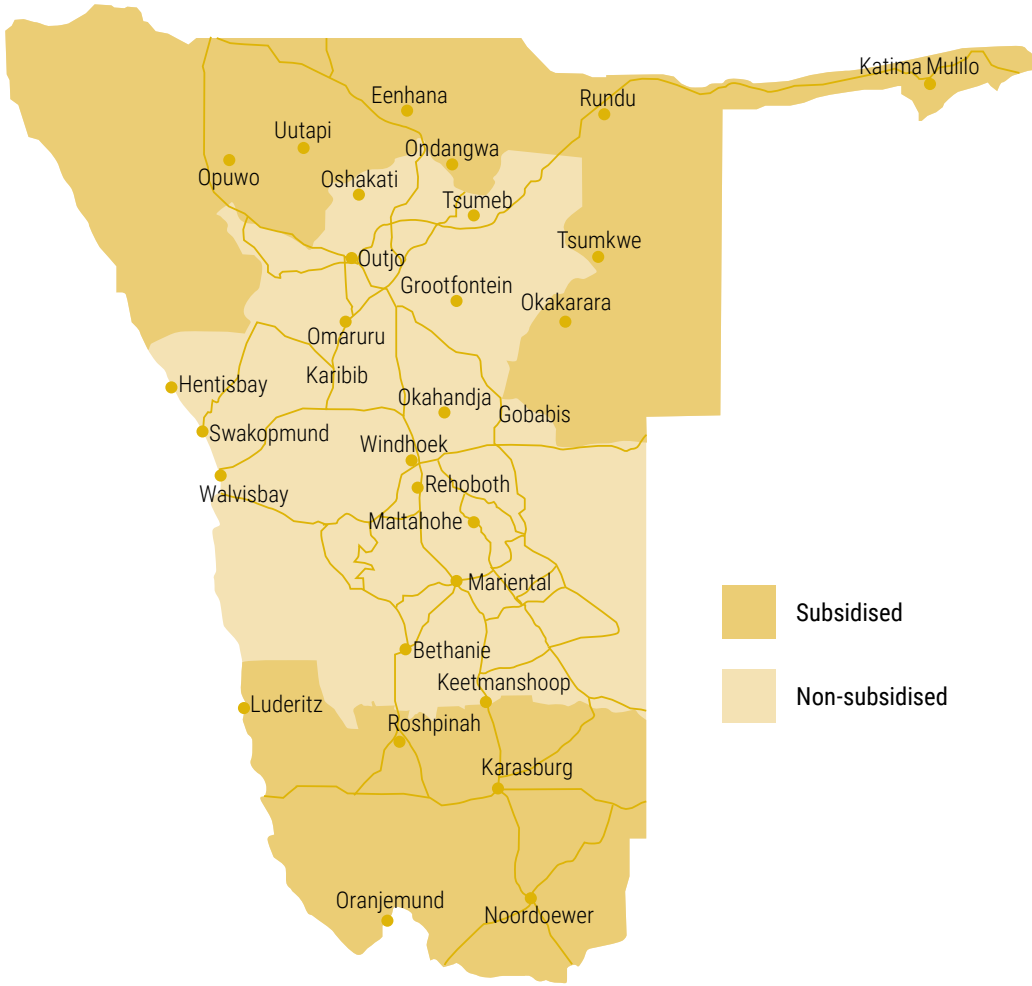
The prices of controlled fuels are regulated by the Ministry of Mines and Energy through the *Government Gazette*. These prices used to be reviewed on a quarterly basis but since 2006 they have been reviewed monthly. Information on price changes can be downloaded from the MME website[18].

The price Namibian consumers pay is based on the Basic Fuel Price of fuel which is landed and stored at Walvis Bay. This price is mainly determined by the international oil, refining and shipping market outside Namibia's control. On top of this price come the following five additions:

- A common excise duty agreed by all members of the Southern African Customs Union (SACU)
- A fuel tax which has existed since 1990 and generates revenue for the fiscus
- A road user charge introduced in 2000 to provide the main source of income for the Roads Authority and the Road Fund Administration
- A fuel levy introduced in 1990 to provide revenue to the National Energy Fund (NEF)
- A levy which provides the main source of income for the Motor Vehicle Accident Fund (MVAF) of Namibia

[18] See www.mme.gov.na

SUBSIDY AREAS



Source: MME

With the exception of the customs duty and fuel levy, these additional components are determined solely by the Minister of Mines and Energy on the basis of need (although the Minister of Finance must agree to expenditures from the NEF). The customs duty is paid into the SACU revenue pool while the fuel tax is paid into the State Revenue Fund. The road user charge goes directly to the Roads Authority (RA) and Road Fund Administration (RFA) while the MVA levy is collected by MME into the NEF and paid out monthly to MVAF. It is important to note that all of these additions are set in absolute Namibia dollars and cents per litre of fuel rather than as *ad valorem* taxes. They therefore do not change as the price of fuel changes. Furthermore, fuel retailers cannot compete with each other on the price of petrol.

TABLE 19.1

Breakdown of Fuel Price (N$c/l) for Period 12-31 December 2020

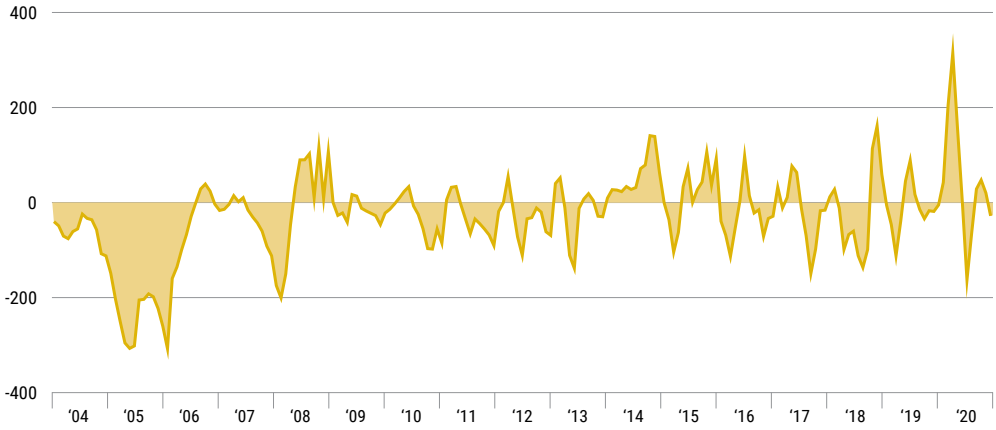
	Unleaded (ULP95)	Unleaded (ADO50)
Basic Fuel Price in Walvis Bay (A)	544.631	566.551
Dealers margin (B)	110	110
C&E duty (SACU revenue pool)	4	4
Fuel levy (NEF)	98	102
Road user charge (RA and RFA)	141	141
Fuel tax (to MoF)	90	90
MVAF levy (to MVAF)	50.3	50.3
Total Taxes and Levies (C)	383.3	387.3
Service differential (D)	17.35	17.35
Coastal storage (E)	2.214	2.214
Coastal stock financing cost (F)	1.455	1.513
Industry margins (G)	108	108
Walvis Bay Pump Price (H)	1,135	1,138
Unit Over/Under Recovery H-(A+B+C+D+E+F+G)	-31.95	-54.928

Source: MME

Because controlled fuel prices are regulated by the MME, fuel wholesalers and retailers cannot pass on changes in costs to consumers in the same way as in other industries. Government and the industry therefore keep track of the degree to which the current pump price allows sellers to over- or under-recover their costs. This is done through the "slate account" which is not an actual bank account but a notional record of over- or under-recovery. When costs are higher than pump prices, under-recovery takes place. When costs are lower than pump prices, over-recovery takes place. At the end of each quarter money will be transferred from the National Energy Fund (NEF), created by the Petroleum Products and Energy Act of 1990. Payments are made to industry from the NEF or from industry to the NEF to balance the slate account. In theory, payments to or from the NEF are triggered if the balance on the slate account at the end of each quarter exceeds N$10 million either deficit or surplus. However, there have been instances when under-recovery has been allowed to continue for an extended period of time so that the slate account has built up a substantial deficit. In 2006, for example, the deficit was allowed to rise to N$300 million and Government ended up transferring funds from the Fiscus to bring the account back into balance. This amounted to a significant subsidy to fuel consumers.

CHART 19.3

Slate Account Balance 2004-2020 (N$m)



Source: MME

TABLE 19.2

Road Fund Administration Levy
(cents per litre)

Date	Diesel	ULP 95	LRP 93
1 January 2000	70	80	80
1 April 2000	60	68	68
1 September 2001	62	73	73
15 January 2003	73	73	73
27 April 2005	77	77	77
7 June 2006	82	82	82
13 December 2006	88	88	88
14 December 2007	90	90	90
16 April 2009	94	94	94
13 August 2010	99	99	99
10 March 2011	99	104	104
13 April 2011	104	104	104
1 April 2015	114	114	114
7 June 2017	122	122	122
6 June 2018	130	130	130
2 May 2019	136	136	136
5 August 2020	141	141	141

Source: MME

TABLE 19.3

MVA Fund Levy
(cents per litre)

Date	Diesel	ULP 95	LRP 93
2003	3.0	3.0	3.0
2004	6.7	6.7	6.7
2004*	0.3	0.3	0.3
27 April 2005	10.7	10.7	10.7
7 June 2006	13.7	13.7	13.7
14 December 2006	17.7	17.7	17.7
31 March 2008	19.7	19.7	19.7
15 October 2008	21.7	21.7	21.7
16 April 2009	24.7	24.7	24.7
17 June 2009	27.7	27.7	27.7
17 June 2009*	1.3	1.3	1.3
16 December 2009	29.7	29.7	29.7
17 February 2010	32.7	32.7	32.7
14 February 2011	35.7	35.7	35.7
14 December 2011	39.7	37.7	37.7
11 July 2012	45.0	41.7	41.7
4 September 2013	47.7	47.7	47.7
7 September 2016*	2.6	2.6	2.6
Total End 2020	50.3	50.3	50.3

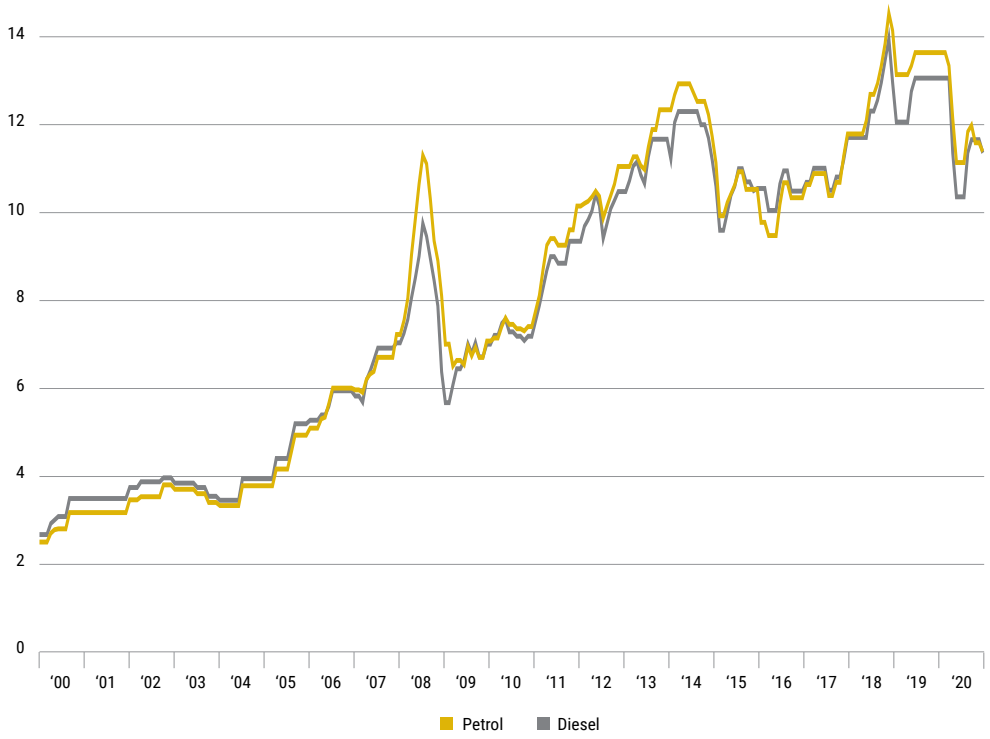
** RSS Levy*

Source: MME

The steep rises in the international price of crude oil which were experienced in 2008 made themselves felt at the pump and highlighted the critical role the price of fuel plays in the economy of Namibia as well as the enormous cost of fuel imports. After the onset of the Global Financial Crisis, oil prices slumped dramatically but then rose as the global economic recovery gathered pace. The slowdown of the Chinese economy coupled with key decisions by oil exporters to compete with fracking led to a dramatic fall in the price of oil in 2014 and the price of oil only exceeded US$80 a barrel for a brief period.

CHART 19.4

Petrol and Diesel Price in Walvis Bay (N$/l)



Source: MME

Policy Issues

Namcor and Fuel Imports

As described above, Namcor has made several attempts to secure for itself the responsibility to import 50 percent of Namibia's fuel requirements either alone or in partnership with others. In principle, there may be good arguments in favour of a state-owned entity taking responsibility for the import of a strategically critical commodity like fuel. In practice, however, it is not clear that a problem exists which requires the State to intervene. The private sector appears more than capable of supplying Namibia with fuel in a reliable and cost-effective way. Furthermore, Namcor has consistently proven itself incapable of playing this role and past attempts have led to either appalling mismanagement or corruption or both.

Price Regulation

Namibia relies on imports for all its diesel and petroleum requirements. There is therefore little Namibia can do to mitigate rises in the prices of these internationally traded commodities. This would not change even if Namibia were an oil-producing country unless mechanisms were put in place to ensure output was sold at below world market prices. The present system of price control allows Government a degree of influence on the speed at which international price changes are passed through to the domestic economy and also ensures that consumers located far from Walvis Bay, especially rural consumers, face a similar price at the pump. However, the wide ministerial discretion on the timing of price changes opens the door to politically motivated timing, such as in the run up to the November 2004 elections when under-recovery on the slate fund indicated the need for a price increase[19]. This can (and indeed has) led to the build-up of such sizeable deficits on the slate account that transfers have to take place from the national budget. Although Government has attempted (rather half-heartedly) to justify this approach, it is highly questionable whether this represents an effective use of taxpayers' money. A less discretionary system of price control in which slate account deficits were automatically reduced by price changes within a certain period of time would eliminate such discretion.

Fuel Taxes, Duties and Levies

As the price of imported fuels has changed due to changes in global market conditions, the proportion of the final pump price accounted for by fuel taxes, duties and levies has changed. While it is true that some components have changed significantly over the years as the demand for funds by the RA, RFA and MVAF has risen, the customs duty has not changed since 2000 and the fuel levy did not change from 1998 to 7 September 2016 when it increased from 12 cents per litre to 25 cents per litre. In stark contrast to many other countries (especially high-income countries), successive Namibian Ministers of Finance have refrained from using fuel taxes as a fiscal tool to raise revenue, encourage more fuel efficient vehicles and discourage imports.

At times of high prices, it is right that the largest taxes – the Road User Charge and the MVA levy – come under greater scrutiny. The key question is whether the revenues being generated by these taxes are being efficiently used and whether such charges represent the best way of financing the RA, RFA and MVAF. The basic principle that those who buy fuel should fund the road network and the costs of road accidents appears sound and it is unlikely that financing directly out of general taxation would work better. In February 2020 the High Level Panel on the Namibian Economy recommended merging the RA and the RFA.

Useful Websites

Ministry of Mines and Energy
www.mme.gov.na

Namcor
www.namcor.com.na

[19] See "A Very Political Price to Pay," *Insight Namibia*, August 2006

Annex

ANNEX 19.1

Total Fuel Consumption from the Pumps (litres)

Year	Mogas 93 Octane petrol	ULP 95 Octane petrol	Diesel (500ppm)	ADO50	Total volume of all products
1999	244,121,000	35,641,000	345,160,000	-	624,922,000
2000	248,901,000	47,815,000	370,051,000	-	666,767,000
2001	232,428,000	55,578,000	380,601,000	-	668,607,000
2002	227,129,700	72,782,400	451,237,600	-	751,149,700
2003	218,151,400	85,439,500	432,315,400	-	735,906,300
2004	219,207,500	105,027,300	461,655,200	-	785,890,000
2005	188,292,800	126,223,700	461,347,600	-	775,864,100
2006	149,887,300	165,206,000	471,121,300	-	786,214,600
2007	138,357,300	186,347,600	464,169,200	-	788,874,100
2008	112,313,400	189,358,449	449,222,438	-	750,894,287
2009	118,335,856	225,069,200	483,410,261	-	826,815,317
2010	115,264,227	239,067,013	519,110,890	-	873,442,130
2011	105,620,631	253,101,318	528,860,463	-	887,582,412
2012	100,331,575	270,424,171	567,748,117	-	938,503,863
2013	36,042,900	345,206,600	569,429,300	25,079,000	975,757,800
2014	-	396,811,600	554,139,300	82,660,100	1,033,611,000
2015	-	434,703,600	525,165,000	159,217,300	1,119,085,900
2016	-	427,042,700	482,737,400	266,046,700	1,175,826,800
2017	-	441,781,300	429,469,500	290,951,600	1,162,202,400
2018	-	428,851,300	320,806,509	406,459,000	1,156,116,809
2019	-	409,648,400	-	746,419,100	1,156,067,500
2020	-	336,179,000	-	609,116,900	945,295,900

Nampower Headquarters in Windhoek

CHAPTER

20 Cross-Sectoral Issues Public Enterprises

At Independence, Namibia inherited a number of important State-Owned Enterprises (SOEs) or parastatals. One of Government's most ambitious economic reforms has been to add to this number either by commercialising operations that had traditionally been carried out by central government departments or by creating entirely new institutions. The subsequent mushrooming of SOEs, later renamed Public Enterprises, has led to the development of a large new sector of the economy which has played an important role in training black Namibian managerial and business talent free from the confines of government salary scales while allowing Government to intervene directly in the economy.

However, the public enterprise sector has remained largely outside the scrutiny of the Namibian public or Parliament and neither has it been fully exposed to the discipline of the market. Despite a long series of investigations, reports and recommendations, the track record of most commercial public enterprises - on growth, investment, innovation, tax, dividends and job creation - has been poor. Furthermore, these companies have focused primarily on Namibia's small domestic market. Rather than pursuing the logical next step of partial or full privatisation hand-in-hand with better regulation, Government reached the conclusion that more rather than less political involvement was required to improve corporate governance and corporate performance. In the years since the creation of the State-Owned Enterprises Governance Council in 2006, mismanagement and outright fraud continued unabated and arguably even increased. Much the same story continued under the Ministry of Public Enterprises created in 2015. There is a strong argument for bringing in private shareholders in selected cases as the successful example of MTC in the mobile telephony industry has demonstrated. However, such Public Private Partnerships look unlikely to occur for some time although a policy framework is now in place. There are few signs that Government is prepared to "let go" in any sense although the prospect of listing on the NSX has been raised once again. In the final analysis, it is hard to see Namibian public enterprises raise the massive amounts of finance needed to invest in the country's infrastructure without involving private capital and private shareholders, especially now Namibia's fiscal position looks so precarious.

Public Enterprises

KEY EVENTS

YEAR	EVENT
1990	- Bank of Namibia Act passed
1991	- Namibian Broadcasting Corporation Act passed - National Fishing Corporation Act passed
1992	- New Era Publication Corporation Act passed - Namibia Press Agency Act passed - Post and Telecommunications Companies Establishment Act passed - Agronomic Industry Act passed
1993	- National Housing Enterprise Act passed
1994	- Namibian Ports Authority Act passed - Social Security Commission Act passed
1995	
1996	- Minerals Development Fund of Namibia Act passed - Namibia Qualifications Authority Act passed
1997	- Namibia College of Open Learning Act passed - Games Products Trust Fund Act passed - Namibia Water Corporation Act passed
1998	- Namibia Wildlife Resorts Company Act passed - Security Enterprises and Security Officers Act passed - Namibia National Reinsurance Corporation Act passed - Namibia Airports Company Act passed - National Transport Services Holdings Company Act passed
1999	- Diamond Act passed - Roads Contractor Company Act passed - Namibia Institute of Pathology Act passed - War Veterans Subvention Act passed - Roads Authority Act passed - Road Fund Administration Act passed
2000	- Electricity Act passed - National Art Gallery of Namibia Act passed - Namibia Tourism Board Act passed - Trust Fund for Regional Development and Equity Provisions Act passed - Marine Resources Act passed
2001	- Meat Corporation of Namibia Act passed - Namibia Financial Institutions Supervisory Authority Act passed - Motor Vehicle Accident Fund Act passed - Environmental Investment Fund of Namibia Act passed - Report on Governance Policy Framework for SOEs in Namibia published
2002	- Development Bank of Namibia Act passed
2003	- Competition Act passed - Agricultural Bank of Namibia Act passed
2004	- Research, Science and Technology Act passed - National Disability Council Act passed - National Heritage Council Act passed
2005	- Nahas Angula appointed Prime Minister
2006	- State-Owned Enterprises Governance Act passed - Accreditation Board of Namibia Act passed
2007	
2008	- State-Owned Enterprises Governance Amendment Act passed
2009	- Communications Act passed

2010
- Cabinet approves new guidelines on SOE remuneration for top management

2011
- Statistics Act passed

2012
- Hage Geingob replaces Nahas Angula as Prime Minister

2013
- Public Private Partnership policy finalised

2014
- Prime Minister Geingob proposes a Ministry of Public Enterprises replace the SOEGC

2015
- President Geingob appoints Saara Kuugongelwa-Amadhila as Prime Minister
- Leon Jooste appointed Minister of Public Enterprises
- Public Enterprises Governance Amendment Act passed
- Ministry published Strategic Plan

2016

2017
- Public Private Partnership Act passed

2018

2019
- Public Enterprises Governance Act promulgated

2020
- High-Level Panel on the Namibian Economy publishes report
- Leon Jooste reappointed Minister of Public Enterprises

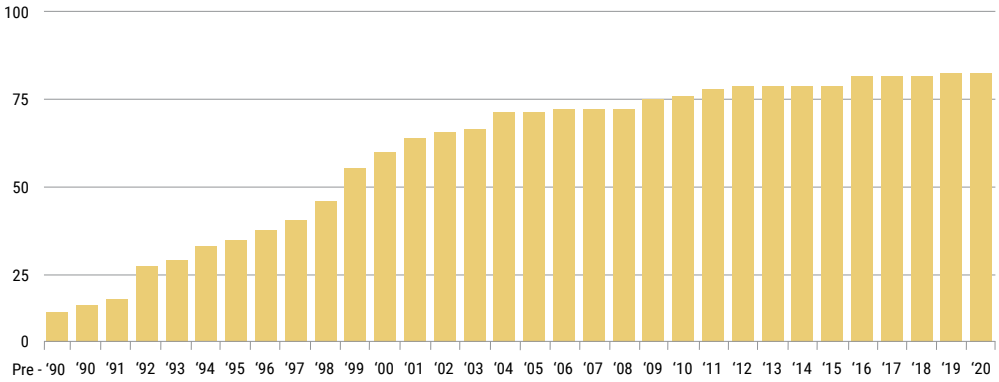
Introduction

Namibia's Constitution[1] makes provision for a "mixed economy" which legitimises the role of both privately and publicly-owned enterprises in the nation's economy as well as public-private partnerships. Government participation in the economy takes place in a variety of forms over and above the roles played by the state bureaucracies at central, regional and local levels of government. These are often broadly termed "parastatals" or State-Owned Enterprises (SOEs) but the terms are loose and embrace a wide variety of commercial companies, financial institutions and special funds, regulatory bodies, educational establishments, boards and agencies. The term excluded companies in which the Government had an equity stake of 50 percent or less (and therefore excluded Namdeb Holdings, Government's 50:50 partnership with De Beers, and also Rössing Uranium and Samicor in which the Namibian Government had three percent and eight percent stakes respectively) and was not applied to MTC when it had private shareholders despite the fact that Government has always been its majority shareholder[2]. Meatco represented something of an anomaly since its ownership status was always rather unclear (although it has been classified as an SOE and a Public Enterprise in legislation).

[1] Article 98 on Principles of Economic Order
[2] At the end of 2020 Government owned 100 percent of MTC after Portugal Telecom owned 34 percent between 2004 and 2016 and Telia and Swedfund of Sweden owned 49 percent of the company between 1995 and 2004.

CHART 20.1

Cumulative Number of Public Enterprises since 1990



Source: Author's calculations

From the very beginning in 1990, Government devoted considerable policy attention to the country's parastatal sector. After the first decade of Independence, three broad trends in Namibia's parastatal sector had become apparent. First, the number of parastatals had increased dramatically thanks both to the creation of entirely new parastatals (some of which were required as part of the process of building a new State) and to a broad process of "commercialisation" which saw parts of central government become corporations through enabling legislation[3]. Second, the parastatal sector was being used as an important training ground for new black Namibian professionals, many of whom were politically well-connected. Positions in this sector became highly sought after, especially since parastatal remuneration packages were not bound by public service constraints (indeed that was one of the major rationales for creating them in the first place). Third, although many of the new parastatals were to be financed by specific new fees or levies, the magnitude of financial transfers from the national budget to the parastatal sector as a whole increased dramatically as did the magnitude of Government guaranteed debt to this sector[4].

However, in the second decade of Independence, the ever-growing fiscal burden and numerous high-profile instances of mismanagement and poor performance (many of them documented in other chapters of this book) forced Government to give serious thought to how these SOEs could be better managed. Added to this was a widespread belief at the time that privatisation might provide an answer to many of the problems being faced[5]. In 2000 Cabinet commissioned chartered accountants Deloitte & Touche to report on Namibia's mushrooming state-owned enterprise sector.

Report on Governance of SOEs

The final report[6], submitted to Cabinet in October 2001, found that "worrying trends exist as regards the overall performance of SOEs" including rapidly increasing public spending and lending to the sector, excessive financial returns due to monopoly pricing, increased capital intensity but decreasing productivity of capital, high levels of debt, low tax payments, inconsistencies in governance practices, undue political interference, uncertainty about their "developmental roles" and unsatisfactory performance of board members.

[3] The Institute for Public Policy Research put the total number of parastatals at 12 in 1990 but "over 45" in 2003 (see IPPR Briefing Paper No.30, February 2004).
[4] The IPPR identified a budgeted amount of N$79.5 million in 1991/92 rising to N$949.1 million by 2003/04.
[5] Then Finance Minister Nangolo Mbumba even mentioned privatisation during his 1999/00 budget speech. In paragraph 48 he went as far as to state "In fact some powerful and financially sound parastatals such as NamPower and Telecom, have indicated their readiness to be listed on the Namibian Stock Exchange."

The report recommended putting in place detailed guidelines for the selection, appointment, performance and remuneration of SOE boards and executive management, greater management discretion within an agreed performance contract, greater disclosure of information, and the establishment of a Central Governance Agency (CGA) "located within the Ministry of Finance" to monitor SOE performance and also play a "facilitative role in price regulation" in situations of monopoly and other market failures. The CGA was to be overseen by a State-Owned Enterprise Governance Council (SOEGC) constituted as a sub-committee of the existing Cabinet Committee on Economic Development and Parastatals (CCEDP). A Divestiture Sub-Committee of the SOEGC was to become responsible for "the management and implementation monitoring of Government's intended divestiture programme". The report further specifically stated that the CGA "should initiate a SOE private sector participation programme in line with Government's declared principles" which included increased efficiency and profitability, the avoidance of undue concentration of economic power and possible foreign control of assets, an emphasis on achieving empowerment objectives through increasing private sector participation, and the judicious application of funds resulting from privatisation.

The one particularly contentious issue contained in the report concerned remuneration. While the report recommended that parastatal management receive remuneration comparable to equivalent positions in the public service, the consultants disagreed arguing that fixed remuneration ceilings would be detrimental to efforts to employ "experienced and respected persons". Despite the absence of any enabling legislation, Cabinet went ahead and appointed an Executive Director for the CGA, Lazarus Uaandja, in March 2003 and two professional staff, Irene Visser and Renier van Rooyen in March 2004. The CGA received generous budget allocations of N$8.5 million in 2004/05 and N$8.8 million in 2005/06 which was largely underspent.

NBC Headquarters in Windhoek

State-Owned Enterprises Governance Act

These appointments were made in the expectation that the envisaged CGA would be created. This did not take place. Seven Cabinet and three Parliamentary submissions later, the State-Owned Enterprises Governance Act[7] was passed by Parliament in 2006[8]. In place of the previously envisaged CGA, the Act established a Cabinet committee called the SOE Governance Council (SOEGC) consisting of the Prime Minister (who was to chair the Council), the Minister of Finance, the Minister of Trade and Industry, the Attorney General, and the Director-General of the National Planning Commission. The Council was

[6] "Report on a Governance Policy Framework for State-Owned Enterprises in Namibia" submitted to Cabinet, 25 October 2001.
[7] State-Owned Enterprises Governance Act 2006 (Act No.2 of 2006)
[8] See Government Gazette No.3698 of 14 September 2006

to meet at least four times a year and was obliged to invite the relevant line ministers responsible for particular SOEs to attend meetings whenever matters relevant to those SOEs were to be considered. The SOEGC's job was to establish common principles of corporate governance and good practice, develop a common policy framework, and determine criteria for performance measurement and evaluation as well as the appropriate means for monitoring them. SOEGC members themselves were obliged to disclose interests they may have had in any matter being discussed and exclude themselves from discussion. The Act made no mention of a CGA. Instead the Council had a secretariat and could appoint consultants to carry out the technical work it required. The SOEGC Secretariat was located within the Office of the Prime Minister.

The SOEGC had the power to decide the number, eligibility, and term of office of board members and could advise portfolio ministers of the removal of board members from office. The Act obliged ministers to enter into written governance agreements with SOE boards within one month of them being constituted as well as performance agreements with individual board members. Every year each SOE had to submit a business and financial plan incorporating a range of specified elements to its portfolio minister at least 90 days prior to the beginning of its financial year and was obliged to act only in accordance with its business plan and not incur expenditure except in accordance with an estimate of expenditure approved by the portfolio minister. Boards in turn had to enter into performance agreements with senior management. Portfolio ministers determined remuneration and allowances to board members which required the agreement of the Minister of Finance.

SOE CEOs had a duty to furnish the Council with information and SOE boards had to submit an annual report on the operations of the SOE to the portfolio minister and the Council no later than six months after the end of each financial year. These were to include audited financial statements and a statement of performance. Reports had to be laid before the National Assembly no later than 30 days after they had been received. The Council was able to initiate special investigations and appoint special investigators in any matter it saw fit.

In consultation with the appropriate portfolio minister, the Council also had the power to identify any SOE for "restructuring". The Act specified that restructuring could include conversion to a company, conversion to a public company, disposal of shares to members of the public, the transfer of assets to another SOE or members of the public, and liquidation. The Council was obliged to give consideration to "empowerment objectives" in ownership and management when deciding upon plans for restructuring.

Defining State-Owned Enterprises

Schedule 1 of the Act provided a list of 52 "State-Owned Enterprises". Namibia Post and Telecom Holdings is the holding company of two separate companies Telecom Namibia and Nampost. Fishcor is the holding company of fishing companies Seaflower Whitefish Corporation and Seaflower Lobster Corporation. It is understood that two of the companies on the list, Namibia Bricks Enterprises and Star Protection Services, were privatised early on. There is some dispute about whether Meatco should fall under the Act since it was owned by producers rather than Government (see Chapter 6: Agriculture). The Act allowed the Council to divide SOEs into four categories: regulatory enterprises, service rendering enterprises, economic and productive enterprises, and general enterprises. The Act did not apply these classifications to the list of SOEs in Schedule 1.

In 2008 an amendment to the SOE Governance Act was passed by Parliament returning the responsibility for appointing board members back to line ministers. However, the SOEGC Secretariat remained understaffed and ended up making little impact on how SOEs were run. There was little doubt that Namibia's relatively free press made far more of an impact in exposing mismanagement than the bureaucratic procedures contained in the Act.

In June 2010, in response to concerns about senior management remuneration, the Office of the Prime Minister published new guidelines which divided SOEs into four tiers. Tier 1 SOEs would be permitted to pay up to N$2.28 million a year to their CEOs (excluding bonuses)[9] while tier 3 SOEs started at N$526,000 (excluding bonuses). Prime Minister Nahas Angula underlined that these new guidelines would be introduced gradually when existing contracts expired or when new contracts were awarded. However, no noticeable change in public disclosure of senior salaries took place and the DBN was almost alone in regularly publishing detailed information about senior management remuneration. High profile cases of SOE CEOs being paid handsomely on leaving their jobs - including those of Tobi Aupindi at Namibia Wildlife Resorts (NWR), Titus Haimbili at TransNamib and Ben Biwa at Namibia Airports Company (NAC) - suggested that the issue of parastatal pay was not going to go away.

Public Private Partnership Policy

Two further developments may turn out to have a significant bearing on how SOEs are owned and managed in Namibia. In 2013 the Ministry of Trade and Industry finalised a Public Private Partnership (PPP) Policy the aim of which was to *"deliver improved services and better value for money primarily through appropriate risk transfer, encouraging greater innovation, asset utilisation and an integrated project-life management, underpinned by private financing"*. This was the culmination of work that had started in 2009 involving the IMF and CRISIL Risk and Infrastructure Solutions. The Policy proposed the creation of a PPP Committee and a PPP Unit within the Ministry of Finance.

The Policy was broad in scope stating that PPP projects would include "economic assets and related services (roads, rail, ports, airports, power, communication, tourism infrastructure and amenities); social assets and related services (health care, education, accommodation, public housing, court and correctional facilities); municipal assets and related services (water supply, sanitation, garbage collection, sewage disposal, water treatment plants, municipal markets, rural roads, bus stations); and industrial infrastructure and related services (R&D) centres, common laboratory and testing facilities for industries, and industrial parks)" and focus on projects greater than N$10 million. PPP projects were also designed to promote Government's Transformation and Economic Social Empowerment Framework (TESEF – see Chapter 24: Black Economic Empowerment), be pro-poor as well as fall in with Vision 2030 and Namibia's National Development Plans. A Public Private Partnership Act was passed by Parliament in June 2017[10] and a PPP Unit established in the Ministry of Finance. However, by the end of 2020 no PPP projects had been negotiated.

Ministry of Public Enterprises

The second development was the initiative taken in March 2015 by newly-elected President Hage Geingob to create a Ministry of Public Enterprises headed by former Deputy Minister of Environment and Tourism Leon Jooste. In a posting on Facebook on 11 July 2014, Prime Minister Geingob had already announced his intention to transform the SOECG into a Ministry of Public Enterprises. The posting openly recognised the problems of lumping so many different types of organisations together as SOEs (as described below) and highlighted poor reporting and other issues in the following terms:

[9] See "SOE Bosses May Earn up to N$2.28 million", *The Namibian*, 24 June 2010
[10] Public Private Partnership Act, Act No.4 of 2017

> In 2013, it was reported that of the 72 SOEs, at the time, 43 failed to submit any documentation on their operations and for audit purposes to both the Office of the Auditor-General and the SOEGC. Many SOEs also, very often, fail to submit their requisite annual reports to the SOEGC in time, as well as to Parliament, thereby interfering with the effectiveness of the statutory oversight function of these institutions. On the other hand, there is no legal provision in the SOEGC Act to institute sanctions against such SOEs when they do not fulfil what is required from them. This weakness in the Act is perceived to be a contributing factor towards an ineffective SOEs' management system and has a negative bearing on the overall SOE performance in Namibia.
>
> President Hage Geingob, 11 July 2014

It was a public admission that Government had finally recognised its first initiative at improving the corporate governance of SOEs had failed miserably. It was now going down the road taken by South Africa which had established a Department of Public Enterprises in 1999 out of the existing Office of Public Enterprises to oversee the operations of major commercial SOEs including Eskom, Alexkor, Denel, Safcol, South African Express Airways and Transnet. In his first interview after being appointed, Minister Jooste suggested his Ministry would do something similar[11]. While the new President's initiative represented a clear signal that he had recognised many of the problems facing Namibia's SOE sector, it was far from clear whether the establishment of a new ministry was the most effective way of tackling them. The Public Enterprises Governance Amendment Act was passed which did away with the SOEGC. However, the Strategic Plan produced in November 2015 gave little away in terms of what action the new Ministry actually intended to take[12]. The new Ministry spent the next four years working on a new policy framework for public enterprises and Parliament ended up passing the Public Enterprises Governance Act in April 2019[13] but the Ministry ended up not renewing the contracts of its technical experts leaving it unable to play the highly technical role envisaged in the Act. By the end of 2020, a full five years after the Ministry of Public Enterprises had been created, not a single commercial public enterprise had been significantly reformed or closed down.

As laid out in more detail by the IPPR[14], the Act involved implementing a new "hybrid" governance model. Prior to the SOE Governance Act of 2006, individual ministries took responsibility for overseeing the enterprises they were responsible for. After the introduction of the SOEGC, the line ministries remained primarily responsible but the SOEGC set general guidelines (including on remuneration) which all SOEs were expected to follow. Under the new model, public enterprises are divided into three categories: commercial public enterprises, non-commercial public enterprises, and extra-budgetary funds and financial institutions. The MoPE was given full shareholder rights over the first category while the second category remained under their respective line ministries but follow common principles of good corporate governance issued by MoPE. The third category would fall under the Ministry of Finance. The latest version of this categorisation below includes a total of 74 public enterprises.

[11] See "Jooste Ready to Tackle Money Gobbling Parastatals", *Namibian Sun*, 10 April 2015
[12] See "Strategic Plan 2016/17-2020/21", Ministry of Public Enterprises, November 2015
[13] Public Enterprises Governance Act, Act No.1 of 2019
[14] See "Public Enterprise Governance in Namibia: An Updated Situation Analysis", Max Weylandt, IPPR Briefing Paper, September 2017

TABLE 20.1

Classification of Public Enterprises as Per Hybrid Governance Model

Commercial Public Enterprises
(resorting under Ministry of Public Enterprises)

Agricultural Business Development Agency	MoPE
Agro-Marketing and Trade Agency	MoPE
Air Namibia (Proprietary) Limited	MoPE
Epangelo Mining Company (Proprietary) Limited	MoPE
Henties Bay Waterfront (Proprietary) Limited	MoPE
Luderitz Waterfront Company (Proprietary) Limited	MoPE
Meat Corporation of Namibia	MoPE
Namib Desert Diamonds (Pty) Ltd	MoPE
Namibia Airports Company	MoPE
Namibia Industrial Development Agency	MoPE
Namibia Institute of Pathology	MoPE
Namibia Ports Authority	MoPE
Namibia Post and Telecommunications Holdings Limited (including Nampost, MTC, and Telecom Namibia)	MoPE
Namibia Power (Proprietary)Corporation Limited	MoPE
Namibia Wildlife Resorts Company	MoPE
National Fishing Corporation of Namibia	MoPE
National Petroleum Corporation of Namibia	MoPE
Roads Contractor Company	MoPE
TransNamib Holdings Limited	MoPE
Windhoek Country Club	MoPE
Zambezi Waterfront (Proprietary) Limited	MoPE

21

Commercial Public Enterprises

42

Non-Commercial Public Enterprises

11

Financial Institutions and Extra-Budgetary Funds

Non-Commercial Public Enterprises
(resorting under respective line ministries)

Accreditation Board of Namibia
Business and Intellectual Property Authority
Communications Regulatory Authority of Namibia
Diamond Board of Namibia
Electricity Control Board
Fisheries Observer Agency
Karakul Board
Meat Board of Namibia
Namibia Board of Trade
Namibia Agronomic Board
Namibia Civil Aviation Authority
Namibia College of Open Learning
Namibia Estate Agents Board
Namibia Financial Institutions Supervisory Authority
Namibia Fish Consumption Promotion Trust
Namibia Institute for Mining Technology
Namibia Institute of Public Administration and Management
Namibia Press Agency
Namibia Qualifications Authority
Namibia Sports Commission
Namibia Standards Institution
Namibia Statistics Agency
Namibia Student Financial Assistance Fund
Namibia Tourism Board
Namibia Training Authority
Namibia University for Science and Technology
Namibia Water Corporation
Namibian Broadcasting Corporation
Namibian Competition Commission
National Art Gallery of Namibia
National Commission on Research, Science & Technology
National Disability Council
National Heritage Council
National Housing Enterprise
National Theatre of Namibia
National Youth Council
National Youth Service
New Era Publications Corporation
Security Enterprises and Officers Regulation Board
Social Security Commission
University of Namibia
Roads Authority

Financial Institutions and Extra-Budgetary Funds

Agriculture Bank of Namibia
Development Bank of Namibia
National Special Risks Insurance Association
Namibia National Reinsurance Corporation
Game Products Trust Fund
Minerals Development Fund
Road Fund Administration
Trust Fund for Regional Development and Equity Provisions
Environmental Investment Fund of Namibia
Motor Vehicle Accident Fund
Veterans Fund

Sub - Grouping of Non-Commercial Public Enterprises

Non-Commercial Public Enterprises will remain under the ambit of their respective Portfolio Ministries. These include:

A. Regulatory Bodies

Accreditation Board of Namibia	MITSD
Communications Regulatory Authority of Namibia	MICT
Electricity Control Board	MME
Fisheries Observer Agency	MFMR
Karakul Board	MAWF
Meat Board	MAWF
Namibia Agronomic Board	MAWF
Namibia Board of Trade	MITSD
Namibia Competition Commission	MITSD
Namibia Estate Agents Board	MITSD
Namibia Financial Institutions Supervisory Authority	MoF
Namibia Qualifications Authority	MHETI
Namibia Standards Institution	MITSD
Namibia Tourism Board	MET
Security Enterprises and Security Officers Regulation Board	MSS

B. Promotion, Development, Advocacy & Research Bodies

Diamond Board of Namibia	MME
Namibia Fish Consumption Promotion Trust	MFMR
Namibia Sports Commission	MSYNS
National Commission on Research, Science & Technology	MHETI
National Disability Council	VP
National Heritage Council	MEAC
National Youth Council	MSYNS

C. Educational and Training Institutions

Namibia Institute for Mining Technology	MHETI
Namibia Institute of Public Administration and Management	OPM
Namibia University for Science and Technology	MHETI
University of Namibia	MHETI
Namibia College of Open Learning	MHETI
Namibia Training Authority	MHETI
National Youth Service	MSYNS

D. Media Institutions

Namibia Press Agency	MICT
Namibian Broadcasting Corporation	MICT
New Era Publications Corporation	MICT

E. Service Providers (Cultural, Social and General)

Business and Intellectual Property Authority*	MITSD
Namibia Statistics Agency	NPC
Namibia Student Financial Assistance Fund	MHETI
Namibia Water Corporation*	MAWF
National Art Gallery of Namibia	MEAC
National Housing Enterprise*	MURD
National Theatre of Namibia	MEAC
8. Roads Authority	MWT
9. Social Security Commission*	MLIREC

* The outcome of a study will clarify the ultimate role/position of these PEs.

Financial Institutions and Extra-Budgetary Funds

A. Financial Institutions

Agriculture Bank of Namibia	MoF
Development Bank of Namibia	MoF
Namibia National Reinsurance Corporation	MoF
National Special Risks Insurance Association	MoF

B. Extra-Budgetary (Statutory) Funds

Game Products Trust Fund	MET
Minerals Development Fund	MME
Road Fund Administration	MoF
Trust Fund for Regional Development and Equity Provisions	MURD
Environmental Investment Fund	MET
Motor Vehicle Accident Fund	MoF
Veterans Fund	VP

Since the passing of the Act, the Ministry of Public Enterprises appears to have devoted most of its energies to reconstituting the boards of public enterprises and limiting board sizes, ensuring board appointees are not on more than two boards, enforcing guidelines on board appointments and fees, and introducing salary caps. By the end of 2020, five years after the Ministry had been established, not a single enterprise had been partially or fully privatised or closed down.

COMMERCIAL PUBLIC ENTERPRISES: WHY ARE SOME SO GOOD AND OTHERS SO BAD?

The excruciatingly slow pace of SOE reform, continued poor governance and the increasing amounts of public money being thrown at these commercial public enterprises led the IPPR to publish its first IPPR Public Enterprise Annual Rankings in March 2020[15]. This was the first systematic public examination of the performance of these 21 enterprises and measured performance against ten criteria covering the calendar year 2019:

1. Availability of information:

Are comprehensive Annual Reports available for the company or is information available on the company's website?

2. Profitability:

Did the company make a profit or a loss in its last published Annual Report or is it known to have made a profit or a loss?

3. Taxes:

Did the company pay corporate income tax to Government in its last Annual Report?

4. Dividends:

Did the company pay dividends to its shareholder or to Government as shown by the latest National Budget?

5. Financial support from Government:

The infrastructure that determines the location and extent of a cell and transmits signals to and from handsets.

6. Investment:

Is the company undertaking any significant new fixed investment?

7. Senior management:

Have there been any changes to senior management during the year and if so were these unplanned changes?

8. Board:

Have there been any changes to the Board during the year and if so were these unplanned changes?

9. Investigations, mismanagement or corruption:

Have there been any new or are there any ongoing investigations into the company or clear instances of mismanagement or corruption?

10. Other issues:

Have there been any changes to the Board during the year and if so were these unplanned changes?

[15] See "IPPR Public Enterprise Annual Rankings 2020", IPPR, March 2020

A public enterprise can score up to ten points (the best score) on each of these giving a maximum of 100 points. A total is then calculated and public enterprises are ranked from highest to lowest. Whilst a certain amount of judgement is involved in awarding a score, all scores are based on the evidence provided in the paper. No judgement is made on whether there is a convincing economic rationale for a public enterprise to exist in the first place or on the merits of individual business plans.

Table 20.2
IPPR Public Enterprise Annual Rankings 2020

Rank	Public Enterprise	Score
1	Namibia Power Corporation	99
2	Mobile Telecommunications	97
3	Namibia Post	94
4	Namibia Ports Authority	84
5	Namubia Desert Diamonds	80
6	Meat Corporation of Namibia	62
7	National Petrolium Corporation of Namibia	62
8	Namibia Airports Company	61
9	Telecom Namibia	50
10	Namibia Development Corporation	47
11	Offshore Development Company	47
12	National Fishing Corporation of Namibia	45
13	Roads Authority	45
14	Epangelo Mining Company	30
15	TransNamib	30
16	Namibia Wildlife Resorts	25
17	Lüderitz Waterfront Company	15
18	Air Namibia	10
19	Henties Bay Waterfront	5
20	Zambezi Waterfront	0
21	Roads Contractor Company	0

1

NamPower: This year NamPower is the top-ranked public enterprise scoring highly across all criteria. The company is now a well-run genuinely commercial operation contributing to the fiscus and investing for the future while providing plenty of information to the public. Questions can be asked about the years it spent chasing prestige projects and the lack of significant new generating capacity this led to before fully embracing the IPP concept. Furthermore, NamPower is essentially a monopoly whose prices are regulated by the Electricity Control Board. It is therefore always possible to raise prices, make profits and pay taxes and dividends.

3

NamPost: NamPost scores well across most criteria but is a little slow to publish its lates Annual Report. It is a well-run and uncontroversial commercial operation generating modest profits and providing an important service to key communities.

5

Namdia: Namdia scores highly across most criteria but falls short of scoring more highly because important questions remain about past under-pricing of diamonds. The report of the Public Enterprises Minister to the President on this issue has not been made public and it is hard not to conclude that intervention by the Mines Minister to force disclosure of its new client list as well as wide-ranging Board changes were implicit criticisms about the way the company was being run.

7

Namcor: The lack of up-to-date information prevents Namcor from scoring more highly than it does but it nonetheless gains points for its past financial performance as well as investment undertaken. Questions remain about past payments made to the wrong bank accounts which prompted an investigation by the Anti-Corruption Commission and also its overall strategy which appears to be directed at supplanting private sector players.

2

MTC: MTC scores well across all criteria but is a little slow to publish its latest Annual Report. There is no question that the company is currently well-run but it now dominates Namibia's small market leaving little room for growth. The real question is whether an effective monopoly is the best way of providing competitively priced and innovative telecoms services to Namibians and whether selling off a share to private shareholders is a good idea given the current lack of competition.

4

NamPort: NamPort is also late with its Annual Report so it is hard to assess its most recent financial performance. It is not due to pay a dividend to Government this year and has lost what seemed to be a talented CEO to another public enterprise. It gains points for the major new investment it has undertaken which must now prove its commercial viability.

6

Meatco: Despite scoring badly for financial performance, Meatco scores well for the timely publication of its Annual Report, for having undertaken a painful turnaround strategy, and for carrying out the investment required to enter a major new market.

8

Namibia Airports Company:
The company has a long history of poor financial and management performance as well as transparency. However, under its charismatic Board chairperson the company gains points for investment, for attracting a seemingly competent new CEO, and has not suffered from major new instances of mismanagement and corruption.

9

Telecom Namibia: With no public information available on its recent financial performance, Telecom Namibia scores poorly following the need to appoint a new Acting CEO and other senior managers.

10

NDC: The almost complete lack of public information on the NDC or its successor NIDA means it scores badly on almost all criteria but gains points because of Board and management stability and the apparent lack of investigations, mismanagement or corruption.

11

ODC: The almost complete lack of public information on the ODC or its successor NIDA means it scores badly on almost all criteria but gains points because of Board and management stability and the apparent lack of investigations, mismanagement or corruption.

12

Fishcor: The on-going fall-out from the Fishrot scandal means Fishcor scores badly but our methodology means it gains points for past profitability as well as tax and dividend payments.

13

Roads Authority:
With little public information available on its recent financial performance, the Roads Authority scores poorly but gains points for having no proven incidents of mismanagement or corruption in the past year. The jury is out on whether its new N$286m office will improve the company's performance.

14

Epangelo Mining Company:
Despite being owned by the State on behalf of the Namibian people, Epangelo has always been very secretive and has never published its financial statements. It has never paid tax or dividends to Government but has rather depended on transfers from the National Budget, albeit ever smaller ones. Senior management appears to have been stable throughout the year (indeed Eliphas Hawala has been CEO since its formation in 2008) and no instances of mismanagement or corruption have come to light. It is almost as if Government has lost interest in the company.

15

TransNamib: TransNamib scores poorly because the amount of public information about the condition of the company is so poor, it makes no contribution to the National Budget and is the subject of endless mismanagement and personal spats between its Board, senior management and Ministers. It is hard not to be sceptical about its new business plan but this does not affect its score

16

Namibia Wildlife Resorts:
With its poor track record on financial and management performance as well as limited financial transparency, Namibia Wildlife Resorts scores poorly across most criteria and this was compounded during 2019 by unexpected changes in senior management.

17

Lüderitz Waterfront Company:
Given the dearth of information, points can only be awarded for the fact that no instances of management instability, mismanagement or corruption have come to light in the past year although the complaints lodged with the Anti-Corruption Commission in 2018 appear to have come to nothing.

18 **Air Namibia:** Air Namibia has failed to publish an Annual Report for well over a decade. Despite this lack of information, the company has clearly made consistent losses and therefore failed to pay taxes or dividends to Government requiring instead sizeable transfers from the National Budget as well as loan guarantees in order to continue to operate. Senior managers with little or no experience of the airline industry continue to be appointed and unexpected changes in both the company Board and senior management have taken place throughout the past year. The only positive thing that can be said is that no serious cases of corruption came to light in 2019.

19 **Henties Bay Waterfront:** Given the dearth of information, the only positive thing that can be said is that no instances of management instability, mismanagement or corruption have come to light in the past year.

20 **Zambezi Waterfront:** Very little information is available on the Zambezi Waterfront but the issue of missing money does not appear to have been resolved.

21 **Roads Contractor Company:** With no public information available on its financial performance over many years, the Roads Contractor Company scores poorly across all criteria. The company may have been thrown a lifeline through the sale of its headquarters to NPTH but it must surely be a question of time before it is finally put out of its misery.

Following the sale into private hands of Namibia Bricks Enterprise and Star Protection Services (which were associated with the now defunct Development Brigade Corporation) a further two commercial public enterprises exist which are not listed by the Ministry of Public Enterprises: the August 26 Holding Company and its subsidiary Windhoek Machinen Fabrik (a defence contractor which was taken into state ownership in 1998 after it defaulted on a loan guaranteed by the Government), and the Windhoek Country Club and Casino (which effectively became an SOE following its default on a Government guaranteed loan of N$101 million). August 26 Holding Company[16] is a highly secretive company described as the "commercial arm of the Ministry of Defence" about which little is known apart from the press coverage it received due to its purported ownership of a diamond mine in the Democratic Republic of Congo[17]. It is understood to be externally audited but no annual report is made available to the public.

[16] https://www.august26.com.na
[17] See "DRC Diamonds Resurface in NA", *The Namibian*, 30 September 2005

While the critical role of many of these commercial public enterprises in underpinning the national economy is not in doubt, the question arises whether these companies, which rank among the largest – and certainly the largest Namibian-owned – companies in the country, have the potential to contribute more to economic growth than they already do. The current focus of most companies is on the domestic economy. Unless there are significant domestic opportunities that are currently being overlooked, this limits their growth potential to what is or is not happening in the domestic economy. Significantly, the two companies whose markets are primarily foreign and competitive, Air Namibia and NWR, have a history of making significant losses. Telecom and NamPower are the only ones that have put real effort into exploring regional markets. At one stage Telecom owned 44 percent of Angolan operator Mundo Startel which was established to roll out a national network starting in Luanda, and 25 percent of CommuniTel, a consortium with Two Communications and Tata/VSNL, which owned a controlling 51 percent of the Second National Operator in South Africa. However, as described in Chapter 17: Telecommunications, Telecom Namibia exited its investment in both ventures after making heavy losses. NamPower owned 100 percent of the Independent Power Producer (IPP) Kudu Power which, if the Kudu gas-to-power project had got off the ground, was likely to sell most of its electricity to Eskom in South Africa or to the Copperbelt Energy Corporation of Zambia. NamPower also owned a fifth of Gaborone-based Westcor, which was to have seen power being distributed all over southern Africa from massive hydroelectric power stations at the Inga Falls in the DRC. NamPower, Namwater, NamibRe Telecom and Namport, incidentally, are the only five SOEs in Namibia to have received an investment grade credit rating from an international credit rating agency[18].

NamPower represents a good example of another issue. Because its main source of income (bulk electricity sales) is tightly regulated by the ECB, it has sought other ways to increase profitability (although it is unclear whether this should be an objective given its mission and shareholding). Until early 2009 NamPower was a 37 percent shareholder in Powercom along with Norwegian Telecom Management Partner (TMP) which held 39 percent, NAM-MIC which held 12 percent, Old Mutual which held 10 percent and an education trust which held the remaining two percent. Powercom was formally awarded Namibia's second cellular licence in May 2006. Its origins lay in the idea of exploiting NamPower's existing optic fibre network to offer a countrywide cellular service. PowerCom was bought by Orascom's Telecelglobe in early 2009 but subsequently ended up being bought by Telecom Namibia.

There is no reason in principle why the other public enterprises should not become similarly involved in tapping external markets. The question is whether they would stand a greater chance of success if they had private shareholders. It appears that Telecom and NamPower's monopoly positions in the Namibian market allowed them to build up the financial and management capacity which enabled them to make these regional forays. However, so far neither has been successful.

Namwater Headquarters in Windhoek

[18] NamPower received a credit rating from Fitch in December 2005. Telecom received a credit rating also from Fitch in October 2009. Namport received a credit rating from Fitch in September 2010.

Financial Institutions and Extra-Budgetary Funds

By the end of 2020, the four state-owned financial institutions which fall under the Ministry of Finance: Agribank, the Development Bank of Namibia, NamibRe, and Nasria (the SME Bank was defunct) while seven extra-budgetary funds fall under a variety of ministries as shown in the table. The Bank of Namibia is excluded as Namibia's central bank responsible for monetary policy and banking regulation. Agribank, the DBN, the Minerals Development Fund (MDF), and the Environmental Investment Fund (EIF) lend or grant money for a variety of "development projects" which presumably would not obtain finance from private commercial sources. Agribank implements the Affirmative Action Loan Scheme on behalf of Government and for many years received transfers from the fiscus to cover the costs of the scheme and default. Agribank and the Minerals Development Fund are audited by the Auditor General. Government has so far allocated more than N$2 billion from successive National Budgets to capitalise the DBN[19] which does not pay tax. The early idea of encouraging private shareholders to take equity in the DBN appeared to go cold many years ago, possibly because the new institution had to acquire a track record which it has now started to do. The MDF has been looking for further capitalisation from international partners for many years without success. The track records of the DBN and the SME Bank are discussed in Chapter 18: Banking. With the possible exception of the DBN, none of these institutions have achieved particularly positive financial performance.

Media Public Enterprises

It is worth looking at the state-owned media companies separately, not because they should necessarily be viewed according to different economic principles (Nampa, the Namibian Broadcasting Corporation and New Era are arguably are all commercially viable undertakings that can operate in a competitive environment) but because they have historically depended on significant transfers from central government for survival yet are unlikely ever to become the target of attempts at privatisation. All are supposedly "commercialised" entities implying they should be able to deliver services without subsidies.

NBC is under its seventh Director General since independence and its fifth in five years. The last available financial statements show it made a loss of N$14.3 million in the year to 31 March 2006 despite a transfer of N$8.0 million from the national budget. The advent of a new TV channel One Africa TV in November 2003 and the continued existence of satellite TV through DSTV (majority owned by SWAPO's Kalahari Holdings) as well as the rising popularity of the Internet means audiences may have been shrinking over the years.

Despite the existence of a thriving newspaper industry, Government has long felt it necessary to publish a state-owned newspaper *New Era*, ostensibly to ensure regional news is adequately covered and that Government's views are reported on. *New Era* became a daily newspaper in July 2004 to add to the three dailies then in existence, *The Namibian, Republikein, Allgemeine Zeitung*, as well as *The Namibia Economist, Windhoek Observer, Insight Namibia*, since September 2006, the weekly *Informanté* and, since September 2007, the *Namibian Sun*.

[19] Development Bank of Namibia Annual Report 2019/20

In addition to these come SWAPO Party's weekly *Namibia Today* and the joint Namibian-Zimbabwean government venture *The Southern Times*. The 2020/21 National Budget made provision for transfers of N$5.5 million for NamZim, N$10 million for *New Era*, N$20 million for Nampa and N$338 million for the NBC despite a lack of adequate financial reports. Although the circulation of *New Era* is believed to have increased considerably since becoming a daily in 2004, the rationale for these subsidies must be increasingly open to question in a market where private sector providers are plentiful. Digital technology, a struggling economy and then Covid have combined to create a challenging environment for all media, public and private. The Film Commission of Namibia and the associated Namibia Film Development Fund is not listed as a public enterprise but is part of a central ministry (in these cases the Ministry of Information and Communication Technology). There are no plans to introduce levies on the film industry to fund the Film Commission[20].

Regulatory Bodies

Namibia has a wide range of regulatory boards, agencies, authorities and commissions dealing with particular sectors or issues. Some, such as the Namibia Tourism Board, the Namibia Agronomic Board, the Meat Board, and the Karakul Board, have functions that extend beyond the purely regulatory to include marketing and promotion. Most are separate agencies set up under their own establishing acts The list of public enterprises includes some 15 regulatory bodies, each with its very specific purpose and financed in its own way and each falling under its own line ministry as shown in the table above.

TABLE 20.3
Regulatory Bodies

Regulatory Body	Main Sources of Income
Accreditation Board of Namibia	
Communications Regulatory Authority of Namibia	Turnover levy on telecoms industry
Electricity Control Board	ECB levy, licence fees and registration fees
Fisheries Observer Agency	Sea Fisheries Fund levy
Karakul Board	
Meat Board of Namibia	Levies and fees
Namibia Agronomic Board	Permits, levies and other income
Namibia Board of Trade	
Namibia Competition Commission	Fees and transfers from budget
Namibia Estate Agents Board	
NAMFISA	NAMFISA fees and levies
Namibia Qualifications Authority	
Namibia Standards Institution	
Namibia Tourism Board	Tourism levy and budget transfers
Security Enterprises and Security Officers Regulation Board	

[20] Film-makers and photographers do pay location fees of N$5,000 a day to the Ministry of Environment and Tourism if they undertake work in national parks.

Policy Issues

Financial Reporting, Transparency And Disclosure

Since publication of the Deloitte & Touche report in 2001, the establishment of the SOEGC in 2006, and the creation of the Ministry of Public Enterprises in 2015, reporting on financial and other performance by Namibia's public enterprises has remained as patchy as ever. Reports range from the excellent to the non-existent. Thus, the Development Bank of Namibia's 2019/20 annual report conducted by PricewaterhouseCoopers is in accordance with International Standards on Auditing and International Financial Reporting Standards (IFRS). It is one of the few public enterprise annual reports that has so far reported according to IFRS and the only one to provide details of directors' pay and attendance of board meetings. At the other extreme, commercial public enterprises NBC, Nampa, RCC and Air Namibia have not produced a publicly available annual report for many years. With important exceptions, annual reports are generally hard to get hold of with only few public enterprises bothering to put effort into disseminating printed copies or placing them on their websites (which in are often embarrassingly out of date despite some notable improvements in the last few years).

This is perhaps understandable given the limited demand for information from members of the public or the press. But the lack of common reporting standards means that it is hard to know to what extent key financial numbers can be relied upon and compared. Financial reporting, transparency and disclosure will not necessarily improve with the presence of private shareholders unless the company is listed on a stock exchange. However, public enterprise practices could be changed relatively easily were the Ministry of Public Enterprises and oversight ministries to insist on common reporting standards and public disclosure. IFRS is expensive and time consuming so it is probably only worth doing for the largest and most important commercial public enterprises.

Political Interference

The 2001 report to Cabinet highlighted "undue political interference" in the management of SOEs as a problem. As sole shareholder, it is of course right and fitting that Government has an important say in the running of public enterprises. The orthodox view is that Government and the responsible line minister should set the policy and performance framework for the public enterprise and then let a competent management team get on with it. The establishment of the SOEGC clearly failed to get to grips with the issue. It is hard to find evidence that the Ministry of Public Enterprises has fared any better since 2015. According to President Geingob, the Ministry is due to be wound up during his second term once its job is done. The High-Level Panel on the Namibian Economy recommended it be phased out over a five-year period and replaced by a holding company run by an independent board appointed by Government[21]. The dangers of applying bureaucratic approaches to the running of businesses appear to have been confirmed by past experience[22] but little appears to have changed in the past decade.

[21] See "High-Level Panel on the Namibian Economy: Final Report with Recommendations" prepared for submission to HE President Dr Hage G Geingob, 25 February 2020

[22] See "Parastatals: Dreaming the Impossible Dream", *Insight Namibia*, November 2006

Public Enterprise Monopoly Pricing

Many if not most commercial public enterprises are in effect state-owned monopolies. Recognising the danger that this could lead to overpricing, Government has sought to regulate prices in many instances even though this has been done in a rather inconsistent way. This gives rise to a contradiction between Government's role as regulator (where it wants to limit prices and profits so as to benefit the wider economy) and as owner (where it wants to maximise profits, taxes and dividends for the benefit of the fiscus). It is by no means clear whether Government is striking the right balance.

It could be argued, for example, that NamPower has gone from a situation where in the years following Independence it was allowed to overcharge and make excessive profits to a situation under the ECB, which was created in 2000, where it could not make enough to provide for the required expansion of generating capacity and back again. Equally, although MTC has in theory been regulated by the NCC and later by CRAN, it can be argued it has been excessively profitable and that this had provided excessive tax revenues to Government at the expense of the consumer[23]. The orthodox solution would be to separate policy, regulation and ownership by combining privatisation with regulation.

Restructuring, Privatisation, Foreign Ownership and Empowerment

The SOE Governance Act made provision for the restructuring of SOEs which explicitly included selling or otherwise disposing of shares and assets to members of the public. In doing this the Council was obliged to consider empowerment objectives. The Public Enterprises Governance Act makes similar provision. The question arises, which public enterprises would be suitable candidates for privatisation?

Clear-cut cases would be those commercial enterprises that already operate in a competitive environment and for which no strong economic case for state ownership exists. These would include Air Namibia, NWR, the RCC, the Windhoek Country Club and Resort, and the August 26 Holding Company. It could also include Fishcor and the media companies New Era, and Nampa. None of these are natural monopolies. All could be sold off to private owners who would then have to survive like any other company in a competitive market.

Less clear-cut would be those public enterprises which have strong monopolistic characteristics: Telecom, NamPower, Transnamib, Namport, Nampost and the NAC. If these were to be sold they may also have to be regulated to ensure they did not abuse their monopoly status. The presence of private shareholders combined with regulation limiting the prices they could charge for certain core services would incentivise them to explore other unregulated activities or other markets, possibly markets outside Namibia. In other countries, intelligently designed Public Private Partnerships (PPPs) are often successfully used to run such operations even if ownership continues to reside with Government. However, a significant problem of "moral hazard" would continue to exist and may even increase. It is possible that private shareholders would be encouraged to take excessive risks in the certainty that Government (probably still as a majority shareholder) would bear the risk since it could not contemplate these companies going bankrupt because the Namibian economy simply could not function without them.

Others should probably not be considered at all. NamWater is the clearest case since the provision of water is an especially sensitive issue in Namibia, even though the Department of Water Affairs remains responsible for rural water supply. Several political parties have in the past called for the process of commercialisation which led to the creation of NamWater to be reversed and for water to be subsidised[24].

[23] See "Milk the Collection", *Insight Namibia*, June 2005

[24] See "Spot the Difference: Namibia's Political Parties Compared" edited by Justine Hunter, NID, 2004

Basic Service Provision

Linked to the issue of privatisation is the issue of basic service provision. The concern is that privatised companies will cherry pick lucrative high-income markets and refuse to serve low-income and rural markets. This is a problem that can to a large extent be overcome by intelligent regulation, minimum service agreements and state subsidies but it may be that the problem is exaggerated since a competitive privatised market may actually be better at supplying services to low-income markets. Botswana, for example, with two private cellular operators achieved greater coverage far more quickly than Namibia did with MTC as the monopoly provider[25]. Fully privatised and completely unregulated Somalia once had the highest coverage rate in Africa[26].

Public Enterprises and the Namibian Stock Exchange

Some observers have suggested the Namibian Stock Exchange (NSX) could be used as a way of bringing private shareholders into Namibian public enterprises and opening up ownership to the broad mass of Namibians (those that can afford to buy shares anyway). Indeed, the prospect was raised in Finance Minister Schlettwein's 2016 budget speech[27] and has once again come to the fore in the case of MTC. There is little doubt that a listing on the NSX would provide a range of benefits including revenue to Government, incentivising management, and forcing companies to adopt greater disclosure and better corporate governance. However, a public listing alone would not bring the benefits that a strategic equity partner could bring in terms of, for instance, management skills and experience, technology and market access. It would also mean anyone would be free to buy shares so that large equity stakes could end up in the hands of foreign investors which could be politically problematic.

Regulatory Cost and Income

Namibia has experienced a mushrooming of regulatory bodies since Independence some of which have been permitted to create their own income streams through a variety of levies, fees and charges which do not pass through the State Revenue Fund. Some of these were created out of former directorates of central government while others were created from scratch. From an economic point of view these bodies impose an economic cost on the economy by raising either prices or taxes or both. The issue of cost is especially important in the case of a small economy where the sectors being regulated consist of few companies (and sometimes even just a single one!), especially when those companies are owned by a single shareholder, the State.

Policymakers should recognise the inevitable trade-off between effective regulation and cost and seek to strike an optimal balance. NAMFISA, for example, cost more than N$217 million to run in 2019/20 compared to just N$2.4 million in 2000/01, its last full year as the Directorate of Financial Institutions in the Ministry of Finance. The ECB cost N$73.8 million in 2019/20, a good proportion of NamPower's profits. The critical question is whether such "arms length" regulatory agencies represent good value for the additional cost they impose on the economy in terms of delivering better regulation. The vogue nowadays is to split policy and regulation between central government and independent regulators but this is mostly in the context of a competitive privatised industry. It is not clear how much sense such an approach makes in Namibia.

Part of any effort to minimise the cost of regulation must involve taking a view on whether there is room to rationalise regulatory bodies. Again it is not clear whether it makes sense, for example, that the Bank of Namibia regulates one part of the financial system (the banks) while NAMFISA regulates the non-banking sector. These are the kinds of questions that any review and restructuring of regulatory agencies would need to address.

[25] See, for instance, the interview with ex-MTC MD Bengt Strenge in Insight Namibia, June 2005
[26] See *The Economist* December 24th 2005 – January 6th 2006
[27] "Government will develop proposals for the partial listing of some of the public enterprises on the Namibian Stock Exchange (NSX) and assessing the feasibility of listing an infrastructure bond on NSX", paragraph 108 Budget Statement 2016, Ministry of Finance

Financial Public Enterprises

The key issue concerning lending and financial institutions is whether it makes sense to rationalise the number of institutions carrying out lending to "development", agriculture, housing and mining. Would, for example, a single Development Bank be more effective than a separate Development Bank, Agricultural Bank, Minerals Development Fund, and National Housing Enterprise? Rationalisation might have the potential to reduce costs, spread risk, and concentrate scarce skills. Yet Namibia moved the other way. The last initiative championed by the Ministry of Trade and Industry was the creation of the ill-fated SME Bank as documented in Chapter 18: Banking.

Conclusions

After commissioning the Deloitte & Touche report on SOEs in 2000, Government experimented with a political and bureaucratic approach towards managing the country's burgeoning SOE sector through the SOEGC, an approach that failed dismally. Mismanagement and political interference increased, the performance of many SOEs continued to be lamentable, and significant sums of money continued to be transferred from the fiscus each year to sustain them. This continued much as before after the creation of the Ministry of Public Enterprises which took over four years to put the legislation it required in place. Government missed the opportunity to push through a steady, considered but radical programme of reform of the sector when the economic going was good and now has to contemplate change in a much more challenging fiscal environment that has been exacerbated by Covid. Reform should be considered on a case-by-case basis and conducted to maximise the long-term economic potential to the wider economy.

If properly conducted, a programme of reform could help turn currently inefficient, inward-looking and sleepy companies into engines of growth and opportunity. The precondition for this to happen must involve selling meaningful equity stakes to private shareholders with both money and skills. However, at this stage there appears to be no such programme in place. Rather than announce some wide-ranging programme of reform, it appears more likely that Government will stumble on with its existing political and bureaucratic approach through the Ministry of Public Enterprises and thus continue to devote significant amounts of time, effort and public funds to "turning around" public enterprises – an approach which has brought so little in the way of results in the past three decades.

Useful References

"Public Enterprise Goverment Rankings 2020", IPPR, March 2020

"Treading Water: Reforming Namibia's Commercial State-Owned Enterprises", R Sherbourne, IPPR Quarterly Economic Review, Q4 2018

"Public Enterprise Governance in Namibia: An Updated Situation Analysis", M Weylandt, IPPR Briefing Paper, September 2017

"SOE Governance in Namibia: Will a Hybrid System Work?", M Weylandt, IPPR Briefing Paper, November 2016

"Taking the Next Step: Namibian State-Owned Enterprises", R Sherbourne, IJG Research Report, 9 April 2008

"Time to Let Go: Namibian State-Owned Enterprises", R Sherbourne, IJG Research Report, October 2006

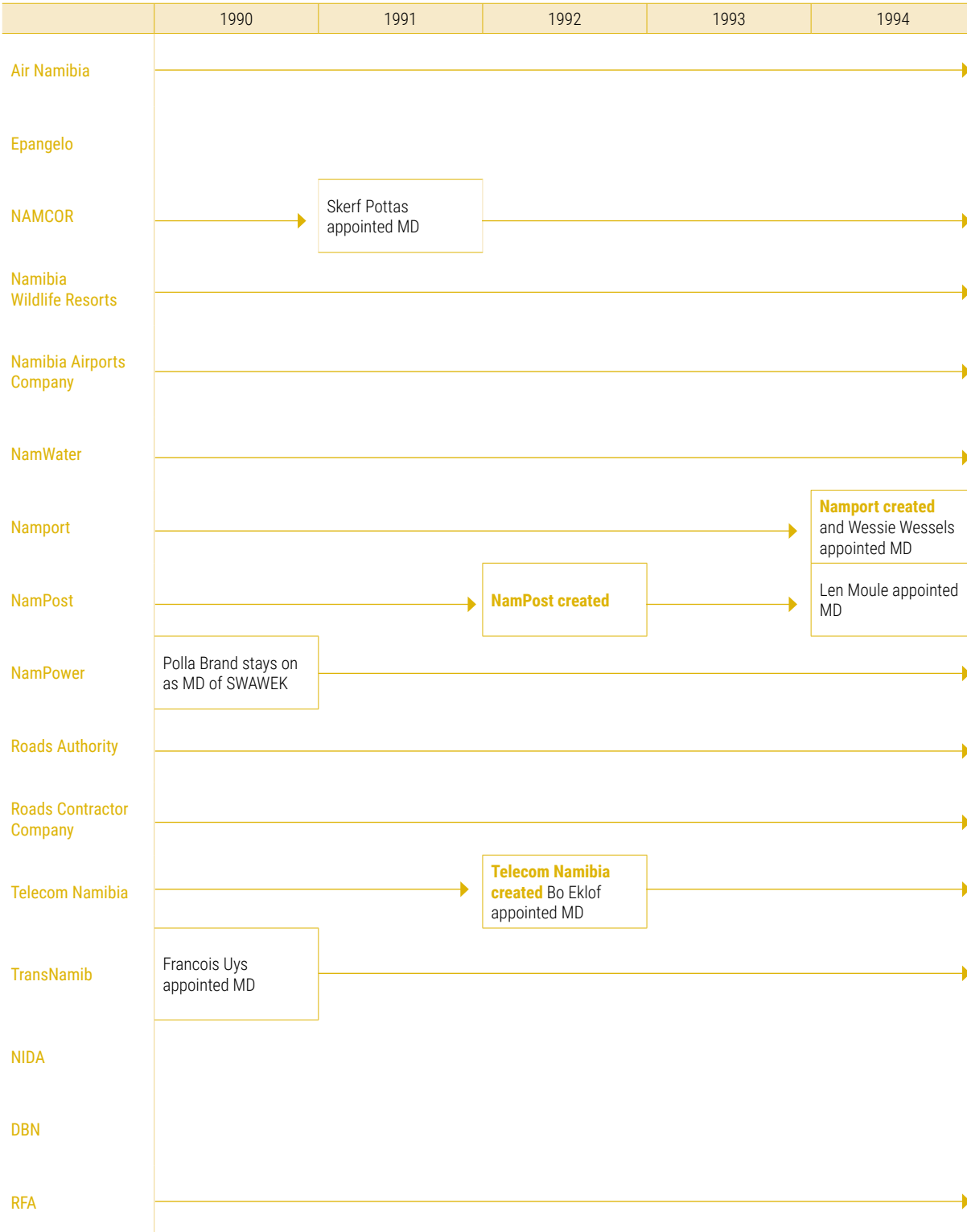
Useful Websites

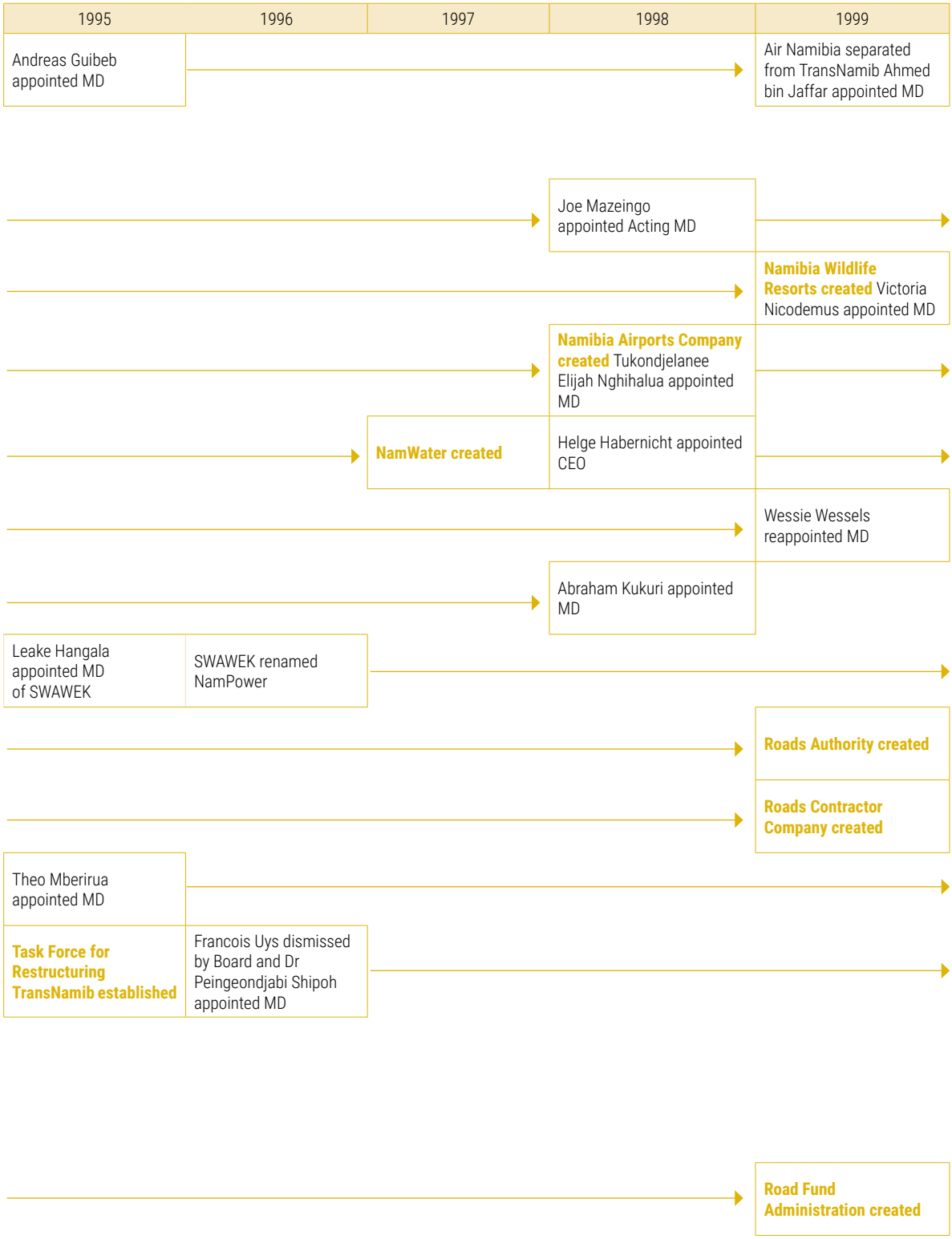
Ministry of Public Enterprises
https://mpe.gov.na/home

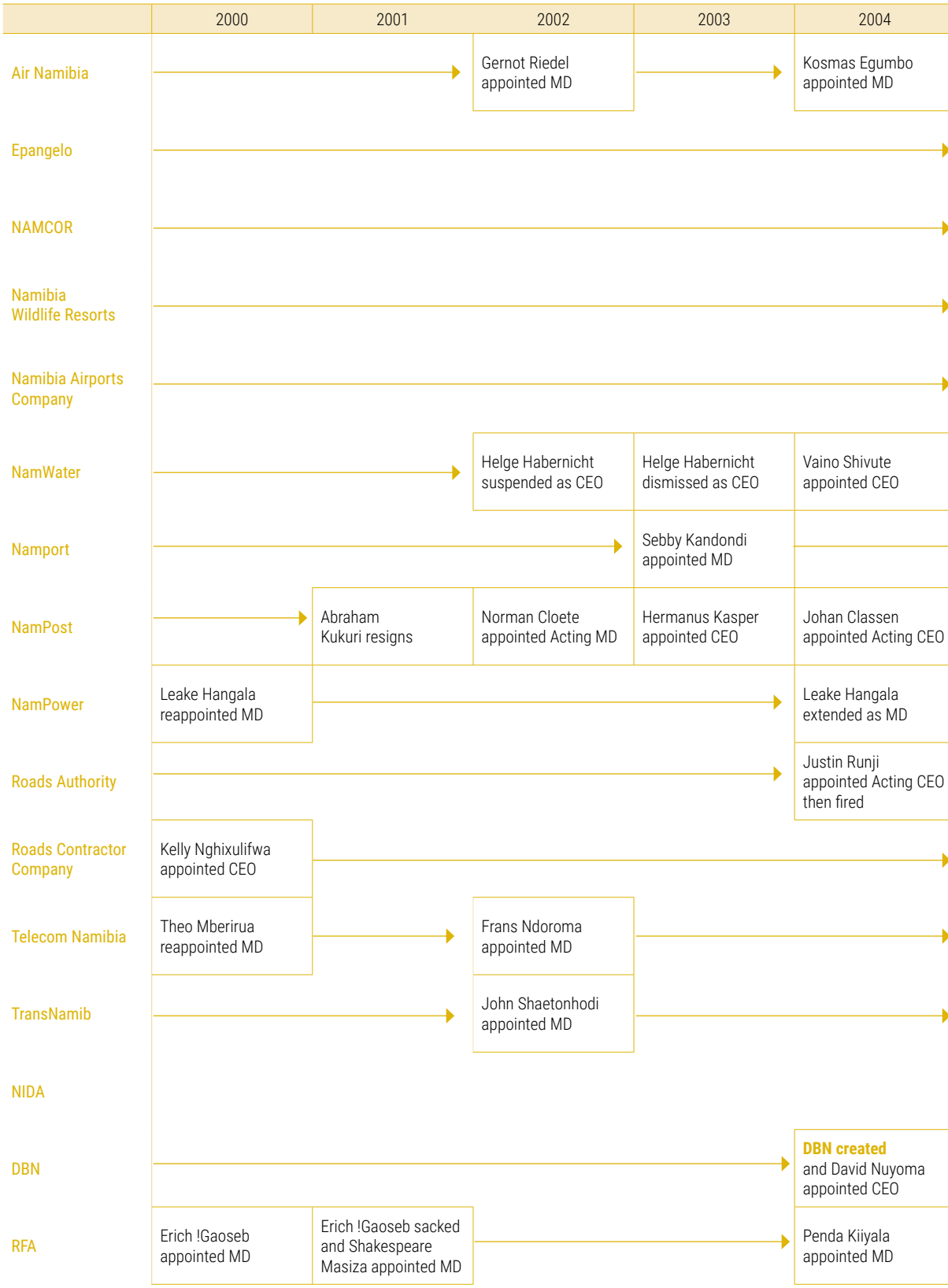
Annex

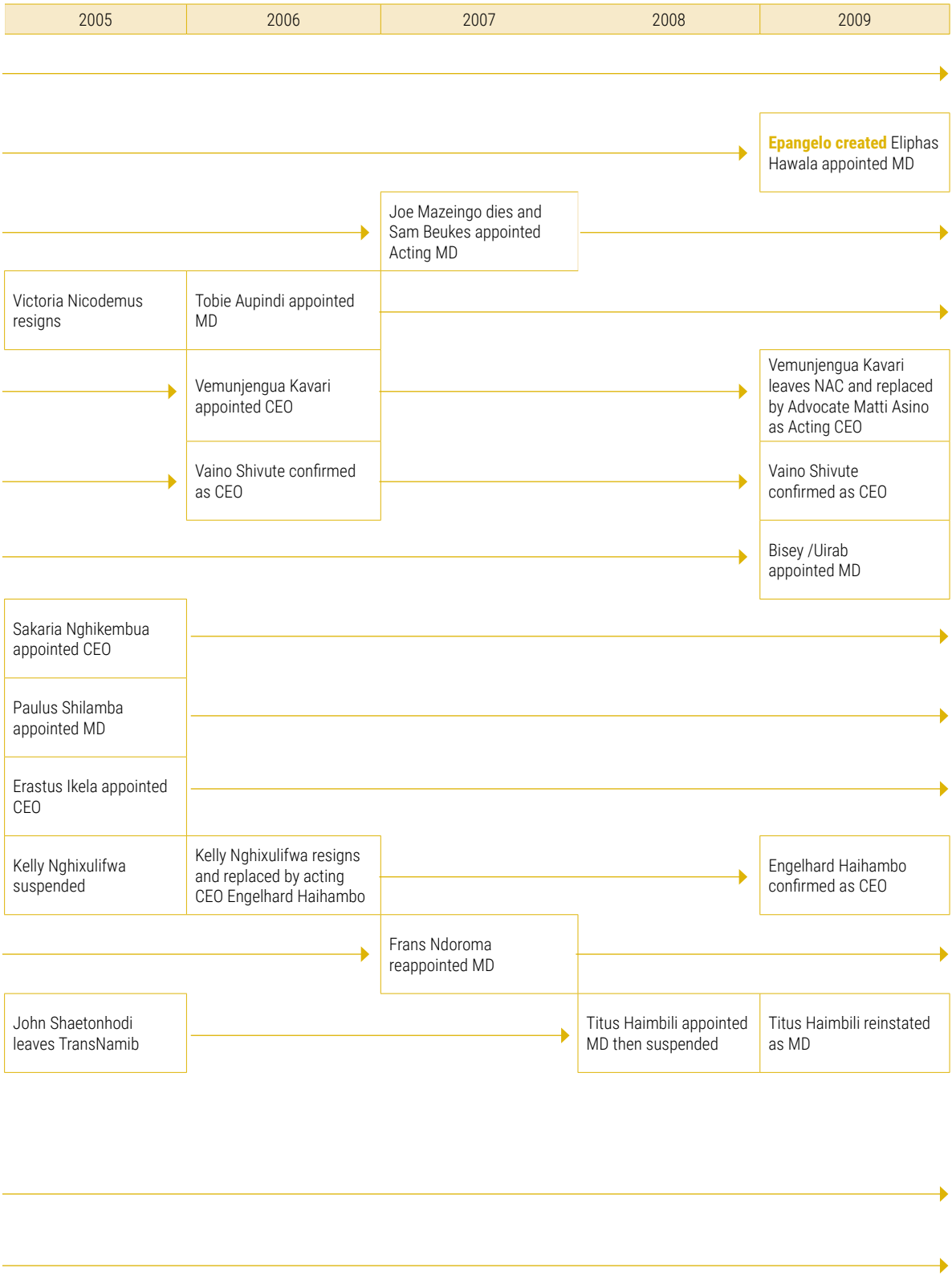
Annex 20.1

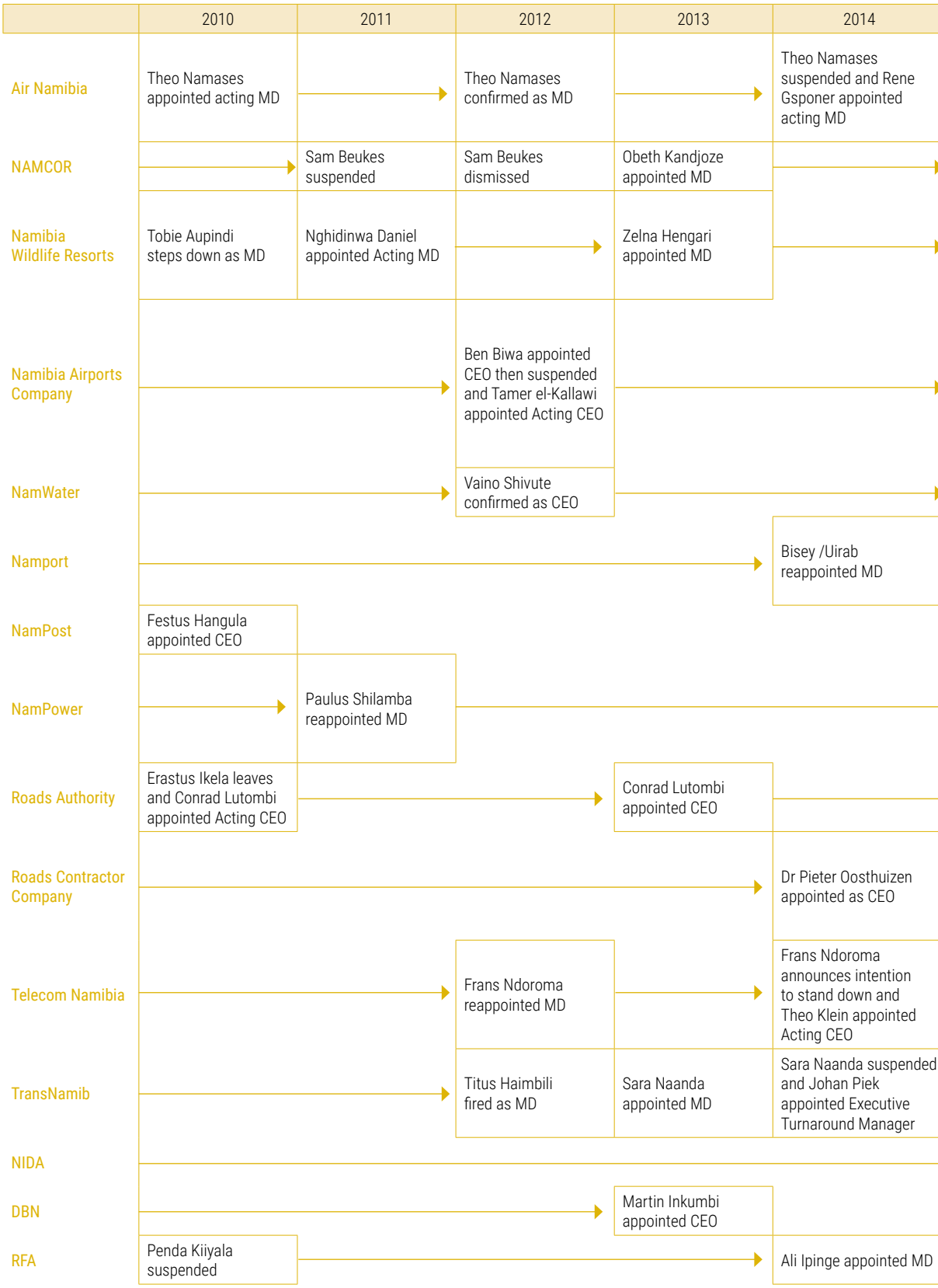
Changes in CEO or MD of Major Public Enterprises since 1990

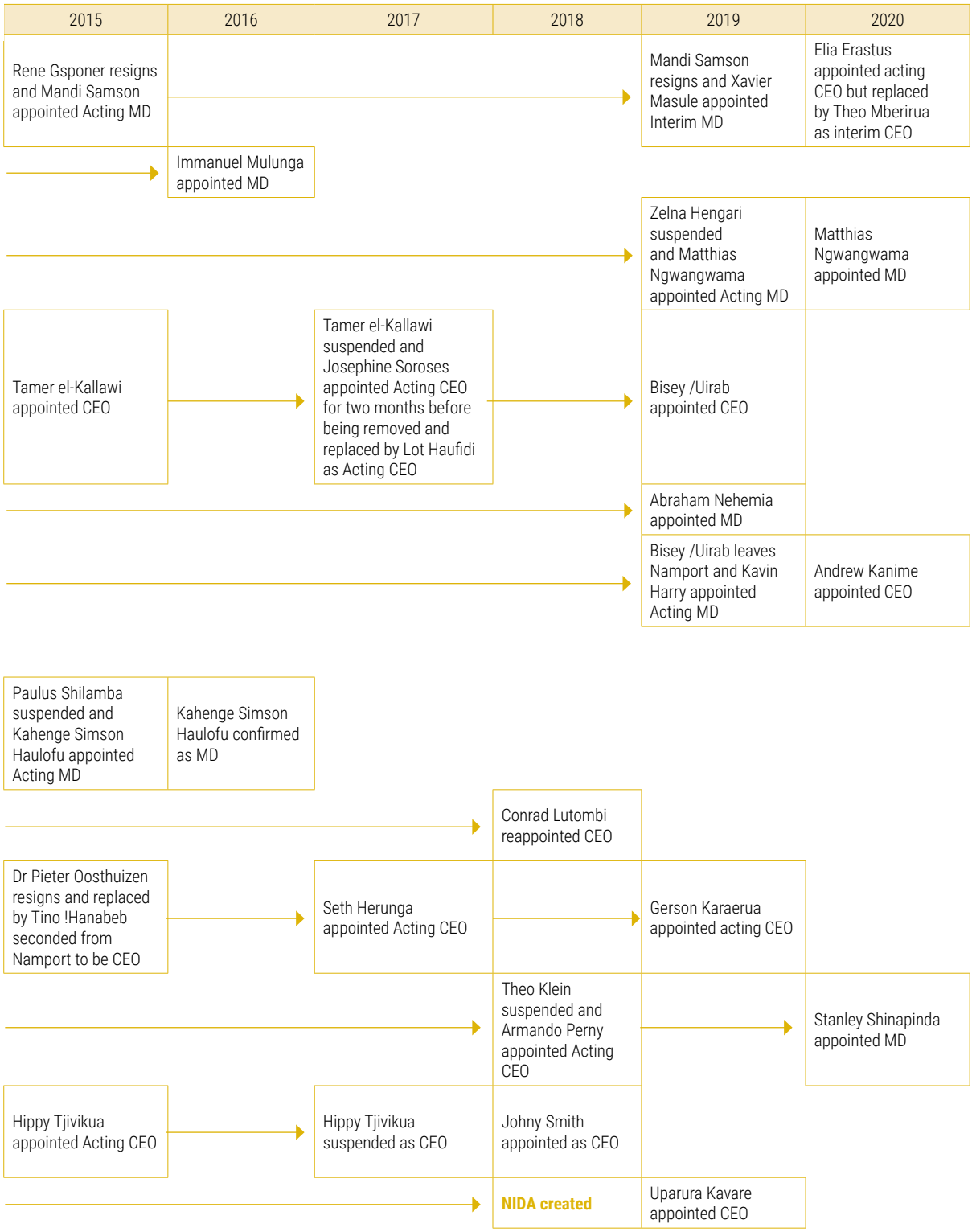



1995
1996
1997
1998
1999
Andreas Guibeb appointed MD
Air Namibia separated from TransNamib Ahmed bin Jaffar appointed MD
Joe Mazeingo appointed Acting MD
Namibia Wildlife Resorts created Victoria Nicodemus appointed MD
Namibia Airports Company created Tukondjelanee Elijah Nghihalua appointed MD
NamWater created
Helge Habernicht appointed CEO
Wessie Wessels reappointed MD
Abraham Kukuri appointed MD
Leake Hangala appointed MD of SWAWEK
SWAWEK renamed NamPower
Roads Authority created
Roads Contractor Company created
Theo Mberirua appointed MD
Task Force for Restructuring TransNamib established
Francois Uys dismissed by Board and Dr Peingeondjabi Shipoh appointed MD
Road Fund Administration created


2000
2001
2002
2003
2004
Air Namibia
Gernot Riedel appointed MD
Kosmas Egumbo appointed MD
Epangelo
NAMCOR
Namibia Wildlife Resorts
Namibia Airports Company
NamWater
Helge Habernicht suspended as CEO
Helge Habernicht dismissed as CEO
Vaino Shivute appointed CEO
Namport
Sebby Kandondi appointed MD
NamPost
Abraham Kukuri resigns
Norman Cloete appointed Acting MD
Hermanus Kasper appointed CEO
Johan Classen appointed Acting CEO
NamPower
Leake Hangala reappointed MD
Leake Hangala extended as MD
Roads Authority
Justin Runji appointed Acting CEO then fired
Roads Contractor Company
Kelly Nghixulifwa appointed CEO
Telecom Namibia
Theo Mberirua reappointed MD
Frans Ndoroma appointed MD
TransNamib
John Shaetonhodi appointed MD
NIDA
DBN
DBN created and David Nuyoma appointed CEO
RFA
Erich !Gaoseb appointed MD
Erich !Gaoseb sacked and Shakespeare Masiza appointed MD
Penda Kiiyala appointed MD


2005
2006
2007
2008
2009
Epangelo created Eliphas Hawala appointed MD
Joe Mazeingo dies and Sam Beukes appointed Acting MD
Victoria Nicodemus resigns
Tobie Aupindi appointed MD
Vemunjengua Kavari appointed CEO
Vemunjengua Kavari leaves NAC and replaced by Advocate Matti Asino as Acting CEO
Vaino Shivute confirmed as CEO
Vaino Shivute confirmed as CEO
Bisey /Uirab appointed MD
Sakaria Nghikembua appointed CEO
Paulus Shilamba appointed MD
Erastus Ikela appointed CEO
Kelly Nghixulifwa suspended
Kelly Nghixulifwa resigns and replaced by acting CEO Engelhard Haihambo
Engelhard Haihambo confirmed as CEO
Frans Ndoroma reappointed MD
John Shaetonhodi leaves TransNamib
Titus Haimbili appointed MD then suspended
Titus Haimbili reinstated as MD


2010
2011
2012
2013
2014
Air Namibia
Theo Namases appointed acting MD
Theo Namases confirmed as MD
Theo Namases suspended and Rene Gsponer appointed acting MD
NAMCOR
Sam Beukes suspended
Sam Beukes dismissed
Obeth Kandjoze appointed MD
Namibia Wildlife Resorts
Tobie Aupindi steps down as MD
Nghidinwa Daniel appointed Acting MD
Zelna Hengari appointed MD
Namibia Airports Company
Ben Biwa appointed CEO then suspended and Tamer el-Kallawi appointed Acting CEO
NamWater
Vaino Shivute confirmed as CEO
Namport
Bisey /Uirab reappointed MD
NamPost
Festus Hangula appointed CEO
NamPower
Paulus Shilamba reappointed MD
Roads Authority
Erastus Ikela leaves and Conrad Lutombi appointed Acting CEO
Conrad Lutombi appointed CEO
Roads Contractor Company
Dr Pieter Oosthuizen appointed as CEO
Telecom Namibia
Frans Ndoroma reappointed MD
Frans Ndoroma announces intention to stand down and Theo Klein appointed Acting CEO
TransNamib
Titus Haimbili fired as MD
Sara Naanda appointed MD
Sara Naanda suspended and Johan Piek appointed Executive Turnaround Manager
NIDA
DBN
Martin Inkumbi appointed CEO
RFA
Penda Kiiyala suspended
Ali Ipinge appointed MD


2015
2016
2017
2018
2019
2020
Rene Gsponer resigns and Mandi Samson appointed Acting MD
Mandi Samson resigns and Xavier Masule appointed Interim MD
Elia Erastus appointed acting CEO but replaced by Theo Mberirua as interim CEO
Immanuel Mulunga appointed MD
Zelna Hengari suspended and Matthias Ngwangwama appointed Acting MD
Matthias Ngwangwama appointed MD
Tamer el-Kallawi appointed CEO
Tamer el-Kallawi suspended and Josephine Soroses appointed Acting CEO for two months before being removed and replaced by Lot Haufidi as Acting CEO
Bisey /Uirab appointed CEO
Abraham Nehemia appointed MD
Bisey /Uirab leaves Namport and Kavin Harry appointed Acting MD
Andrew Kanime appointed CEO
Paulus Shilamba suspended and Kahenge Simson Haulofu appointed Acting MD
Kahenge Simson Haulofu confirmed as MD
Conrad Lutombi reappointed CEO
Dr Pieter Oosthuizen resigns and replaced by Tino !Hanabeb seconded from Namport to be CEO
Seth Herunga appointed Acting CEO
Gerson Karaerua appointed acting CEO
Theo Klein suspended and Armando Perny appointed Acting CEO
Stanley Shinapinda appointed MD
Hippy Tjivikua appointed Acting CEO
Hippy Tjivikua suspended as CEO
Johny Smith appointed as CEO
NIDA created
Uparura Kavare appointed CEO

A commercial farm near Rehoboth in central Namibia

Chapter

21

Cross-Sectoral Issues

Commercial Land Reform

The focus of land reform policy since Independence has been on the racially charged issue of commercial land reform and for much of the time has taken place in the shadow of events in Zimbabwe. The Namibian Government has adopted two approaches to changing commercial land ownership, both based initially on the willing buyer-willing seller principle.

The first is the Affirmative Action Loan Scheme which offers subsidised loans to Previously-Disadvantaged Namibians wanting to own commercial farm land. It has succeeded in creating a new group of previously disadvantaged commercial farmers at a reasonable cost to the fiscus. However, critics charge it only helps those who can already help themselves - mainly the political and business elite - and promotes hobby farming at the expense of serious business farming. Furthermore, it runs the risk of ending up costing the taxpayer far more in the future as new farmers struggle to repay their loans and lobby for further state assistance.

The second is the National Resettlement Policy (NRP), in theory designed to tackle poverty by resettling poor landless Namibians on commercial farms bought by Government at market prices and made available to people under a 99-year lease. Most observers agree that the NRP suffers from arbitrary selection criteria (for both farmers and farms), cumbersome bureaucratic procedures, the absence of support once resettlement has taken place, a zero sum displacement of farm workers with resettled farmers, and an inability to use land as collateral. The NRP runs the risk of becoming little more than an expensive way of creating more poverty rather than less and also appears to favour political and bureaucratic insiders.

Despite serious misgivings, even at the highest political levels, Government attempted to accelerate the pace at which new land is transferred by replacing willing buyer-willing seller with expropriation in the public interest. This turned out to be slower and more costly as legal challenges over compensation and constitutionality mounted.

The fruits of almost 30 years of land reform policy were laid bare at the Second National Land Conference in 2018 which benefitted from many informative contributions by a host of parties. Evidence that land reform has led to greater agricultural productivity is thin on the ground. Furthermore, given both approaches to land reform rely heavily on government funding, it is likely that the state of Namibia's public finances will mean that land reform will slow considerably for some time to come. The economy's poor track record on creating jobs outside agriculture will mean attention will continue to be focused on land reform for many years to come.

Commercial Land Reform
KEY EVENTS

YEAR | **EVENT**

1990
- Ministry of Lands, Resettlement and Rehabilitation created
- Marco Hausiku appointed Minister

1991
- National Conference on Land Reform and the Land Question results in consensus document
- Agricultural Bank Amendment Act passed

1992
- Agricultural Bank Matters Amendment Act passed
- Cabinet Resolution introduces Affirmative Action Loan Scheme
- Richard Kapelwa appointed Minister

1993
- Ponhele ya France elected president of NUNW

1994
- Swapo manifesto commits Government to spending N$100 million on land purchases over next five years

1995
- Agricultural (Commercial) Land Reform Act passed

1996
- Pendukeni Iivula-Ithana appointed Minister of Lands
- Consultative Conference on Communal Land Administration

1997

1998
- Ministry of Lands publishes National Land Policy
- Ohlthaver & List donates seven farms to Government

1999

2000
- Land invasions start in Zimbabwe
- Agricultural (Commercial) Land Reform Amendment Act passed
- Jan de Wet elected president of NAU

2001
- Hifikepunye Pohamba becomes Minister
- Ministry of Lands publishes National Resettlement Policy
- Agricultural (Commercial) Land Reform Second Amendment Act passed
- Land Valuation and Taxation Regulations gazetted

2002
- Communal Land Reform Act passed
- Swapo Congress passes resolution to expropriate 192 farms belonging to absentee landlords and votes to raise budget allocation devoted to land reform to N$100 million a year
- President Sam Nujoma defends Zimbabwean President Robert Mugabe at Sustainable Development Summit in Johannesburg

2003
- Agricultural Bank of Namibia Act passed
- Agricultural (Commercial) Land Reform Amendment Act passed
- Agricultural (Commercial) Land Reform Second Amendment Act passed widening type of land Government can target for purchase
- Government puts AALS on hold
- Land Acquisition and Development Fund established
- Permanent Technical Team established
- Amount budgeted for land purchases increased to N$50 million a year
- Register of members' assets reveals 16 SWAPO MPs own commercial farms

2004
- Government confirms problems at Agribank with AALS and puts further lending on hold
- Prime Minister Theo-Ben Gurirab goes on NBC to announce acceleration of land reform through expropriation prior to national elections
- Zimbabwe sends six land experts to advise Government on land reform
- Raimar von Hase elected president of NAU
- Minister Pohamba unveils land valuation roll
- Namibia Emerging Farmers Association launched

2005
- Jerry Ekandjo appointed Minister of Lands in President Pohamba's first Cabinet
- Ministry of Lands publishes Strategic Options and Action Plan for Land Reform in Namibia
- NAU publishes "The Namibia Agricultural Union and Land Reform"
- Farm Ongombo West expropriated for N$3.7 million

2006
- Farms Okorusu and Marburg expropriated by Government for N$8 million
- Land tax introduced on commercial farms

2007
- Visiting Zimbabwean President Robert Mugabe tells Namibians to follow Zimbabwe's example on land reform
- German farmers challenge legality of expropriation in court

2008
- Alfeus !Naruseb appointed Minister
- Ryno van der Merwe elected president of NAU
- High Court rules expropriation not carried out in accordance with Constitution

2009
- Ministry of Lands and Agribank sign N$60 million loan facility for resettled farmers (Post Settlement Support Fund)
- Government evicts squatters from Ongombo East

2010
- Alfeus !Naruseb re-appointed Minister of Lands and Resettlement

2011
- Permanent Secretary of the Ministry of Lands Lidwina Shapwa benefits from resettlement policy
- Evangelical Lutheran Church in Namibia holds workshop on land reform and resettlement policy in Windhoek
- Land Bill initiated to consolidate Agricultural (Commercial) Land Reform Act and Communal Land Reform Act

2012
- Government publishes provisional land valuation roll
- Derek Wright elected president of NAU

2013

2014
- Government announces land tax exemption due to drought

2015
- Ministry of Lands and Resettlement becomes Ministry of Land Reform
- Utoni Nujoma appointed Minister of Land Reform
- Legal Assistance Centre brings class action to Namibian High Court over ancestral rights in Etosha National Park

2016
- President Geingob sacks Deputy Minister of Lands Bernadus Swartbooi

2017
- Revised land tax rates gazetted

2018
- Second National Land Conference held in Windhoek
- Ombudsman releases report on land reform

2019
- Judgement given on Etosha case

2020
- Calle Schlettwein appointed Minister of Agriculture, Water and Land Reform

Introduction

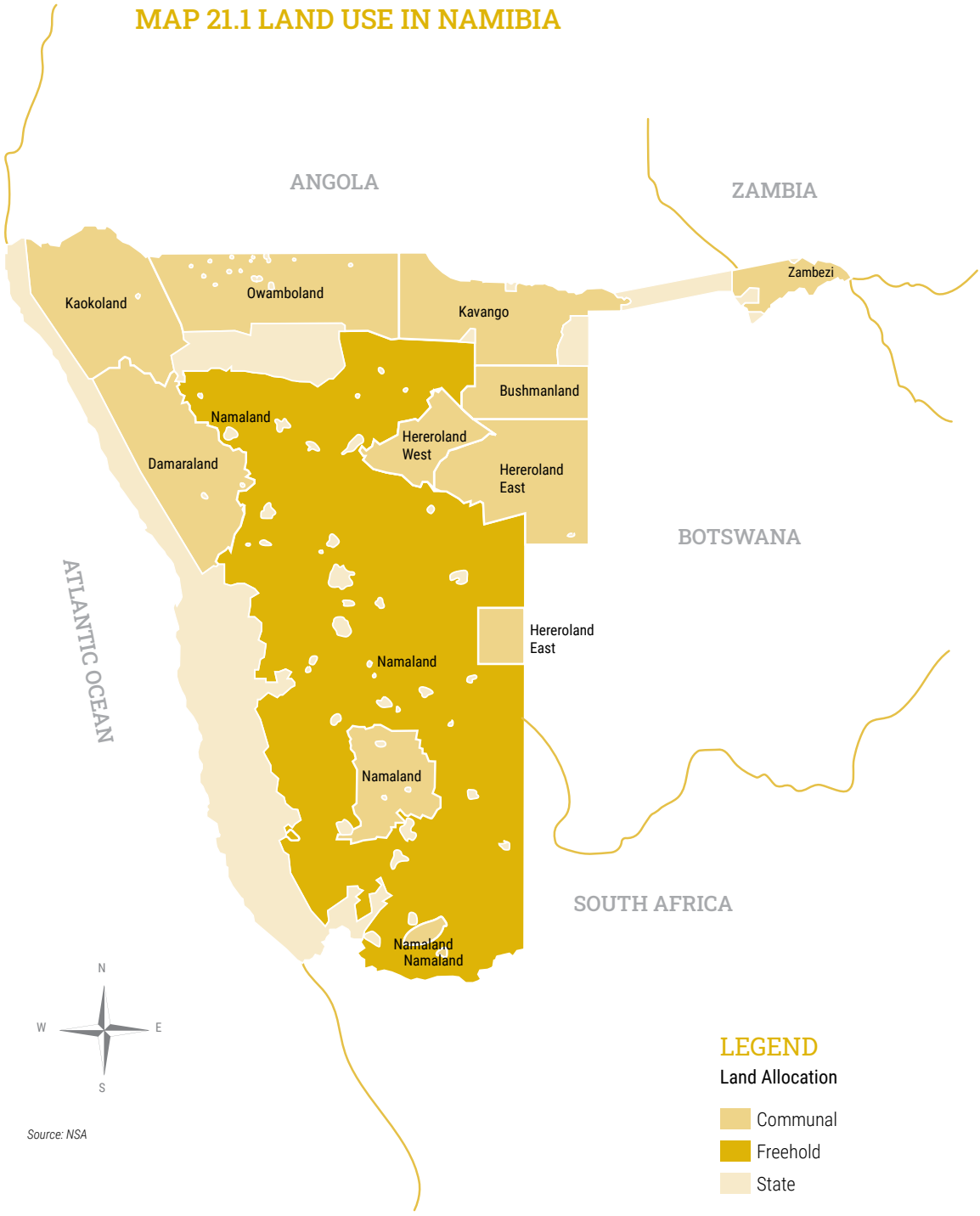
In common with many other countries in southern Africa which have white settler communities, the issue of commercial land reform has been high on the political agenda in Namibia since Independence. The highly charged nature of the issue has meant that, for better or for worse, commercial land reform has overshadowed communal land reform in Namibia's public debate on land. Chapter Three of Namibia's Constitution on Fundamental Human Rights and Freedoms guarantees the right to private property which cannot be changed, even with a parliamentary majority of two-thirds. This was included to deliberately placate the white farming and business community in the run-up to Independence and had been agreed as far back as 1982. The right to protection from arbitrary deprivation of private property or deprivation of private property without just compensation was contained in the constitutional principles, agreed in 1982 by the UNSCR after being proposed by the Western Contact Group.

CHAPTER 3: FUNDAMENTAL HUMAN RIGHTS AND FREEDOMS: ARTICLE 16 PROPERTY

(1) All persons shall have the right in any part of Namibia to acquire, own and dispose of all forms of immovable and movable property individually or in association with others and to bequeath their property to their heirs or legatees: provided that Parliament may by legislation prohibit or regulate as it deems expedient the right to acquire property by persons who are not Namibian citizens.

(2) The State or a competent body or organ authorised by law may expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by Act of Parliament.

MAP 21.1 LAND USE IN NAMIBIA



Source: NSA

One of the first initiatives of Namibia's new Government was to organise a National Conference on Land Reform and the Land Question. The Conference took place in June 1991 and involved a wide range of delegates with an interest in land reform. At that time, Namibia's landmass of approximately 824,000 km^2 could be divided into four categories: national parks consisting of 114,500 km^2 or 13.9 percent of Namibia's total landmass, restricted diamond area consisting of 21,600 km^2 or 2.5 percent, 469,100 km^2 of title deed or freehold land or 56.9 percent, and 218,300 km^2 or non-title deed or communal land[1].

The table shows how commercial (freehold) land was broken down by ownership in 1991. At that time, there were a total of 36,164,880 hectares of commercial land some of which lay in the hands of the State, local government and the churches but the vast majority of which, some 34,362,764 hectares, was owned by individuals. Of Namibia's 6,292 commercial farms, 6,123 were white-owned of which 382 belonged to foreign (often absentee) farmers. In total, black Namibians owned a mere 181 farms. Clearly, in racial terms, ownership of commercial farmland was highly skewed.

TABLE 21.1
Commercial Land Ownership in Namibia in 1991

Owner	Number of Farms	Hectares	Percent
The State	64	466,913	1.29
Experimental farms	20	169,216	0.47
Other agricultural land	44	297,697	0.82
Municipalities and peri-urban boards	28	349,998	0.97
Churches	22	222,365	0.61
Individuals			
Plots around towns*	681	33,958	0.09
Company farms	55	728,882	2.02
Individuals	6,123	34,362,764	95.02
Black individuals (excl. Rehoboth)	181	n/a	n/a
Foreigners	382	2,965,520	8.2
Total	6,292	36,164,880	100

*plots not counted as farms

Source: Ministry of Agriculture, Water and Rural Development

The outcome of the National Land Conference was a consensus document which, while rejecting restitution of ancestral land claims in full, fully endorsed a comprehensive programme of commercial land reform. In the wake of the Conference, Government decided to implement commercial land reform through two main policies: the Affirmative Action Loan Scheme (AALS) and the National Resettlement Policy (NRP), policies that were designed to complement rather than compete with each other.

[1] "Current Land Tenure System in the Commercial Districts of Namibia, 1991", Ministry of Agriculture, Water and Rural Development Position Paper, National Conference on Land Reform 1991

CONSENSUS OF 1991 NATIONAL LAND REFORM CONFERENCE

Conference concludes that there was injustice concerning the acquisition of land in the past and that something practicable must be done to rectify the situation.

Conference concludes that, given the complexities in redressing ancestral land claims, restitution of such claims in full is impossible.

Conference resolves that foreigners should not be allowed to own farmland, but should be given the right to use and develop it on a leasehold basis in accordance with Namibia's "open door" policy towards foreign investment.

Conference resolves that abandoned and underutilised commercial land should be reallocated and brought into productive use.

Conference resolves that land owned by absentees should be expropriated, but that there should be a distinction, in respect of owners who do not live on their farms, between foreign and Namibian owners.

Conference resolves that very large farms and ownership of several farms by one owner should not be permitted and such land should be expropriated.

Conference resolves that there should be a land tax on commercial farmland.

In view of the need to establish authoritative data and arrive at sound policy recommendations, conference recommends that a technical committee should be established to evaluate the facts regarding underutilised land, absentee ownership, viable farm sizes in different regions and multiple ownership of farms; to make appropriate recommendations for the acquisition and reallocation of such land identified; and to assess possible forms of taxation on commercial farmland and the economic units to which taxation should apply.

Conference recommends that in order to realise this objective a technical committee should be established to evaluate the legal options concerning possible forms of land tenure consistent with the Constitution.

Conference resolves that:

(a) Farm workers should be afforded rights and protection under a labour code.

(b) The Government should enact legislation providing for a charter of rights for farm workers. The charter should be monitored and enforced by a Government agency.

(c) The charter of rights should include provision for maximum working hours, sick leave, annual leave, schooling for children, medical care for workers and their families, adequate housing on the farm, pensions, the right to reside on the farm after retirement, and grazing rights for farm workers' livestock free of charge. The charter of rights should also include provision for a living wage in conformity with a labour code.

(d) The Government should enact legislation to protect farm workers from the occupational hazards of their work and extend the Workmen's Compensation Act to include farm workers.

Conference resolves that:

(a) Established commercial farmers should only receive financial assistance from the Government in exceptional circumstances, which include natural disasters such as drought.

(b) The Government should consider providing assistance to commercial farmers for programmes of affirmative action, such as improving the conditions of farm workers.

The Affirmative Action Loan Scheme (AALS)

It did not take Cabinet long to push ahead with the Affirmative Action Loan Scheme (AALS). The Agricultural Bank ("Agribank") had already undergone certain reforms[2] by the time Cabinet decided to introduce the AALS in 1992[3]. The AALS involved granting subsidised Agribank loans to full-time and part-time communal farmers with more than 150 large stock (cattle) or 800 small stock (sheep and goats) repayable over 25 years. The first three years were interest free and a deposit of 10 percent of the purchase price had to be paid by the buyer who was not

[2] Agricultural Bank Amendment Act (Act No.27 of 1991) and Agricultural Bank Matters Amendment Act (Act No.15 of 1992)
[3] Cabinet Resolution 92 of 1992

able to sell the farm for at least ten years. The subsidy element of the loan was financed by central government through transfers from the Ministry of Agriculture to Agribank, provision for which has been made annually in the national budget[4]. Loan recipients had to have a track record of livestock farming and thus were self-selecting, were able to choose which farms they wished to buy, and received title deed to the land they purchased. Borrowers who defaulted ran the risk of losing their farms and therefore had a strong incentive to repay the loan – from either farming or non-farming income. Thus, the AALS policy was very much a market-based mechanism in much the same way as any other bank loan, associated as it was with clear property rights and incentives to perform. Furthermore, the policy was to have a two-fold impact: it would help create a class of previously disadvantaged commercial farmers and at the same time free up land and water in the communal areas for smaller communal farmers.

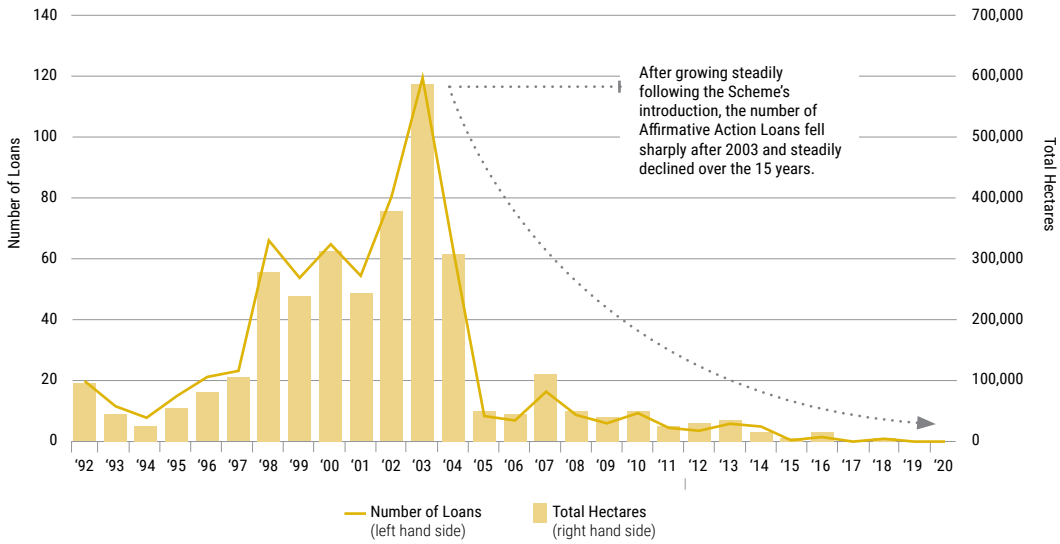
Subsidies to the AALS increased steadily during the period from 1996/97 as the number of loans granted increased and the three-year interest free period of the first loans came to an end. The AALS ran for almost ten years before serious problems with the Scheme came to light. In November 2003 a moratorium was placed on new loans by Agriculture Minister Helmut Angula while an investigation took place into irregularities by well-known local auditor and Agribank board chair Hans-Günther Stier. It turned out that, among the problems unearthed, the AALS had experienced a high number of defaults which budgeted transfers from the fiscus were insufficient to cover. During the period March to September 2004 the number of loans in arrears doubled and in March 2004 Agribank reported that 199 out of 544 AALS loan accounts were in arrears[5]. Government announced a resumption of lending in April 2004 after an immediate N$7 million transfer was made from the Ministry of Lands and further budget transfers were made in 2005/06 and 2006/07. Since then no further budget transfers have been made explicitly for AALS arrears.

The table shows the number of hectares that the AALS has redistributed into the hands of previously disadvantaged Namibians. The first year of the AALS saw a large number of loans being made, probably due to the pent-up demand that had built up in the years prior to Independence and the ability of newly-appointed ministers and senior civil servants to service such loans. The following years 1993 to 1997 saw a far lower take-up rate, mainly by full-time farmers. From 1997 a sudden switch took place and an ever larger proportion of land was purchased by part-time as opposed to full-time farmers. Between 1997 and 2003 the amount of land purchased by part-time farmers was approximately equal to the amount purchased by full-time farmers. A sudden drop in loans took place after 2003 as problems with the arrangement came to light and the moratorium was put in place before the Scheme was restarted in April 2004. AALS lending has been considerably lower ever since with just 95 loans extended in the period between 2005 and 2018. A N$60 million Post Settlement Support Fund (PSSF) was established in 2009 to assist beneficiaries of the AALS. The Namibia Statistics Agency (NSA) produced a document in advance of the Second National Land Conference which showed that by July 2018 a total of 648 loans had been made under the AALS transferring an area of 3,407,369 hectares under the AALS since 1992[6]. It is hard to be sure of the amount of public subsidy this has already entailed and will require in future. The estimated cost in subsidies was in the region of N$106 million, the sum of actual spending between 1996/97 and 2003/04. This excludes the period 1992/93 to 1995/96 for which budget figures are not available

[4] AALS subsidies have been allocated through Vote 20 Main Division 07
[5] "Angula Admits AA Loan Scheme Defective", The Namibian, 23 March 2004
[6] See "Namibia Land Statistics Booklet", Namibia Statistics Agency, September 2018

CHART 21.1

Affirmative Action Loans (Number of Loans and Area Purchased)



Source: Agribank

In the run-up to the Second National Land Conference in October 2018, previously disadvantaged Namibian commercial farmers lobbied Government to change the terms of the AALS arguing that 1) borrowers were finding it difficult to repay existing loans and had to subdivide farms in exchange for payment by other previously-disadvantaged farmers to enable them to do so, 2) that few new entrants were entering the AALS and that 3) problems with repayment were endangering the viability of Agribank[7].

The Conference agreed three resolutions related to AALS: 1) re-evaluate the AALS and its products to achieve the objective of empowering formerly disadvantaged people and to increase the contribution of the agricultural sector to GDP 2) to review the system of land tax to attract investment and productivity and 3) reintroduce a 30 percent government guarantee for buying commercial land. However, by the end of 2020 it was not clear whether any of these recommendations had been acted upon. Data produced by the NSA and the National Agricultural Union (NAU) for the Second Land Conference also showed that previously disadvantaged Namibians had purchased a further 2,853,722 hectares of freehold land outside the AALS through commercial banks.

TOTAL AFFIRMATIVE ACTION LOANS granted by Agribank 1992-2020

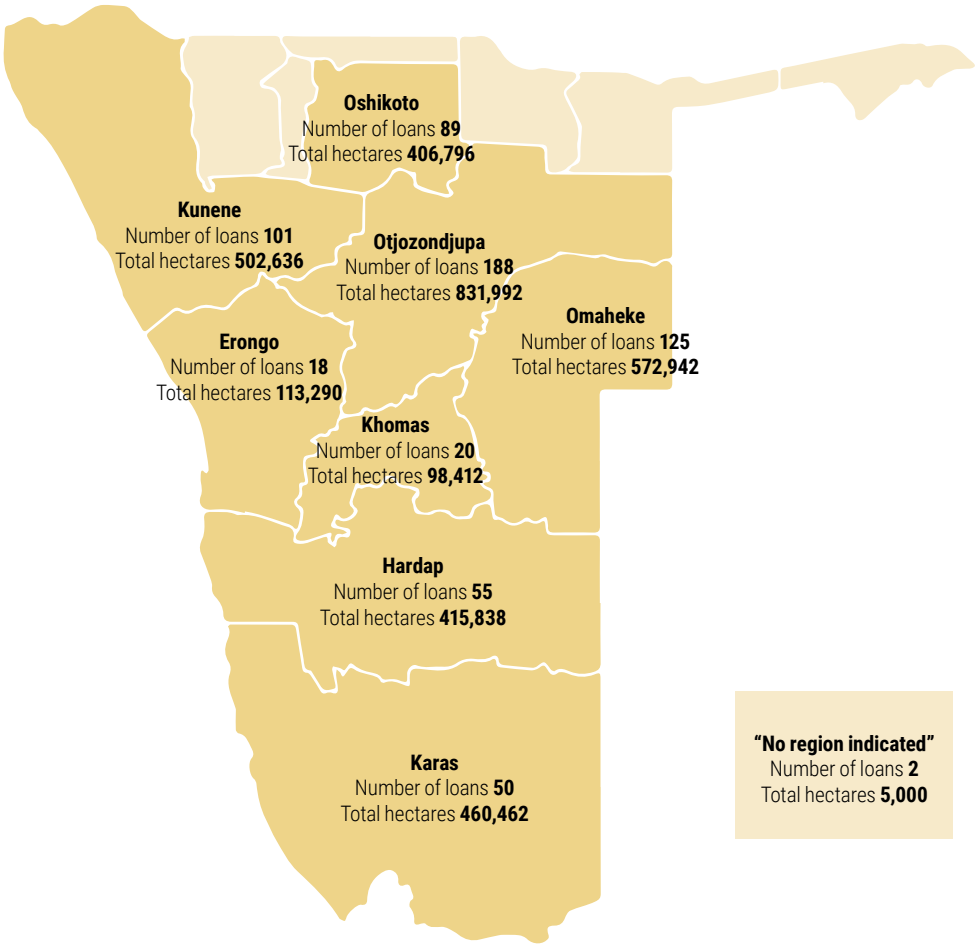
648	3,407,369	N$777,453,939
Number of Loans	Hectares Purchased	Value of Loans Granted

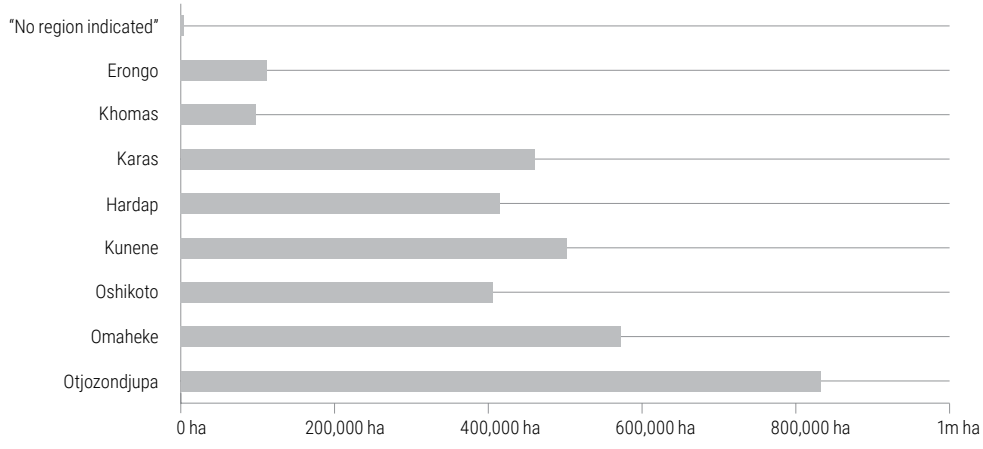
Source: Agribank

[7] See "Previously Disadvantaged Commercial Farmers Want AALS Reviewed", *New Era*, 25 September 2018

CHART 21.2

Affirmative Action Loans granted by Agribank by Region (1992-2020)





The National Resettlement Policy (NRP)

The NRP took much longer to develop than the AALS. The founding legislation, the Agricultural (Commercial) Land Reform Act 1995[8], was passed approximately four years after the Land Reform Conference while the National Land Policy and the National Resettlement Policy White Paper were only published in 1998 and 2001 respectively. The 1994 SWAPO manifesto contained a commitment to allocate N$100 million for land purchases over a five-year parliament[9]. However, it was not until 1996/97 that funds were provided in the budget to implement the policy (although Government had already purchased a certain amount of land for resettlement prior to the passing of the Act).

Under the new legislation, commercial farmers wishing to sell their land had first to offer it to Government which then had to decide whether or not to purchase the farm at the price being offered (willing buyer-willing seller). If Government decided not to purchase, sellers were issued with a waiver which allowed them to sell to anyone else. Most farms purchased by Government were advertised as being available for resettlement and interested people could then apply to be resettled. People wanting to apply to the programme had to show they were in some sense landless but applicants may already have had some livestock and income[10]. Applications were then submitted to the Regional Resettlement Committees (RRC) of the region in which the advertised farm was located. The RRC then considered applicants and made recommendations to the National Resettlement Committee (NRC). Individuals were then allocated certain parts of a farm ("camps") and had a 99-year right to use the land under the terms of a contract signed with the Ministry of Lands. In theory, those people who were already successful farmers were encouraged to make use of the AALS and become fully-fledged commercial farmers rather than take advantage of the NRP.

The NRP involves lengthy bureaucratic procedures to identify the right people for the right farms and to support settlers once they have been resettled. Settlers do not own the land they farm but share facilities and resources with other settlers. Settlers do not have to repay loans. Implicitly settlers are obliged to rely on continued Government support for the indefinite future. The NRP notes that "the success of the Resettlement Programme does not depend on the settlers alone…Each resettlement project should be provided with appropriate financial and human resources and tools and equipment as may be required…"[11].

From 1996/97 Government started allocating N$20 million a year for the purchase of commercial land for resettlement purposes in accordance with the 1994 election manifesto. Following the 2002 SWAPO Congress which recommended an increase in spending to N$100 million a year, spending on the programme was stepped up from N$20 million to almost N$50 million in the 2003/04 budget. It is likely that the original allocation had failed to keep up with land price inflation. But Government struggled to spend even the small amounts that were originally allocated. Figures presented in the main budget document suggest that, during the five-year period 1996/97 to 2000/01, only two-thirds of the budgeted amount was actually spent. Actual expenditures on resettlement were below budgeted expenditures for the first five years although year six saw actual expenditure exceed budgeted expenditure. However, allocations were increased to more than N$200 million from 2014/15.

[8] Agricultural (Commercial) Land Reform Act 1995 (Act No.6 of 1995)
[9] See pages 22-23 in "Better Opportunities for All Namibians: SWAPO's Plan of Action", SWAPO 1994
[10] The Act identifies the following as beneficiaries of land reform: "Namibian citizens who do not own or otherwise have the use of agricultural land or adequate agricultural land and foremost to those Namibian citizens who have been socially, economically, or educationally disadvantaged by past discriminatory laws and practices." The National Resettlement Policy page 3 is slightly more specific.
[11] National Resettlement Policy

Underspending used to mean that money budgeted for land reform was lost to the Ministry of Lands at the end of the financial year but the establishment of the Land Acquisition and Development Fund (LADF) in 2003 rectified this. The LADF was designed to be the channel through which money for land reform – from the national budget, from the land tax, from donors – would be managed. From 2003/04 onwards money allocated in the budget for land purchases was transferred to the LADF and was kept there if it was not spent after the end of the financial year. Underspending continued after the establishment of the LADF leading to a rise in the balance of the fund but spending eventually increased. By the end of 2009, approximately N$85 million was being paid into the LADF consisting of N$50 million from the budget, about N$30 million from the land tax and N$5 million or so in interest. However, later budgets saw the amounts allocated to land reform rise steeply such that by 2015/16 an amount of N$807 million was budgeted to be spent on land purchases.

Among the resolutions passed at the August 2002 SWAPO Congress, two in particular made headlines. The first was the resolution to expropriate 192 farms owned by absentee landlords. The second was to increase the funds for land purchases from N$20 million to N$100 million a year. Government reacted to the first by stating it would expropriate the 192 farms covering an area of 1,268,911 hectares in accordance with the law. However, this did little more than remind people that among the 24 resolutions of the Land Reform Conference of 1991 had been resolutions on the issues of foreign-ownership of farmland, underutilised land and absentee landlords. It remains unclear whether Government ever followed through on these resolutions.

By the time of the Swapo Congress, a feeling had begun to emerge in certain quarters that the pace of land reform in Namibia was too slow. In February 2004 – an election year – then Prime Minister Theo-Ben Gurirab went on NBC TV to state that "The process [of land reform] has become too slow because of arbitrarily inflated land prices and the unavailability of productive land." He went on to announce that "Cabinet has endorsed the recommendation by the Minister of Lands, Resettlement and Rehabilitation to consider the other approach to land reform, that of expropriating a selected number of farms in Namibia for resettlement." Expropriation is permitted by the Constitution provided that it is in the public interest and that fair compensation is paid.

The first farm Government chose for expropriation was Ongombo West near Windhoek, a farm owned by the German-speaking Wiese family which also operated a thriving flower business employing many people. The farm seemed to be targeted because of a labour dispute which turned nasty. The farm was sold to Government in 2005 for N$3.7 million, far less than the original asking price of N$9 million. Government then targeted Okorusu and Marburg farms near Otjiwarongo eventually paying N$8 million in 2006. However, in 2007 Government's attempt to expropriate four more farms was challenged by their German owners (Gunther Kessl, Adolf Herburger and Martin Joseph Riedmaier) on the constitutional grounds that it was not in the public interest[12]. The High Court ended up ruling that the Minister had not consulted with the Land Reform Advisory Commission before deciding whether or not to expropriate the farms[13]. The Minister was ordered to pay costs but nothing prevented him from starting the process again. The Legal Assistance Centre (LAC) produced a

[12] See "Germans to go Head to Head with Government over Farm Grab", The Namibian, 24 July 2007 and "Expropriations Target German Land Owners High Court Hears", *The Namibian*, 25 July 2007.
[13] See "Court Halts Expropriation of Four Namibian Farms", *The Namibian*, 7 March 2008

detailed report on the case and its implications for land reform in Namibia[14]. But thereafter things did not move quickly. In his annual address to members of staff in 2016, Minister of Land Reform, Utoni Nujoma stated:

> I am aware that work on the criteria for expropriation of farms especially in the regions where Government is not getting land is at an advanced stage. This method will complement the current market-based land acquisition strategies and should thus be explored by paying particular attention to the suggestions and recommendations on the judgment in the Günther Kessl and the then Ministry of Lands and Resettlement case of 2008.
>
> Utoni Nujoma, Minister of Land Reform, 2016

Ongombo West hit the headlines again in 2009 when a group of people claiming ancestral rights to Ongombo East ended up squatting on the Government's resettlement farm. They were promptly evicted with Minister of Safety and Security Nickey Iyambo stating:

> If each and every person would be allowed to claim their 'ancestral roots' wherever these ancestral roots are, (it) would create chaos in the country. It would create an environment not conducive to peace and stability as it would infringe on existing property rights guaranteed by the Namibian Constitution.[15]
>
> Nickey Iyambo, Minister of Safety and Security, 2009

Issues of ancestral rights crop up from time to time but have been summarily dealt with by Government. However, in August 2015, the Legal Assistance Centre filed an application on behalf of the Hai//om community to bring a "class action" to the Namibian High Court in order to declare their ancestral land rights over Etosha National Park. In November 2019 after much delay, the Court dismissed the case when the Hai//om Chief David //Khamuxab filed his own affidavit stating the claimants did not represent the whole group and that any law suit should be headed by him as the community's leader.

Land Tax

The idea of a land tax was based on one of the consensus views of the first National Land Conference. Ironically, the existence of the AALS appears to have contributed towards the steep increase in the price of commercial farmland[16]. Land tax is payable for every 12-month period ending 28/29 February. The tax has been designed to discourage non-resident ownership of farmland and multiple farm holdings. The rates are applied to the unimproved value of the site according to the farm valuation roll. The original rates were changed in November 2017.

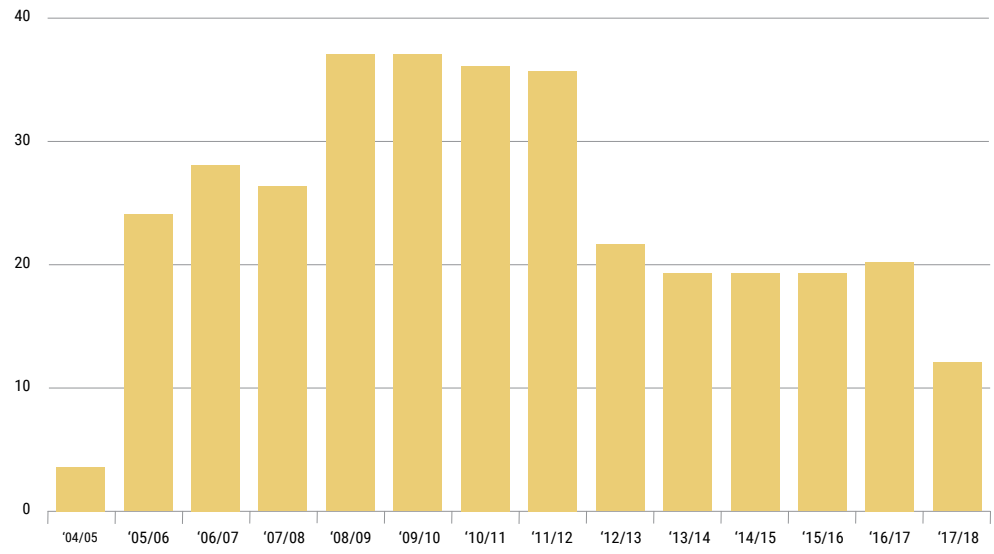
TABLE 21.2
Land Tax

	Government Notice 193 1 September 2004	Government Notice 290 1 November 2017
Namibian resident owner	0.75%	0.40%
Non-resident owner	1.75%	1.40%
On each additional farm owned	Rate increases by 0.25%	Rate increases by 0.25%

Source: Ministry of Lands

According to the Land Valuation and Taxation Regulations of 2007, the valuer is obliged to disregard improvements in the valuation analysis to arrive at a bare land value. It was rumoured that Government planned to raise as much as N$400 million from land tax on the new valuations[17]. Government had based the land tax on land valuation rolls carried out in 2002 and 2007. But it attempted to revise the valuation roll in 2011 and published a provisional roll in 2012 which raised the value of some commercial farmland by an astounding 630 percent and gave widely different values to similar neighbouring farms. The provisional valuation caused uproar in both the commercial and communal farming communities. In September 2013 the Valuation Court, which was to rule on the objections of commercial farmers against the new land valuation roll and land tax, was declared null and void by the High Court. This meant farmers did not have to pay any land tax until the legal challenge to the Valuation Court had been decided. In July 2018, Namibia's Supreme Court dismissed an attempt first launched in August 2013 to have five sections of the Agricultural (Commercial) Land Reform Act and its regulations declared unconstitutional[18]. In total the land tax raised some N$350 million in the 14 years to 2017-18 – about N$25 million per year – taking into account refunds made for the drought year of 2012/13.

CHART 21.3
Land Tax Collected (N$m)



Source: Ministry of Lands

[14] See "Kessl: A New Jurisprudence for Land Reform in Namibia?", Sidney L Harring and Willem Odendaal, Land and Environment Development Project, Legal Assistance Centre and NEPR, April 2008 [15] See "Ongombo Squatters Evicted, Leaders Arrested", *The Namibian*, 3 August 2009
[16] "Agribank's Loan Formula Provided Gateway for Farmers", *New Era*, 20 March 2015
[17] See "Land Valuation Roll to be Reviewed", *The Namibian*, 30 January 2013
[18] See "Attack on Land Tax Ends in Final Failure", *The Namibian*, 30 July 2018

National Resettlement Policy

To date Government has failed to publish any convincing evidence that the NRP is meeting its goals. The little independent research and evaluation of the NRP that has been done has come to overwhelmingly negative conclusions. The original National Resettlement Policy states that support for individual resettlement project will be restricted to four years arguing that "depending on the category of respective be beneficiaries, it will be expected of them to be self-reliant and self-sufficient by the fourth year…"[19] The Legal Assistance Centre in 2004 concluded that "The LAC research team did not find a single resettlement project to be sustainable after five years."[20] Not only that but the NRP was doing little more than swapping settlers for farmworkers with little or no net improvement in the number of poor people helped. There is also evidence that the vast majority of resettled farmers did not have a formal contract guaranteeing their 99-year leases and that these leases could not be used as collateral for borrowing from commercial banks. Many resettled farmers were happy to rent out their leases to city-dwelling civil servants and others for a modest fee thus defeating the whole purpose of the policy. More egregiously, the case of insiders such as the Permanent Secretary of the Ministry of Lands and Resettlement Lidwina Shapwa being allocated land under the NRP raised the issue of whether it was really the poor and landless who stood most to gain from the policy[21].

Underspending on land purchases for the NRP has clearly been a significant problem for Government. According to the Ministry of Lands, the problem was that suitable farms were simply not being offered to Government by white farmers. The Ministry records the number of waivers granted to sellers of commercial farmland, that is to say the number of offers it has turned down by those wishing to sell commercial farms because they are in some way unsuitable for resettlement purposes. Interestingly, a waiver may also be obtained if a seller finds an AALS buyer. The table in the Annex shows the number of farms waived and the number purchased since 2003/04. The number of farms actually purchased is generally only a small proportion of those offered to Government.

TOTAL LAND TRANSFERRED UNDER NATIONAL RESETTLEMENT POLICY (JUNE 2018)

443	3,021,960	5,352
Number of Farms	Hectares Transferred	Beneficiaries Resettled

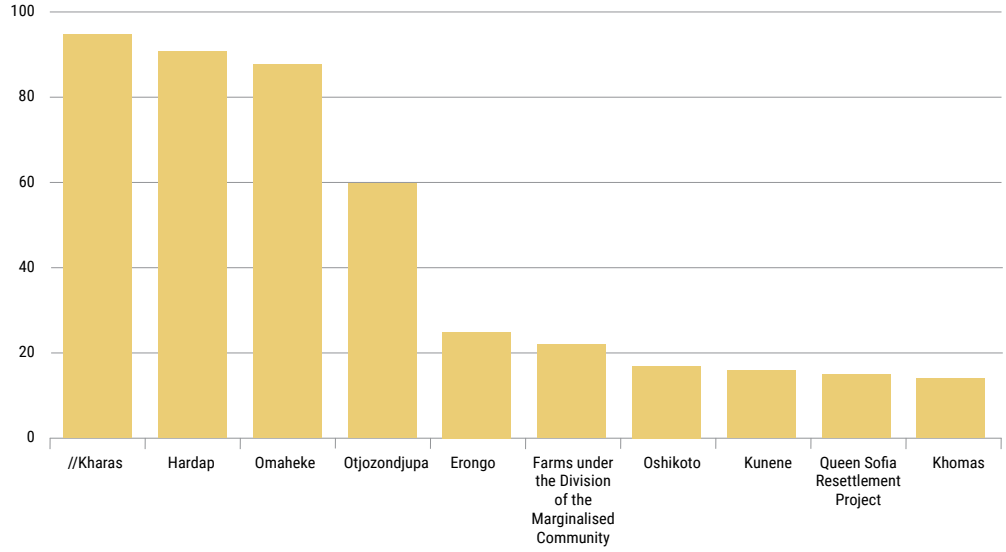
Source: Ministry of Lands

The table shows the number of farms and area in hectares that the NRP had redistributed by the end of 2015. It includes six farms that were donated to Government in 1998 by Werner List and two farms that were inherited. A total of 385 farms in various regions of the country with an area of 2,786,026 hectares had been purchased by or given to Government by the end of 2015 at a cost of N$1,095 million[22].

[19] See page 7 National Resettlement Policy
[20] LAC "Our Land We Farm" page 58
[21] See "Lands Ministry 'Advertises' Resettlement Farms Internally", *The Namibian*, 14 October 2011
[22] "Progress Report on Capital/Development Projects: 1990-2015", Ministry of Lands and Resettlement, Directorate of Planning, Research Training and Information Services, March 2015

Chart 21.4

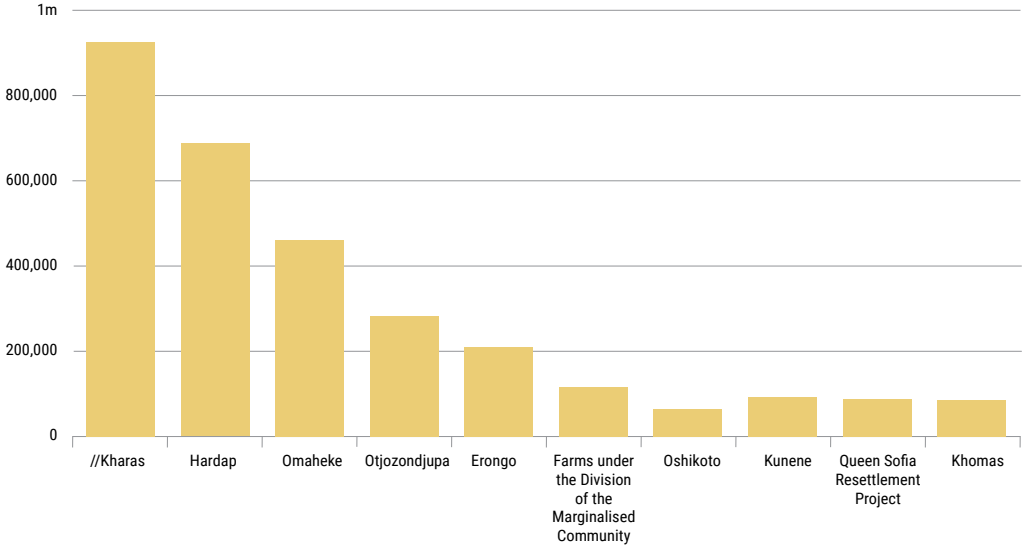
Number of Farms Purchased Under NRP (June 2018)



Source: Ministry of Lands

Chart 21.5

Area of Farms Purchased Under NRP (June 2018)



Source: Ministry of Lands

Ministerial Targets

5 million hectares — of agricultural (commercial) land to be acquired by 2020

5 million hectares — of land in communal areas developed in to Small Scale Commercial Farming Units by 2020

5 — Integrated Regional Land Use Plans for five different regions to be developed by 2016

64 — Small Scale Commercial Farming Units on communal land to be fully developed by 2016 in designated areas

Establishing a fundamental spatial data set with a coverage of 75 percent by 2015/16

The Second Land Reform Conference

By the start of the first term of President Geingob, there was a strong public perception that progress with land reform was much slower than had been hoped. In December 2016 the President sacked his Deputy Minister of Land Reform Bernardus Swartbooi who went on to form the Landless People's Movement (LPM) political party which was registered in 2018. The party won four parliamentary seats in December 2019. After a year-long delay, it was finally announced that a Second National Land Conference would take place from 1-5 October 2018. There was some concern that several key participants including the LPM would not take part claiming Government was not interested in genuine consultation. In the end the Conference took place and resulted in 40 resolutions notably that Willing Buyer Willing Seller should be abolished and replaced with alternative acquisition methods and (again), that foreign-owned agricultural land should be expropriated with just compensation, that underutilised land owned by Namibians should also be eligible for expropriation, and that a principle of One Namibian One Farm should be implemented[23].

Ironically, given that both the first and the second National Land Conferences had called for foreign-owned farms to be expropriated, the Second Conference was bookended by two high profile purchases of commercial farms by foreigners. In September 2018, Russian billionaire Rushid Sardarov purchased four farms with a total area of 17,000 hectares for a reported N$43 million, donated them to the State and then leased them back for 99 years paying N$160,000 in 2018 and 2019[24]. In May 2019 Mexican billionaire Alberto Baillères purchased the well-known 65,000-hectare Erindi game farm for N$2 billion. The purchase led to NUDO and SWANU calling for the sale to be halted[25].

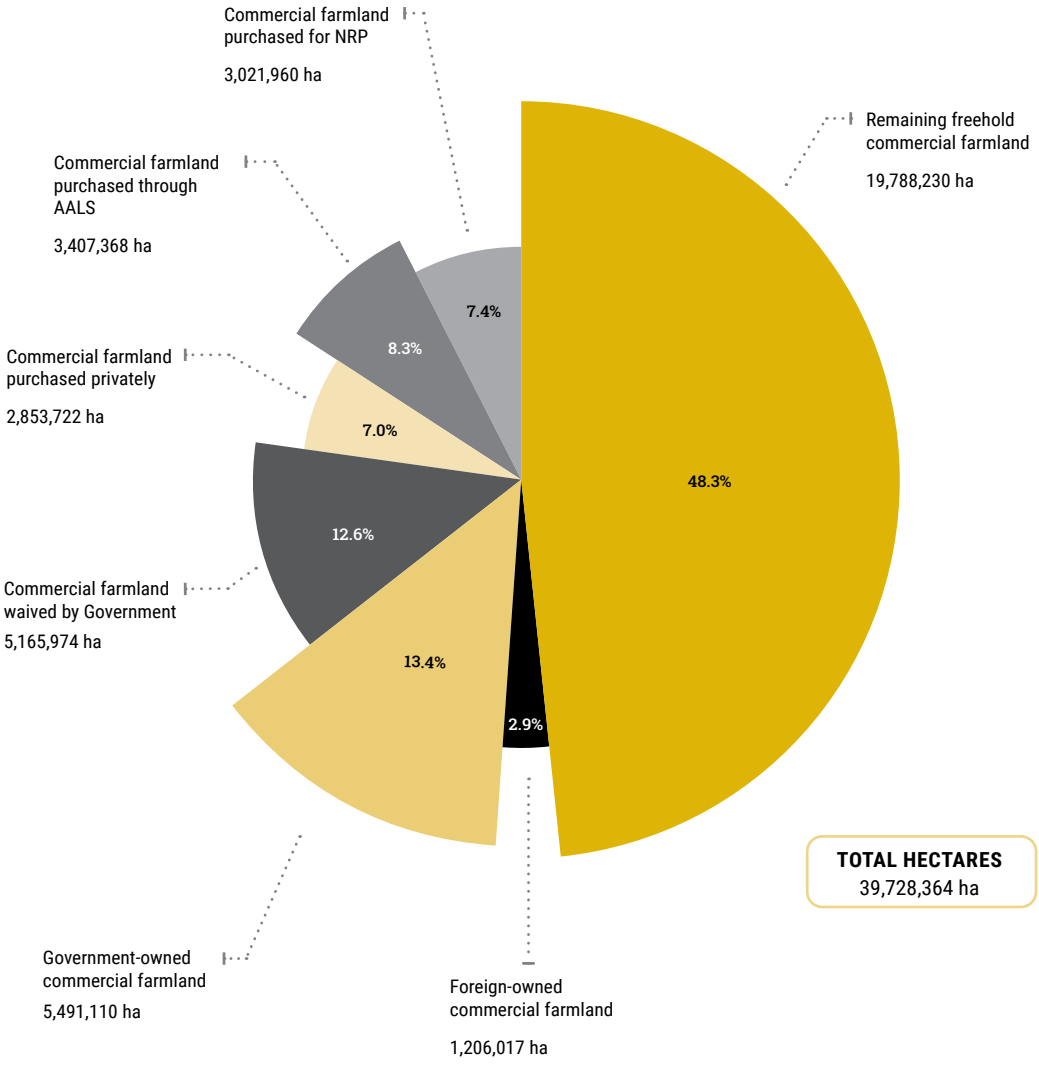
[23] The key documents from the conference are available at http://dna.nust.na/landconference/landconference.html
[24] See "Russian Buys Four Farms", *The Namibian*, 18 October 2018
[25] See "Geingob Defends Meeting with Billionaire" *The Namibian*, 27 June 2019

Conclusions

Over the years, the land issue – particularly issues around commercial land – appears to have lost none of its ability to provoke intense feelings and debate. Statistics presented at the Second Land Reform Conference shows how much progress has been made in achieving racially more balanced ownership of commercial farmland through the AALS, through the NRP and through private purchases of land up to June 2018 as shown in the pie chart below.

CHART 21.6

Breakdown of Commercial Land Ownership in June 2018



Source: NSA

The chart shows that out of the 39.7 million hectares of freehold commercial farmland that exist in Namibia, 14 percent is owned by the State, 13 percent has been offered to Government but has not been accepted for purchase and redistribution, seven percent has been purchased privately by previously disadvantaged Namibians, eight percent has been purchased through the AALS and seven percent has been purchased by Government for redistribution under the NRP. This leaves 48 percent still in the hands of previously advantaged Namibians and three percent owned by foreigners. The NAU puts the area of commercial farmland owned by previously disadvantaged Namibians at 9,458,507 hectares which corresponds to the area purchased under AALS, NRP and through private commercial banks[26].

According to Agribank[27], by 30 June 2018 the AALS had resulted in 3.4 million hectares being transferred to previously disadvantaged Namibians financed through 648 loans worth a total of N$777 million. The total loan book (outstanding loans) stood at N$356.4 million implying that many loans had been paid off. However, 26 percent of the loan book was in arrears which is a much higher proportion than the rest of Agribank's loan book. It is not clear how much subsidy this has required. Budget figures suggest transfers from the national budget of N$424 million have been required to subsidise interest rates and pay for arrears on the AALS. In total, Agribank has received significant transfers from the fiscus amounting to N$1,197.3 million between 2008/09 and 2018/19.

In principle, the AALS has several characteristics that make it far more likely to succeed in terms of developing commercially sustainable farms owned by previously-disadvantaged Namibians. Its beneficiaries are generally people with higher levels of education and financial resources who buy farms and then have to repay loans giving them every incentive to run their farms as productively as possible.

Yet much of the experience so far seems to suggest that full-time emerging farmers often struggle to repay their loans and that the AALS has attracted many part-timers who repay loans and invest in their farms from income derived from other sources. The apparent high level of default suggests either that farms should be repossessed or that Government will cave in to lobbying and increase the level of subsidy provided to the Scheme, something which has already happened. In December 2019 Government stepped in to halt 179 repossessions and listing borrowers with the Information Trust Corporation as required by credit regulations[28]. Politically, it is hard for Government to repossess farms and reverse the gains made in creating a more racially balanced commercial farming sector.

The great paradox of commercial land reform is that land prices have risen considerably despite the generally poor quality of land and the introduction of a land tax. Indeed, prices seem to have accelerated faster after the tax was introduced. Demand for land appears to be out of all proportion to its productive potential. This is fine for wealthy hobby farmers who can afford to plough income from non-farming activities into their farms. It is much harder for those full-time farmers who have borrowed to purchase their land, even at subsidised

[26] See "Land Tenure in Namibia", NAU, September 2018
[27] TSee "The Role of Agribank in Land Reform", Sakaria Nghikembua, 1-5 October 2018
[28] See "Agribank Stopped in its Tracks…Bank Maintains Legal Action is Last Resort", *New Era*, 20 December 2019

rates. The concern is that these farmers will never generate sufficient return to both repay their loans and earn enough income for themselves. No good studies exist that measure the extent to which new farmers are succeeding in business nor whether they are good at adapting to the multiple ways in which modern farmers in Namibia make a living through a combination of livestock farming as well as game farming, tourism and other activities.

What is not clear is whether policy should be encouraging part-time farmers. The argument against is that farming is a serious business that demands full-time attention. Encouraging part-timers will inevitably lead to lower innovation and farming output as part-timers end up as weekend hobby farmers. The argument in favour is that farming is a high-risk business that only those with diversified income sources can manage. Investment in the rural economy by those with urban incomes can only be a good thing.

The extent to which the AALS has been used by politicians and civil servants is unclear although the Register of Members' Interests suggests many have benefited from it[29]. This should not be a problem provided the AALS remains open to all and certain beneficiaries do not receive special treatment. The positive consequence of top decision-makers owning commercial farms is that they will better understand the challenges associated with commercial farming[30]. But it will also increase the likelihood that the legislature will approve further assistance for struggling emerging farmers and thus run the risk of throwing good public money at activities which are fundamentally unproductive, and more so as climate change takes its toll.

Whilst AALS has played an important role in transferring commercial farmland into the hands of previously disadvantaged Namibians, the role diminished considerably after 2004. Whilst 553 loans were extended in the first 13 years up to 2004, only 95 were granted in the 14 years between 2005 and 2018. It looks like the AALS will wither on the vine and may disappear altogether as fiscal constraints bite ever deeper.

There is no doubt that the NRP has moved people onto commercial farmland. Research for the Second Land Conference[31] showed that by June 2018 the NRP had led to the purchase of 443 farms of 3,021,960 hectares and that 5,352 people belonging to 1,030 households had been resettled. A further 53 farms were transferred for resettlement purposes from the Ministry of Agriculture, Water and Forestry. Some had formal leases. However, Government had waived 1,360 farms covering 5,165, 974 hectares of farmland as unsuitable for resettlement purposes. The cost of NRP in land purchases alone up to June 2018 is estimated at N$1.9 billion.

In the debate about commercial land reform, people cling to the romantic notion that virtually anyone with any level of education, background and financial resources can become a successful commercial farmer. Government moved some way to address this issue when the Ministry and Agribank signed an agreement creating a N$60 million loan facility for resettled farmers in 2009[32]. However, the harsh reality is that modern farming can only successfully be carried out by those with skills, motivation, money and an ability to bear risk. Little or no evidence exists on the degree to which resettled farmers are making a success of farming.

[29] Register of Members' Interests, National Assembly, November 2003
[30] Although that does not always seem to happen see "Ministers' Awesome Agribank Arrears", *The Windhoek Observer*, 10 June 2006.
[31] See "Presentation on the State of Land Reform since 1991 National Conference on Land Reform and the Land Question: Implementation of the Resolutions", Peter C Nangolo, Ministry of Land Reform 1-5 October 2018 and "Economic Viability on Resettlement Farms in Namibia", Dr Selma Lendelvo, UNAM, 1-5 October 2018
[32] See "N$60m Loan Facility for Resettled Farmers", *The Namibian*, 18 February 2009

> Between 1990 and 2018 some nine million hectares of commercial farmland were transferred into the hands of previously disadvantaged Namibians through the AALS, the NRP and through private purchases.

The overall picture is clear. Between 1990 and 2018 some nine million hectares of commercial farmland were transferred into the hands of previously disadvantaged Namibians through the AALS, the NRP and through private purchases. Admittedly, policy took time to get going but that amounts to an average of about one percent of commercial farmland a year. In terms of hectares, the AALS has resulted in more land being transferred than the NRP at a far lower cost. This excludes any additional costs which may be associated with the resettlement programme over and above the purchase of land. At that rate, it will take another 25 years before half of all commercial farmland is owned by previously disadvantaged Namibians. This takes Namibia well beyond one generation from 1990 as well as Vision 2030. There is every prospect that the rate of redistribution will slow considerably, something that has already been apparent with the AALS for many years.

Founding Father Sam Nujoma repeated a widely-held insight in an interview in 2012 when he accused the white farming community of sabotaging Government's land reform programme by demanding excessively high prices for commercial farmland[33]. This chapter has briefly documented the legal channels white farmers have used against Government which only serves to confirm the belief by many that old attitudes are still very much alive. Yet, given the high stakes involved, it is perhaps not surprising that Government has been challenged in the courts over key issues. In some cases, Government has won whilst in others it has lost. If nothing else, this speaks highly for the independence of Namibia's judiciary.

In the debate about commercial land reform, little thought is given to the question of what kind of commercial farming is most likely to be successful in Namibia. Policymakers appear to give little attention to what kind of commercial farming industry Namibia wants to create in the longer-term. Much of Namibia's traditional commercial farming sector has given way to more imaginative ways of making money including tourism and game farming. There is little doubt that if the NRP continues at the current pace or is accelerated, the nature of commercial farming in Namibia will change drastically. While communal land in the north is currently being fenced off and effectively privatised outside any policy framework, commercial land appears to be heading towards more communal type farming with several resettled families scraping a living in areas that are badly defined with no useful property rights. Yet the pressure for further land redistribution, whilst economically questionable, is likely to increase further as long as other employment opportunities remain scarce.

[33] See "White Farmers Sabotaged Land Reform - Nujoma", *New Era*, 10 May 2012

Useful References

Harring S and Odendaal W (2007), *No Resettlement Available: An Assessment of the Expropriation Principle and its Impact on Land Reform in Namibia, Legal Assistance Centre*

Hunter, Justine (ed.) (2004). *Who Should Own the Land?* Windhoek: Namibia Institute for Democracy.

Legal Assistance Centre (2005) *Our Land We Farm: An Analysis of the Namibian Commercial Agricultural Land Reform Process,* Land, Environment and Development (LEAD) Project, September 2005

Namibia Statistics Agency (2018) *Namibia Land Statistics Booklet*, NSA, Windhoek

Office of the Prime Minister (1991), *National Conference on Land Reform and the Land Question: Consensus Document*, OPM, Windhoek

Republic of Namibia (2001), *National Resettlement Policy*, Ministry of Lands, Resettlement and Rehabilitation, Windhoek.

Republic of Namibia (various years) *Estimate of Revenue and Expenditure*, Ministry of Finance, Windhoek

Sherbourne, Robin (2003) *A Rich Man's Hobby*, IPPR Opinion No. 11, Windhoek

Werner, Wolfgang and Vigne, Piers (2000) *Resettlement Co-operatives in Namibia: Past and Future*, NEPRU, Windhoek

Annex

ANNEX 21.1

Budget Transfers to Affirmative Action Loan Scheme (Vote 20 Main Division 07) - N$m

	'96/97	'97/98	'98/99	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07
AALS											
Budgeted	3.5	0	8.2	15.7	10.9	15	15	13.2	26.2	28.1	50.0*
Actual	3.8	7.0	8.2	21.1	22.7	15.0	15.0	13.2	40.7	28.1	50.0
AALS arrears	0	0	0	0	0	0	0	0	0	37.5	15.6

*allocation includes National Agricultural Credit Programme and Labourers Housing as well as AALS

Source: Budget Documents

ANNEX 21.2

Affirmative Action Loans granted by Agribank (1992-2020)

Year	Number of Loans	Total Hectares	Amount Granted	Average cost per Hectare	% Amount Granted
1992	19	99,156	7,629,120	76.94	1%
1993	9	58,465	3,149,900	53.88	0%
1994	5	39,408	2,694,500	68.38	0%
1995	11	75,063	3,809,300	50.75	0%
1996	16	106,932	6,641,800	64.9	1%
1997	21	116,892	11,821,589	100.23	2%
1998	56	332,480	43,536,000	130.94	6%
1999	48	270,682	34,095,500	125.96	4%
2000	63	326,205	52,400,020	160.64	7%
2001	49	274,090	45,183,800	164.23	6%
2002	76	404,770	87,515,200	215.73	11%
2003	118	601,377	176,316,170	293.19	23%
2004	62	311,496	99,530,900	319.53	13%
2005	10	42,234	14,527,000	374.38	2%
2006	9	34,892	12,260,700	344.67	2%
2007	22	82,537	37,734,422	455.97	5%
2008	10	44,100	18,117,465	410.83	2%
2009	8	30,197	14,627,550	468.42	2%
2010	10	47,084	20,818,947	442.16	3%
2011	5	22,674	9,811,400	432.71	1%
2012	6	17,901	12,243,675	683.98	2%
2013	7	29,510	31,820,300	1,078.29	4%
2014	3	24,866	14,715,132	591.79	2%
2015	1	2,134	2,335,130	1,094.14	0%
2016	3	7,562	6,661,420	880.94	1%
2017	0	-	-	-	0%
2018	1	4,663	7,457,000	-	1%
2019	0	-	-	-	0%
2020	0	-	-	-	0%
Total	**648**	**3,407,369**	**777,453,939**		**100%**

Source: Agribank

'07/08	'08/09	'09/10	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20
48.3*	50.0*	50.0*	50.0*	50.0*	50.0*	45.5	26.0	33.4	24.4	5.0	5.1	0
48.3	n/a	n/a	n/a	n/a	20.0	19.6	22.2	15.2	16.3	5.0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0

ANNEX 21.3

Affirmative Action Loans granted by Agribank by Region (1992-2020)

	Number of Loans	Total Hectares	Amount Granted	Average cost per Hectare	% Amount Granted
"No region indicated"	2	5,000	2,351,900	470.4	0%
Erongo	18	113,290	19,518,903	172.29	3%
Khomas	20	98,412	26,876,700	280.33	3%
Karas	50	460,462	27,898,542	59.54	4%
Hardap	55	415,838	55,417,309	133.27	7%
Kunene	101	502,636	105,464,389	202.39	14%
Oshikoto	89	406,796	98,283,820	241.6	13%
Omaheke	125	572,942	174,110,207	293.26	22%
Otjozondjupa	188	831,992	267,532,169	320.16	34%
Total	**648**	**3,407,369**	**777,453,939**	**-**	**100%**

Source: Agribank

ANNEX 21.4

Total Land Tax Collected from 2004/5 until 2017/18

Financial Year	Actual Collection (N$)
2004-05	3,689,351.18
2005-06	24,791,783.29
2006-07	28,921,225.83
2007-08	27,154,589.95
2008-09	38,162,866.42
2009-10	38,162,866.42
2010-11	37,223,136.33
2011-12	36,800,000.00
2012-13	22,307,003.29
2013-14	19,858,453.00
2014-15	19,858,453.00
2015-16	19,858,453.00
2016-17	20,828,627.00
2017-18	12,427,047.00
Total	**350,043,855.71**

Source: Ministry of Lands and Resettlement, Directorate of Planning, Research Training and Information Services, March 2015, "Progress Report on Capital/Development Projects: 1990-2015, plus "Land Tax and Valuation System – Case Study of Namibia, Presentation for the Second National Land Conference from 1 to 5 October 2018

ANNEX 21.5

Budgeted and Actual Expenditure on Land Purchases (N$m)

	'96/97	'97/98	'98/99	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07
Resettlement* **											
Budgeted	18.95	20	20	20	20	20	20	44.75	50	50	50
Actual	18.71	12.36	11.41	3.88	19.76	25.16	20	3.9	50	50	50
LADF											
Balance	-	-	-	-	-	-	-	11.9	34.8	81.1	103.6
Receipt	-	-	-	-	-	-	-	29	54.4	55.5	83.3
Expenditure	-	-	-	-	-	-	-	5.5	8.2	33.1	75.8
Balance	-	-	-	-	-	-	-	34.8	81.1	103.6	111.6

ANNEX 21.6

Key Indicators of the National Resettlement Policy

	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06	'06/07	'07/08	'08/09
Farms offered	441	148	118	135	371	256	237	146	195	185
Farms waived	-	-	-	-	269	193	99	89	137	184
Farms bought	-	-	-	-	11	10	21	47	18	3
Hectares bought	-	-	-	-	114,805	54,011	174,923	327,585	107,612	1,537
Cost (N$m)	-	-	-	-	15.6	7.5	23.3	71.6	81.7	1.9
Number of resettled families	-	-	-	-	46	4	44	104	175	54

ANNEX 21.7

Distribution of National Resettlement Farms by Region to June 2018

Region/Place	Number of Farms	Total Farm Land (Ha)	Total Beneficiaries Resettled	Average Beneficiaries per Farm	Average Area size (Ha) per Beneficiaries
//Kharas	95	927,367	218	2	4254
Hardap	91	689,445	371	4	1858
Omaheke	88	462,220	1443	16	320
Otjozondjupa	60	282,549	467	88	605
Erongo	25	211,067	90	4	2345
Farms under the Division of the Marginalised Community	22	116,607	864	39	135
Oshikoto	17	64,558	1494	88	43
Kunene	16	93,194	194	12	480
Queen Sofia Resettlement Project	15	88,669	89	6	996
Khomas	14	86,283	122	9	707
Total	**443**	**3,021,960**	**5352**		**11745**

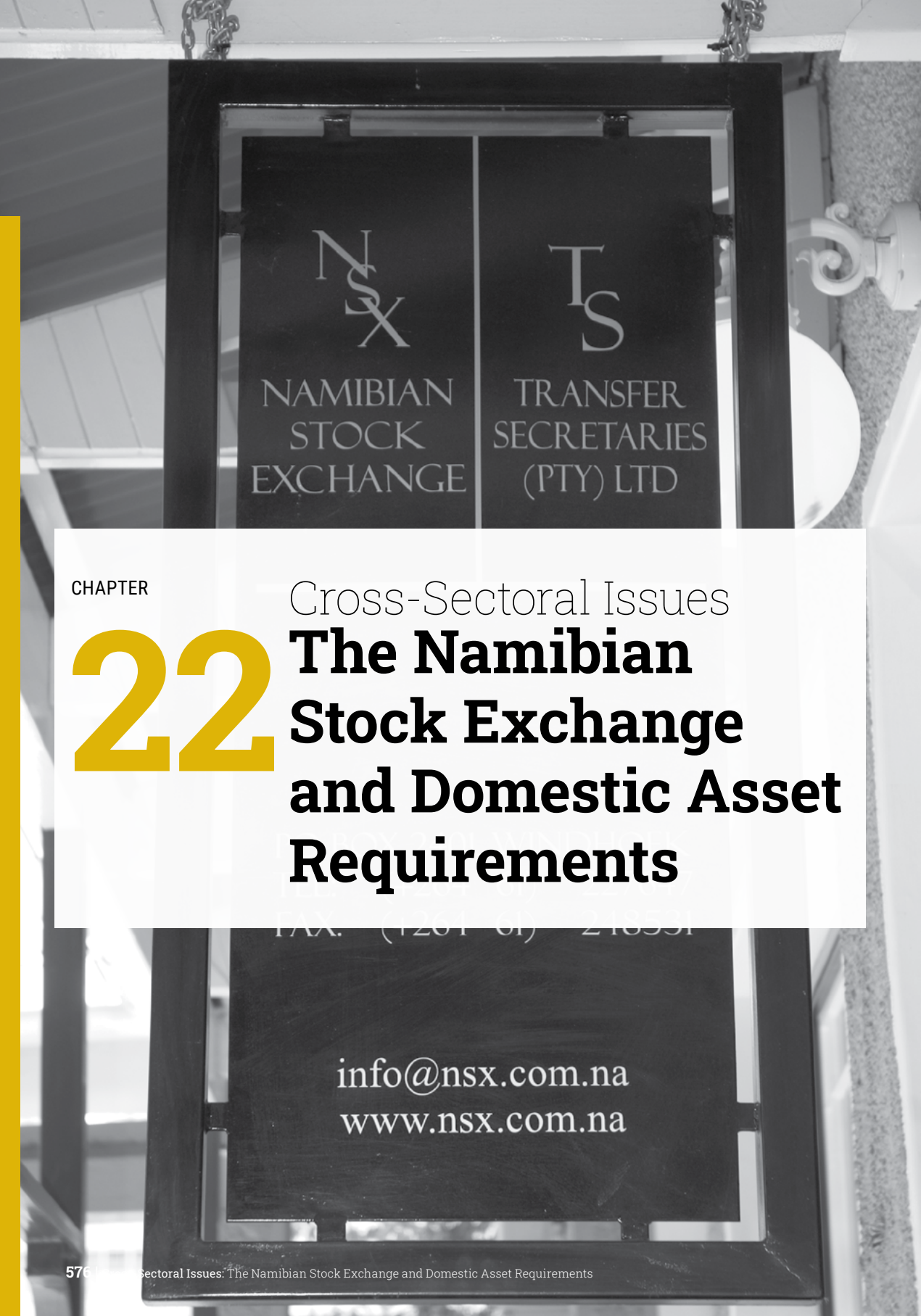
Source: NSA:

'07/08	'08/09	'09/10	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20
50	50	50	50	50	50	101.7	370	807	327	200	0	200
50	50	50	50	n/a	91.2	n/a	n/a	n/a	0	221.485		
111.6	-	-	-	-	-	-	-	-	-	-	-	-
86.5	-	-	-	-	-	-	-	-	-	-	-	-
88.9	-	-	-	-	-	-	-	-	-	-	-	-
109.2	-	-	-	-	-	-	-	-	-	-	-	-

**Item 044 transfers to individuals and non-profit organisations
*** Vote 25 Main Division 5 Item 116 or 133
Source: Budget Documents

'09/10	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20
218	245	472	136	454	485	503	469	474	-	-
153	153	341	340	79	-	-	-	-	-	-
8	49	12	16	5	-	-	-	-	-	-
26,018	301,769	58,981	92,997	27,049	-	-	-	-	-	-
21.3	189.6	71.7	96.4	37.9	-	-	-	-	-	-
832	49	99	35	48	-	-	-	-	-	-

Source: MAWLR



CHAPTER

22 Cross-Sectoral Issues
The Namibian Stock Exchange and Domestic Asset Requirements

The Namibian Stock Exchange (NSX) was created to help channel more of Namibia's extraordinarily large pool of contractual savings into productive local investment. The irony is that, while many in Government and the private sector protest the usefulness of the NSX, neither party seems prepared to make much use of its services. Government cannot bring itself to privatise commercial State-Owned Enterprises (SOEs) fearing loss of control of important national assets and job losses. The local private sector can already raise the small amounts of money it requires without diluting ownership or the hassle of playing open cards with institutional investors. After almost 30 years, ten Namibian corporates have their shares listed on the NSX. Namibia's multinational companies can generally raise money more easily and more cheaply on liquid international capital markets. Nevertheless, there are signs that the NSX is starting to play a more important role within an increasingly sophisticated financial ecosystem based around the four NSX brokers: in stimulating Namibia's local bond market, providing an important focus for the activities of mining exploration companies that have set up operations in Namibia, and offering innovations to investors and corporates alike. The longer-term test of usefulness, however, remains its ability to become an attractive market to raise capital for local companies and the jury remains out on whether it can achieve this. The challenge will increase if the investment environment fails to foster higher economic growth. Meanwhile, there is a danger that investment regulations will be misused to lower the cost of borrowing for Government at the expense of institutional savers.

KEY EVENTS

YEAR | **EVENT**

1989
- GIPF created in advance of Namibian independence

1990
- Otto Herrigel appointed Minister of Finance

1991
- Gert Hanekom appointed Minister of Finance

1992
- Stock Exchanges Control Amendment Act passed by Parliament
- NSX launched on 20 September with Wikus Hanekom as sole stockbroker
- Nictus becomes first company to list on NSX

1993
- National Housing Enterprise lists first SOE bond on NSX

1994
- Domestic asset requirements phased in
- Pep Namibia becomes first local IPO

1995
- Tom Minney appointed NSX CEO
- Helmut Angula appointed Minister of Finance

1996
- GIPF Development Capital Portfolio created
- Namibia Breweries lists on NSX
- Nangolo Mbumba appointed Minister of Finance

1997
- FNB Namibia lists on NSX

1998
- Development board (DevX) created on NSX
- Government bond consolidation takes place
- Johannesburg Equity Trading (JET) trading system introduced
- Long-term Insurance Act passed by Parliament

1999
- Heiko Niedermeier appointed NSX CEO
- Johannesburg Equity Trading (JET) introduced

2000

2001
- NAMFISA Act passed
- NAMFISA established and Frans van Rensburg appointed CEO
- Stock Exchange News Service (SENS) introduced
- Share Trading Totally Electronic (STRATE) introduced
- Standard Bank Namibia lists first private sector bond

2002
- LSE trading platform SETS replaces JET
- Oryx Properties lists on main board
- Namibian stockbrokers allowed to trade on own account

2003
- John Mandy appointed NSX CEO
- GIPF freezes Development Capital Portfolio
- Sara Kuugongelwa-Amadhila appointed Minister of Finance

2004
- New Companies Act passed
- Cabinet approves changes to domestic asset requirements

2005
- NAMFISA loses battle with Legal Shield

2006
- Rainer Ritter appointed NAMFISA CEO
- Trustco lists on main board of NSX

2007
- Xemplar Energy Corporation and Forsys Metals list on development board

2008
- Changes to Regulations 15 and 28 gazetted
- Bannerman Resources and Deep Yellow list on development board
- Paladin Energy lists on main board

2009
- Trustco lists on Africa Board of the JSE
- Rainer Ritter suspended as CEO of NAMFISA
- Marenica Energy (West Australian Metals) lists on development board
- Extract Resources and Kalahari Minerals list on development board
- BIDVest Namibia lists on main board
- JSE buys Bond Exchange of South Africa

2010
- Phillip Shiimi appointed CEO of NAMFISA
- Minemakers lists on development board

2011
- Pension Fund Amendment Act passed

2012
- B2Gold lists on development board
- Eco Oil & Gas lists on development board
- Trustco moves primary listing to JSE
- B2Gold issues first Namibian Depositary Receipt on NSX

2013
- Tiaan Bazuin appointed CEO of NSX
- Bank Windhoek lists on NSX
- Government gazettes new investment regulations
- Agra becomes first unlisted company to be quoted on Over The Counter Market

2014
- New Regulations 28 and 29 come into force
- Four Commodity Exchange Traded Funds listed on NSX

2015
- Calle Schlettwein appointed Minister of Finance

2016

2017
- Nimbus Infrastructure Limited becomes first Capital Pool Company to be listed on NSX

2018
- Bank Windhoek issues first Green Bond to list on NSX
- Two new NSX brokers approved
- Government gazettes tighter domestic asset requirements Regulation 13

2019
- Second Capital Pool Company listed on NSX

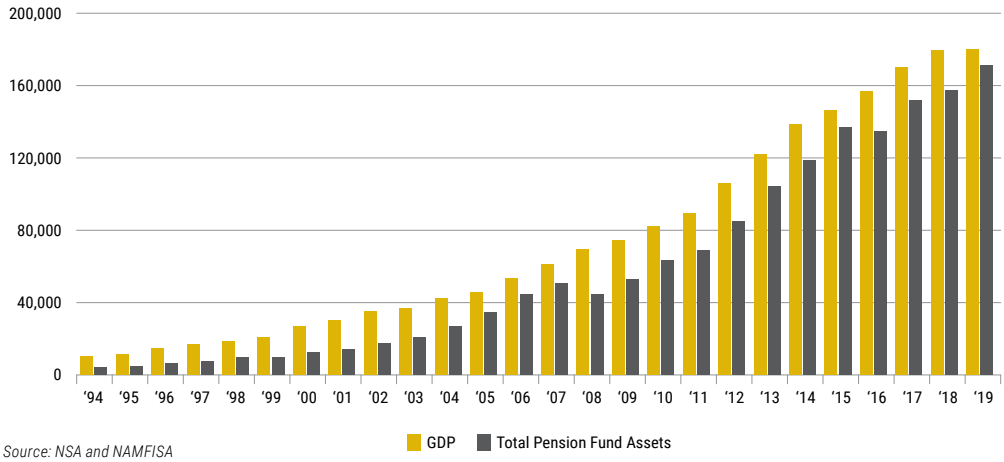
2020
- Iipumbu Shiimi appointed Minister of Finance
- Third Capital Pool Company listed on NSX without capital raising

Introduction

The development of the Namibian Stock Exchange (NSX) has proceeded hand-in-hand with the development of the country's domestic asset requirements, that is, Government regulations which oblige certain types of savings generated in Namibia to be invested in Namibian assets. Although the case for a national stock exchange can and has been made on its own merits – that a stock exchange offers Namibian businesses an alternative means of raising capital – the case for the NSX in Namibia has historically been bolstered by an additional argument. Unusually for a small, middle-income country, Namibia generates high levels of contractual savings, mainly through pension and life insurance funds but also through unit trusts. This characteristic owes its explanation in large part to the existence of the Government Institutions Pension Fund (GIPF), a fully-funded defined benefit pension fund for Namibia's extraordinarily large public sector. The GIPF was created in advance of Namibian Independence as a way of safeguarding the pensions of pre-independence civil servants from the clutches of the incoming SWAPO Government. Namibia was one of the very few developing countries to possess such an arrangement for its public sector. Already at Independence in 1990, the GIPF owned assets worth N$680 million, equivalent to 11 percent of GDP at the time. By 31 March 2020 its assets had grown in value to N$117.5 billion or some 65 percent of GDP. The growth of total pension assets and GDP is shown in the chart below.

CHART 22.1

Pension Assets and GDP (N$m)



Source: NSA and NAMFISA

This presented policy-makers with an obvious challenge: could Namibia's sizeable pool of contractual savings not be reinvested into the local economy to boost growth and job creation? It seemed the obvious thing to do. Instead of relying exclusively on Foreign Direct Investment (FDI) and foreign aid, surely Namibia should try and rely more on its own resources for its own development and reap the benefits of profitable investments along with it? As one part of this strategy, policy-makers decided it made sense to establish a stock exchange which would serve as a channel for these savings back into the local economy to boost productive investment. For much of the time since Independence, the story of the NSX and the regulations that underpin it has been the story of how to encourage more of Namibia's ample institutional savings back into the local economy. It has proven far from straightforward.

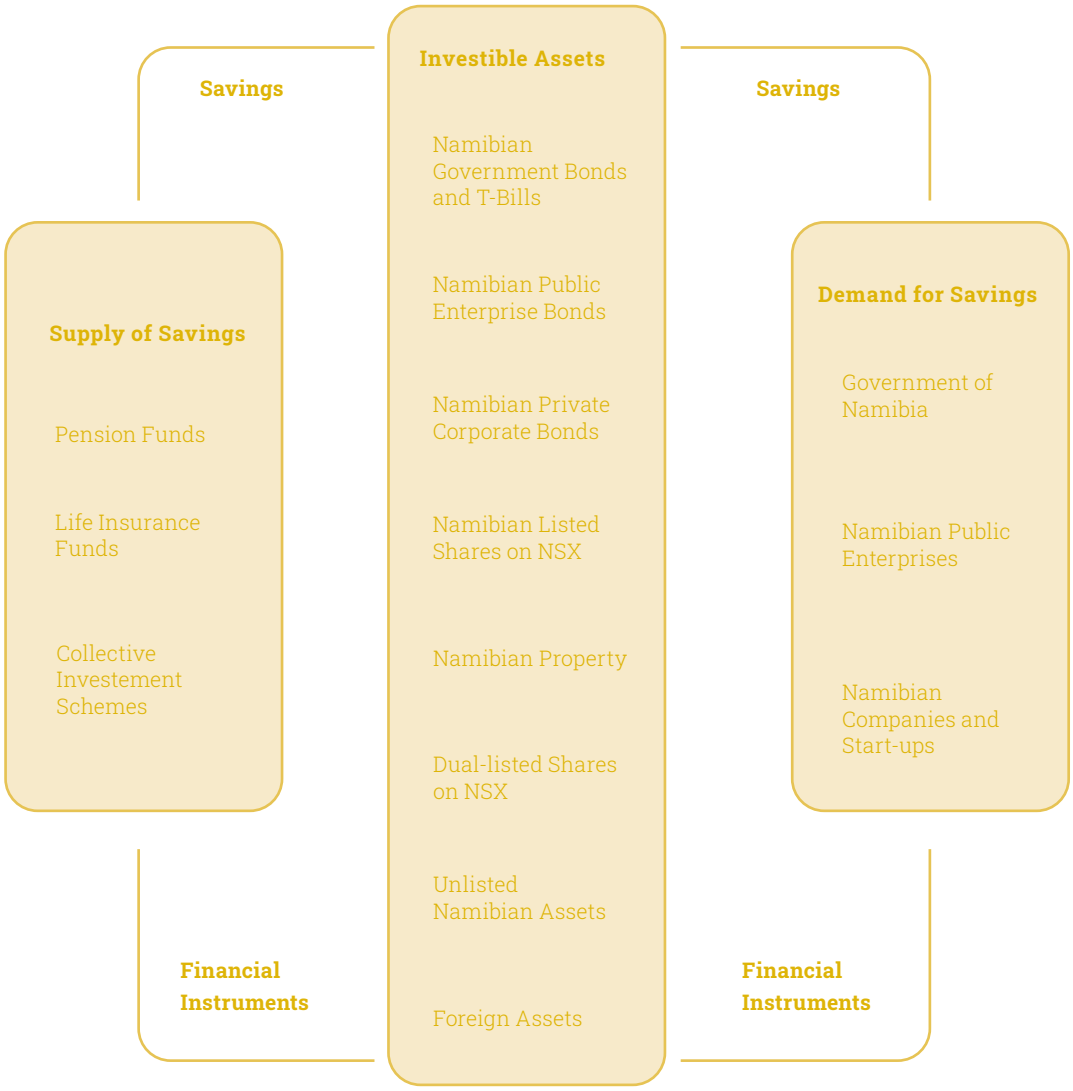
The NSX, brainchild of "the two Hanekoms" (Wikus the stockbroker and Gert the Minister of Finance – they were not related), was established in 1992 with the passing of the Namibian Stock Exchange Act[1] and with starting capital from donations of N$10,000 from each of 43 leading Namibian companies. It was a not-for-profit association governed by an elected executive committee. The following two years saw four companies dual-list their shares on the nascent exchange. Dual-listing meant their shares could be traded on the NSX as well as the exchange where they had their primary listings, the Johannesburg Securities Exchange (JSE). They did not raise capital by listing.

In 1994 the Government of Namibia brought in regulations under the Pension Funds Act and the Long-term Insurance Act, the aim of which was to stipulate by law that a share of these contractual savings was to be invested in Namibia. Regulations 28 and 34 obliged pension and life insurance funds to increase the proportion of the Namibian assets they invested in from ten percent on 30 June 1994 to 35 percent by 30 June 1995. These domestic asset requirements also stipulated that shares listed on the NSX – including those of companies incorporated outside Namibia (dual-listed shares) – could be regarded as Namibian assets if they were acquired on the NSX.

[1] Stock Exchanges Control Amendment Act 1992 (Act No. 26 of 1992)

DIAGRAM 22.1

Supply of and Demand for Institutional Savings



The introduction of these domestic asset requirements greatly accelerated the development of the NSX. The number of local companies listed increased. The number of dual-listed South African companies increased. The total market capitalisation – the number of shares in issue multiplied by the share price – increased. The volume and value of trading as well as the number of deals on the NSX increased.

The DevX

For any corporate listing on the NSX main board, a satisfactory three-year audited profit history with the latest year's pre-tax profits being at least NAD500,000, a minimum free float of 20 percent and at least 150 public shareholders are required. The Development Board (or DevX) was established in 1998 with less stringent listing requirements in order to specifically encourage listings of early development companies. The DevX requires only a business plan and a ten percent free float.

TABLE 22.1
NSX Listing Requirements – Main Board and DevX Compared

	Main Board	DevX
Subscribed capital	NAD 1,000,000	NAD 1,000,000
Number of shares in issue	1,000,000	1,000,000
Satisfactory audited profit history	Preceding three financial years	Business plan only
Audited profit before tax in last financial year	NAD 500,000	n/a
Percentage of securities held by members of the public	20%	10%
Number of public shareholders for equity shareholders	150	25
Number of public shareholders for preference shares	15	15
Number of public shareholders for debentures	5	5

With the full support of the Bank of Namibia, Namibian investors can buy into exploration companies operating in Namibia that are primary listed in Toronto, Sydney and the Alternative Investment Market (AIM) in London. Dual-listing on the NSX helps raise the profile of these companies in Namibia and ensure more information about their operations are available to Namibian investors and policymakers as well as the general public. DevX-listed companies are not included in the NSX Overall or Local Indices.

Asset Managers

With the growth of the NSX came the parallel development of the surrounding asset management and stockbroking industry. Asset management companies invest funds entrusted to them according to mandates determined by the owners of the funds which may be pension, life insurance or other funds. Stockbrokers make recommendations on which stocks to buy and sell and execute the trades asset managers decide to make.

Prior to 1994 Namibia's contractual savings were managed by asset management companies in South Africa and invested in shares listed on the JSE, and in South African government and corporate bonds, property, and bank deposits in South Africa while up to ten percent could be invested outside of the Common Monetary Area (CMA). Further regulations[2] enacted by Government led to the creation of an asset management industry located in Namibia (but still dominated by South African companies) which obliged Namibian pension and life insurance funds to use Namibian-registered asset management companies to manage their assets. These companies were regulated by the Directorate of Financial Institutions Supervision in the Ministry of Finance. From the beginning, the prime motive of asset managers for establishing an operation in Namibia has been to win a portion of the lucrative GIPF assets which have historically made up by far the largest portion of pension assets in Namibia. According to NAMFISA[3], by the end of 2019 some 23 investment managers were registered in Namibia of which ten were dormant. Out of these asset management companies, only Namibia Asset Management is itself listed on the NSX although some of the parent companies of the South African asset management companies are dual-listed on the NSX.

TABLE 22.2
Asset Managers Registered with NAMFISA (March 2020)

1 Addesus Investments (Pty) Ltd
2 Allan Gray Namibia (Pty) Ltd
3 Arysteq Asset Management (Pty) Ltd
4 Ashburton Fund Managers Namibia (Pty) Ltd
5 Capricorn Asset Management (Pty) Ltd
6 Catalyst Investment Managers (Pty) Ltd
7 EAU Rouge Investment Managers (Pty) Ltd
8 FFO Securities Namibia (Pty) Ltd
9 First Capital Treasury Solutions (Pty) Ltd
10 Hangala Prescient Investment Management (Pty) Ltd
11 Investec Asset Management Namibia (Pty) Ltd
12 Investment Solutions (Namibia) Ltd
13 Hangala Prescient Investment Management (Pty) Ltd
14 Investec Asset Management Namibia (Pty) Ltd
15 Investment Solutions (Namibia) Ltd
16 PointBreak Equity (Pty) Ltd
17 Prudential Portfolio Managers Namibia (Pty) Ltd
18 Sanlam Investment Management (Namibia) (Pty) Ltd
19 Sovereign Asset Management (Pty) Ltd
20 Stanlib Namibia (Pty) Ltd
21 Stimulus Private Equity (Pty) Ltd
22 Tulive Capital (Pty) Ltd
23 ZAQ Asset Management (Pty) Ltd

Source: NAMFISA

[2] Circular No.5 of the Stock Exchanges Control Act 1985
[3] NAMFISA Annual Report 2019

For regulatory purposes asset managers are obliged to divide their pension and life insurance portfolios into a Namibian portfolio, a CMA portfolio and an offshore portfolio (outside the CMA). The limit on what asset managers could invest outside the CMA rose from ten percent before 1994 to 30 percent in 2008[4]. An additional 5 percent allowance was introduced for investments in Africa outside the CMA.

Stockbrokers

Asset managers rely on stockbrokers both for research and advice about which shares and bonds to buy and sell and also for the execution of trades in shares and bonds as they constantly optimise their portfolios to improve returns. The development of the NSX and the asset management industry also led to the growth of the Namibian stockbroking industry from just a single broker in 1992 (HSBC Simpson McKie run by Wikus Hanekom) to as many as six by 1999. HSBC pulled out of Namibia in 2004, selling its private client book to Investment House Namibia. Investment House Namibia (IHN) headed by Brian van Rensburg arose out of the old ABN Amro Securities in 2002. IHN became fully part of South Africa's PSG Konsult in October 2012. Namibia Equity Brokers (NEB) was created by the late Wilfried Moroff out of Nedcor Securities in 2003 and was 50 percent owned by Servo Investments (owned by Frank Fredericks and Sidney Martin). After Moroff's death in 2008, NEB was headed by Madelein Smith and Alfred Kamupingene who also owned a share in the business. NEB ended up changing its name in 2018 to Cirrus Capital. Simonis Storm Securities (SSS) was created in 2002 by Jean Simonis and Hendrik Lombard (formerly of Lexus Securities with Colin van Zyl). IJG Securities was created in 1996 by Jolyon Irwin and Mervyn Greene and was sold to a group of investors headed by Mark Späth in 2005. At the end of 2009 IJG announced it had reached a partnership deal with African Alliance, an Africa-wide private equity specialist, but this arrangement ended in 2012 while Herbert Maier and James Hill came in as private investors. IJG was also appointed as a primary dealer in Government securities by the Bank of Namibia. Cirrus Capital was launched in February 2017 and Cirrus Securities became a registered stockbroker in September 2018. All registered brokers have agreements with associates in South Africa and also offer a wide range of services as well as stockbroking.

The development of the Namibian broking industry has also been underpinned by regulation[5]. Namibian asset managers are obliged to buy and sell all the shares in their Namibian portfolios through Namibian stockbrokers. The broking fees charged by Namibian brokers for buying and selling shares listed on the NSX follow a sliding scale determined by the NSX. Brokers supplement this with income from fees charged for acting as sponsoring brokers to companies listing on the NSX and from other activities they undertake through money market, private equity dealings and wealth management services. Since 2002 they have also been permitted to trade on their own account under certain conditions.

Namibian brokers also facilitate trading on the JSE and other exchanges. The broking fees charged for trading shares on the JSE is subject to negotiation between the asset manager and whichever South African broker is being used. Trade on the JSE by Namibian portfolios generates income for Namibian brokers according to individual agreements negotiated between the Namibian broker and the South African broker.

In theory, asset managers are supposed to reward stockbrokers for good service and advice by placing orders through them. However, some asset managers have a policy of trying to spread risk by using all brokers. Performance is measured by the quality of research and advice brokers produce, the effectiveness of their back offices, and their ability to broker favourable deals. Namibian stockbrokers have varied considerably in the quantity and quality of local research they produce. Cirrus Securities is particularly prolific in terms of research output.

[4] See Exchange Control No.BON 08/05, 1 September 2008
[5] Circular No.5 of the Stock Exchanges Control Act 1985

TABLE 22.3
Namibian Stockbrokers as at 31 December 2020

Broker	MD	Activities	Status
Cirrus Securities	Rome Mostert	• Stockbroking • Research • Capital raising • Financial consulting	Independent
IJG Securities	Mark Späth	• Stockbroking • Private equity • Advisory • Wealth management • Primary dealer in Government securities	Independent
PSG Wealth Management	Brian van Rensburg	• Stockbroking • Commercial and personal insurance advice • Wealth fiduciary planning • Wealth management • Wealth planning	Windhoek office of PSG
Simonis Storm Securities	Bruce Hansen	• Stockbroking • Wealth management • Money market • Portfolio management • Capital/debt raising • Corporate finance • Treasury services • Company valuations	Independent

Source: NSX and Stockbrokers

NAMFISA

The dramatic growth in Namibia's stock exchange, asset management and stockbroking industry witnessed during the 1990s led policy-makers to conclude there was a need for more effective regulation. During that entire period Namibia's non-banking financial sector had been overseen by the overstretched Directorate of Financial Institutions Supervision in the Ministry of Finance (banking supervision has always been the responsibility of the Bank of Namibia). Rather than give the responsibility to the central bank (the Bank of Namibia), Government decided to create a separate regulator and in 2001 Parliament passed the Act creating the Namibia Financial Institutions Supervisory Authority (NAMFISA)[6] financed by levies imposed on the non-banking financial sector rather than through general taxation.

[6] Namibia Financial Institutions Supervisory Authority Act 2001 (Act No. 3 of 2001)

Since then, NAMFISA has grown massively in resources from N$9 million in 2003 to N$217 million in year to 31 March 2020 employing 172 permanent and temporary staff[7]. Despite this, the institution has come under fire at times for being both ineffective (in the case of the Avid and SSC scandal[8]) and misguided (in the case of Legal Shield which was mistakenly placed under curatorship[9]). Following the resignation of its first CEO Frans van Rensburg in 2006, his successor Rainer Ritter started focusing on implementing a new strategic plan for the institution with assistance from the IMF, the World Bank and other donors. However, Ritter too ran into trouble and ended up being suspended by the NAMFISA board in March 2009 for maladministration among other charges. Ritter claimed to have uncovered significant irregularities within the organisation. It was well known that his relationship with the Minister of Finance had all but broken down. Ritter ended up agreeing a settlement with NAMFISA but this was rejected by the Minister who instructed the board to continue with disciplinary proceedings. Ritter resorted to suing NAMFISA for breach of contract and ended up winning compensation in a second round of court procedures after appeals from NAMFISA against the High Court's first ruling in what seemed to become a highly personal dispute with the Minister of Finance[10]. While the case dragged on, NAMFISA ended up replacing Ritter with Philip Shiimi in 2010 who proceeded to implement a new strategy. Tragically, the likeable Shiimi died in a road accident in September 2015. Shiimi's Assistant CEO, Kenneth Matomola was appointed CEO in August 2016 for a five-year term.

Government and Corporate Bonds

Whilst initial public offerings (IPOs) are used by companies to raise capital and broaden corporate ownership, bonds are commonly used throughout the world as a way for governments and corporate entities to raise money. Namibia's first Government bond was issued in 1992. The first State-Owned Enterprise (SOE) bond was issued by the National Housing Enterprise in 1993 and this was followed in later years by Agribank, Air Namibia, the Road Fund Administration, NamPower, and Telecom Namibia. The first private sector bond was issued by Standard Bank in 2001 which was followed by Bank Windhoek and FNB Namibia. The secondary market in bonds – government, parastatal and private – picked up in the years following the Government's bond consolidation in 1998. Trading in bonds has been entirely Over the Counter (OTC) – that is to say trades are not offered on the trading system of the NSX – but secondary trades are reported to the NSX. A dedicated website[11] used to provide market information on secondary trades and the NSX is consulting with the market on the implementation of a dedicated trading system. By the end of 2020, 20 Government bonds were in issue, the longest dated being the GC50 maturing in 2050. Since 2015 Government has been issuing inflation-linked bonds (GI) in addition to normal bonds (GC). In addition Government had issued two Eurobonds: Eurobond1raising US$500 million maturing in 2021 and Eurobond2 raising US$750 million maturing in 2025. These trade on the Eurobond exchange in Europe. There is also a N$850 million ZAR-denominated bond maturing in 2022 which is traded on the Bond Exchange of South Africa (BESA). Bank Windhoek listed the first Green Bond in December 2018 raising N$66 million on a private placement basis for investment in renewable energy and energy efficiency projects. At the end of 2020 52 corporate bonds listed on the NSX were listed on the NSX of which the NamPower bonds were also listed on BESA. Since June 2009, BESA has been part of the JSE.

[7] See NAMFISA Annual Report 2020
[8] See "Cabinet Pushes for an Amendment to NAMFISA's Act", *The Namibia Economist*, 24 November 2006
[9] See "NAMFISA Suspends its CEO", *The Namibian*, 2 September 2005
[10] See "Ritter Scores Second Win Against NAMFISA", *The Namibian*, 27 October 2010
[11] www.nambonds.com

TABLE 22.4

Bonds Approved by NSX (November 2020)

Government	Code	Maturity
GRN	GC21	2021
GRN	GC22	2022
GRN	GI22	2022
GRN	GC23	2023
GRN	GC24	2024
GRN	GC25	2025
GRN	GI25	2025
GRN	GC26	2026
GRN	GC27	2027
GRN	GI29	2029
GRN	GC30	2030
GRN	GC32	2032
GRN	GI33	2030
GRN	GC35	2035
GRN	GI36	2036
GRN	GC37	2037
GRN	GC40	2040
GRN	GC43	2043
GRN	GC45	2045
GRN	GC50	2050
GRN	Eurobond1	2021
GRN	ZAR bond	2022
GRN	Eurobond2	2025

Regulations 15 and 28 and Regulation 29

Towards the end of the 1990s the boom ushered in by the change in regulations had run its course and critical questions started to be asked in some quarters about whether Namibia's capital market institutions were really helping to deliver the hoped for additional investment.

For a start, genuine capital-raising by Namibian companies via a listing on the NSX had virtually ceased despite a relaxation of listing requirements and the introduction of the DevX in 1998 for companies without a profit history and a further relaxing of listing conditions by lowering the minimum proportion of shares that had to be listed to ten percent in 2002. The listing of Gendor in 1998 marked the high point of local listings and was followed only slowly by further primary listings: Oryx Properties in 2002 and Trustco in September 2006.

Not only were very few local companies coming to market but the performance of many of the companies which had listed during the boom years was lacklustre to say the least. Not only did that mean that asset managers (and indeed retail investors) burnt their fingers buying local shares, most of the companies were anyway too small to be of much interest to Namibian fund managers with billions to invest. The proportions of shares actually available to be traded on the NSX (the free float) were generally far smaller thus reducing the choice available to asset managers still further. In practice, for a long time asset managers could only realistically invest in two local companies on the NSX - Nambrew and FNB Namibia – large and liquid enough to merit attention as serious investments.

With so little selection to choose from and the value of assets under management mushrooming, liquidity in local shares remained low (since fund managers had to hold on to the good local shares they already held in order to comply with regulations) and asset managers were obliged to turn to dual-listed shares to fulfil their regulatory obligations. The NSX had always insisted that dual-listings of foreign multinational companies should be encouraged in cases where they ran local operations that would have justified a local listing. However, the harsh reality was that the incentive for asset managers to take an interest in primary listed local companies and stockbrokers to bring local companies to market had all but disappeared.

Already by 2002 many observers had reached the conclusion that the NSX had already become little more than a shadow stock exchange trading mainly shares that were primary listed elsewhere rather than serving the needs of Namibian business. The regulatory environment encouraged this trend since it was far easier for asset managers to invest in dual-listed stock to meet their regulatory requirement (since dual-listed shares qualified as Namibian assets) and brokers could make good money trading dual-listed shares without the bother of having to bring local companies to market (since asset managers were obliged to buy and sell through local brokers).

The conclusion reached by policy-makers was that regulations had to be changed to encourage asset managers to invest in real Namibian assets – local companies and unlisted companies – rather than dual-listed companies. Following research conducted by the Ministry of Finance and the Bank of Namibia, Cabinet decided to approve changes to Namibia's domestic asset requirements in July 2004[12]. Three changes were proposed:

[12] Cabinet 19th ordinary meeting held 27 July 2004

- Reducing the percentage of investment in dual-listed companies that qualifies as domestic investment to ten percent over five years;
- To prescribe to all institutional investors a five percent minimum investment in unlisted Namibian companies; and
- To introduce legislation to subject unit trust management companies to a domestic asset requirement and to withdraw the tax-free status of returns on unit trusts.

Not surprisingly, these proposals did not go down well with the NSX and Namibia's asset management and stockbroking industries since the limits on dual-listings would limit their investment universe and seriously undermine their income streams. In her 2007/08 budget speech Minister of Finance Saara Kuugongelwa-Amadhila promised to gazette these legislative changes[13]. This was finally accomplished in February 2008[14]. However, the gazetted regulations were badly drafted containing a number of ambiguities as well as changes which had not been thoroughly considered. Furthermore, the Minister of Finance was advised that forcing pension and life insurance funds to invest in a minimum (rather than a maximum) level in any asset class was beyond her powers as the law stood (*ultra vires*). The logic of the law was to provide for maximum levels of investment in different classes of assets for prudential reasons, a commonly accepted approach around the world.

To address the issue of being *ultra vires* primary legislation had to be changed. This was effected by the passing of the Pension Fund Amendment Act of 2011. Not only was a minimum threshold for unlisted investments to be introduced, but a cap on dual-listed investments was also to be brought in which would be successively lowered over time. The rationale behind the latter was that dual-listed shares had hitherto acted as an easy way of meeting domestic asset requirements[15] without investing in truly local companies. In May 2013 Government passed regulations aimed at addressing the issue of domestic asset requirements. The capping of investment in dual-listed shares had the potential to sap the life blood out of the NSX which had become almost wholly reliant on trading in dual-listed shares.

In addition a new regulation, Regulation 29 ("Regulations for Investment of Pension Fund Assets in Unlisted Investments"), was introduced to cover unlisted investments. Regulation 29 stipulated that pension funds must invest in unlisted investments through a Special Purpose Vehicle (SPV) with an approved name and that they may only invest in any Unlisted Investment Manager through a company listed on a stock exchange. An SPV must be either a public or private company (under the Companies Act 2004) or a Trust and meet a number of further conditions including having its investment plan and directors approved by NAMFISA. An SPV may issue debentures. An SPV must enter into a Management Agreement with the Unlisted Investment Manager. Part IV concerns the regulation of Unlisted Investment Managers who cannot be a trustee or principal officer of a pension fund. Section 45 required Unlisted Investment Managers to co-invest a minimum of one percent of the contributed capital of investors in any SPV. SPVs were required to report to NAMFISA every six months on a range of issues including valuations for new portfolio investments and submit audited financial statements within 180 days after the end of its financial year according to IFRS.

[13] Ministry of Finance, Budget Speech 2007/08 Paragraph 30
[14] Government Gazette No.3985
[15] See No.126 Amendment of long-term insurance regulations: Long-term Insurance Act 1998 and No. 127 Amendment of regulations for pension funds: Pension Funds Act 1956, Government Gazette No.5205, 31 May 2013

REGULATION 13

Despite the enactment of revised Regulations 15 and 28 as well as Regulation 29, policy-makers recognised further improvements and clarifications were necessary and ended up pushing through a new amendment to Pension Fund regulations in August 2018 which have been come to be known as Regulation 13[16].

Limits relating to assets in which registered fund may invest

> *13. (1) Subject to subregulation (5), (6), (7), (9), (10), (11) and (13) reregulation 12, afund may only invest in assets set out in Column 2 of Annexure A and only to the extent set out in Column 3 of that Annexure in respect of such asset, but –*
>
> *The aggregate of the market value of investments in assets referred to in items 6 and 7 in Column 2 of that Annexure, expressed as a percentage, may not exceed 90 per cent of the market value of the total assets of the fund;*
> *The aggregate of the market value of investments in assets referred to in items 6, 7, 8 and 9 in Column 2 of that Annexure, expressed as a percentage, may not exceed 95 per cent of the market value of the total assets of the fund.*
>
> *(2) Despite subregulation (1), and without prejudice to subregulations (9) and (11) and Annexure 1, a fund must keep invested in domestic assets, at all times after the following dates, not less than the following percentages of the market value of its total assets –*
>
> *(a) 31 August 2018, not less than 40%;*
>
> *(b) 30 November 2018, not less than 42.5%; and*
>
> *(c) 31 March 2019, not less than 45%.*
>
> *(3) In the application of this regulation with regard to domestic assets of a fund, domestic assets consisting of shares acquired in a company incorporated outside Namibia may not exceed - 30 per cent of the market value of its total assets from 1 January 2014;*

25 per cent of the market value of its total assets from 1 January 2015;

20 per cent of the market value of its total assets from 1 January 2016;

15 per cent of the market value of its total assets from 1 January 2017; or

10 per cent of the market value of its total assets from 1 January 2018.

(4) Assets consisting of shares in a company incorporated outside Namibia in excess of the limit set out in subregulation (3), acquired on a stock exchange licensed under the Stock Exchanges Control Act, are regarded as foreign assets.

(5) Despite subregulation (1), a fund must invest in unlisted investments a minimum of 1.75 per cent of the market value of its total assets in accordance with Part 8, but unlisted investments may cumulatively not exceed 3.5 per cent of the market value of the total assets of a fund.

A similar regulation was enacted to cover long-term insurance funds and further regulations were brought in for medical aid funds[17]. The regulations also provided limits on how much investment managers could invest in particular asset classes. The overall effect of the regulation was to reinforce the clear signal that asset managers should move away from dual-listed shares to meet their domestic asset requirements.

According to NAMFISA, pension funds invested in the following combination of assets at the end of 2019 but had not met the Regulation 13 requirement that 45 percent of its assets be local assets which it puts down to the sudden depreciation of the Rand. Data is also provided separately for GIPF for 31 March 2019 which makes up about two-thirds of pension assets in Namibia. GIPF had also not succeeded in meeting the 45 percent local asset requirement.

[16] See No.211 Pension Funds Regulations: Pension Funds Act 1956, Government Gazette No.6697, 31 August 2018

[17] See No. 193 Amendment of medical aid fund regulations: Medical Aid Funds Act 1995, No.194 Amendment of short-term insurance regulations: Short-term Insurance Act 1998, No.195 Amendment of long-term insurance regulations: Long-term Insurance Act 1998, Government Gazette No.6688, 24 August 2018

TABLE 22.5

Pension Fund Investments in Assets and Geographical Allocation

Asset Class	Q4 2019	Regulation 13 limit
Credit balances	8.6%	95%
Government bonds	12.3%	95%
Public enterprise bonds	4.5%	30%
Corporate bonds	1.5%	50%
Foreign bonds	8.8%	50%
Property	4.7%	25%
Shares	54.7%	75%
Other claims	0.9%	25%
Other assets	2.9%	2.5%
Unlisted investments	1.1%	1.75% - 3.5%
Total	**100.0%**	
Geographical Allocation		
Namibia	41.0%	
CMA	23.5%	
Africa (outside CMA)	5.3%	
International	30.2%	
Total	**100.0%**	

Source: NAMFISA Annual Report 2020

TABLE 22.6

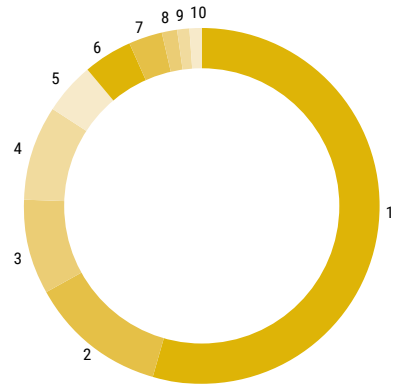
GIPF Investments in Assets and Geographical Allocation

GIPF (N$117.5bn)	31 March 2019
Equities	48.9%
Fixed income	21.8%
Collective investment schemes	12.7%
Private equity	8.2%
Derivatives	5.4%
Cash and deposits	2.5%
Loans and net receivables	0.4%
Plant and equipment	0.1%
Total	**100.0%**
Namibia	38%
CMA	26%
Africa	6%
International	30%
Total	**100%**

Source: GIPF Annual Report 2019/20

CHART 22.2

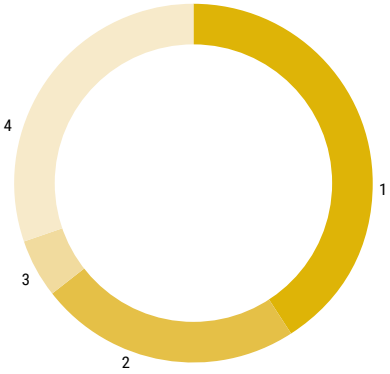
Asset Allocation of Pension Funds (Q4 2019)



1. Shares
2. Government Bonds
3. Foreign Bonds
4. Credit Balances
5. Property
6. Public Enterprise Bonds
7. Other Assets
8. Corporate Bonds
9. Unlisted Investments
10. Other Claims

CHART 22.3

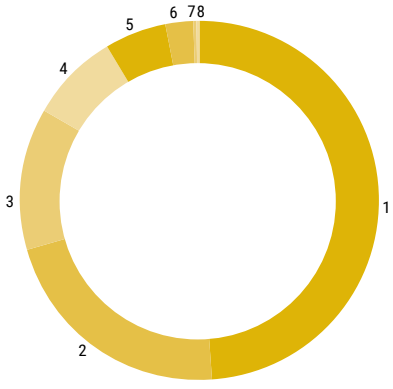
Asset Allocation by Geographical Area (Q4 2019)



1. Namibia
2. CMA
3. Arica (outside CMA)
4. International

CHART 22.4

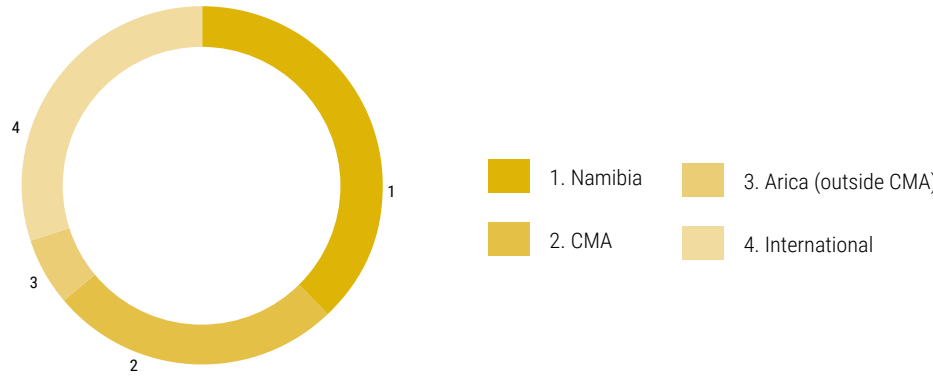
Asset Allocation by GIPF (31 March 2019)



1. Equities
2. Fixeed Income
3. Collective Investment Schemes
4. Private Equity
5. Derivatives
6. Cash and Deposits
7. Loans and Net Recieved
8. Plant and equipment

CHART 22.5

Asset Allocation by GIPF by Geographical Area (31 March 2019)



Further Developments at the NSX

By the time the NSX appointed a new CEO Tiaan Bazuin in January 2013, it was already becoming clear that the exchange could no longer rely on dual-listed shares as its main reason for existence and the NSX embarked on a series of innovations designed to complement the increasingly sophisticated financial ecosystem that had started to develop in Namibia, primarily but not exclusively around the stockbroking industry.

In February 2013 Agra became the first unlisted company to be quoted on the NSX Over-The-Counter (OTC) market. In 2014 four commodity Exchange Traded Funds (ETFs) listed on the NSX covering gold, platinum and palladium. ETFs are listed funds designed to mirror the performance of a group of common underlying shares. In 2017 the first Capital Pool Company – Nimbus Infrastructure listed on the DevX raising N$102 million. A capital pool company is a listed investment vehicle with capital to invest in high-growth ventures. A year later following share acquisition and a share swap, Nimbus became Paratus Namibia listed on the main board of the NSX. In 2018 Bank Windhoek issued its first Green bond to raise capital for on-lending to a range of green projects including renewable energy projects. In 2019 the first ETF was listed. These innovations were complemented by further local listings: Bank Windhoek in 2013 and Standard Bank Namibia in 2019. The listing of MTC - the first listing of a Government-owned entity - was initially planned for August 2020 but was postponed with Minister Shiimi stating in his budget speech in March 2021 that this would go ahead "later in the year". After a slow start, in 2007 for the first time, two mining exploration companies Xemplar and Forsys Metals dual-listed on the DevX. These were quickly followed by other mining exploration companies: Deep Yellow and Bannerman Resources in 2008; West Australian Metals (later Marenica Energy), Kalahari Minerals, and Extract Resources in 2009; Minemakers in 2010; B2Gold and Namibia's first oil and gas listing Eco Oil & Gas in 2012; Celsius Resources in 2018; and Alpha Namibia Industries Renewable Power (Anirep) in 2019 which was also a CPC in the renewable energy space. By the end of 2020, a total of four dual-listed uranium companies, one cobalt company, and one Capital Pool Company (Anirep) were listed on the DevX. As the NSX approached its 30th anniversary, it had the listings shown in the table. In recent years, dual-listings have all but dried up. The table shows all listings on the NSX at the end of 2020.

TABLE 22.7

Listings on NSX as at 31 December 2020 (Excluding Bonds)

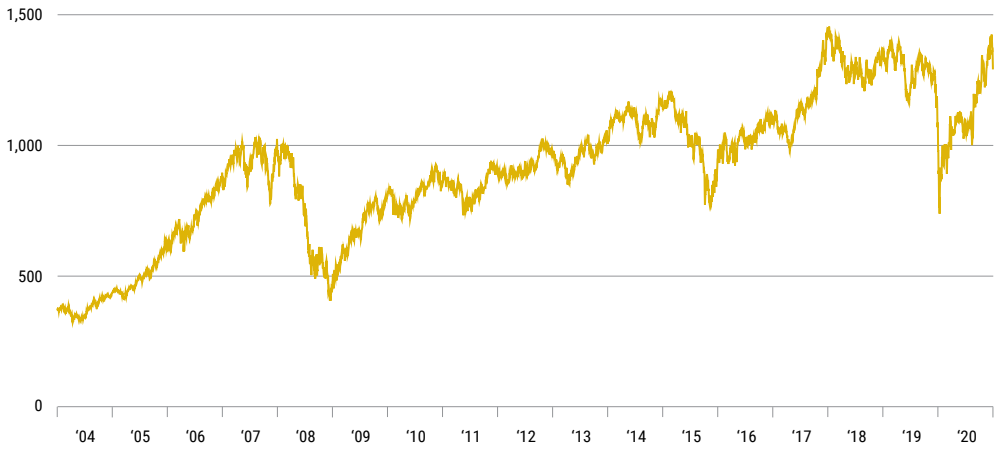
		Code	Primary Listing	NSX Listing	Year of Listing
	Namibia				
1	Namibia Breweries	NBS	NSX	Main Board	1996
2	Nictus	NHL	NSX	Main Board	1992
3	Capricorn Group	CGP	NSX	Main Board	2013
4	FirstRand Namibia	FNB	NSX	Main Board	1997
5	Oryx Properties	ORY	NSX	Main Board	2002
6	Letshego Holdings (Namibia)	LHN	NSX	Main Board	2017
7	Namibia Asset Management	NAM	NSX	Main Board	2003
8	Stimulus Investments	SILP	NSX	Main Board	2004
9	Paratus Namibia	PNH	NSX	Main Board	2018
10	Standard Bank Namibia Holdings	SNO	NSX	Main Board	2019
	Capital Pool Companies	**Namibia**			
1	Mcube Investments One	MQA	NSX	DevX	2020
2	Omajowa Properties	OMJ	NSX	DevX	2020
	Alpha Namibia Industries Renewable Power	ANE	NSX	DevX	2019
		London			
1	Anglo-American	ANM	LSE	Main Board	
2	Mediclinic International	MEP	LSE	Main Board	
		South Africa			
1	Afrox	AOX	JSE	Main Board	
2	Barloworld	BWL	JSE	Main Board	
3	Oceana Group	OCG	JSE	Main Board	
4	Old Mutual	OMM	LSE	Main Board	
5	Truworths	TRW	JSE	Main Board	
6	Shoprite	SRH	JSE	Main Board	
7	FirstRand	FST	JSE	Main Board	
8	Nedbank Group	NBK	JSE	Main Board	
9	Standard Bank Group	SNB	JSE	Main Board	
10	Santam	SNM	JSE	Main Board	
11	Momentum Metropolitan Holding	MMT	JSE	Main Board	

12	Sanlam	SLA	JSE	Main Board
13	Vukile Property Fund	VKN	JSE	Main Board
14	Investec	IVD	JSE	Main Board
15	PSG Konsult	KFS	JSE	Main Board
16	Trustco Group Holdings	TUC	JSE	Main Board
	Canada			
1	B2Gold Corporation	B2G	TSX	Main Board
2	Forsys Metals	FSY	TSX	DevX
	Australia			
1	Paladin Energy	PDN	ASX	Main Board
2	Bannerman Resources	BMN	ASX	DevX
3	Celsius Resources	CER	ASX	DevX
4	Deep Yellow	DYL	ASX	DevX
5	Marenica Energy	MEY	ASX	DevX
	Mauritius			
1	Bravura Holdings	CMB	SEM	Main Board
2	Tadvest	TAD	SEM	Main Board
	ETFs			
1	1nvestPalladium ETF	ENXPLD		
2	1nvestGold ETF NM	ENXGLD		
3	1nvest Platinum ERF NM	ENXPLT		
4	New Funds S&P Namibia Bond ETF	NFNAMA		
5	New Gold Issue Ltd NM	NGNGLD		
6	New Gold Palladium ETF	NGNPLD		
7	New Gold Platinum ETF N	NGNPLT		
8	SATRIX MSCI EMG Markets NM	SXNEMG		
9	SATRIX MSCI World Feeder NM	SXNWDM		
10	SATRIX NASDAQ 100 Prtf NM	SXNNDQ		
11	SATRIX S&P 500 Feeder NM	SXN500		

The charts show the performance of the NSX Overall and Local Indices since 2004. Clearly visible from the larger and more heavily traded Overall Index are the significant dips during the Global Financial Crisis (2008-2010), the slowdown in the Namibian economy (from 2016) and the impact of Covid (2020). The NSX Local Index has clearly tailed off since the growth of the Namibian economy started to falter in 2016.

CHART 22.6

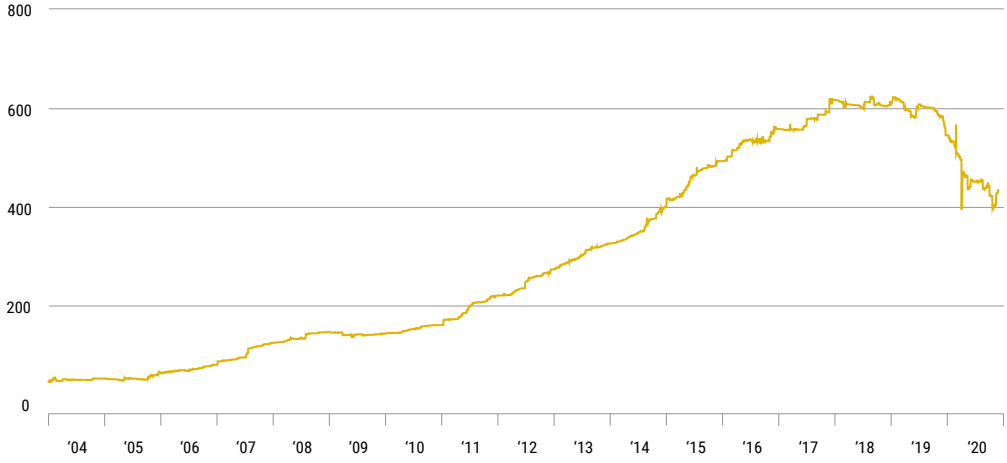
NSX Overall Index (2004-2020)



Source: NSX

CHART 22.7

NSX Local Index (2004-2020)

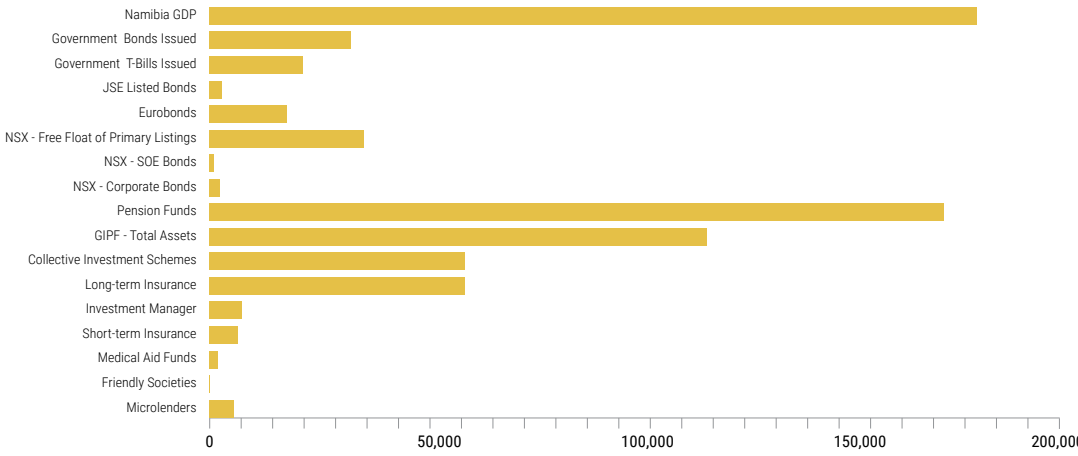


Source: NSX

The chart compares the local sources of institutional savings with the local assets available as at the end of 2019 (pre-Covid). It can be seen that the pool of savings is very much larger than the pool of local investible assets, especially NSX-listed local equities. Under such circumstances, raising local investment requirements is likely to have the effect of artificially stimulating the prices of local assets and reducing liquidity in them as investors hold on to the few local assets that exist. With so little choice available, there is a danger that investors will increasingly be forced to buy government debt to meet regulatory requirements. Whilst this is a temptation for Government, it will come at the expense of less choice and lower returns for investors.

CHART 22.8

NAMFISA Regulated Entities and Investible Assets at 31 December 2019 (N$m)



Source: NSA, NSX, NAMFISA

Conclusion

After almost 30 years, the NSX has found a role for itself as a local exchange where the shares of larger and more established Namibian companies can be traded separately from the JSE. The number of such companies is likely to be limited, especially as, after several false starts, Government has yet to come to the party in terms of partial or full privatisation of public enterprises. Furthermore, the NSX is striving to innovate and play a more active role in helping new companies raise capital and broaden ownership. This becomes harder to achieve in a situation where economic growth and corporate growth are limited. A third role it is trying to play is to offer investors new products and greater choice of assets which would not otherwise be available to them as well as facilitate bond issuance and trading. Over time, the NSX has become less dependent on stimulation through regulations and it has weaned itself off the trading of dual-listed shares. The overall outcome is that it has become an element in an increasingly sophisticated financial ecosystem which should help to play an important complementary role in the Namibian economy helping to meet corporate demand for financial services that the banks cannot or will not play.

Regulation continues to underpin the sector and place limits on what Namibia's institutional savings can be channelled into. If limits are not imposed for prudential reasons, they are always likely to end up damaging returns. Like many other governments, the temptation to force local institutional savers to buy government debt seems strong, and much easier than taking fiscally harsh medicine. Increasing domestic asset requirements will also have an impact on Namibia's balance of payments and it can already be seen elsewhere (Chapter 1: Macroeconomic Performance) that limiting the outflow of investible savings also limits the inflow of the resulting investment income generated abroad.

Paradoxically, while Government has implemented regulations to try and encourage local savings into local investment, levels of fixed investment in the economy have stagnated. It seems that while policymakers have devoted lots of attention to finding ways to force asset managers to invest in domestic assets, they have taken their eyes off the ball in terms of making Namibia an attractive place to invest. There is some irony in the fact that Namibia's outsized public service, which gives rise to the sizeable investible funds of the GIPF, has increasingly been used to purchase the Government debt needed to sustain the public service.

Useful References

"Creating a Productive Financial Sector", NEPRU Viewpoint No. 26, October 1999

"Savings and Investment in Namibia", R Sherbourne, EMERGE 2001

"The Namibian Stock Exchange and Domestic Asset Requirements: Options for the Future", Dr C Stork and R Sherbourne, IPPR Research Report No.5, March 2004

"Untapped potential? A Closer Look at Domestic Savings Outflows in Namibia", C Isaac, M Tibinyane, M Ashikoto and S Shigwedha, Ministry of Finance, August 2004

"Understanding Your Money and the Namibian Stock Exchange", R Sherbourne, Namibian Stock Exchange, 2000

Useful Websites

Bank of Namibia
www.bon.com.na

Namibian Financial Institutions Supervisory Authority
www.namfisa.com.na

Namibian Stock Exchange
www.nsx.com.na

Annex

ANNEX 22.1

Company Listings and De-listings on the NSX (1992-2020)

Year	1992	1993	1994	1995	1996
Local Listings	Nictus (NCT) Namfish (NMF) Namsea (NAS)	M+Z (MAZ) M+Z Prefs (MAZP)	African Portland Industries (API) Namibian Minerals Corporation (NMC) Ocean Diamond Mining (ODM) Pep Namibia (PNB)	Goldfields Namibia (GNM) Sentra Namibia (SRM)	CIC Holdings (CIC) Namibia Breweries (NBS)
Local De-listings					
DevX Listings					
DevX De-listings					
Other Listings	Standard Bank Group (SNB)	Mutual and Federal Insurance (MTF)	First National Bank Holdings (FNB) Genbel (GNB)	Afrox (AOX) Engen (EGN) Kolosus Holdings (KOL) Metropolitan Life (MRL) Servgro (SRG) Stocks and Stocks (STS) Stockshold (SKS	Barloworld (BWL) Fedsure Holdings (FDR) Fedsure Prefs (FDRP) McCarthy Retail (MCT)
Other De-listings				Servgro (SRG)	

Year	2003	2004	2005	2006	2007
Local Listings	Namibia Harvest Investments (NHT) renamed Namibia Asset Management (NAM)	Stimulus Investments (SMSP)		Trustco (TSO)	
Local De-listings	Pep Namibia (PNB)	African Portland Industries (API)	Namfish (NMF)		CIC Holdings (CIC) Namsea (NAS)
DevX Listings					Forsys Metals (FSY) Xemplar Energy (XEM)
DevX De-listings					
Other Listings	MICC Properties (MCO) Edcon (ECN)			Nedbank Group (NBK)	Vukile Property (VKN)
Other De-listings	Profurn (PRF)	Avis Holdings (AHG) Kolosus (KOL) Wooltru (WLT) Wooltru n (WTN)	JD Group (JDL)		Alexander Forbes (AFS) Edcon (ECN) MICC Properties (MCO)

1997	1998	1999	2000	2001	2002
First National Bank of Namibia (FNK)	Gendor Holdings (GDR) Namibia Harvest Investments (NHT)				Oryx Properties (ORY)
		Goldfields Namibia (GNM)	Ocean Diamond Mining (ODM)	M+Z (MAZ) M+Z Prefs (MAZP)	Gendor Holdings (GDR) Sentra Namibia (SRM) Namibian Minerals Corporation (NMC)
Alexander Forbes (AFS) Avis Holdings (AHG) De Beers (DBR) Investec Group (IVD) Profurn (PRF)	African Partnership (PTE) Ellerine Holdings (ELL) FirstRand Group (FST) Oceana Group (OCG) Santam (SNM) Sanlam (SLA) Wooltru (WLT) Wooltru n (WLN) Truworths (TRW)	Old Mutual Plc (OMM) Trans Hex (THX) Nedcor Investment Holdings (NIH)		Anglo American (ANM) JD Group (JDL) Metropolitan Holdings (MTD)	Shoprite Holdings (SRH)
	Engen (ENG) First National Bank Holdings (FNB)		African Partnership (PTE) McCarthy Retail (MCT) Stocks and Stocks (STS) Stockshold (SKS) De Beers (DBR)	Metropolitan Life (MRL)	

2008	2009	2010	2011	2012	2013
	BIDVest Namibia (BVN)		Stimulus Investments Pref NM (SILP)	Nictus (NHL))	Bank Windhoek Holdings (BWH)
			Stimulus Investments (SMSP)	Trustco (TSO)	
Deep Yellow (DYL) Bannerman Resources (BMN)	Marenica Energy (MEY) Kalahari Minerals (KAH) Extract Resources (EXT)	Minemakers (MMS)	Auryx Gold (AYX)	Eco Oil & Gas (EOG)	
				Kalahari Minerals (KAH) Extract Resources (EXT) Auryx Gold (AYX)	Minemakers (MMS)
Paladin Energy (PDN)				B2Gold (B2G) Trustco (TUC)	Giyani Gold Corporation (GGC)
Ellerine Holdings (ELL)		Mutual and Federal Insurance (MTF)	TransHex (THX)		

ANNEX 22.1

Company Listings and De-listings on the NSX (1992-2020)

Year	2014	2015	2016	2017	2018
Local Listings			Bank Windhoek Holdings renamed Capricorn Group Holdings (CGP)	Nimbus Infrastructure Limited (NUSP) Letshego Holdings Namibia (LHN)	Paratus Namibia Holdings (PNH/NUSP)
Local De-listings	Nictus (NCT)				
DevX Listings					Celcius Resources (CER)
DevX De-listings	Xemplar Energy (XEM)		Eco Oil & Gas (EOG)		
Other Listings	PSG Konsult (KFS) Mediclinic International Ltd (MCI) New Gold Issuer (ETF) New Gold Palladium (ETF) New Gold Platinum (ETF) AfricaPalladium Debs (ETF)	Trevo Capital (TRVP) Clover Industries (CLN) CMB International - Bravura (CMB)	Astoria Investments (ARO) Tadvest Limited (TAD) Mediclinic International Plc (MEP)		Old Mutual Limited (OMM)
Other De-listings			Mediclinic International Ltd (MCI)		Giyani Gold Corporation (GGC) Old Mutual Plc (OLM)

ANNEX 22.2

Key Financial Indicators: NAMFISA

N$m	2002*	2003	2004	2005	2006	2007	2008	2009
Revenue from exchange transactions	-	-	-	-	-	-	-	-
Income from non-exchange transactions	0	15.6	23.3	29.8	36.3	45	48.1	55.2
Investment income	0.1	0.3	1.1	1.6	2.8	4.2	7.1	10.2
Other income	0	0.1	0.1	0.8	0.1	0.1	0.1	0.3
Total expenses	1.2	9	13.7	20.8	24.1	27.6	41.3	46.3
Balance	-1.1	7	10.8	11.4	15.2	21.7	14	19.5
Staff	-	-	-	-	-	-	-	-

* 10 months to 31 March 2002
Source: NAMFISA Annual Reports

2019	2020
Standard Bank Namibia Holdings (SNO) Alpha Namibia Industries Renewable Power (ANE)	
Bidvest Namibia (BVN)	
	Mcube One Investments (MQA) Omajowa Properties (OMJ)
Satrix MSCI EMG Markets NM (SXNEMG) Satrix MSCI World Feeder NM (SXNWDM) Satrix Nasdaq 100 Pftf NM (SXNNDQ) Satrix S&P 500 Feeder NM (SXN500) NewFunds S&P Nam Bond ETF (NFNAMA)	1nvest Gold ETF NM (ENXGL) 1nvest Platinum ETF NM (ENXPLT)
Clover Industries (CLN)	Trevo Capital (TRVP) Astoria Investments (ARO)

Total Company Listings and De-listings on the NSX 1992-2020:

27
Local Listings

18
Local De-listings

13
DevX Listings

6
DevX De-listings

53
Other Listings

29
Other De-listings

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
-	-	-	-	-	-	-	0.5	0.6	0.5	1.1
63.6	70.8	82.3	84.1	102.6	113.3	132.8	143.4	142.6	252.6	213.1
7.5	9.3	9.4	10.1	10.8	11.2	10.0	7.1	3.7	5.9	10.7
0.9	1.1	1.3	1.6	3.4	2.9	2.7	2.6	2.5	2.1	3.0
54.2	57.1	70.4	73.3	94.2	135.1	176.6	199.9	201.7	195.9	217.1
17.8	24.1	22.7	22.5	22.6	-7.7	-31.0	-46.2	-52.3	65.3	10.8
-	-	-	73	107	150	173	176	165	170	172

ANNEX 22.3

NSX Key Indicators (Year End)

		OVERALL MARKET					LOCAL MARKET				
	Total number of deals	Total number of listed companies (end of period)*	Total market capitalisation (N$m)	Turnover (N$m)	Volumes traded (millions of shares)	Overall Index (end of period)	Number of local companies listed (end of period)*	Local market capitalisation (N$m)	Turnover (N$m)	Volumes traded (millions of shares)	Local Index (end of period)
1992	n/a	4	8,615	n/a	n/a	n/a	3	63.3	n/a	n/a	n/a
1993	75	6	15,084	0.15	0.028	123.47	4	94.3	0	0.028	n/a
1994	390	12	39,016	58	6.13	155.74	8	695.7	42.8	5.7	n/a
1995	847	20	69,632	234	14.59	224.9	10	689.4	10.5	3.6	86.41
1996	1957	25	76,051	661	68.61	218.28	12	2,149.6	144.3	55.3	150.07
1997	3587	31	154,766	901	67.19	225.9	13	3,354.3	112.1	36.6	164.21
1998	n/a	39	159,378	1035	107.21	176	15	2,515.0	76.4	36	106
1999	4258	41	333,916	2015	208.3	292	14	4,258.0	148.2	58	157
2000	6133	35	337,538	2498	221.4	292	13	2,356.0	149.1	57.5	92
2001	5,038	36	511,657	2,030	143	392	12	1,805	62.3	25.3	59
2002	n/a	31	388,845	1,380	118	305	9	1,652	13.7	32.4	47
2003	2,294	32	460,666	2,037	122	347	9	2,043	18.3	9.7	58.2
2004	2,582	29	573,878	2,847	159	426	8	2,479	113	39.1	63.3
2005	2,372	27	769,585	3,367	121	582	7	2,630	34.9	13.8	71.7
2006	2,549	30	1,112,548	6,714	235	828	8	3,819	121.8	73.8	91.1
2007	2,340	27	1,194,088	10,892	243	929	7	4,781	140.4	48.3	133
2008	2,505	29	741,625	9,096	274	556	7	5,720	137.4	26.7	158
2009	3,016	33	1,047,527	8,728	343	796	7	7,126	184.1	17.7	154.8
2010	3,071	34	1,178,257	7,580	216	875	7	7,782	134.1	16.8	173
2011	2,765	35	1,148,880	3,272	99	838	7	9,304	102.9	11.1	221
2012	2,697	36	1,225,744	3,648	83	985	6	11,057	507.8	29.9	274
2013	2,800	34	1,407,168	5,507	115	997	6	19,501	352		332
2014	4,118	38	1,680,439	8,332	174	1,098	6	22,322	294		389
2015	4,384	41	1,414,811	17,196	268	865	6	29,430	812		498
2016	5,154	42	1,726,583	14,411	219	1,069	6	32,017	586		547
2017	4,412	44	2,083,149	13,859	229	1,206	8	36,018	853		591
2018	5,005	44	1,989,913	12,219	193	1,303	9	35,406	886		621
2019	4,911	49	1,944,532	8,872	206	1,306	9	36,508	1,373		614
2020	5,073	51	1,738,143	9,269		1,239	11	27,440	536		456

The tanker Adour in dry dock at Walvis Bay in Namibia.

CHAPTER

23

Cross-Sectoral Issues
International Trade

Namibia's history has meant that its economy has been even more closely tied to South Africa than other countries in southern Africa. This did not suddenly change after Independence when Namibia formalised its trading and currency arrangement with Africa's dominant economy through the Southern Africa Customs Union (SACU) and Common Monetary Area (CMA) membership. Namibia joined the World Trade Organisation (WTO) on its formation in 1995. However, within these confines Government has pragmatically sought to diversify Namibia's trading links to include the rest of southern Africa through promoting trade with countries in the Southern African Development Community (SADC), to major high-income markets in the European Union and North America and to new markets, especially China. Nonetheless, Namibia's patterns of trade – including the range of products and end markets – have not changed substantially in the years since Independence with the single exception of China which has steadily grown in importance to become the largest destination for Namibia's merchandise exports. Overall, however, Namibia continues to export a limited range of products and remains closely tied to markets in South Africa, Europe and now China while at the same time Government finances remain highly dependent on revenues from SACU.

International Trade

KEY EVENTS

YEAR	EVENT
1990	- Namibia formally joins SACU and CMA - Namibia formally becomes tenth member of SADCC
1991	- Namibia joins Lomé Convention - Namibia signs Abuja Treaty establishing the African Economic Community - Prime Minister Hage Geingob makes first high level visit to China
1992	- SADCC meeting in Windhoek decides to change to SADC
1993	- Namibia formally becomes 19th member of PTA - PTA changed to COMESA at meeting in Kampala
1994	- Dr Kaire Mbuende becomes Executive Secretary of SADC - Abuja Treaty comes into force - Democratic elections held in South Africa
1995	- Namibia becomes founding member of WTO
1996	- SADC Trade Protocol signed - Foreign Minister Theo-Ben Gurirab succeeds in gaining "as if" status for Namibia at the UN
1997	
1998	
1999	- TDCA signed between South Africa and EU - Kaire Mbuende resigns as SADC Executive Secretary
2000	- SADC Trade Protocol comes into force - South Africa, Botswana and Namibia phase down tariffs to SADC - Namibia signs up to Cotonou Agreement - AGOA signed into law by US President and Congress
2001	- Namibia qualifies for "wearing apparel" provisions of AGOA - NEPAD launched by OAU Assembly of Heads of State
2002	- New SACU Agreement signed - AU established to supercede OAU - AGOA II signed into law by US President and Congress
2003	- Namibia leaves COMESA - Namibia becomes founding member of African Union - Cotonou Agreement comes into force
2004	- SACU Secretariat established in Windhoek - AGOA III signed into law by US President and Congress - SADC-EU EPA negotiations launched in Windhoek
2005	- Multi-Fibre Agreement on Textiles and Clothing ends - Immanuel Ngatjizeko appointed Minister of Trade and Industry
2006	- Infant Industry Protection extended for milk and pasta - AGOA IV signed into law by US President and Congress

2007
- Namibia initials Interim EPA "with reservations"

2008
- SADC FTA launched by 12 of 14 SADC members (not Angola and DRC)
- EPA deadline postponed to end of year
- Hage Geingob appointed Minister of Trade and Industry

2009
- Botswana, Lesotho, Eswatini and Mozambique sign Interim EPA
- EPA deadline missed

2010
- SACU celebrates centenary at Heads of State meeting in Windhoek

2011
- SADC, COMESA and EAC sign tripartite agreement to create FTA "from Cape to Cairo"
- SACU report on new revenue-sharing formula rejected
- European Commission imposes deadline of 1 January 2014 for EPA negotiations

2012
- Calle Schlettwein appointed Minister of Trade and Industry
- AGOA V signed into law by US President and Congress

2013

2014
- SACU and European Free Trade Area sign FTA
- SACU Council of Ministers meet in Eswatini without South Africa
- Namibia agrees EPA with EU
- Paulina Elago appointed SACU Executive Secretary

2015
- Immanuel Ngatjizeko appointed Minister of Industrialisation, Trade and SME Development
- "Cape to Cairo" Tripartite Free Trade Area agreement signed by 26 African governments in Cairo
- AGOA extended until 2025

2016
- Namibia ratifies EPA with EU
- UK votes to leave the EU
- Namibia formally granted access to US for raw beef

2017

2018
- Africa Continental Free Trade Agreement signed in Kigali
- Tjekero Tweya appointed Minister of Industrialisation, Trade and SME Development

2019
- Namibia presents instruments of ratification for AfCFTA
- Paulina Elago reappointed SACU Executive Secretary
- UK signs EPA with SACU and Mozambique

2020
- Report of the High-Level Panel on the Namibian Economy published
- Lucia Ipumbu appointed Minister of Industrialisation, Trade and SME Development

Introduction

Namibia was already an open trading economy at Independence, hardly surprising in view of the country's colonial past and its "fifth province" status with South Africa[1]. From the beginning, the Namibian Government recognised the critical importance of trade in accelerating economic growth to deliver jobs and higher living standards for the Namibian people. An increase in both the quantity and diversity of exports and export destinations appeared to hold the key to achieving rapid growth for an economy with only a very limited domestic market. At the same time the end of the Cold War and the subsequent acceleration of globalisation – the economic interaction between countries – suggested the 1990s would be a time of immense benefit for trading nations who could gear themselves up for the world market. Namibia, with its coastal and transport infrastructure looked better placed than many other African countries to take advantage of this. Namibia has consistently tried to argue that it be treated as a Least Developed Country (LDC) since its high per capita income masks extreme inequality and poverty. In 1996 Foreign Minister Theo-Ben Gurirab successfully appealed to the UN General Assembly to maintain Namibia's status to be treated "as if" it were an LDC for a further three years. However, despite on-going attempts to push this argument, by the end of 2009 the World Bank had reclassified Namibia from a lower middle-income to an upper middle-income country[2].

Namibia's regional integration and bilateral trade agreements have taken place against a backdrop of moves towards greater continental integration. The Abuja Treaty establishing the African Economic Community (AEC) was signed on 3 June 1991. The Treaty, which came into force in May 1994, provided a plan for eventual continental economic integration setting out distinct stages that had to be reached along the way including an African Central Bank and monetary union by 2020. The African Union (AU) was established in July 2002 to take the place of the Organisation of African Unity (OAU). The New Economic Partnership for Africa's Development (NEPAD) was launched in July 2001 primarily as the brainchild of South African President Thabo Mbeki, Nigerian President Olusegun Obasanjo and Algerian President Abdelaziz Bouteflika, all of whom are no longer in office.

The populations, Gross Domestic Product (GDP), GDP per capita, and income status of all SADC economies are presented in the table using the most recent data from the World Bank. It can be seen that SADC countries vary enormously in terms of population size, GDP, and GDP per capita. Overall, the SADC region had an estimated population of 353 million people and a GDP at market prices of over US$689 billion in 2019. South Africa accounted for 17 percent of SADC's population but 51 percent of its GDP.

[1] In 1990 the value of Namibia's exports and imports of goods and services amounted to some 52 percent and 68 percent of GDP respectively.
[2] See www.worldbank.org

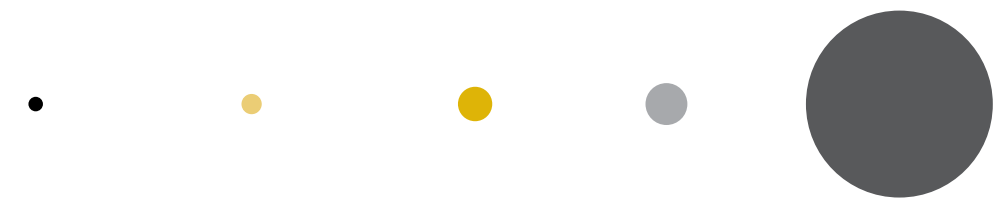
TABLE 23.1

SACU and SADC Market Sizes (2019)

Country	Population (m)	GDP (US$bn)	GNI per capita (Atlas method)	Country income classification
SACU				
Botswana	2.3	18.3	7,650	Upper middle
Lesotho	2.1	2.4	1,380	Lower middle
Namibia	2.5	12.4	5,060	Upper middle
South Africa	58.6	351.4	6,040	Upper middle
Eswatini (Swaziland)	1.1	4.5	3,670	Lower middle
Total SACU	**66.6**	**389.0**		
Rest of SADC				
Angola	31.8	88.8	2,960	Lower middle
Democratic Republic of Congo	86.8	50.4	530	Low
Madagascar	27.0	14.1	520	Low
Malawi	18.6	7.7	380	Low
Mauritius	1.3	14.0	12,900	High
Mozambique	30.4	15.3	490	Low
Seychelles	0.1	1.7	16,900	High
Tanzania	58.0	63.2	1,080	Lower middle
Zambia	17.9	23.3	1,430	Lower middle
Zimbabwe	14.6	21.4	1,390	Lower middle
Total	286.5	300.0		
Total SADC	**353.1**	**689.0**		

Source: World Bank Country Data

SACU Countries Economic Size Compared



Lesotho **Eswatini (Swaziland)** **Namibia** **Botswana** **South Africa**

REGIONAL INTEGRATION ARRANGEMENTS TAKE A VARIETY OF FORMS, EACH REPRESENTING A PROGRESSIVELY MORE INTEGRATED STAGE OF ECONOMIC INTEGRATION:

Preferential Trade Area (PTA)

An arrangement in which members apply lower tariffs to imports produced by other members than to imports produced by non-members. However, each member can determine its own tariffs on imports from non-members.

↓

Free Trade Area (FTA)

A preferential trade area with no tariffs on imports from other members. As in a preferential trade area, members can determine their own tariffs on imports from non-members.

↓

Customs Union (CU)

A trade area with no tariffs on imports from other members and the same tariff ("common external tariff") on imports from non-members.

↓

Single Market (SM)

A trade area with no tariffs or quotas between members,a common external tariff, and the same product and service regulations.

Regional Integration

Following Independence, Namibia decided to become a formal member of the Southern African Customs Union (SACU) of which it had been a *de facto* member since the SACU Agreement was signed in 1969. Without a currency of its own, Namibia had little choice but to continue using the South African Rand for the time being and become a member of the Common Monetary Area (CMA). At the same time Namibia became a member of the Southern African Development Coordination Conference (SADCC) which subsequently transformed itself into the Southern African Development Community (SADC) in 1992 with a strong focus on promoting regional trade as well as greater economic and political integration. In 1992 Namibia formally acceded to the Common Market for Eastern and Southern Africa (COMESA) which had been established in 1990 with the aim of promoting regional trade. Namibia joined the General Agreement on Tariffs and Trade (GATT) and subsequently the World Trade Organisation on its formation in 1995.

Southern African Customs Union (SACU)

The Southern African Customs Union is the world's oldest existing customs union with a history stretching back to 1910. Finance Minister Otto Herrigel announced just prior to Independence that Namibia would take a pragmatic approach to SACU and join for "at least three years". When Namibia joined in 1990, SACU consisted of four members: Botswana, Lesotho, Swaziland (now Eswatini) and South Africa. At the time SACU not only had a common external tariff but also a revenue-sharing formula that provided significant revenues to its smaller members, the BLS countries which then became the BLNS countries. However, although this formula provided more revenues to the smaller countries than what they would have raised on their own through the same tariff schedule, the rationale for this "compensation" element was never clearly stated. Many suspected it was a *quid pro quo* sweetener to keep BLNS markets open to South African manufactures. Furthermore, SACU's high and complex tariff schedule, which had gradually built up over the protective and autarkic years of apartheid, was determined exclusively by the South African Board of Trade rather than being agreed by all member states. Both the economics and the politics of SACU were murky and the BLNS hoped that the arrival of democracy in South Africa in 1994 would give the impetus to reform and democratise the arrangement.

Unfortunately, South Africa felt it had more important issues to deal with, not least its trade agreement with the European Union. The newly democratic country represented something of a special case for the EU given that it required support in its transition from apartheid to democracy yet was a middle-income economy with several highly developed industries capable of competing on equal terms with European equivalents. The eventual signing of the Trade and Development Cooperation Agreement (TDCA) in 1999 after four years of intense and drawn-out negotiations allowed the South Africans to finally turn their attention to SACU. By that stage, Namibia had undertaken a detailed study of the costs and benefits of SACU membership and therefore entered the negotiations reasonably well prepared. The tariff structure of SACU had already begun to change significantly in the wake of South Africa's accession to the WTO in 1996 and the new government's pursuit of more liberal trade policies. The number of tariff lines began to decline, tariffs generally started to come down, and non-tariff barriers started to be eliminated. However, Namibia found itself in the difficult position of not having taken part in the TDCA negotiations yet being saddled with the consequences given that large volumes of European goods entered into Namibia via South Africa.

THE MOST IMPORTANT FORMULA IN THE NAMIBIAN ECONOMY

Map 23.1
Map showing geographical location of SACU countries

The defining feature of a customs union is that members impose the same customs tariff on all goods entering from outside SACU – the common external tariff – and impose no customs tariffs on goods entering from other SACU members. This means that goods entering Namibia directly (through for example Walvis Bay) pay tariffs to the Namibian Customs Service as they enter but goods entering Namibia via South Africa (through for example Cape Town) pay the tariffs to the South African Customs Service even though they are destined for Namibia. In addition, each country levies commonly agreed excise duties on particular goods. All the customs and excise duties from each member are paid into in the Common Revenue Pool which is then divided every year according to the revenue-sharing formula.

The SACU revenue-sharing formula is calculated from three distinct components as set out in the 2002 Agreement: the customs component; the excise component and the development component.

Customs Component: Each member's share of the common customs pool is calculated from the value of goods imported from all other member states as a percentage of total intra-SACU imports. Each member state has to submit actual data on all intra-SACU imports and exports for the most recent year for which data is available to the SACU Secretariat six months prior to the beginning of any financial year. Adjustments are made during the subsequent two years to account for differences between forecast and actual revenue.

Excise Component: Each member's share of the excise component is calculated from the value of its GDP as a percentage of SACU GDP. Each member state has to submit actual data on GDP for the most recent year for which data is available to the SACU Secretariat six months prior to the beginning of any financial year. Again adjustments are made during the subsequent two years to account for differences between forecast and actual revenue.

Development Component: The total development component is set at 15 percent of the total excise component although this can be reviewed. Each member state's share of the development component is calculated according to the following formula:

The current Revenue Sharing Formula

(5) $$R_i = \sum_i (C_i + E_i + D_i)$$

(6) $$C_i = \frac{M_i^{int}}{\sum_{i=1}^{5} M_i^{int}} \times C$$

(7) $$E_i = \frac{GDP_i}{\sum_{i=1}^{5} GDP_i} \times E$$

(8) $$E_i = \left[1 - \left(\frac{GDP_i^{pc}}{\frac{\sum_{i=1}^{5} GDP_i^{pc}}{5}} - 1\right) \times \frac{1}{10}\right] \times \frac{D}{5}$$

This implies that the development component is larger for members that have a GDP per capita lower than the SACU average.

Clearly member states have an incentive to inflate their data at the expense of other members. It falls to the SACU Secretariat to ensure consistency in data and thereby fairness in revenue distribution. Adjustments are made during the subsequent two years to account for differences between forecast and actual revenue.

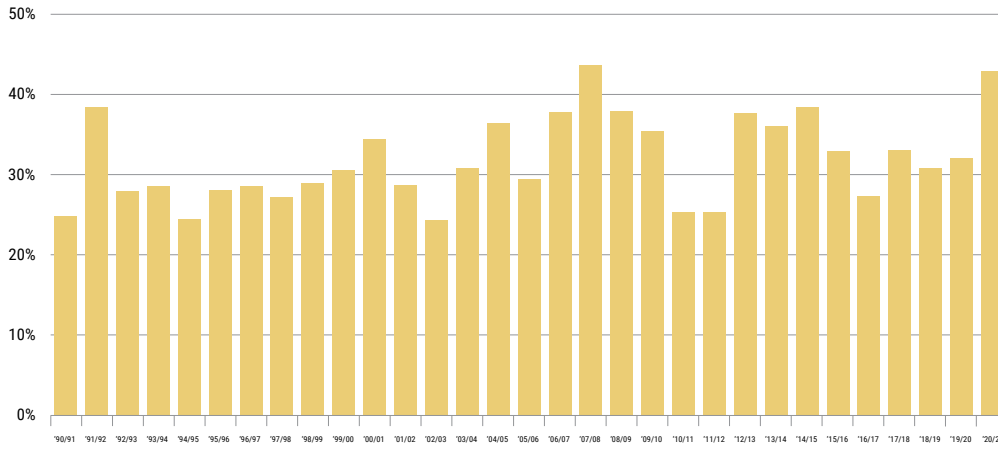
Nonetheless, a new SACU Agreement was finally signed by the five Heads of State in Gaborone in 2002. The new agreement differed from the previous one in two key respects: 1) new institutional structures were created to address the issue of democratisation including a Council of Ministers, a Customs Union Commission (consisting of senior officials from each member state), a SACU Secretariat (responsible for the day-to-day administration of SACU), a SACU Tariff Board (consisting of experts from each member state), Technical Liaison Committees and an *ad hoc* Tribunal; 2) the revenue-sharing formula was changed to include a customs component, an excise component and an explicit "development component" based on a fixed percentage of the excise component. It was agreed that the Secretariat would be based in Windhoek. Tswelopele Moremi, previously the Minister of Trade and Industry in Botswana, was appointed its first Executive Secretary. She was replaced in April 2014 by a Namibian, Paulina Elago, who was appointed for a second term in 2019.

Infant Industry Protection (IIP) is provided for under Article 26 of the SACU Agreement which allows BLNS to levy "as a temporary measure levy additional duties on goods…to enable infant industries…to meet competition from other producers or manufacturers in the Common Customs Area". The new Agreement allows IIP for a period of eight years although extensions can be approved by the Council of Ministers. Namibia has used this measure exceedingly sparingly as documented in Chapter 11: Manufacturing.

After the change in the revenue-sharing formula, SACU continued to contribute a large proportion to the Namibian Government's annual revenues. This degree of dependence makes it difficult for Government to contemplate fundamental reform of SACU and also militates against enlargement. In theory SACU remains open to new members but as yet no other countries have joined since Namibia. At the time of signing the new SACU Agreement, many observers feared the combination of a new revenue-sharing formula and liberalised tariffs would lead to substantial declines in revenue to the Namibian Government. This did not happen largely because the rise in import volumes more than compensated for lower tariffs although revenues did dip substantially in the wake of the economic slowdown brought on by the world economic crisis.

CHART 23.1

SACU Revenue as Percentage of Total Revenue and Grants



Source: Bank of Namibia

The Global Financial Crisis and the onset of recession within SACU, particularly in South Africa, gave member states a nasty reminder of just how dependent they were. As imports plunged in 2009, SACU revenues started to be badly hit. In August, the Permanent Secretary of Namibia's Ministry of Finance admitted that Namibia was going to face a shortfall of some N$1.3 billion in 2009/10 leading to a budget deficit of seven percent or more of GDP[3]. Over the years constant disagreements about data and how the Common Revenue Pool should be allocated had even led to speculation in the media that SACU might be disbanded. South Africa, in particular, was reported to be unhappy with what it saw as overly generous payments to the other members, thus depleting what was left over for itself.

At a meeting in Windhoek in April 2010 to mark the one hundredth anniversary of the world's oldest surviving customs union, the SACU Heads of State from the BLNS and South Africa agreed to set a new vision and mission for SACU, promoting it from a relatively simple and reasonably effective customs union to "an economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future" which would "serve as a building block of an ever closer community among the peoples of southern Africa."

Many observers took heart from this shift of gear since for far too long five-member SACU had taken second place to the 14-member SADC as the main vehicle for regional integration. Not only were several SADC members also members of a competing trade grouping COMESA, but SADC also consisted of economies that were widely divergent rather than convergent and, as a result, struggled to get any meaningful degree of coordination of regional economic development off the ground. SACU, on the other hand, represented a relatively tight knit and functioning core upon which regional integration could sensibly be based, country-by-country as the different economies in the region converged on SACU levels of inflation, debt and competitiveness.

However, the South Africans believed they were getting a raw deal from SACU, paying far too much in and getting far too little back. Powerful voices in the ANC alliance, including its trade union partner COSATU, argued publicly that SACU represented a drain on South Africa's resources which would be better used to promote domestic policies rather than propping up the monarchy in Eswatini. Furthermore, the Heads of State understood that if SACU was ever to admit new members (which is provided for in Article 6 of the 2002 SACU Agreement but which requires unanimous approval of existing member states), it would be necessary to revise the way revenues from SACU were distributed.

At a subsequent meeting in Pretoria in July 2010 it was agreed to "develop strategies to promote win-win solutions" to address a range of challenges including "exploring the possibility of a review of the 2002 SACU Agreement" and "consideration of the sharing of SACU revenue". A consulting firm, Australia-based Centre for International Economics (CIE), was appointed to review the revenue-sharing formula. CIE duly sent out issues papers and interviewed the main parties in the member states during November 2010, drawing up a draft report in December and a final report in March 2011[4].

The CIE report came to three clear and striking conclusions. The first was that "the current distribution of customs revenue has a far higher level of compensation to BLNS than is necessary to compensate for negative impacts arising from membership of SACU and South Africa's role in setting tariffs". In other words BLNS were getting too big a slice of the pie (and conversely South Africa getting too little). The second was that "the large fiscal transfers from SACU to the BLNS have created a dependence on SACU revenue". The report gently hinted that SACU revenues to the BLNS had gone into bloating these countries' public sectors

[3] See "Namibia to Lose Over a Billion in SACU Revenue", *The Namibian*, 18 August 2009
[4] See "Study on the Review of the Revenue Sharing Arrangement for SACU", Centre for International Economics Canberra & Sydney, March 2011

rather than productive investment. The third was that "the current formula encourages existing members to resist extending membership to countries with higher intra-SACU imports and low levels of economic development" (in other words all possible candidates who might potentially become members). Ironically, Botswana was shown to receive more per person from SACU than any other member despite being the richest country in the club on a per capita basis.

In place of the 2002 RSF, CIE proposed an alternative based on two components: a "compensation component" funded by customs revenues collected through SACU and a "convergence component" funded by excise taxes. A 15 percent portion of the convergence component would fund a SACU Development Fund, the aim of which would be to fund trade-enhancing improvements in infrastructure and trade administration.

Critically, however, the compensation component would be based on a measure of the costs to the BLNS of belonging to SACU in terms of the higher prices they paid for imports and their sourcing of imports from South Africa rather than the cheapest international sources. Because these costs are in fact lower than assumed and falling (the simple average SACU tariff had fallen from 15.1 percent in 1997 to 8.1 percent in 2009), the end result was that payments to Botswana, Namibia and Eswatini would be significantly lower under the formula proposed by CIE. The CIE economists were in effect saying that Namibia's revenues from SACU would be over N$6 billion too high in 2011/12 – a huge number in comparison to the N$28 billion of revenue that Government estimated was to be raised in total – and politely pointing out that member states tended to spend the money on enlarging their government bureaucracies.

The report was presented at a meeting of the SACU Heads of State in June 2011 and went down like a lead balloon. Everything went quiet (or rather even quieter since the SACU website had stopped fully informing the public about SACU issues some time previously). A Task Team was established "to undertake further investigations on the Revenue Sharing Arrangement" and to present a report at the next meeting of Council in September 2011. Things then went even quieter and discussions were pushed back further.

SACU found itself in a quandary. To fulfil its mission and become the core of future regional integration, it needed to reform its revenue-sharing formula. However, in order to reform its revenue-sharing formula it needed to reach consensus among members three of whom – Botswana, Namibia and Eswatini – were doing very well out of the existing arrangement. Individual countries started doing their homework in advance of a meeting in 2013 but, despite occasional noises (the last significant ones being from South African Minister of Finance Nhlanhla Nene who stated South Africa's dissatisfaction with the revenue-sharing formula in March 2015[5]), nothing of significance has been agreed despite Council of Minister meetings taking place both with and without the South Africans present.

It is hard to imagine the BLNS coming up with more than a few easy tweaks to the system. Consensus on full-scale reform seems too much to expect and BLNS know it is unlikely the South Africans feel so strongly about the matter that they would be willing to make lasting enemies of their closest neighbours and push Eswatini over the edge of a fiscal abyss. Yet the harsh truth is that SACU cannot tweak its way towards further substantial regional integration[6]. If low growth in South Africa leads to continued budget squeezes, the pressure for reform from SACU's largest state is likely to increase. However, if push comes to shove it is hard not to believe that regional political stability would take priority over fiscal reform. Despite periodic meetings on the issue, no changes of substance had been agreed by the end of 2020.

[5] "We are the cash cow so when the cash cow raises issues we always get resistance," see "SACU Needs a Reform of its Reform", *Insight Namibia*, May 2015 and "SA Sticks to Its Guns over SACU Revenue Deal", *Business Day*, 26 March 2015
[6] See "Tweaking Our Way to the Status Quo", *Insight Namibia*, October 2011

Southern African Development Community (SADC)

The Southern African Development Community (SADC) was formed out of the Southern African Development Coordination Conference (SADCC) which had been established in 1982 by the Front Line States in an attempt to reduce the economic stranglehold of apartheid South Africa. One of the major aims of the then SADCC was to create infrastructure – ports, roads, and railways. Following Namibian Independence in 1990, the release of Nelson Mandela and the beginnings of a negotiated settlement in South Africa, SADCC transformed itself into SADC in 1992, the formal SADC Treaty being signed in Windhoek on 17 August 1992. South Africa acceded in the wake of its first democratic elections in 1994. SADC was to become far more ambitious in its goals envisioning ever closer economic and political integration between the countries of southern Africa. Namibia's then deputy Minister of Agriculture Dr Kaire Mbuende was appointed Executive Secretary for SADC in 1994. However, Mbuende resigned in 1999 and many suspected he had fallen out of favour with several member countries including the powerful South Africans.

The SADC Protocol on Trade was signed in Maseru in August 1996 by eleven member states and came into force on 25 January 2000. The Protocol envisaged a phase down of tariffs between member states from 1 September 2000 and was scheduled to result in a WTO Free Trade Area by 1 January 2008. SACU later agreed to phase down tariffs from 2000 while non-SACU members would only be required to phase down tariffs over a period of eight years. In addition, Madagascar acceded in 2006 and submitted a tariff offer that was accepted and was implemented. Angola also acceded and submitted a tariff offer in 2007. The DRC was not yet party to the Protocol on Trade when the SADC FTA was officially launched on 16 August 2008. However, several members of SADC are also members of COMESA and it was not clear how the conflicting responsibilities of belonging to two FTAs and two customs unions were to be resolved.

Despite slow progress in creating a functioning FTA within SADC, in June 2011 a Tripartite Summit involving the Heads of State from SADC as well as those of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC), agreed to create a single 26 country 700 million population FTA "from Cape to Cairo" by merging the COMESA, EAC and SADC FTAs. The Summit also agreed to a roadmap involving a preparatory phase of 6-12 months and a phase of negotiations on the movement of goods and business people lasting 24-60 months. The Tripartite Free Trade Zone was formally signed in Cairo on 10 June 2015.

African leaders held an Extraordinary Summit on the African Continental Free Trade Area (AfCFTA) from 17-21 March 2018 in Kigali, Rwanda, during which the Agreement establishing the AfCFTA was presented for signature, along with the Kigali Declaration and the Protocol to the Treaty Establishing the African Economic Community relating to the Free Movement of Persons, Right to Residence and Right to Establishment. In total, 44 out of the 55 AU member states signed the consolidated text of the AfCFTA Agreement, 47 signed the Kigali Declaration and 30 signed the Protocol on Free Movement. The agreement establishing the African Continental Free Trade Agreement (AfCFTA) entered into force on 30 May 2019. Namibia deposited her instruments of ratification in January 2019. By the end of 2020 a total of 32 AU states had done so while a further 4 were due to do so.

NAMIBIA AND ECONOMIC PARTNERSHIP AGREEMENTS (EPAs)

Economic Partnership Agreements (EPAs) represent the latest stage in the on-going relationship between the European Union (EU) and Africa-Caribbean-Pacific (ACP) group of countries on the issues of trade and aid. The EU (then the EEC) started offering preferential trading arrangements to ACP countries as far back as February 1975 under the first Lomé Convention which enhanced the ability of ACP countries to export to European markets, especially in agricultural and mineral products. Lomé was renegotiated and renewed three times in the period up to 1999. In June 2000 Lomé was replaced by the Cotonou Agreement.

Over time the EU's preferential trading arrangements had become increasingly open to criticism and even challenged from other countries for being incompatible with World Trade Organisation (WTO) rules. The WTO was created in 1995 following the Uruguay Round of trade negotiations replacing the previous General Agreement on Tariffs and Trade (GATT). The Cotonou Agreement ended up receiving a WTO waiver but only until the end of 2007. EPAs represent a fundamental change in the relationship with the ACP because they create trading relationships which are supposed to be reciprocal and non-discriminatory and therefore WTO compliant. This means ACP countries must also open up their markets to the EU and that other developing countries (not just ACP countries) can also establish EPAs with the EU. The idea of reciprocity creates special challenges since it turns the past practice involving "one-sided" preferences for ACP products exported into the EU on its head. True to the Cotonou principle of differentiation and regionalisation, developing countries were encouraged to enter into the EPAs in regional groupings (Namibia's grouping being SADC). This further complicated matters because country groupings contained members with very different levels of income including Least Developed Countries (LDCs) which have tended to be treated differently (and more generously). Members also belong to different trade groupings. Thus, some SADC members are also either SACU or COMESA members. South Africa has had its own Trade and Development Cooperation Agreement (TDCA) with the EU since 1998. Angola trades with the EU as an LDC under "Everything but Arms" Agreement. EPAs matter considerably to Namibia because they will alter the trading relationship with the EU, one of Namibia's largest export markets as well as the source of many of its imports. This is particularly important in beef, grapes and fish which, under previous arrangements, enjoyed preferential access to the EU market but which, after initialling the Interim EPA, enjoyed duty free quota free (DFQF) access from the beginning of 2008.

The SADC-EU EPA negotiations were launched on 8 July 2004 in Windhoek. At the time EPAs were expected to take effect by 2008. However, problems soon became apparent and Namibia ended up initialling (but not signing) an interim EPA "with reservations" at the end of 2007, a compromise deal that improved Namibia's trade preferences until such time a full EPA could be agreed.

At that stage Namibia had a number of concerns. The EU insisted on being granted Most Favoured Nation (MFN) status which meant Namibia would have to extend whatever preferences it offered to other countries (such as Brazil, India and China) to the EU as well. Namibia argued this would limit its "policy space" and hamper South-South Cooperation. The European Commission (EC), the executive arm which conducts trade negotiations on behalf of the EU, countered that the EPA must avoid discrimination and that it just wants to be treated equally to the region's other trading partners. Under the Definition of the Parties (DoP) clause, the EU wanted the EPA to be an agreement between the EC and the SADC-EPA so that, if disputes arose, the EC would negotiate on behalf of all EU parties and the SADC-EPA would represent all SADC-EPA

parties in the same way. However, the SADC-EPA is not a legal entity and is not in a position to negotiate disputes on behalf of its members. Namibia argued that the EC would have to negotiate trade disputes with the individual country concerned. Namibia also wanted concessions on food security, infant industry protection, quantitative restrictions and import taxes as well as clarity on the issue of export taxes. Under the EPA as it stood, Namibia would have to allow European grain unrestricted access to its markets (which could undermine local producers) and would also have to dismantle its own Infant Industry Protection (even though in Namibia's case this only applied to pasta, milk and chicken). Export taxes were also problematic and Namibia asked for clarity on whether its royalties on diamonds and other minerals would count as export taxes since these would be prohibited under an EPA.

Negotiations came to a head in Swakopmund in March 2009 when it looked like a deal had been reached on several of these issues. Markets for processed agricultural products would be opened in 2012 (unprocessed agricultural products are excluded from any deal with the EC and will come in under the SADC-EPA under the MFN tariff). Namibia would be allowed to grant Infant Industry Protection at any time but for a period limited to eight years. Namibia's mining royalty taxes would not be considered export taxes. However, not long afterwards Namibia's Trade Minister Hage Geingob expressed his frustration that the EU had failed to put the assurances given at these negotiations on paper. Geingob went on to accuse the EU of bulldozing its way over a small country[7] and also warning the EU: "don't do things that divide us within SACU". Although his tactics worried business people who exported to Europe, his stance has found support in Namibia's NGO community[8].

By the end of 2009, the issues of MFN and Definition of the Parties remained unresolved. Namibia and South Africa were the only members of SACU yet to sign while only Angola within the rest of the SADC-EPA grouping had not signed. The EU already appeared to make a major concession when it agreed in December 2008 to allow South Africa to change its TDCA tariff alignment schedule to bring it into line with that of the proposed EPA to enable SACU to preserve a coherent tariff regime for all member states. However, Botswana, Lesotho and Eswatini signed an Interim EPA on 4 June 2009 thus maintaining their DFQF access to the EU. Mozambique signed on 16 June. These countries wanted to press ahead and negotiate the second phase due to cover services and investment. This added to concern about SACU since BLS would be applying tariffs in terms of their Interim EPA while South Africa was governed by its TDCA thus jeopardising the common external tariff. Furthermore, Article 31 of the SACU Agreement required member states to establish a common negotiating mechanism when negotiating with third parties. This had not been adhered to. Finally, in January 2010 the SACU Council of Ministers agreed that the BLNS countries would not implement the EPA and that SACU and Mozambique would negotiate as a single entity with a view to signing a final EPA by the end of the year. If this was not achieved, according to the EU, Namibia ran the risk of losing existing trade preferences and "missing the EPA train". In September 2011 the EU unilaterally decided to impose a deadline of 1 January 2014 on negotiations but this provoked a furious response from many countries including Namibia where politicians portrayed the negotiations as a David and Goliath fight against neo-colonialism.

[7] See "Geingob Lays into EU", *The Namibian*, 1 June 2009
[8] See "Trade and EPAs: Current Developments and Challenges for Africa", LaRRI, 2009

In March 2013 the European Parliament set a new deadline for the signing of the EPA of 1 October 2014 much to Namibia's dismay[9]. Realistically, it was always going to be immensely damaging for the EU to be seen to be acting against development successes like Namibia. It would also help drive countries like Namibia into the arms of the Chinese which would run counter to European interests. Agreement was finally reached between the EU and the Southern African Development Community (SADC) EPA Group which included Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini in Johannesburg in July 2014. The Group ended up signing the EPA with the EU on 10 June 2016 and provisional implementation began on 10 October between South Africa, the BLNS and the EU while Mozambique took until April 2017 to ratify the agreement. By the end of 2020 the EPA was fully operational.

[9] See "EU Tightens Trade Screws", *The Namibian*, 25 March 2013

European Union, Lomé, Cotonou and Economic Partnership Agreements

Namibia signed up to the Lomé Convention in 1990 as a member of the Africa Caribbean Pacific (ACP) group of countries and quickly negotiated development aid of R60 million as well as a beef quota of 13,000 tonnes a year (with 10,500 tonnes for 1991). Lomé was superseded by Cotonou in 2000 but Namibia maintained its beef quota and negotiated a quota for table grapes. In 2005 the EU announced it would replace Cotonou with a new WTO compliant trade and aid arrangement called Economic Partnership Agreements (EPAs) which it wanted to negotiate with the southern African region as a whole rather than with individual countries. This presented problems for a number of reasons. First, South Africa already had the TDCA with the EU. Second, the EPA exposed issues within SACU that meant member states took very different positions. Third, several SADC members were also members of COMESA[10]. Namibia ended up initialling an interim EPA at the end of 2007 "with reservations". Negotiations dragged on and the issue raised significant splits within SACU – Botswana, Lesotho and Swaziland (Eswatini) had signed but South Africa and Namibia (along with non-SACU member Angola had not). Namibia ended up agreeing an EPA in July 2014 as part of a deal between the EU and the Southern African Development Community (SADC) EPA Group which included Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini. The Group ended up signing the EPA with the EU on 10 June 2016 and provisional implementation began on 10 October between South Africa, the BLNS and the EU while Mozambique took until April 2017 to ratify the agreement.

Following the UK's referendum to leave the EU in June 2016, the UK renegotiated the EPA which had been agreed with SACU and Mozambique and this agreement was signed in October 2019. The agreement came into force on 1 January 2021 when the UK formally leaves the one year transition arrangement with the EU following its departure from the EU on 31 January 2020. The agreement essentially replicated the preferential tariff treatment of the EU-SACUM EPA with the exception of the volume limitations on Tariff Rate Quotas. The agreement allows Namibia's main exports to the UK – beef, dates, grapes, and charcoal – entry into the UK on an unchanged basis.

[10] DRC, Malawi, Mauritius, Swaziland (Eswatini), Zambia, Zimbabwe

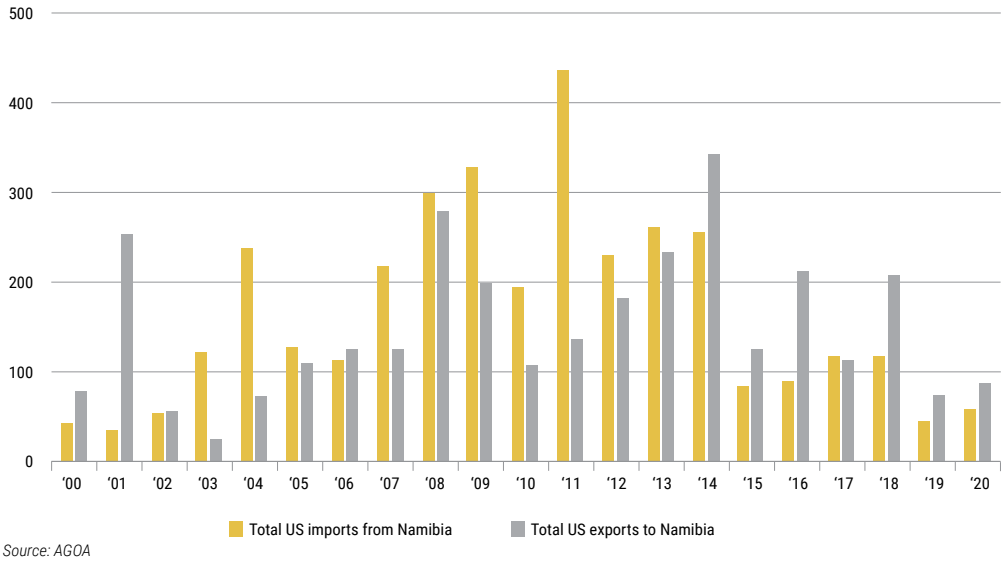
AGOA and the US

The African Growth and Opportunity Act (AGOA) is a US initiative to assist the economies of Sub-Saharan Africa and improve their trade relations with the US[11]. It was signed into law towards the end of the Clinton Administration in May 2000 and was originally intended to last eight years but was renewed in 2004 under President Bush until 2015 and then renewed again under President Obama for another ten years. AGOA builds on existing US trade programmes by expanding the duty-free benefits previously available only under the Generalised System of Preferences (GSP). Detailed rules of origin criteria in terms of the percentage of value added generated in eligible African countries must be met to avoid goods simply being redirected through African countries to the US. According to the AGOA website, duty-free access to the US market under the combined AGOA /GSP programme stands at approximately 7,000 product tariff lines, including the roughly 1,800 product tariff lines that were added to the GSP by the AGOA legislation which included items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, and steel.

Thanks to its market-friendly economic policies and human rights record, Namibia qualified for AGOA and in December 2001 also qualified for the "wearing apparel" provisions despite not being a LDC. The most spectacular impact of AGOA in Namibia was that it paved the way for a significant investment by Malaysian garment manufacturer Ramatex. The troubled history of this investment is detailed in Chapter 11: Manufacturing. The ending of the Multi-Fibre Agreement and the world quota regime for textiles and apparels in January 2005 meant that the advantage of AGOA access for African countries was greatly reduced. Ramatex pulled out of Namibia in early 2008 resulting in some 6,000 job losses. Although Namibia continued to export a range of products to the US, AGOA has not made an appreciable difference to the overall pattern of trade. In February 2020 after lengthy and arduous food hygiene inspections, Namibia became the first African country to export red meat to the US shipping 25 tonnes of beef[12]. Long distances, high transport costs and a limited range of manufactured exports limit the usefulness of the AGOA arrangement to Namibia while the challenge of meeting strict health and safety requirements for food products such as meat, fish and grapes remains.

CHART 23.2

Trade between Namibia and the US 2000-2020 (US$m)



Source: AGOA

[11] See www.agoa.go

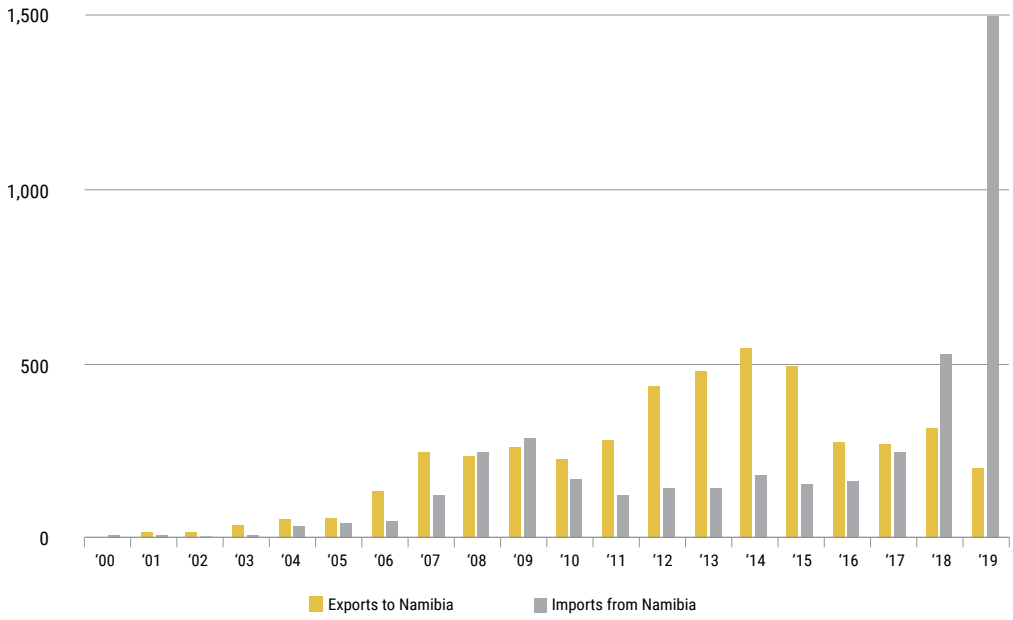
[12] See "Namibia's First Beef Batch Reaches US", *The Namibian*, 23 April 2020

China

From the very beginning, the Namibian Government has sought to exploit the strong relationship that existed between SWAPO and the Chinese government to strengthen trade and investment links with China. As early as 1991 Prime Minister Hage Geingob made the first post-Independence high-level official visit to the People's Republic but the close relationship started well before Independence at the time of the liberation struggle[13]. However, the trade and investment relationship only really started developing into a significant one after 2000. It is hard to say precisely what it consists of but China has exported consumer goods, locomotives, mining equipment and vehicles to Namibia while China became a major export destination for minerals, particularly uranium and copper. A major new embassy was constructed by China in Windhoek and huge direct investment has taken place in uranium mining while China has played a significant role in many of Namibia's major construction projects. The Chinese presence in the construction industry is detailed in Chapter 12: Construction. Namibia's two operational Chinese-owned uranium mines (Husab and Rössing) have clearly made a huge difference to Namibian exports to China.

CHART 23.3

Trade between Namibia and China 2000-2019 (US$m)



Source: IMF

[13] See "Comrades and Capitalists: The Growing Presence of China in the Namibian Economy and its Possible Economic and Political Implications" by Robin Sherbourne for the Friedrich Ebert Stiftung

Export Diversification

A 2012 research paper[14] incorporated the most detailed analysis of Namibia's exports hitherto undertaken. The paper showed that the composition of approximately four-fifths of Namibia's merchandise exports was broadly similar when a comparison was made between 2001 and 2011. The predominant export categories included key mineral products, fish products, meat and animal products, and beer. Two new products had been added to these top exports – refined zinc and cut and polished diamonds – while other products had gained in importance including frozen mackerel, fluorspar and fresh grapes. In some cases export diversification appeared not to have been sustained. For example, the period from 2001 to 2011 saw categories of textile exports rise but then virtually disappear, volumes being associated with the ill-fated Ramatex investment which started in 2001 and shut down in early 2008). Furthermore, re-exports appeared to have grown in importance during the period reflecting perhaps the rise of Walvis Bay as an entry point to the SADC market (including Angola) and some goods in transit entering (mistakenly) Namibia's trade data. However, based on the limited analysis of four-fifths of Namibia's merchandise exports contained in the report, it was hard to argue that any significant degree of export product diversification had taken place. Manufactured exports outside the food and minerals sector were extremely limited in magnitude. It remains something of a mystery that some N$9.6 billion worth of manufactured exports (or more than one quarter of total merchandise exports) included in the national accounts cannot be properly accounted for.

TABLE 23.2
Top 20 Export Markets in 2001, 2011 and 2019 Excluding Re-Exports

Country	2001	Country	2011	Country	2019
1. United Kingdom	39.7%	1. South Africa	18.0%	1. China	25.9%
2. South Africa	23.0%	2. United Kingdom	16.7%	2. South Africa	17.2%
3. Spain	15.0%	3. Angola	9.4%	3. Botswana	10.1%
4. Angola	5.5%	4. United States	8.1%	4. Belgium	7.5%
5. United States	3.6%	5. Belgium	6.4%	5. Spain	4.9%
6. France	2.1%	6. Canada	5.5%	6. Zambia	3.9%
7. Italy	2.0%	7. Spain	4.8%	7. UAE	3.5%
8. Netherlands	1.6%	8. Italy	3.7%	8. DRC	3.0%
9. Germany	1.0%	9. Netherlands	3.1%	9. Italy	2.4%
10. Japan	0.8%	10. France	2.6%	10. Netherlands	2.3%
11. Belgium	0.7%	11. China	2.4%	11. France	2.2%
12. China	0.6%	12. DRC	1.9%	12. USA	2.1%
13. Congo Brazzaville	0.4%	13. Germany	1.5%	13. Canada	1.6%
14. DRC	0.4%	14. Switzerland	1.5%	14. Hong Kong	1.5%
15. Portugal	0.4%	15. Sweden	0.9%	15. Germany	1.4%
16. Denmark	0.4%	16. Zambia	0.8%	16. Bahamas	1.2%
17. Zimbabwe	0.3%	17. Korea	0.7%	17. Mauritius	1.0%
18. Australia	0.3%	18. Portugal	0.7%	18. Israel	0.8%
19. Botswana	0.2%	19. Botswana	0.7%	19. United Kingdom	0.8%
20. Nigeria	0.2%	20. Mozambique	0.6%	20. Angola	0.7%

Source: Namibia Statistics Agency

[14] "Namibia's Export Performance: Lacking Drive", IJG Research Report, October 2012

The limited diversification in export products is visible in the limited amount of diversification in export markets. Although Namibia appears to have reduced its dependence on its top ten export markets, the top 20 markets remained broadly similar. SADC and other African markets outside South Africa and Angola remain relatively insignificant. Market diversification is important because it allows Namibia to spread its risk when downturns take place in its different export markets.

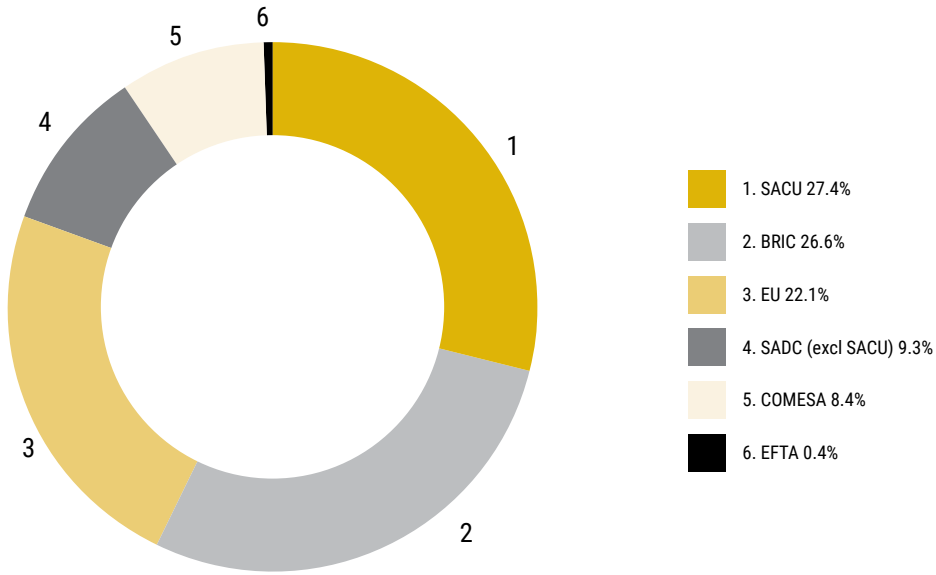
> Although Namibia appears to have reduced its dependence on its top ten export markets, the top 20 markets remained broadly similar.

In 2001, the top ten export destinations accounted for 94.2 percent of total exports. Excluding South Africa and Angola, exports to SADC destinations accounted for 1.2 percent of total exports (mainly DRC, Zimbabwe, Botswana, Mozambique and Zambia). Exports to the rest of Africa accounted for less than 1.0 percent of exports.

In 2011, the top ten export destinations (excluding sales to EPZs) accounted for 78.3 percent of total exports. Excluding South Africa and Angola, exports to SADC destinations accounted for 4.4 percent of total exports (mainly DRC, Zambia, Botswana, Mozambique and Zimbabwe). Exports to the rest of Africa accounted for less than 0.5 percent of exports.

In 2019, the top ten export destinations (excluding sales to EPZs) accounted for 80.7 percent of total exports. The proportion of exports to SACU, BRICs, EU, SADC (excluding SACU), COMESA, EFTA and the EAC are shown in the chart below.

CHART 23.4
Destination of Namibian Exports by Trading Bloc (2019)

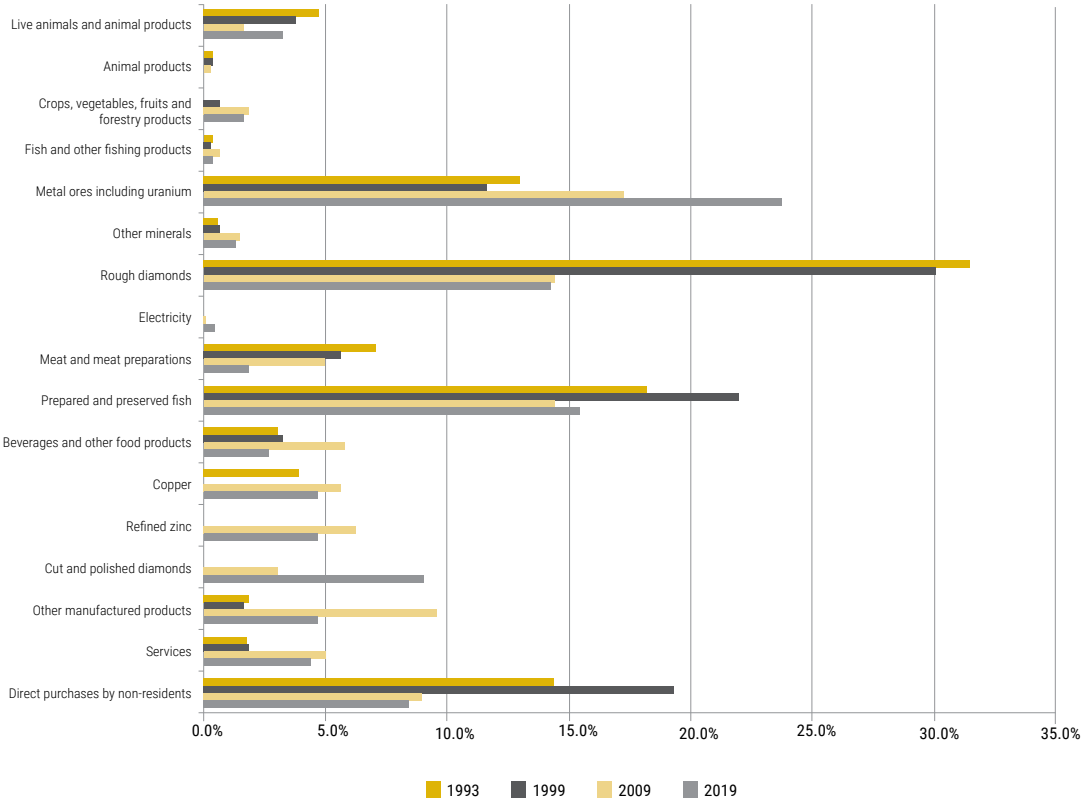


Source: NSA

The chart below presents more limited analysis based on data presented according to the broad categories used in Namibia's national accounts statistics for the years 1993 (the first year for which detailed information is available), 1999, 2009 and 2019. It can be seen that Namibia remains an economy highly dependent on mineral exports (2009 was a bad year for mineral exports because of the Global Financial Crisis). The most significant changes in the composition of exports is that rough diamonds have become less important and uranium and gold more important whilst cut and polished diamonds and SHG zinc have become more important. Service exports appear to have become less important but it is not clear how well they are measured. Cut and polished diamonds and SHG zinc stand out as the only new merchandise exports of significance in the past 30 years.

CHART 23.3

Composition of Exports



	1993	1999	2009	2019
Live Animals and Animal Products	5.0%	4,5%	3.6%	5.0%
Fish and Other Fishing Products	0.3%	0.2%	0.6%	0.3%
Ores and Minerals	44.8%	42.1%	32.8%	40.5%
Electricity	-	-	0.1%	0.2%
Manufactured Products	33.9%	32.2%	41.9%	42.0%
Services	16.1%	21.0%	13.8%	12.0%

Policy Issues

Export Growth and Diversification

Namibia's ability to achieve substantially higher rates of growth will ultimately depend on its ability to export a greater quantity and variety of goods and services. The evidence of the past three decades suggests Namibia's range of exports has changed little over the years. An analysis of the composition of major exports suggests not much has changed in the past decade and Namibia's exports remain dependent on a relatively narrow range of food and mineral products. Likewise, a preliminary analysis of export markets suggests only a very modest amount of diversification has taken place although China has clearly become one of Namibia's major export destinations.

This lack of growth and diversification of Namibia's exports and export markets should be a huge cause for concern to policymakers because, without significant growth in exports, the growth in the wider economy they wish to see is unlikely to take place. As described in Chapter 11: Manufacturing, the first decade of Independence saw some policy attention given to the question of how to boost exports and this resulted in the EPZ programme as well as tax incentives for exporters (the results of both have been below expectations). Whatever the view on the efficacy of tax incentives, this attention seems largely to have lapsed and no new measures to help exporters have been announced for many years whilst policy focus moved to "Growth At Home". Likewise, the issue of exchange rate competitiveness and the potential anti-export bias of SACU's tariff regime (much reduced since 1994) seem to have disappeared from policymakers' radar screens. The National Development Plan 4 appeared to recognise the need to encourage sectors which have export potential (agriculture, manufacturing, tourism, transport and logistics) but rather downplayed the degree to which Namibia requires a concerted export drive, stressing instead the employment creation potential of these sectors rather than the export market as a means to harness economies of scale and increase employment. The terms of the economic debate need to move back towards the question of what can Namibia competitively produce and sell to the rest of the world if higher rates of growth are to be achieved. For this reason, much of the analysis and many of the recommendations contained in the report of the High-Level Panel on the Namibian Economy are to be welcomed.

"This lack of growth and diversification of Namibia's exports and export markets should be a huge cause for concern to policymakers because, without significant growth in exports, the growth in the wider economy they wish to see is unlikely to take place."

Southern African Regional Integration

The EPA negotiations served to highlight the tangled web that is regional trade integration in southern Africa[15]. A core of highly integrated economies exists within a well-functioning customs union (SACU) upon which the BLNS are highly dependent for revenue. But SACU members belong to a wider SADC which has political as well as economic aspirations in the shape of a SADC Customs Union and a common currency. However, the long-term loyalties of six SADC members are split with COMESA which is already well-advanced in establishing its

[15] See "Untangling the Spaghetti", Economic Eye, *The Namibian*, 14 July 1998
[16] See "Dragon Among the Geese" by Dr Martyn J Davies, *Insight Namibia*, December 2005 – January 2006

own customs union. COMESA, for example, has already decided on a simplified tariff structure. Furthermore, in purely macroeconomic terms, SADC member states vary widely. SADC has never adopted entry criteria in the same way as the EU. Finally, it cannot be certain that South Africa, which makes up almost two-thirds of SADC's GDP, is prepared to devote the attention necessary to push regional integration any harder that it has, given that it already dominates the smaller regional economies and knows that it has to target larger world markets if it is to grow faster. It has seemed reluctant to throw its weight around in the region, something which is often interpreted uncharitably by other countries. In contrast to Japan and Asia, there seems little sign of any "flying geese" in southern Africa[16].

Loss of Trade Preferences

Namibia has historically tried to play a full role in fostering greater regional economic integration. However slow progress has been, the basic economic logic has always appealed: that a greater regional economic space would encourage foreign direct investment, foster efficiency to the benefit of all member countries. At the same time Namibia as a new country has been attempting to create its own institutions and develop its own economy. Paradoxically, this has led to policies in the areas of agriculture, manufacturing, finance, competition which have helped to separate it from the region. Despite the failure of the Doha Round launched in 2001, the general long-term erosion of trade preferences makes the importance of regional integration questionable. Outside the EU, it is hard to think of economies that have grown fast without an independent trade policy. The desire to promote regional integration and the fear of losing SACU revenues have probably been responsible for the fact that Namibia has never seriously examined the option of going it alone. However, now that the SACU tariff structure has been substantially liberalised, this option has less merit than it did at Independence.

Economic Diplomacy

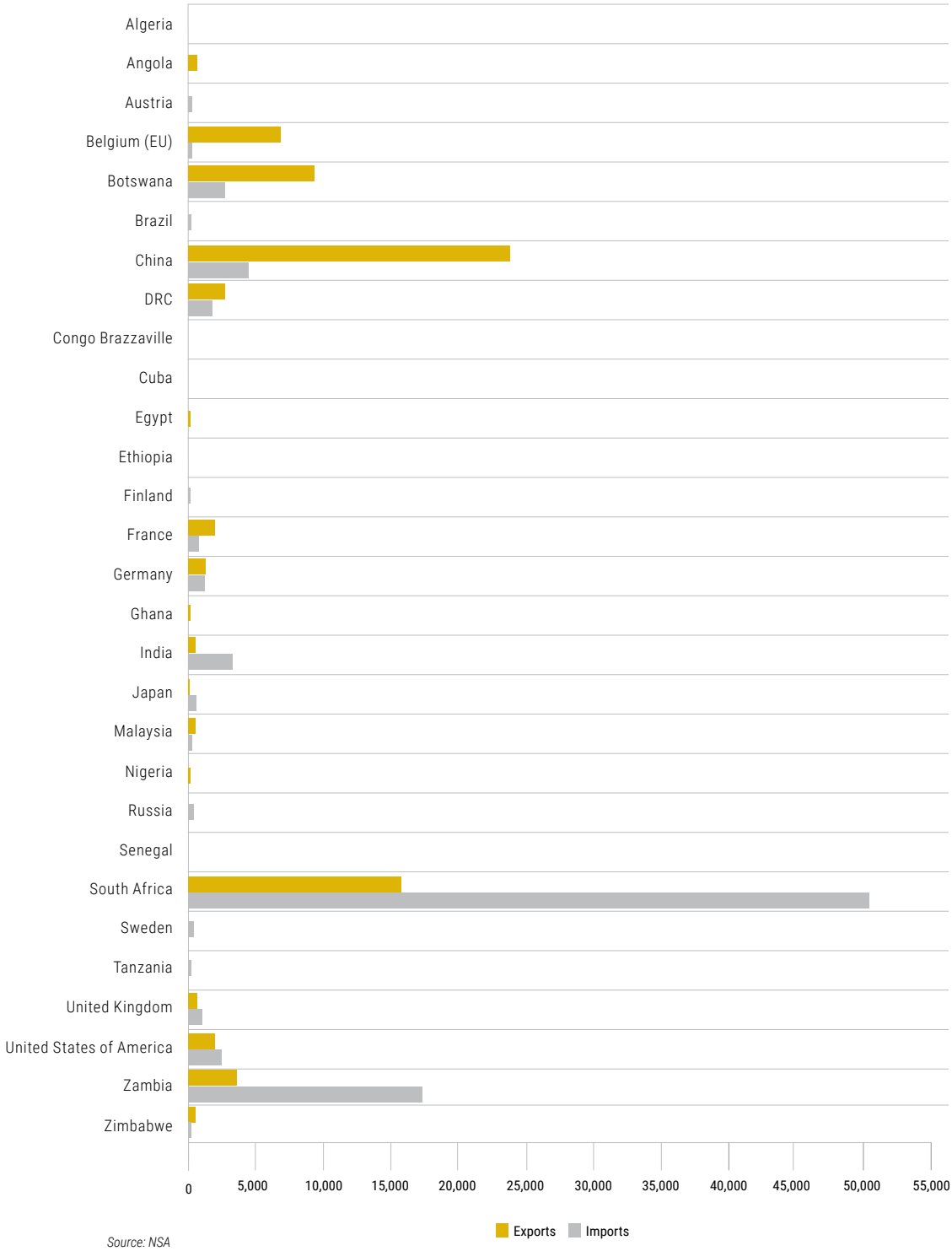
Since Independence, Namibia has devoted significant resources into establishing foreign missions abroad. From 10 in 1990, Namibia now has embassies or high commissions in the 29 countries shown in the chart. Trade is highly concentrated in very few countries and is extremely limited in most of the countries where Namibia has embassies or high commissions.

The term economic diplomacy was touted heavily by former Foreign Affairs Minister Hidipo Hamutenya who went as far as publishing a lengthy White Paper extolling its virtues[17]. However, there is little evidence Namibian missions abroad carry out their economic role effectively and they have been criticised for their lack of cost-effectiveness. Advances in IT have made a physical presence abroad less important but Namibia has clearly failed to use this cheap technology to its advantage[18]. The Namibian Investment Centre is hardly the one-stop shop envisaged in the 1992 White Paper on Industrial Development although, following President Geingob's announcement in March 2020[19], it is due to be replaced by an upgraded Namibia Investment Promotion and Development Board in the Office of the President. In short there is much that can be done to improve the information available to foreign investors.

[17] See "White Paper on Namibia's Foreign Policy and Diplomacy Management", Ministry of Foreign Affairs, 2004
[18] See "www.outofdate.com.na", *Insight Namibia*, July 2005
[19] See "Statement by His Excellency The President Dr Hage G Geingob on the Occasion of the Announcement of a New Government Structure", Office of the President, 16 March 2020

CHART 23.4

Trade with Countries where Namibia had Diplomatic Presence in 2019 (N$'000)



Source: NSA

Useful References

Monitoring Regional Integration NEPRU annually from 2002

"Comrades and Capitalists: The Growing Presence of China in the Namibian Economy and its Possible Economic and Political Implications" by Robin Sherbourne for the Friedrich Ebert Stiftung

"How can Namibia Further Benefit from AGOA?" by Vitalis Ndalikokule, Ben Biwa and Esau Kaakunga BoN Occassional Paper OP-2/2006

"African Growth and Opportunity Act: What It Means for Namibian Business" by Klaus Schade, IPPR, September 2019

"Making Sense of Namibia-China Relations: Risks and Rewards" by Dietrich Remmert and Rakkel Andreas, IPPR, October 2019

Useful Websites

African Continental Free Trade Area
au.int/en/cfta

African Growth and Opportunity Act
www.agoa.gov

Common Market of Eastern and Southern Africa
www.comesa.int

Southern African Customs Union
www.sacu.int

Southern African Development Community
www.sadc.int

Trade Law Centre for Southern Africa
www.tralac.org.za

World Trade Organisation
www.wto.org

Annex

ANNEX 23.1

Namibian Exports to US Added under AGOA Including GSP (US$'000)

	2001	2002	2003	2004	2005	2006	2007	2008
Agricultural products	26	19	5	6	10	8	10	3
Forest products	67	161	142	115	149	170	184	83
Chemicals and related products	-	-	-	87	-	-	1	-
Energy related products	-	-	-	-	-	-	-	-
Textiles and apparels	-	1,537	32,135	75,906	53,060	33,011	28,578	-
Footwear	-	-	-	-	-	-	-	-
Minerals and metals	-	-	14,465	85,067	-	27	2,883	3,271
Machinery	-	-	-	-	-	-	-	3
Transportation equipment	-	-	-	-	-	-	-	-
Electronic products	-	-	-	-	-	-	-	-
Miscellaneous manufactures	-	-	7	12	22	12	26	6
Special provisions	-	-	-	-	-	-	-	-
Total	**93**	**1,717**	**46,755**	**161,193**	**53,241**	**33,228**	**31,695**	**3,366**
Total US imports from Namibia	37,845	57,353	123,249	238,219	129,557	115,650	219,743	301,235
Total US exports to Namibia	249,334	-	26,668	66,047	92,954	113,220	116,383	271,350

Source: TRALAC http://agoa.info/profiles/namibia.html

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
11	4	63	304	-	-	-	-	4	430	436
91	57	82	71	-	-	-	-	41	50	-
-	-	-	-	-	-	-	-	7	33	-
-	-	-	-	-	-	-	-	-	-	-
-	2	-	8	-	-	-	-	1	-	-
-	5	9	21	-	-	-	-	-	-	-
1,494	658	134,125	736	-	-	-	-	1,525	1,141	3,700
-	-	-	-	-	-	-	-	-	-	4
-	-	4	-	-	-	-	-	7	-	-
-	-	-	-	-	-	-	-	-	-	-
-	22	35	11	-	-	-	-	-	4	32
-	-	-	-	-	-	-	-	-	-	-
1,596	**747**	**134,317**	**1,151**	**-**	**-**	**-**	**-**	**1,585**	**1,658**	**4,172**
327,607	195,036	436,338	231,280	263	256	111	116	119,100	119,413	144,006
173,901	95,642	121,006	176,610	-	-	-	-	115,048	205,652	194,433

Annex 23.2

Trade between Namibia and China

	Total (US$m)	Exports to Namibia (US$m)	Imports from Namibia (US$m)
2000	8.8	8.3	0.5
2001	27.6	21.2	6.4
2002	23.9	20.2	3.7
2003	43.3	37.6	5.7
2004	84.3	52.4	31.9
2005	105.8	60.4	45.4
2006	182.1	133.2	49.0
2007	368.7	245.6	123.1
2008	485.8	238.1	247.7
2009	553.6	264.2	289.4
2010	396.7	226.4	170.3
2011	407.5	280.3	127.1
2012	586.6	439.1	147.5
2013	624.5	481.2	143.3
2014	723.5	544.6	178.8
2015	655.1	497.8	157.3
2016	442.5	278.8	163.7
2017	521.8	273.0	248.8
2018	850.1	319.8	530.3
2019	1,700.2	200.9	1,499.3

Source: IMF DOTS 2000-19

Trucks loaded with goods at Oshikango

CHAPTER

24

Cross-Sectoral Issues
Black Economic Empowerment

Namibia's public sector – either through the Government bureaucracy or the burgeoning Public Enterprise sector – has undoubtedly played a critical role in helping black Namibians gain skills, experience, incomes and assets. However, after 30 years of Independence, it is fair to say that no clear consensus has emerged on the meaning of Black Economic Empowerment (BEE) in Namibia. Some see it more as a way of promoting the creation of an indigenous class of black business people while others view it primarily as a way of spreading wealth more evenly among the mass of the population. Although some argue that the two views are one and the same thing, in reality they often lead to contradictory policy prescriptions and outcomes. Regardless of which view is held, it is clear that Government's attempts to promote black Namibian business interests have taken place outside any overall coherent, transparent and accountable policy framework and generally been highly discretionary and shrouded in secrecy. As a result, the lucky few close to power and influence have benefitted greatly, often at the expense of the ordinary taxpayer and consumer.

Given the almost complete lack of data, it is hard to say precisely what impact these practices have had on the economy as a whole. Many if not most major initiatives have run into severe problems: the Affirmative Action Loan Scheme, the National Resettlement Policy, the Development Capital Portfolio of the GIPF, City Savings and Investment Bank, Namibia Harvest, the "shot-gun weddings" and quota allocations in the fishing industry, Barden International, Ongopolo Mining and Processing, Namibia Liquid Fuel, the SME Bank and the dire performance of a large number of Public Enterprises. The experience of initiatives by the private sector, which has given up waiting for a policy and is moving ahead as best it can, is equally hard to assess and clear success stories are hard to find. Aside from the lack of policies and transparency, a further problem has been that it is not enough to offer people legal opportunities without simultaneously offering real access to capital and skills.

Namibia completes 30 years of Independence without a clear policy framework within which economic empowerment can take place. Furthermore, Government has flip-flopped on the key issue of property rights. The resulting uncertainty casts a pall over Namibia's investment climate undermining efforts to promote investment and growth. This contributes towards holding back the one major change which would empower more people than anything – sustained increases in formal employment.

Black Economic Empowerment
KEY EVENTS

YEAR	EVENT
1990	– Hage Geingob appointed Prime Minister
1991	
1992	– Affirmative Action Loan Scheme established
1993	
1994	– 50:50 partnership Namdeb created out of CDM
1995	– PE Minerals awarded mineral rights to Rosh Pinah mine – Commercial land reform Act passed
1996	– Development Capital Portfolio established by GIPF
1997	
1998	– Affirmative Action Act passed – Barden International established in Namibia – South Africa's BEE Commission established – Namibian Harvest listed on NSX
1999	– Indigenous People's Business Council established
2000	– Land invasions start in Zimbabwe – Fishing quotas reallocated to BEE companies – Ongopolo Mining and Processing created to run former TCL mines
2001	– Publication of BEE Commission's report in South Africa
2002	– Theo-Ben Gurirab appointed Prime Minister – Development Capital Portfolio lending put on hold – Ohlthaver & List announces BEE transaction with EPIA – Metropolitan Namibia announces BEE deal with Pinnacle Business Investment – NCCI, NUNW and NES hold BEE Conference
2003	– Anti-Corruption Act passed – Nam-mic buys into Bank Windhoek – Namibian Preferential Procurement Council established
2004	– Government buys back 49 percent of MTC of which 15 percent is earmarked for sale to BEE partners – Barden International closes – Development Bank of Namibia established to promote BEE – BEE Act passed in South Africa – FNB Namibia concludes BEE transaction with Sovereign Capital and Chappa'Ai Investment 42 – Chamber of Mines submits BEE proposals to MME – FENATA adopts BEE Charter – Alexander Forbes announces BEE deal with Cherish Investments – NamPower announces BEE policy – Sasol and Namibia Liquid Fuel awarded fuel tender
2005	– Nahas Angula appointed Prime Minister
2006	– Prime Minister Nahas Angula announces BBEE to be renamed TESEF – Old Mutual announces BEE deal – Weatherly buys Ongopolo
2007	– Report into Development Capital Portfolio submitted to NAMFISA – Barloworld Namibia announces BEE deal – Anti-Corruption Commission clears Namcor and Namibian Liquid Fuel of wrongdoing
2008	– Telecom announces BEE procurement strategy – Decti Namibia submits recommendations on Transformation of Economic and Social Empowerment Framework (TESEF) to Prime Minister – NWR announces Public Private Partnerships
2009	– Namibian Financial Sector Charter approved by Minister of Finance – Government launches Epangelo

2010

2011
- Cabinet changes name of TESEF to NEEEF (New Equitable Economic Empowerment Framework)
- NEEEF tabled in Parliament

2012
- NEEEF tabled again in Parliament
- Nahas Angula replaced by Hage Geingob as Prime Minister

2013

2014
- Standard Bank announces ten percent BEE shareholding
- NEEEF features as commitment in SWAPO manifesto
- Chamber of Mines adopts Empowerment Charter

2015
- Hage Geingob becomes President and Sara Kuugongelwa appointed Prime Minister
- Revised National Equitable Economic Empowerment Framework (NEEEF) tabled in Parliament
- Public Procurement Act passed by Parliament

2016
- Prime Minister circulates draft NEEEF Bill containing 25 percent equity provisiont

2017
- President Geingob confirms 25 percent equity provision

2018
- President Geingob confirms 25 percent equity provision has been removed

2019
- President Geingob reaffirms that 25 percent equity provision has been removed
- Fishrot scandal becomes public

2020
- High Level Panel on the Namibian Economy makes no mention of NEEEF
- Revised NEEE Bill published

Introduction

Post-colonial Africa has struggled to meet the challenge of redressing the racial balance of business ownership and management while at the same time developing a genuinely entrepreneurial class of business people. Decades ago nationalisation would have been the preferred approach. Over the years different terms have been used to describe policies designed to achieve these aims including Africanisation and indigenisation. Despite pressure from its left-wing and affiliated trade unions, Namibia's SWAPO Government has never embraced a policy of active nationalisation preferring to follow the more pragmatic approach implied by adherence to a "mixed economy". Government stressed only that it would consider taking equity stakes in companies if they are offered voluntarily, such as in the case of De Beers (CDM) and Namdeb. The term "Black Economic Empowerment" or BEE only really came to be used in Namibia following the establishment of the BEE Commission in South Africa in 1998. Until that point, although the Namibian Government had pursued policies aimed at uplifting the mass of poor black Namibians and stimulating black business, it had never really been given a name and was all done in the absence of a single over-arching and explicit policy.

CONSTITUTIONAL PROVISIONS: ARTICLES 16 AND 23

A key economic provision in Namibia's Constitution is contained in Article 16 which deals with property.

(1) All persons shall have the right in any part of Namibia to acquire, own and dispose of all forms of immoveable and movable property individually or in association with others and to bequeath their property to their heirs or legatees: provided that Parliament may be legislation prohibit or regulate as it deems expedient the right to acquire property by persons who are not Namibian citizens.

(2) The State or a competent body or organ authorised by law may expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by Act of Parliament.

Namibia's Constitution makes no specific mention of BEE but does make provision for measures designed to advance the interests of those who were previously discriminated against. Article 23 (2) states the following:

"Nothing contained in Article (10) [which deals with Equality and Freedom from Discrimination] hereof shall prevent Parliament from enacting legislation providing directly or indirectly for the advancement of persons within Namibia who have been socially, economically or educationally disadvantaged by past discriminatory laws or practices, or for the implementation of policies and programmes aimed at redressing social, economic or educational imbalances in the Namibian society arising out of past discriminatory laws or practices, or for achieving a balanced structuring of the public service, the police force, the defence force and the prison service.

Article 23 (3) goes on:

"In the enactment of legislation and the application of any policies and practices contemplated by Sub-Article (2) hereof, it shall be permissible to have regard to the fact that women in Namibian have traditionally suffered special discrimination and that they need to be encouraged and enabled to play a full, equal and effective role in the political, social, economic and cultural life of the nation."

It was the example set by South Africa (whose government had gained democratic legitimacy only four years later than Namibia's) in establishing a Black Economic Empowerment Commission in 1998, that seems to have particularly impressed Namibian political and business decision-makers.

However, in the years following the Commission's report (which have seen South Africa publish reports, develop detailed policies and enact legislation) Namibia was still waiting for a clear policy on BEE. Work on such an initiative started in earnest shortly after 2000 under then Prime Minister Hage Geingob. Following Geingob's refusal to accept the post of Minister of Regional and Local Government and Housing offered to him by President Nujoma and his subsequent resignation from Cabinet, the BEE baton was picked up by the new Prime Minister Theo-Ben Gurirab. A policy was developed under Gurirab by a group of consultants and a report was submitted to Cabinet in 2004. Gurirab was replaced as Prime Minister by Nahas Angula in 2005 as part of President Pohamba's new Cabinet. With the tide of opinion in South Africa turning against the first phase of BEE there (which was perceived by many as nothing more than self-enrichment by the few), Angula laid emphasis on Broad-Based BEE in an attempt to steer the process more towards poverty reduction for the many. In 2006 Angula's office contracted Decti Namibia, the company responsible for promoting and running the Namibian Preferential Procurement Council (NPPC), to work on a new Transformation of Economic and Social Empowerment Framework (TESEF) led by a young lawyer Malverene Rittmann. Decti produced a consultation document and undertook an extensive round of discussions with a range of businesses. Its final recommendations were submitted to the Prime Minister in June 2008 and a printed document prepared[1]. According to Prime Minister Angula, the slow progress was down to the need to reach consensus on ideology within the ruling party[2].

However, for reasons that remain unclear, TESEF lost momentum despite being approved in principle by Cabinet[3] which directed that the TESEF document be submitted to SWAPO's Politburo and the SWAPO Caucus of the National Assembly and National Council for scrutiny before tabling in the National Assembly. What was being proposed was an extremely complex scorecard system based on the South African approach which would have involved significant administrative costs on the part of business and government. It was also unclear whether this would be mandatory and which businesses it would apply to.

The Cabinet Committee on Overall Policy and Priorities on 14 July 2010 resolved that the Prime Minister make a submission to the next SWAPO Party Politburo meeting on the proposed renaming of the Transformational Economic and Social Empowerment Framework. At its ordinary meeting of the 17 March 2011, the SWAPO Party Politburo decided that TESEF should be renamed the New Equitable Economic Empowerment Framework (NEEEF). The meeting further directed the Prime Minister to table the document in Cabinet. The Prime Minister formed a small working group to come up with a revised document and this was completed by the end of July and the NEEEF was tabled in Parliament in October 2011 to mixed reaction. The Namibia Chamber of Commerce and Industry also reacted complaining it had not been properly consulted. Angula ended up tabling a revised version in Parliament in July 2012 and once again invited inputs. The process went quiet in the run-up to the SWAPO Extraordinary Congress at the end of 2012 which saw Hage Geingob not only chosen as the party's presidential candidate but also saw him replace Nahas Angula as Prime Minister. NEEEF then featured as one of the social justice commitments in the 2014 SWAPO manifesto which stated

[1] Transformation of Economic and Social Empowerment Framework (TESEF), Strategy Document 2008, Office of the Prime Minister
[2] See "BEE Policy Still Stuck in the Starting Blocks", *The Namibian*, 30 July 2009
[3] Cabinet decision no. 4th SP/17.09.08

"The SWAPO Party Government expects all businesses to proactively embrace national transformation and to participate whole-heartedly in the transformation of ownership and empowerment."[4]

Geingob went on the win the presidential elections by a landslide and, following the appointment of a new Cabinet and Sara Kuugongelwa-Amadhila as Prime Minister, continue to work on NEEEF announcing that further consultations would be held in early 2016. A draft Bill was put out for consultation at a workshop at the Office of the Prime Minister in February 2016. The Bill made provision for an Economic Empowerment Advisory Council to oversee NEEEF and the establishment of an Economic Empowerment Commission within the Office of the Prime Minister. The Council would comprise of seven members of Cabinet as well as up to three Presidential appointees and would meet four times a year. It would create committees to work on each of the empowerment pillars. An additional pillar was added: Value Addition, Technology and Investment. The Commission was to carry out the technical work associated with NEEEF directed by the Council which was to be headed by a technocratic Chief Executive appointed by the Council for a term of five years who would also appoint a Deputy. On ownership, Article 23 of the Bill went further than anything contained in previous NEEEF documents:

Ownership Restrictions

23. (1) Any private sector enterprise that is established after the commencement of this Act may commence business only when such enterprise has secured 25 per cent ownership by a racially disadvantaged person or persons or such higher percentage as may be determined by Minister by notice in the Gazette.

(2) Despite any other legislation to the contrary, no private sector enterprise that is owned and controlled by a previously disadvantaged person in accordance with the provisions of this Act, may allot, issue, or register the transfer of any portion of its ownership in such enterprise to a person that is not previously disadvantaged or to a domestic or foreign enterprise owned by a person that is not previously disadvantaged.

(3) A person who has received ownership in a private sector enterprise in accordance with the provisions of this Act may only allot, issue, or register the transfer of any of his or her ownership in such enterprise to a person that is previously disadvantaged.

There appeared to be no consideration of size so that these ownership restrictions would apply even to the smallest businesses. There was little doubt NEEEF would raise costs, reduce returns and create more administrative hurdles to investment by people who were not previously disadvantaged including foreign investors. The bureaucratic nature of the Council and the Commission suggested nothing had been learnt from the experiences of the Employment Equity Commission (see Chapter 5: Employment, Poverty and Inequality), the State-Owned Enterprise Governance Council (see Chapter 20: Public Enterprises) or the President's Economic Advisory Council. It was hard to avoid the conclusion that the Bill would discourage investment and stunt growth. Although formal consultations on the Bill were supposed to close on 25 February 2016, they have dragged on for another five years. But Government ended up heeding those who called for these mandatory equity targets to be dropped and the evolution of Government's thinking is demonstrated by the President's remarks in successive State of the Nation Addresses (see Box).

[4] See "Consolidating Peace, Stability and Prosperity", SWAPO Party Manifesto 2014

STATES OF THE NATION

Since launching the consultation on the New Equitable Economic Empowerment Bill, Government has changed its mind on key issues and this has resulted in huge uncertainty for business.

State of the Nation 2016

"I would like to use this opportunity to clarify Government's position with regard to economic empowerment. First, when the Draft Namibia Equitable Economic Empowerment Bill was released, it was meant as a consultation framework on this important matter. It is, therefore, a draft document, likely to be changed to accommodate informed input. I was disappointed to see the Us vs Them formations which were threatening to develop. I believe that in a democracy, we engage through rational discourse. The consultation period has been extended to allow for meaningful input which will be fairly evaluated. It is imperative that we remind ourselves of our complex and ugly history of exclusion in order to have the necessary difficult conversations that are required to level the economic playing ground and to build an inclusive society.

In this regard, I would like to reiterate my call of last year to the farming, fishing and business community to join hands in the provision of decent housing for workers, particularly seasonal workers at the coastal town of Walvis Bay and in Southern Namibia.

Decent shelter that includes proper sanitation, together with access to quality education and health care will go a long way in empowering Namibians. This form of empowerment has the potential to be recognized as such in the NEEEF scorecard. I would also like to reiterate my request to businesses to empower their workers through the instruction of share schemes."

State of the Nation 2017

"However, I have followed the public discussion on this matter and have observed that while NEEEF maybe imperfect, most commentators are avoiding the inequality question wherein NEEEF is located. Despite the self-regulation approach adopted in some key economic sectors, such as the mining, financial services and tourism sectors, we have not seen significant transformation in the last 27 years of Namibia's independence. The majority of Namibians remain structurally excluded from meaningful participation in the economy and as we established earlier, inclusivity ensures harmony and exclusivity brings discord."

State of the Nation 2018

"Outcomes from the NEEEF consultations were presented to Cabinet in February 2018, for deliberation. The Office of the Prime Minister will provide feedback to stakeholders, on the Cabinet decision in May 2018. The Bill will be tabled in Parliament before the end of 2018. Let me use this opportunity to put the equity pillar of NEEEF into perspective. The 25 percent equity stake will not translate into broad-based empowerment and is done away with.

The Marxian principle of "each according to his/her needs and each according to his/her ability" guides us. The role of Government is to create a conducive business environment where owners, whether black or white, who can afford risk capital, can participate in equity transactions under NEEEF. Those who want to participate in public procurement will have to do more to be NEEEF compliant."

State of the Nation 2019

"We are therefore working towards the finalisation of the Namibia Equitable Economic Empowerment Framework, which will be Namibia's overarching economic transformation policy. Given the need for broad consultation, the draft legislation is undergoing internal review, after which a final round of public consultations will be conducted, before the Bill is presented to Cabinet and re-tabled in Parliament this year."

State of the Nation 2020

"For this reason, once the Namibia Equitable Economic Empowerment Bill is tabled, I implore this Honourable House to prioritise its enactment. Government received this week a Report from the Economic Policy Research Association on the latest version of NEEEB. A cursory review suggests that the authors are interested only in protecting the interests of well-established businesses and a select few. Typically what is referred to as placing 'Profit before People'. It is regrettable that some Namibians are not willing to hold hands, to preserve the future of our country. As I have often cautioned through renowned economist Professor Joseph Stieglitz, who ascribes to the Georgist philosophy advocating for equal rights for all and special privileges for none, "Prosperity that is not shared, will not be sustainable. The only sustainable growth will be shared growth."

The report the President was referring to had been published by the Economic Policy Research Association and shared with policymakers[5]. It is not quite clear who EPRA represents but it seems to be mainly the work of maverick lawyer Eben de Klerk. EPRA's rather long-winded report contained inflammatory language which seemed to get under the skin of the President and was not viewed as a constructive contribution towards the debate on empowerment.

[5] See "Analysis of the Latest Version of the National Equitable Economic Empowerment Bill (NEEEB)", Economic Policy Research Association, 6 March 2020

The consultation document published by the Prime Minister in February 2016 gave every impression of having been drafted without any consideration of the previous 14 years of work. A central element of the draft Bill was that all businesses should cede 25 percent of their ownership to previously disadvantaged Namibians. This came as a bombshell to large parts of the business community and especially foreign investors. The provision was clarified a year later by President Geingob who reaffirmed the 25 percent requirement. However, after further prolonged consultation during which the economy had started to slow significantly, the President made a U-turn and in April 2018 announced that the 25 percent requirement had been removed, an action that was reaffirmed a year later after the Growth Summit in August 2019. As promised following the Summit, a revised version of the Bill was published in February 2020 and yet another in November 2020.

The version of the National Equitable Economic Empowerment Framework (NEEEF) published in February 2020 and revised later in November 2020 emerged after almost two decades of proposals and false-starts. The latest version of the draft National Equitable Economic Empowerment Framework makes provision for the establishment of a National Equitable Economic Empowerment Office headed by a Commissioner of Equitable Economic Empowerment appointed by the President for a five-year term. The National Equitable Economic Empowerment Commission consists of the Commissioner plus eight paid appointees from the public and private sectors as well as a youth representative then advises an unspecified Minister on economic empowerment to help empowerment beneficiaries. The draft Bill defines eight empowerment pillars in the following areas:

The Bill also provides for the Minister to set standards for equitable economic empowerment, form specialised committees and also makes provision for sector transformation charters and an accreditation body. It gives tremendous discretionary powers to an as yet unspecified Minister or Ministers. It includes heavy penalties for fronting and allows the Commissioner to carry out extensive investigations. All in all, although it drops the earlier 25 percent equity requirement, the Bill is drafted in such a way that such a requirement could be brought in again through the Ownership Pillar and Sector Transformation Charters. Furthermore, even if the Bill were passed immediately, given the length of time similar pieces of legislation tend to take to fully flesh out with associated institutions, appointments and regulations, there is little chance any investor (foreign or local) would know what regulatory hurdles they would face for at least another five years. All the while, the impact of such uncertainty would cast a huge cloud of doubt over the Namibian investment environment and therefore do real damage even if the legislation ended up being less than draconian.

Other Public Sector Initiatives

The fact that BEE was not explicitly referred to in the decade following Independence does not mean that nothing was done to promote the development of black business. The Affirmative Action Loan Scheme was introduced in 1992 designed to assist farmers with large herds of cattle in the communal areas to move into commercial farming, thus both helping to create a new group of black commercial farmers and free up land for smaller communal farmers (see Chapter 21: Commercial Land Reform). The creation of Namdeb in 1994 could also be seen as a step towards promoting black business as well as of course strengthening the role played by Government in the country's largest and most important business. The Employment Equity Commission was established in 1997 to monitor progress on racially equitable employment practices (see Chapter 5: Employment, Poverty and Inequality). The Public Procurement Act of 2015[6] also prioritises people who were historically disadvantaged while tenders can be limited to companies that are 51 percent owned by Namibian citizens with no less than 30 percent owned by previously disadvantaged persons.

However, many initiatives took place in a less overt way. Aaron Mushimba's PE Minerals was awarded the mining rights of Rosh Pinah mine after the company, then operated by Iscor and the Kahaan family, went into liquidation and stopped production for Christmas day in 1995. By law, if a mining company goes into liquidation, its mineral rights revert back to Government which, in this case, chose to grant them to PE Minerals. The Development Capital Portfolio (DCP) of the GIPF commenced lending in 1996 with the lion's share of its funds going to emerging black Namibian business people, including again the ubiquitous Mushimba. Barden International opened shop in 1998 following a visit by President Nujoma to the US. It was billed as both an empowerment transaction and the start of an industrialisation drive although Barden ended up closing down in 2004[7]. For many years fishing quotas have been allocated to individuals and groups in the name of empowerment but this has taken place in an untransparent way and resulted in very little real sustainable business growth. In the most extreme case the practice culminated in the Fishrot scandal (see Chapter 7: Fishing)

[6] Public Procurement Act 2015, Act No.15 of 2015
[7] See "When is an Investment Not an Investment?", Economic Eye, *The Namibian*, 28 April 1998

In the 2000s, with a decade of Independence behind it, Government grew in confidence and embarked on a more ambitious promotion of black business interests... The defining characteristic about most of these deals, however, was their almost complete lack of transparency. It was never quite clear who was benefiting, why particular individuals or groups were chosen, and who was footing the bill.

In the 2000s, with a decade of Independence behind it, Government grew in confidence and embarked on a more ambitious promotion of black business interests. The fishing industry experienced a wholesale reallocation of fishing rights in 2000 which prompted howls of outrage by foreign and other investors and caused diplomatic exchanges. Ongopolo Mining and Processing, a company owned by a mix of unions, ex-TCL managers and the GIPF, was created to rescue the former TCL mines which Goldfields had closed without warning in 1998. When MTC's Swedish investors Telia and Swedfund sold out in 2004, Government announced it would be looking for a strategic partner for 34 percent and award the remaining 15 percent to a BEE consortium. This lucrative deal led to such intensive lobbying by different interests that the sale was shelved. Government launched its own mining company Epangelo in 2009. The defining characteristic about most of these deals, however, was their almost complete lack of transparency. It was never quite clear who was benefiting, why particular individuals or groups were chosen, and who was footing the bill.

Private Sector Initiatives

The continued lack of any policy framework led more and more private companies to take the initiative, especially in the financial sector. Namibia's largest conglomerate Ohlthaver & List announced a BEE deal with EPIA in 2002. The NCCI linked up with the NUNW and the NES to hold a rather inconclusive BEE Conference in 2002. The Namibian Preferential Procurement Council (NPPC) was established in 2003 as an initiative to source more goods and services from local companies by the three largest mines in the south of the country: Namdeb, Skorpion and Rosh Pinah. The NPPC was run by a new company Decti Namibia which had experience from South Africa. The mineworkers' investment company Nam-mic bought a seven percent stake in Bank Windhoek in 2003. The year 2004 saw FNB Namibia announce a deal with Mwahafar Ndilula's Sovereign Capital and Ranga Haikali's Chappa' Ai as well as management and staff. Alexander Forbes concluded a deal with Frank Frederick's Cherish Investments. The same year saw Namcor award Sasol, and its local empowerment partner Namibia Liquid Fuel (NLF) the tender to supply 50 percent of Namibia's petrol and diesel. Old Mutual announced its own BEE deal in 2006 covering Nedbank Namibia and NedCapital Namibia involving a range of BEE partners, management and staff. Numerous other smaller deals have also been announced. Although most of these deals have been announced to great public fanfare, with a few notable exceptions, the terms of the deals are far from clear.

A haul truck driver at Rossing mine

Several sectors have come together to tackle the issue of BEE, but with few concrete results. FENATA announced its BEE Charter in 2004 but this contained few specific commitments and was more a statement of intent. The Chamber of Mines of Namibia presented a detailed proposal to the Ministry of Mines and Energy in 2004 involving a balanced scorecard approach towards seven empowerment pillars: ownership, employee literacy and numeracy, education and training, employment practices, community development, procurement, and beneficiation. The MME never formally responded to these proposals. The Chamber of Mines eventually decided to complete its own Mining Charter in 2014[8]. The Charter incorporated five transformation pillars: Ownership, Education and Skills, Affirmative Action, Procurement and Enterprise Development, and Communities and Infrastructure. Notably, all mining, development and exploration companies would be obliged to make a minimum of five percent equity available for sale exclusively to Historically Disadvantaged Namibians (HDNs) within two years of the Charter being adopted. This was only a minimum requirement and companies were encouraged to make more equity available to HDNs. At the end of 2020, the Charter was being reviewed by the Chamber.

The financial sector started work on its own Namibian Financial Sector Charter in 2005[9] and finalised a draft which was submitted to the Minister of Finance in 2008[10]. The Minister finally signed this off in October 2009 and Cabinet appointed Government's members of the Namibian Financial Services Charter (NFSC) Council in December. They were Ericah Shafudah (Deputy Permanent Secretary at the Ministry of Finance), Dagmar Honsbein (Director of Economic Policy Advisory Services at the Ministry of Finance), Gordon Elliot and Godfrey Kuyonisa (from the Ministry of Trade and Industry). However, Minister of Finance Kuugongelwa-Amadhila soon voiced her frustrations about slow progress and announced Government would enact its own policy called the Financial Sector Strategy (see Chapter 18: Banking)[11]. Two years after the passing of its founding legislation, the Development Bank of Namibia was formally launched in 2004 (see Chapter 18: Banking). Its early publications made no explicit mention of BEE or its role in stimulating black business although it does have a mandate to promote SMEs. NamPower introduced its own BEE policy in 2004 designed to use its purchasing policies to promote empowerment and this was followed by Telecom Namibia in 2008.

[8] See "Charter for Sustainable and Broad-Based Economic and Social Transformation in the Namibian Mining Sector 2014-20", Chamber of Mines of Namibia, 19 September 2014
[9] See "Unchartered Territory", *Insight Namibia*, December 2006 – January 2007
[10] Namibian Financial Sector Charter, November 2008
[11] "Unfortunately progress has been disappointing. Little has happened to give effect to the commitment made by the industry under the Charter, casting doubt on the commitment of the industry to voluntary reform. We shall therefore forge ahead with public initiatives to ensure transformation of the sector." Budget Speech 2011/12, 9 March 2011

SWAPO'S BUSINESS EMPIRE

SWAPO may have had some socialist tendencies throughout much of its history but it rarely shied away from getting involved in good old capitalist money making. Its main business arm Kalahari Holdings was established in 1989. The board of Kalahari Holdings is currently headed by Martin Inkumbi, the CEO of the Development Bank of Namibia, having previously been run by Permanent Secretary Dr Kalumbi Shangula from July 2002 and by Bience Gawanas from March 2016. The company owns a number of subsidiaries active in a wide range of sectors including Namib Contract Haulage (transport), Namprint (printing), Kudu Investments (property), Klondike Properties (property-letting), New Dawn Production (film), Farm De Rust, Namibia Protection Services and the Ndilimani Cultural Troupe. Kudu Investment owns and operates Pelican Square in Hochland Park which was developed using funding from the GIPF. The party also owns 51 percent of MultiChoice Namibia (satellite TV) and has stakes in Africa Online, Radio Energy (through Zebra Holdings), and NamHealth[12]. Another SWAPO-owned entity, Guinas Investment, is reported to have interests in Rosh Pinah Zinc, Gendev Fishing Resources, the Nest Hotel at Lüderitz and Quality Bag Manufacturers. SWAPO also owns Zebra Holdings which has an interest in MetHealth Namibia Administrators. It is unclear exactly what happens to income generated from these party businesses. Presumably it goes towards supplementing the state resources political parties receive to carry out their activities. There is, however, a clear conflict of interest when tendering for Government contracts, an issue which has surfaced generally and in relation to the printing of ballot papers for elections[13].

[12] See "SWAPO's Business Empire: A Profile", *The Namibian*, 10 February 2010
[13] See "NamPrint Loses Ballot Tender", *The Namibian*, 22 October 2009

MINING AND BEE

Government has long been concerned about the lack of local involvement in the country's mining industry, the bedrock of the Namibian economy. The deal which created Namdeb was an important landmark but remained an isolated initiative. The Ministry of Mines and Energy started setting a target for local ownership in the industry in the 2008/09 Medium-Term Expenditure Framework. The share of Namibian equity or BEE in the mining sector was meant to rise to 15 percent by 2011. This target appeared again in the Third National Development Plan published in 2008[14]. The establishment of a state-owned mining company Epangelo in 2009 showed that efforts to accelerate Government and local ownership were slowly gathering pace. However, without capital and expertise, it is unlikely that this would lead to anything that can be described as empowerment. Despite owning half of Namdeb, it is hard to say what control Government has exercised. The issue of whether Government ownership counts as empowerment is another issue that remains unclear. If Government's 50 percent stake in Namdeb Holdings does not count, an important portion of Namdeb's ownership will have to change hands to meet the NEEEF requirements. Namibia's mining industry is currently in a state of flux but Government has not seen this as an opportunity to become directly involved.

TABLE 24.1
Mining and BEE at 31 December 2020

Operating Mines	Mineral	Main Shareholders	BEE Partners
Otjkoto Gold	Gold	B2Gold Corporation (90%)	EVI Gold (10%)
Namdeb Holdings	Diamonds	De Beers (50%)	GRN (50%)
Dundee Precious Metals	Copper smelting	Dundee Previous Investments (90%)	Local BEE (8%) Employee Share Trust (2%)
Langer Heinrich	Uranium	Paladin Energy (75%) China National Nuclear Corporation (25%)	None
Lodestone Namibia	Iron ore	Lodestone Holdings (100%)	None
Navachab	Gold	QKR (92.5%)	Epangelo Gold (7.5%)
Namib Lead and Zinc Mining	Lead and Zinc	North River Resources (90%)	NLZM Community Empowerment Trust (5%) NLZM Employee Benefit Trust (5%)

[14] Page 119, Third National Development Plan 2007/08-2011/12, National Planning Commission, 2008

Operating Mines	Mineral	Main Shareholders	BEE Partners
Trekkopje	Uranium	Orano Mining	Exploration j-v with Epangelo (25%), UAG (10%), Kalahari Holdings (15%)
Rosh Pinah Zinc Corporation	Zinc and Lead	Trevali Mining (89.96%)	Jaguar Investments (7.84%) PE Minerals (1.63%) and Rosh Pinah Employees (0.57%)
Rössing Uranium	Uranium	China National Uranium Corporation (68.62%) Iran Foreign Investment Company (15.29%) IDC (10.22%)	GRN (3.42%)
Salt & Chemicals	Salt	Walvis Bay Salt Holdings (85%)	EVI Mining (4.61%) Thike Pamwe (4.61%) Zantang Investments (0.8%) KB Black (3.93%) S Esau (1.85%)
Skorpion Zinc	SHG zinc	Vedanta Resources (100%)	None
Husab	Uranium	China General Nuclear (90%)	Epangelo (10%)
Uis Tin	Tin	AfriTin Mining Namibia (100%)	None
Sakawe Mining	Diamonds	Atligo (85%)	Epangelo (8%) Longlife Mining (4%) National Youth Service (2%) Employees (1%)
Weatherly Mining Namibia	Copper	Weatherly Mining (97.5%)	LIH (2.5%)
Otjozondu Manganese	Manganese		None
Salt Company	Salt	Klein family (100%)	None

Source: Chamber of Mines of Namibia

Equity Targets

Whichever way BEE is defined, it clearly concerns the issue of business ownership. The question arises whether private businesses should be mandated to attain legal targets in terms of black Namibian equity ownership. Because such a move would strike at the very heart of the market economy, this is a controversial issue upon which opinions are divided[15]. The Barloworld Annual Namibia CEO Survey found little support among CEOs in Namibia for mandatory equity targets[16]. On the one side are those who believe private business is unlikely to move in the direction of greater black equity participation in the absence of legal targets. On the other side are those who argue that private business will move in that direction if it makes commercial sense but that forcing the pace through legal targets will only jeopardise performance and scare off investors. Due to an almost complete lack of research and analysis, there is no compelling evidence that greater black equity participation results in improved (or indeed worse) commercial performance. Changes in procurement procedures by Government, Public Enterprises and voluntary changes by large private companies such as mining companies may help tilt the balance of incentives. In practice this may have encouraged little more than window dressing. In any case, the passive holding of equity is unlikely to lead to anything that can be described as genuine empowerment. Government's best bet may be to place far more emphasis on stimulating new black business rather than forcing existing businesses to find new owners simply to fulfil what are inevitably arbitrary targets. If businesses are forced to bring on equity partners that do not add value, investment and business growth will suffer. The 2016 Bill proposing an across-the-board 25 percent target on all new businesses was likely to have considerably stunted new business growth if it had ended up becoming law.

Corruption

Government claims to be attempting to make a fundamental shift in the way its economy is owned and managed without explicit policies, goals and transparent ways of measuring progress. This is a recipe for chaos and corruption. The Namibia Liquid Fuel case was but one demonstration of the problem and there are plenty more. A group of well-placed officials in Government succeeded in landing a lucrative contract without adding any value to the process of fuel supply in Namibia and leaving the business of delivery to a foreign partner, all (according to the Anti-Corruption Commission) completely legal and above board. Such a situation will do much to favour those with information and influence at the expense of those without. The more discretion and the less transparency there is in any system, the more corruption there is likely to be.

> For the long-term health of the economy, it is vital that policy encourages genuine entrepreneurship rather than "rent seeking" or just "survival entrepreneurship". As people accumulate assets they should be in a better position to take the risks involved in business life.

[15] See "Stumbling Towards Transformation", *Insight Namibia*, September 2006
[16] Barloworld Annual Namibia CEO Survey™ 2006, Barloworld Namibia, April 2007

Public Sector Reform

Namibia's public sector has clearly been key to creating a black middle class. In the immediate years following Independence, public sector employment formed the quickest and surest means through which aspiring black Namibians acquired income and assets. Over time many have left the public service as opportunities opened up elsewhere: in the mushrooming (and unaccountable) Public Enterprise sector, in existing private sector companies (thanks partly to Affirmative Action in employment), or as entrepreneurs creating new businesses. Of those who have stayed in the public sector, many continue to use it as little more than a base from which they can pursue outside interests to the detriment of public service delivery. This situation is convenient to many in positions of power but not to the economy as a whole. Now that after 30 years a middle class has been more firmly established and opportunities are opening up elsewhere in the economy, it would make sense to adopt a clearer approach to employment in the public sector and Public Enterprises, the aim of which would be to improve public sector efficiency and reduce conflicts of interest. After winning the Presidency, President Hage Geingob introduced measures to tackle issues of corruption, conflicts of interest and moonlighting but it is too early to assess whether these are making any tangible difference to the performance of the public service[17].

Real BEE

For the long-term health of the economy, it is vital that policy encourages genuine entrepreneurship rather than "rent seeking" or just "survival entrepreneurship". As people accumulate assets they should be in a better position to take the risks involved in business life. Although it is not known precisely what determines the entrepreneurial creativity of a people, it seems reasonable to suppose that better education, fewer opportunities for rent-seeking, access to finance, openness to markets and ideas, and a growing economy are key ingredients. These are all areas which Government policy can help improve.

Dead Capital

Hernando de Soto's argument about dead capital[18] - assets that cannot be used in an economically productive way because ownership rights are not clearly defined - may apply to Namibia, in particular to land ownership in the communal areas[19]. Although this is disputed by some[20], Cabinet has expressed an interest in the issue on at least one occasion. If poor people in northern Namibia could take full ownership rights over the land they currently have access to, which would allow them to trade land and use land as collateral, a fundamental change in asset ownership would take place. Provided it was properly implemented, this could significantly assist some of the poorest people in the country. It is not clear whether the "One Namibian One Farm" resolution adopted at the Second Land Reform Conference (see Chapter 21: Commercial Land Reform) would address the challenge of dead capital and it is questionable whether breaking up large commercial farms to achieve this would be desirable. However, the idea is a political minefield and, without strong institutions able to stand up to the interests of the powerful, may end up doing little more than creating a landless underclass.

[17] See "State of the Nation Speech 2016", 5 April 2016
[18] See "The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else", Hernando de Soto, Basic Books, 2000
[19] See "One Day Son All This Will Be Yours", *Insight Namibia*, December 2006
[20] See letter from Ben Fuller to *Insight Namibia*, February 2007

Data

Although it is indisputable that Namibia's economy continues to be characterised by the imbalances of the past, it is not possible to state with any precision the extent to which these imbalances have declined in the 30 years since Independence. There is simply no data on black business ownership and no initiatives aimed at obtaining such data on a regular basis. In this vacuum it is still possible for anyone to say anything about BEE without fear of contradiction and it is hard not to come to the conclusion that it is in many people's interest that this remains the case. If BEE really is so important to the health of the economy, surely it should be regularly measured and assessed according to the old saying "you can't manage what you don't measure". So far only the IPPR has ever undertaken an in-depth study of progress and this study is well over fourteen years old[21]. If it ever comes into being, the new Economic Empowerment Commission will have a job on its hands obtaining the data it will require given the small and privately held nature of most enterprises in Namibia's economy.

Conclusions

It was then Prime Minister Hage Geingob who first took up the baton of producing a clear empowerment policy back in 2000. Twenty years later as President he is still battling to get a clear and acceptable policy on the statute book. Critically, Government has publicly flip-flopped on the most critical question of all: whether to oblige existing business owners to sell or give a share of ownership of their businesses to previously disadvantaged, historically disadvantaged Namibians or empowerment beneficiaries as laid out by the 2020 version of the NEEEB. If investors are not clear about this critical aspect of business they will not invest and Government will have effectively kicked away the foundations of a market economy. It is probably no coincidence that investment plunged after Government published its NEEEB in February 2016 and has not recovered since. The latest proposals suggest uncertainty about an overarching empowerment framework is likely to continue for another five years.

In the absence of a clear national empowerment policy, it has been left to a hotch-potch of other initiatives to promote black business ownership. But two conclusions appear clear. The first is that most of the initiatives championed by Government – Affirmative Action Loans, the Commercial Land Reform Act, the GIPF's Development Capital Portfolio, Ongopolo, the allocation of fishing quotas, the allocation of mining rights – have run into serious problems. The second is that many private BEE deals appear to have been pursued primarily to show that companies are being proactive about BEE (and therefore able to continue business with Government) rather than because they make good business sense. Uncharitable observers would say some of these initiatives were designed more for show than for substance.

Finally, the number of corrupt deals in the award of tenders, especially construction tenders, in the granting of Government loans, and in the awarding of fishing quotas described elsewhere in this book have given the very word empowerment a bad name so that it has become a byword for corruption. The lessons people will draw is that the easiest way of getting rich (and therefore empowered) is to get in on some dodgy deal rather than build a long-term business by working hard, innovating and taking risks. That is unlikely to create the genuinely entrepreneurial class that Namibia will need if it is to become a genuine economic success.

[21] See "2 BEE or Not to 2 BEE? An Eclectic Review of Namibia's Black Economic Empowerment Landscape", IPPR Research Report No.10, August 2007

Useful References

"2 BEE or Not to 2 BEE? An Eclectic Review of Namibia's Black Economic Empowerment Landscape", IPPR Research Report No.10 August 2007

"Productive Empowerment or Damaging Self-Enrichment?", Economic Eye, *The Namibian*, 1 June 1999

"Stumbling Towards Transformation", *Insight Namibia*, September 2006

"Uncharted Territory", *Insight Namibia*, December 2006 – January 2007

"Analysis of the Latest Version of the National Equitable Economic Empowerment Bill (NEEEB)", Economic Policy Research Association, 6 March 2020

"Foreign Direct Investment: When in a hole the first thing to do is stop digging", IPPR Quarterly Economic Review Q1 2020

Chapter

25

Cross-Sectoral Issues

Covid and the Economic Policy Response

Introduction

The Covid pandemic has presented domestic and international policymakers around the world with an unprecedented challenge completely different to the macroeconomic, debt or banking crises they typically have to deal with. In order to avoid a surge in the transmission of the infection which is likely to overwhelm medical facilities and lead to a high number of deaths, social distancing had to be imposed by central authorities to slow the spread of the infection and "flatten the curve". This reduced the ability of the economy to both supply and demand goods and services. Supply because most production involves collaborative work between people in close proximity with each other. Demand because the ability of households and businesses to consume and invest is severely impaired. The enormous economic uncertainty in both supply and demand then affects households and businesses further as households cut back on spending out of fear for that rainy day and businesses hold back on investment because they do not know if markets for their products will exist in future. A further twist is the uneven distribution of these effects across different households and businesses. Households where breadwinners can work from home are affected to a lesser extent to those where this is not possible. Businesses that can produce in a socially distanced way are affected to a lesser extent to ones that cannot.

Namibia registered its first case of Covid on 14 March 2020 when Health Minister Dr Kalumbi Shangula announced that a Romanian couple arriving from Spain via Doha had tested positive at Hosea Kutako International Airport. They were immediately quarantined and later recovered. On 17 March President Geingob declared a state of emergency and Stage 1 regulations were issued on 23 March which involved closing Namibia's borders, banning gatherings of people, imposing a lockdown and effectively shutting down large parts of the economy from 28 March and this lasted until Stage 2 regulations came into force on 5 May when initial lockdown was lifted. Three major sets of measures were introduced in response to deal with the economic consequences of lockdown: monetary policy measures (by the Bank of Namibia), fiscal measures (by the Ministry of Finance) and labour market measures (by the Ministry of Labour) in addition to the health measures introduced and overseen by the Ministry of Health and Social Services.

KEY EVENTS 2020

DATE	EVENT
11 March	WHO declares Covid a global pandemic
14 March	First case of Covid registered in Namibia
17 March	President Geingob declares State of Emergency
22 March	Iipumbu Shiimi appointed Minister of Finance
23 March	Stage 1 regulations issued
26 March	Bank of Namibia announces monetary measures
27 March	Stage 1 regulations come into force in Khomas and Erongo regions
1 April	Minister of Finance announces fiscal measures 14 confirmed Covid cases
10 April	National Employment and Salary Protection Scheme launched
14 April	Stage 1 extended to all regions until 4 May
20 April	Minister of Labour announces labour measures
1 May	16 confirmed Covid cases
5 May	Namibia moves from Stage 1 to Stage 2
27 May	Minister of Finance tables National Budget
28 May	Walvis Bay moved back into Stage 1
1 June	– Namibia moves from Stage 2 to Stage 3 – 25 confirmed Covid cases
8 June	Stage 1 extended from Walvis Bay to Erongo Region
22 June	International Tourism Revival Initiative launched
30 June	Namibia moves from Stage 3 to Stage 4
1 July	285 confirmed Covid cases
10 July	First registered Covid death
28 July	Ministry of Finance confirms application for IMF loan of N$4.5 billion under Rapid Financing Instrument
31 July	Employer wage subsidy scheme closes
1 August	2,224 confirmed Covid cases and 11 deaths

12 August
Namibia moves from Stage 4 to Stage 3

25 August
International Tourism Revival Initiative Protocols launched

1 September
- 7,629 confirmed Covid cases and 81 deaths
- Hosea Kutako International Airport reopens

11 September
First international flight lands at Hosea Kutako International

17 September
State of Emergency ends and new restrictions and regulations introduced under Public and Environmental Health Act

1 October
11,373 confirmed Covid cases and 123 deaths

20 October
Minister of Finance tables Mid-Year Review in Parliament

1 November
12,988 confirmed Covid cases and 133 deaths

1 December
14,416 confirmed Covid cases and 151 deaths

16 December
President Geingob announces additional Covid measures

1 January
24,545 confirmed Covid cases and 208 deaths

Monetary Policy Measures

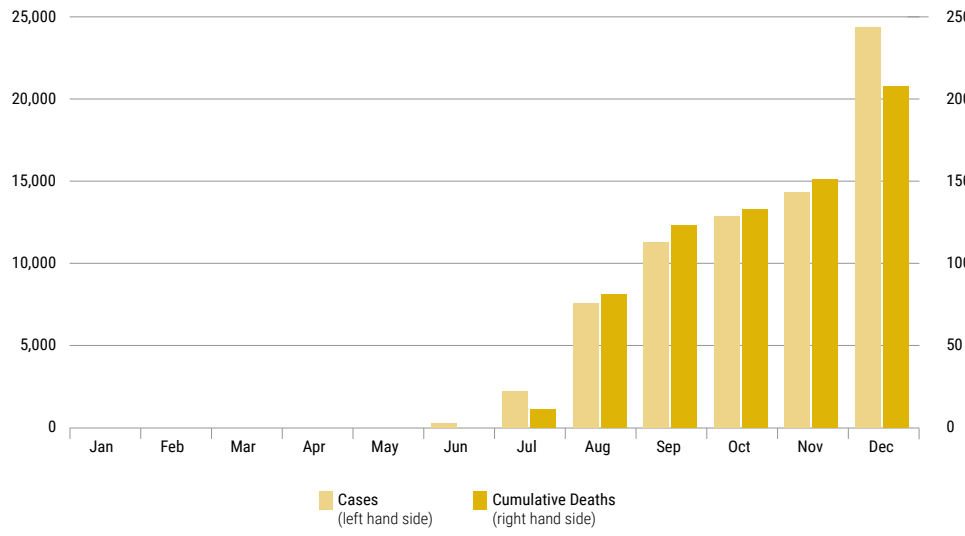
Monetary policy had already been considerably loosened by the time the State of Emergency was declared because the economy had already been suffering from four years of low or negative growth, the longest period since Independence. The year 2020 started with the longest period of economic stagnation since Independence. However, further cuts were made in February, March, April, June and August to take it down by 275 basis points to 3.75 percent, a post-Independence low. A range of other measures were announced on 26 March which the Bank emphasised had been the outcome of extensive consultation with the Bankers Association of Namibia[1]. These measures included the following:

- Allowing banks to grant loan repayment moratoria to customers of between six to 24 months
- Relaxing the determination on liquidity risk management which obliges banks to match their cash outflows to their cash inflows over a period of seven days
- Reducing the capital conservation buffer - liquid reserves that banks are required to build up in good times - to zero percent for at least 24 months
- Postponement of the effective date of implementation for the 25 percent single borrower limit and concentration risk limit - used to limit exposure to businesses and sectors and thus reduce risk

The overall intention of these measures was to allow banks greater scope to lend to a stricken economy and to vulnerable businesses within it which regulations would otherwise have made difficult or impossible.

CHART 25.1

Cumulative Covid Cases and Deaths 2020



Source: Ministry of Health

Fiscal Policy Measures

Shortly after declaring the state of emergency, President Geingob appointed Iipumbu Shiimi as Minister of Finance on 22 March who then on 1 April announced a series of measures to address the pandemic[2]. These measures included the following:

Health Intervention

- N$1.1 billion additional spending on public health

Household Intervention

- Introducing a once-off Emergency Income Grant (EIG) of N$750 per qualifying person costed at a total of N$562 million.
- A tax-back loan scheme for tax registered and taxpaying employees and self-employed individuals allowing them to borrow from the commercial banks up to 1/12th of their tax payment during the previous year at a low interest rate to be repaid after one year.
- A water subsidy during lockdown so that people could access water without water cards at an estimated cost of N$10 million for the first lockdown.

Business Intervention

- A wage subsidy for the hardest hit sectors of the economy – tourism, travel and aviation, and construction - to help businesses keep hold of employees at an estimated cost of N$400 million.
- The accelerated repayment of overdue and undisputed VAT refunds at an estimated cost of at least N$3 billion.
- The accelerated payment of overdue and undisputed invoices for goods and services provided to Government at an estimated cost of N$800 million.
- A non-agricultural small business loan scheme worth N$500 million through the Development Bank of Namibia.
- An agricultural business loan scheme worth N$200 million through the Agricultural Bank of Namibia.
- Granting relief to borrowers from the Development Bank of Namibia and the Agricultural Bank of Namibia.
- A tax-back loan scheme for non-mining companies allowing them to borrow up to 1/12th of their tax payment during the previous year at a low interest rate to be repaid after one year capped at N$470 million.
- Relaxation of labour regulations to protect jobs allowing employers including Government and business owners to negotiate a reduction in wages of up to 40 percent for the worst hit industries.

All in all, Minister Shiimi argued that his Stimulus and Relief Package amounted to N$8.1 billion of support, equivalent to about five percent of GDP. Although the Minister could enact these measures with immediate effect, the budget which formally contained these measures for approval was submitted to Parliament on 27 May. This included an additional N$1.1 billion spending on health promised in his announcement of 1 April.

[1] See "Policy and Regulatory Changes by the Bank of Namibia in Response to the Impact by Covid on the Banking Industry", Media Release, Bank of Namibia, 26 March 2020
[2] See "Media Statement: Launching of the Economic Stimulus and Relief Package to mitigate the impact of Covid", Iipumbu Shiimi, Minister of Finance, 1 April 2020

The National Employment and Salary Protection Scheme for Covid was launched on 10 April 2020 in collaboration with the Social Security Commission (SSC). Costed at N$645 million, the programme provided for the wage subsidy for employers and employees in sectors deemed severely affected. As outlined on 1 April the Government contributed N$400 million to this Scheme while N$245 million was to be provided by the Social Security Commission.

Labour Policy Measures

While Finance Minister Shiimi had promised to relax labour regulation in his announcement of 1 April, Labour Minister Utoni Nujoma issued the Labour Directive Relating to Covid on 20 April the aim of which was to prevent companies from laying off workers and obliging employers to negotiate any changes to workers' terms of employment.

International Tourism Revival Initiative

As in other countries, Namibia's tourism and hospitality industry bore the brunt of the pandemic because of the impact on international tourist travel and the domestic measures brought in by the Namibian authorities which included the closure of Hosea Kutako International Airport (HKIA). In collaboration with the tourism industry, the Ministry of Environment and Tourism announced the implementation of new protocols which aimed to get the tourism and hospitality industries back up and running and ensure that international tourists were able to visit Namibia without compromising the health of Namibians or themselves. The protocols included visa requirements, additional testing and screening entry requirements, and requirements for tourism industry providers, airlines, transfer services, tracing and case management[3]. These would come into effect with the reopening of HKIA on 1 September.

Economic Impact in 2020

Gross Domestic Product (GDP)

By the end of 2020, the Namibia Statistics Agency had released estimates of GDP for the first three quarters of the year. These showed that GDP in the first three quarters of the year was 1.4 percent, 10.5 percent and 10.1 percent smaller respectively compared to GDP in the same three quarters of 2019. The second and third quarter reductions are the largest ever recorded. The view of the Ministry of Finance and Bank of Namibia in October was that GDP for the full calendar year 2020 would be 7.9 percent smaller than in 2019 compared to an estimate of 6.6 percent presented in the National Budget in May 2020. In December, the Bank of Namibia revised its estimate from -7.9 percent to -7.3 percent. In March 2021, the NSA released national accounts estimates which showed GDP had declined by -8.0 percent. Meanwhile private sector estimates from PSG and Cirrus Capital forecast GDP declines of 7.8 percent and 8.5 percent respectively. The official estimate of -8.0 percent is by far the largest annual decline in GDP Namibia has experienced since Independence.

[3] See https://namibiatourism.com.na/page/tourism-revival-initiative

Employment

Namibia does not produce monthly, quarterly or annual employment or unemployment statistics. A Namibian Labour Force Survey is conducted every two years with the last one taking place in 2018. In early November at the official inauguration of the Labour Commissioner's new offices, Labour Minister Utoni Nujoma revealed that, in the two quarters between April and September, a total of 8,881 employees had been dismissed by 607 companies. The Ministry later released data showing that 12,198 people had been retrenched by 896 employers between 1 January to 15 December 2020. According to the Ministry, of these 8,803 people had been retrenched "due to economic reasons" while 2,842 had been retrenched due to "Covid-related reasons".

TABLE 25.1
Job Losses in 2020

	Q1 (Apr-Jun)	Q2 (Jul-Sep)	2020 1 Jan – 15 Dec
Cumulative job losses	5,748	8,881	12,198
Cumulative employers involved	388	607	896

Source: Ministry of Labour

The National Employment and Salary Protection Scheme was launched by the Social Security Commission (SSC) on 10 April and closed on 31 July. According to the SSC, 3,644 employers and 41,092 employees applied to the Scheme but 18,115 employees failed to qualify. Eligibility requires that employees be registered with the SSC, be earning less than N$50,000 a year and be able to prove they had lost their employment because of Covid.

In his Mid-Term Review on 20 October, Finance Minister Shiimi revealed that 769,130 individuals had benefited from the once-off Emergency Income Grant of N$750 at a cost to the Fiscus of N$576.8 million. The original target had been to reach 739,000 people budgeted at N$560 million.

Credit from Commercial Banks

On 26 March the Bank of Namibia relaxed lending conditions so that credit could be used more aggressively as an instrument to keep businesses and households afloat. Interest rates were cut from 6.5 percent in January to 3.75 percent in August and remained at that level until the end of the year. Lending to businesses grew during the first three months of the year but remained subdued from April onwards. Overall lending, including mortgage lending to households, started the year weak and stayed at historically low levels throughout the year.

CHART 25.2

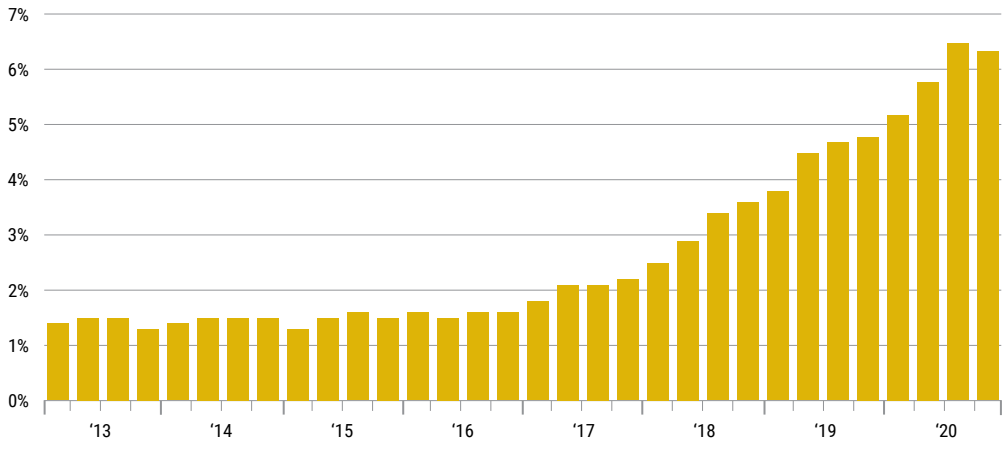
Credit Extension to Businesses and Households (2013-2020)

Source: Bank of Namibia

According to the Bank of Namibia, Non-Performing Loans (NPLs) of commercial banks, which had been rising steadily since Namibia entered recession in 2016, continued to rise to historically high levels to reach 6.4 percent in the fourth quarter of 2020.

CHART 25.3

Non-Performing Loans as Percentage of All Loans (2013-2020)



Source: Bank of Namibia

In August, the Bank of Namibia revealed that Namibian commercial banks had extended N$9.2 billion of debt holidays between April and June. Some 6,563 individuals had benefited from extended loan repayment holidays of between six and 24 months. This total increased to N$11 billion by September including 8,101 individuals.

Government Revenue

Despite the revision in the decline of GDP downwards between the tabling of the National Budget in May and the Mid-Term Review in October, total revenue was revised upwards in the Mid-Term Review from N$51.4 billion to N$55.2 billion and then again to N$55.5 billion in the National Budget in March 2021. Surprisingly, revenue from income tax on individuals and corporate income tax were both revised upwards. This revision plus revisions of nominal GDP led the Minister to revise down the estimate of the deficit from 12.5 percent to 10.1 percent of GDP and the estimate for the total stock of public debt from 69.6 percent to 68.8 percent of GDP.

TABLE 25.2
Revenue Estimates (2017/18 to 2020/21)

Revenue Stream	17/18 Actual	18/19 Actual	19/20 Actual	20/21 Budget	20/21 MTR	20/21 Revised
Income tax on individuals	13,267	13,588	14,147	9,585	12,261	12,694
Corporate income tax	7,860	7,325	7,257	4,803	5,710	7,231
VAT	12,049	11,461	11,516	10,017	9,284	8,088
SACU	19,597	17,375	18,922	22,252	22,252	22,252
Total tax revenue	54,591	51,813	54,816	48,408	51,648	52,427
Total other revenue and grants	4,005	3,934	3,986	2,989	3,529	3,030
Total revenue and grants	58,659	55,882	58,425	51,397	54,659	55,457

Source: Ministry of Finance

Tourism

As in other countries, Namibia's tourist industry was particularly hard hit by the pandemic and the associated measures to contain it. International flights to and from Hosea Kutako International Airport (HKIA) were halted from 27 March to 1 September. The Hospitality Association of Namibia (HAN) regularly surveys its members and calculates a national occupancy rate based on the results of the survey. This shows that the rate plummeted in the second quarter of the year following the declaration of the State of Emergency in March but rose in the third and fourth quarters, partly as a result of the International Tourism Revival Initiative announced in June. Occupancy rates at the end of 2020 were still far below the 40 percent benchmark HAN says is required for tourism establishments to break even. International and regional arrivals to HKIA were drastically down on previous years reflecting the measures taken by the Government of Namibia combined with the reduction in global air travel.

TABLE 25.3

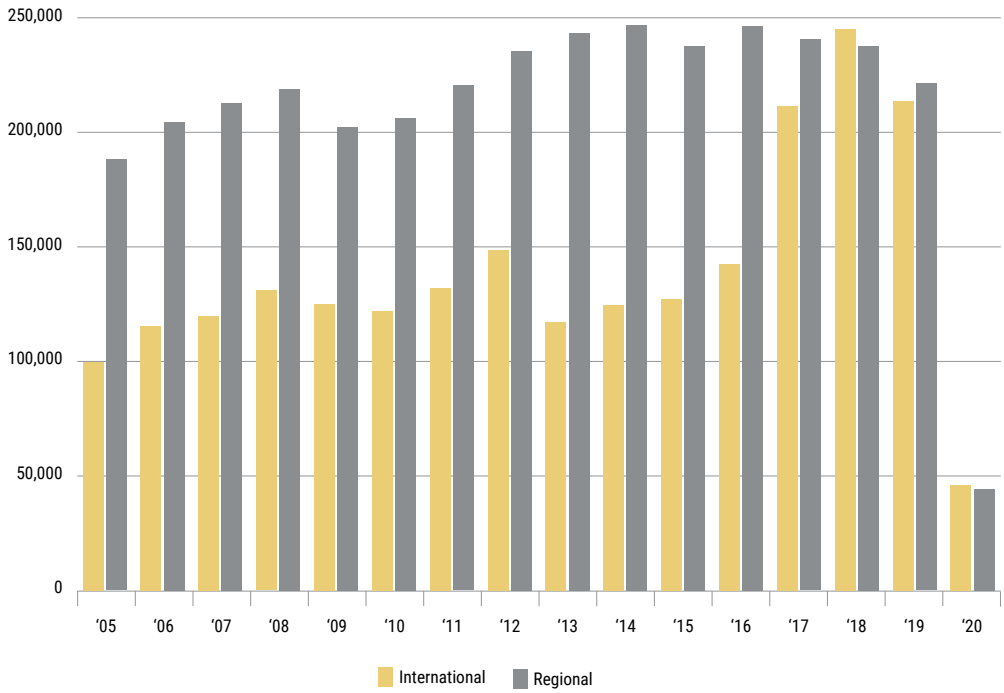
Quarterly Tourist Occupancy Rates

	Q1	Q2	Q3	Q4
Occupancy rate	34.9%	4.9%	8.0%	18.5%

Source: Hospitality Association of Namibia

CHART 25.4

HKIA Passenger Arrival Statistics (2005-2020)

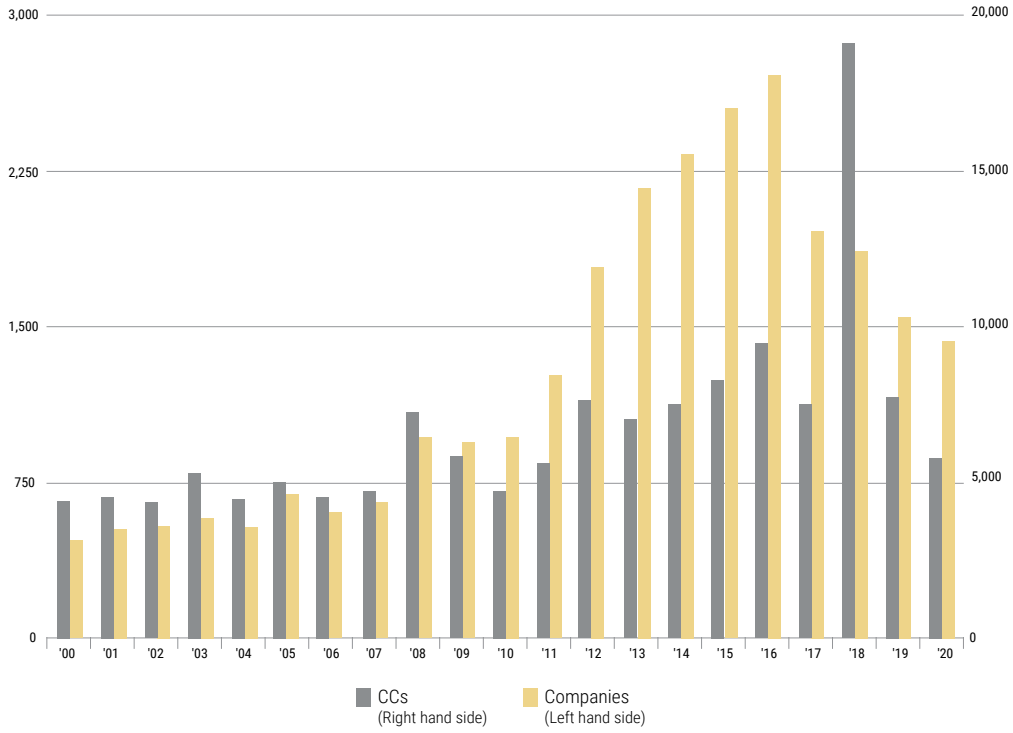


Source: Namibia Airports Company

Business Registrations, Bankruptcies, Insolvencies, and Business Closures

Namibia does not collect statistics on company bankruptcies, insolvencies or business closures. New companies - including (Pty) Ltds, close corporations and defensive names - continued to be registered throughout 2020 but maintained the overall trend downwards since the economy moved into recession in 2016.

Chart 25.5
Corporate Registrations



Source: BIPA

Conclusions

The arrival of the Covid global pandemic in 2020 marked a terrible end to the first 30 years of Independence and came after four years of poor economic performance. This chapter has attempted to summarise the evidence that existed about the immediate impact of the pandemic up to the end of 2020. However, there is no doubt the pandemic will have many longer-term impacts on individuals, households, businesses and on the economy as a whole.

Legislation passed since 1990

1990

1	National Coat of Arms of the Republic of Namibia Act, 1990	4
2	Public Service Commission Act, 1990	27
3	Territorial Sea and Exclusive Economic Zone of Namibia Act, 1990	28
4	Assignment of Powers Act	29
5	Pension Matters of Government Institutions Amendment Act, 1990	30
6	Special Advisers and Regional Representatives Appointment Act, 1990	31
7	Ombudsman Act, 1990	32
8	Bank of Namibia Act, 1990	42
9	Magistrates' Courts Amendment Act, 1990	43
10	Sea Fisheries Amendment Act, 1990	51
11	Appropriation Act, 1990	55
12	Stock Theft Act, 1990	63
13	Petroleum Products and Energy Act, 1990	64
14	Namibian Citizenship Act, 1990	65
15	Supreme Court Act, 1990	84
16	High Court Act, 1990	85
17	Presidential Emoluments and Pension Act, 1990	100
18	Judges Remuneration Act, 1990	107
19	Police Act, 1990	113
20	Defence Amendment Act, 1990	114
21	Members of the National Assembly and other Office bearers Pensions Act, 1990	116
22	Legal Practitioners' Fidelity Fund Act, 1990	117
23	Medical Scheme for Members of the National Assembly, Judges and other Office-bearers Act, 1990	118
24	Public Service Amendment Act, 1990	123
25	Building Societies Amendment Act, 1990	124
26	Public Holidays Act, 1990	125
27	Foreign Investments Act, 1990	129
28	Judges' Pensions Act, 1990	130
29	Legal Aid Act, 1990	131
30	Motor Vehicle Accidents Act, 1990	132
31	Nature Conservation General Amendment act, 1990	133

1991

1	Additional Appropriation Act, 1991	168
2	Petroleum (Exploration and Production) Act, 1991	178
3	Petroleum (Taxation) Act, 1991	179
4	Stock Theft Amendment Act, 1991	201
5	Criminal Procedure Amendment Act, 1991	215
6	Air Services Amendment Act, 1991	216
7	Merchant Shipping Amendment Act, 1991	217
8	Income Tax Amendment Act, 1991	222
9	Namibian Broadcasting Act, 1991	223
10	Aviation Amendment Act, 1991	226
11	Appropriation Act, 1991	227

12	Second Income Tax Amendment Act, 1991	229
13	Sales Tax Amendment Act, 1991	230
14	Namibian Citizenship Special Conferment Act, 1991	311
15	Marine Traffic Amendment Act, 1991	312
16	Namibia Red Cross Act, 1991	313
17	Attorneys Amendment Act, 1991	314
18	Recognition of Certain Marriages Act, 1991	315
19	Admission of Advocates Act, 1991	316
20	National Anthem of the Republic of Namibia Act, 1991	321
21	Prevention of Undesirable Residue in Meat Act, 1991	322
22	Banking Institutions Amendment Act, 1991	323
23	Namibian Transport Advisory Board Act, 1991	324
24	Prevention and Combatting of Pollution of the Sea by Oil Amendment Act, 1991	326
25	Engineering Profession Amendment Act, 1991	327
26	Racial Discrimination Prohibition Act, 1991	328
27	Agricultural Bank Amendment Act, 1991	329
28	National Fishing Corporation of Namibia Act, 1991	330
29	Law Reform and Development Commission Act, 1991	331
30	Territorial Sea and Exclusive Economic Zone of Namibia Amendment Act, 1991	332
31	State Finance Act, 1991	333
32	State Repudiation (Cultura 2000) Act, 1991	334
33	Third Income Tax Amendment Act, 1991	335

1992

1	New Era Publication Corporation Act, 1992	377
2	Additional Appropriation Act, 1992	379
3	Namibia Press Agency Act, 1992	382
4	Namibian Communications Commission Act, 1992	384
5	Sales Tax Act, 1992	386
6	Labour Act, 1992	388
7	Amortisation Fund Repeal Act, 1992	391
8	Building Societies Amendment Act, 1992	392
9	Civil Aviation Offences Amendment Act, 1992	394
10	National Pensions Act, 1992	395
11	Architects' and Quantity Surveyors' Amendment Act, 1992	420
12	Archives Act, 1992	421
13	Assistance Fund of South West Africa Repeal Act, 1992	429
14	Carriage by Air Amendment Act, 1992	430
15	Agricultural Bank Matters Amendment Act, 1992	434
16	Appropriation Act, 1992	445
17	Posts and Telecommunications Companies Establishment Act, 1992	447
18	University of Namibia Act, 1992	460
19	Posts and Telecommunications Act, 1992	464
20	Agronomic Industry Act, 1992	465
21	Meat Industry Amendment Act, 1992	466
22	Regional Councils Act, 1992	469
23	Local Authorities Act, 1992	470
24	Electoral Act, 1992	471

25	Income Tax Amendment Act, 1992	487
26	Stock Exchanges Control Amendment Act, 1992	488
27	Petroleum Matters (Amendment and Validation) Act, 1992	489
28	Townships and Division of Land Amendment Act, 1992	490
29	Sea Fisheries Act, 1992	493
30	Revenue Laws Amendment Act, 1992	561
31	Sales Tax Amendment Act, 1992	562
32	Development Brigade Corporation Act, 1992	563
33	Minerals (Prospecting and Mining) Act, 1992	564

1993

1	Additional Appropriation Act, 1993	615
2	Petroleum (Exploration and Production) Amendment Act, 1993	616
3	Roads Amendment Act, 1993	620
4	Departure from Namibia Regulation Amendment Act, 1993	686
5	National Housing Enterprise Act, 1993	687
6	Inquests Act, 1993	688
7	Immigration Control Act, 1993	690
8	Appropriation Act, 1993	691
9	National Welfare Amendment Act, 1993	692
10	Income Tax Amendment Act, 1993	693
11	Additional Sales Duties Act, 1993	694
12	Sales Tax Amendment Act, 1993	695
13	Moratorium on the Payment of Stamp Duty or Transfer Duty in Respect of Rationalisation Schemes Act, 1993	696
14	Transfer Duty Act, 1993	697
15	Stamp Duties Act, 1993	698
16	Admission of Advocates Amendment Act, 1993	699
17	Attorneys Amendment Act, 1993	700
18	Namibia Development Corporation Act, 1993	702
19	Stock Theft Amendment Act, 1993	703
20	Allied Health Services Professions Act, 1993	710
21	Medical and Dental Professions Act, 1993	711
22	Social and Social Auxiliary Workers' Professions Act, 1993	712
23	Pharmacy Profession Act, 1993	713
24	Foreign Investment Amendment Act, 1993	752
25	Livestock Improvement Amendment Act, 1993	753
26	Criminal Procedure Amendment Act, 1993	755
27	Town Planning Amendment Act, 1993	761
28	Namibian Nursing Association Act, 1993	762
29	Council for Health and Social Services Professions Act, 1993	763
30	Nursing Professions Act, 1993	764
31	Dissolution of Marriages on Presumption of Death Act, 1993	768
32	Professional Land Surveyors', Technical Surveyors' and Survey Technicians Act, 1993	769
33	Land Survey Act, 1993	770

1994

1	Walvis Bay and Offshore Islands Act, 1994	805
2	Namibian Ports Authority Act, 1994	810

3	Namibian Time Act, 1994	811
4	Pension Funds Amendment Act, 1994	812
5	Additional Appropriation Act, 1994	833
6	Copyright and Neighbouring Rights Protection Act, 1994	845
7	Appropriation Act, 1994	866
8	Close Corporations Amendment Act, 1994	891
9	Social and Social Auxiliary Workers' Professions Amendment Act, 1994	921
10	Public Accountants' and Auditors' Amendment Act, 1994	922
11	Prevention of Undesirable Residue in Meat Amendment Act, 1994	923
12	Stamp Duties Amendment Act, 1994	924
13	Sales Tax Amendment Act, 1994	927
14	Members of the National Assembly and Other Office-bearers Pensions Amendment Act, 1994	928
15	National Planning Commission Act, 1994	929
16	Medical and Dental Professions Amendment Act, 1994	930
17	Income Tax Amendment Act, 1994	932
18	National Vocational Training Act, 1994	933
19	Allied Health Services Professions Amendment Act, 1994	934
20	National Welfare Amendment Act, 1994	935
21	Nursing Professions Amendment Act, 1994	936
22	Pharmacy Professions Amendment Act, 1994	937
23	Electoral Amendment Act, 1994	957
24	Judges' Remuneration Amendment Act, 1994	966
25	Building Societies Amendment Act, 1994	967
26	Moratorium on the Payment of Stamp Duty or Transfer Duty in Respect of Rationalisation Schemes Amendment Act, 1994	968
27	Reciprocal Service of Civil Process Act, 1994	977
28	Enforcement of Foreign Civil Judgements Act, 1994	978
29	Petroleum Products and Energy Amendment Act, 1994	979
30	Import and Export Control Act, 1994	980
31	Insurance Amendment Act, 1994	981
32	Casinos and Gambling Houses Act, 1994	983
33	Polytechnic of Namibia Act, 1994	991
34	Social Security Act, 1994	992
35	Registration of Deeds in Rehoboth Amendment Act, 1994	995
36	Hospitals and Health Facilities Act, 1994	996

1995

1	Namibian Communications Commission Amendment Act, 1995	1031
2	Foreign Courts Evidence Act, 1995	1033
3	Reciprocal Enforcement of Maintenance Orders Act, 1995	1035
4	Law Reform and Development Commission Amendment Act, 1995	1036
5	Employees Compensation Amendment Act, 1995	1038
6	Agricultural (Commercial) Land Reform Act, 1995	1040
7	Namibia Sport Act, 1995	1041
8	Additional Appropriation Act, 1995	1054
9	Export Processing Zone Act, 1995	1069
10	Trades and Occupational Licences Repeal Act, 1995	1070
11	Appropriation Act, 1995	1086
12	Casinos and Gambling Houses Amendment Act, 1995	1118

13	Public Service Act, 1995	1121
14	Trade Metrology Amendment Act, 1995	1129
15	Legal Practitioners Act, 1995	1141
16	Professional Land Surveyors' Technical Surveyors' and Survey Technicians' Amendment Act, 1995	1155
17	Traditional Authorities Act, 1995	1158
18	Judicial Service Commission Act, 1995	1195
19	Additional Sales Duties Amendment Act, 1995	1221
20	Post and Telecommunications Amendment Act, 1995	1223
21	Diamond Taxation Proclamation Repeal Act, 1995	1224
22	Income Tax Amendment Act, 1995	1225
23	Medical Aid Funds Act, 1995	1226
24	Stock Brands Act, 1995	1227
25	Road Traffic Amendment Act, 1995	1229
26	Namibia Sports Amendment Act, 1995	1231
27	Sales Tax Amendment Act, 1995	1232
28	Additional Appropriation Act, 1995	1233

1996

1	Married Persons Equality Act, 1996	1316
2	Deeds Registries Amendment Act, 1996	1323
3	Animal Diseases and Parasites Amendment Act, 1996	1324
4	Appropriation Act, 1996	1328
5	Nature Conservation Amendment Act, 1996	1333
6	Export Processing Zones Amendment Act, 1996	1337
7	Arms and Ammunition Act, 1996	1338
8	Registration of Deeds in Rehoboth Amendment Act, 1996	1352
9	Town and Regional Planners Act, 1996	1354
10	National Vocational Training Amendment Act, 1996	1357
11	Extradition Act, 1996	1358
12	Income Tax Amendment Act, 1996	1375
13	Sales Tax Amendment Act, 1996	1376
14	Additional Sales Levy Amendment Act, 1996	1377
15	Rehoboth Investment and Development Corporation Repeal Act, 1996	1379
16	Tender Board of Namibia Act, 1996	1380
17	Powers, Privileges and Immunities of Parliament Act, 1996	1382
18	Cross-Border Road Transportation Act, 1996	1384
19	Minerals Development Fund of Namibia Act, 1996	1386
20	Road Traffic Amendment Act, 1996	1431
21	Identification Act, 1996	1447
22	Deeds Registries Further Amendment Act, 1996	1465
23	Cooperatives Act, 1996	1467
24	Second Additional Sales Levy Amendment Act, 1996	1471
25	Additional Appropriation Act, 1996	1472
26	Second Sales Tax Amendment Act, 1996	1473
27	Road Traffic Second Amendment Act, 1996	1474
28	Casinos and Gambling Houses Amendment Act, 1996	1475
29	Namibia Qualifications Authority Act, 1996	1476

1997

1	Namibian College of Open Learning Act, 1997	1570
2	Appropriation Act, 1997	1582
3	Local Authorities Amendment Act, 1997	1584
4	Legal Practitioners Amendment Act, 1997	1586
5	Income Tax Amendment Act, 1997	1680
6	Dairy Industry Amendment Act, 1997	1685
7	Game Products Trust Fund Act, 1997	1686
8	Traditional Authorities Amendment Act, 1997	1694
9	Magistrates' Courts Amendment Act, 1997	1696
10	Namibia Central Intelligence Service Act, 1997	1699
11	Petroleum (Exploration and Production) Amendment Act, 1997	1700
12	Namibia Water Corporation Act, 1997	1703
13	Council of Traditional Leaders Act, 1997	1706
14	Local Authorities Second Amendment Act, 1997	1743
15	Bank of Namibia Act, 1997	1761
16	Additional Appropriation Act, 1997	1763
17	Regional Councils Amendment Act, 1997	1764
18	Road Traffic Amendment Act, 1997	1766
19	Road Traffic Second Amendment Act, 1997	1767

1998

1	Hospitals and Health Facilities Amendment Act, 1998	1804
2	Banking Institutions Act, 1998	1808
3	Namibia Wildlife Resorts Company Act, 1998	1809
4	Short-term Insurance Act, 1998	1832
5	Long-term Insurance Act, 1998	1834
6	Liquor Act, 1998	1843
7	Pharmacy Profession Amendment Act, 1998	1866
8	Social and Social Auxiliary Workers' Professions Amendment Act, 1998	1867
9	Medical and Dental Professions Amendment Act, 1998	1871
10	Nursing Professions Amendment Act, 1998	1877
11	Sales Tax Amendment Act, 1998	1878
12	Namibian Transport Advisory Board Amendment Act, 1998	1880
13	Income Tax Amendment Act, 1998	1882
14	Walvis Bay and Offshore Islands Amendment Act, 1998	1884
15	Allied Health Services Professions Amendment Act, 1998	1886
16	Appropriation Act, 1998	1893
17	Prisons Act, 1998	1894
18	Additional Sales Levy Amendment Act, 1998	1894
19	Security Enterprises and Security Officers Act, 1998	1896
20	Customs and Excise Act, 1998	1900
21	Townships and Division of Land Amendment Act, 1998	1948
22	Namibia National Reinsurance Corporation Act, 1998	1949
23	Second Hand Goods Act, 1998	1955
24	Petroleum Laws Amendment Act, 1998	1954
25	Airports Company Act, 1998	1958
26	Racial Discrimination Prohibition Amendment Act, 1998	1959
27	Aviation Amendment Act, 1998	1960
28	National Transport Services Holding Company Act, 1998	1961

29	Affirmative Action (Employment) Act, 1998	1962
30	Electoral Amendment Act, 1998	1984
31	Air Services Amendment Act, 1998	1991
32	Town and Regional Planners Amendment Act, 1998	1994
33	Public Service Amendment Act, 1998	1995
34	Namibian Constitution First Amendment Act, 1998	2014
35	Additional Appropriation Act, 1998	2021

1999

1	Magistrates' Courts Amendment Act, 1999	2058
2	Namibia Refugees (Recognition and Control) Act, 1999	2065
3	Police Amendment Act, 1999	2072
4	Road Traffic Amendment Act, 1999	2095
5	Prisons Amendment Act, 1990	2123
6	Legal Practitioners Amendment Act, 1999	2126
7	Income Tax Amendment Act, 1999	2135
8	Sales Tax Amendment Act, 1999	2136
9	Appropriation Act, 1999	2137
10	Application of Laws to the Eastern Caprivi Zipfel Act, 1999	2139
11	Electoral Amendment Act, 1999	2141
12	Motor Vehicle Theft Act, 1999	2150
13	Diamond Act, 1999	2205
14	Roads Contractor Company Act, 1999	2208
15	Namibia Institute of Pathology Act, 1999	2210
16	War Veterans Subvention Act, 1999	2211
17	Roads Authority Act, 1999	2215
18	Road Fund Administration Act, 1999	2217
19	Electoral Amendment Act, 1999	2237
20	Members of Parliament and Other Office-bearers Pension Fund Act, 1999	2239
21	Income Tax Second Amendment Act, 1999	2240
22	Road Traffic and Transport Act, 1999	2251

2000

1	Usuary Amendment Act, 2000	2269
2	Electricity Act, 2000	2270
3	Petroleum Products and Energy Amendment Act, 2000	2289
4	Namibia Library and Information Service Act, 2000	2290
5	Additional Appropriation Act, 2000	2321
6	Namibia Film Commission Act, 2000	2322
7	Combating of Immoral Practices Amendment Act, 2000	2325
8	Combating of Rape Act, 2000	2326
9	International Cooperation in Criminal Matters Act, 2000	2327
10	Value-added Tax Act, 2000	2337
11	Townships and Division of Land Amendment Act, 2000	2360
12	Namibian Ports Authority Amendment Act, 2000	2365
13	Appropriation Act, 2000	2375
14	National Art Gallery of Namibia Act, 2000	2376
15	Town Planning Amendment Act, 2000	2377

16	Agricultural (Commercial) Land Reform Amendment Act, 2000	2378
17	Legal Aid Amendment Act, 2000	2421
18	General Law Amendment Act, 2000	2422
19	Medicines and Related Substances Control Amendment Act, 2000	2423
20	Posts and Telecommunications Companies Establishment Amendment Act, 2000	2425
21	Namibia Tourism Board Act, 2000	2437
22	Trust Fund for Regional Development and Equity Provisions Act, 2000	2451
23	Additional Appropriation Act, 2000	2454
24	Local Authorities Amendment Act, 2000	2455
25	Traditional Authorities Act, 2000	2456
26	Namibia Students Financial Assistance Fund Act, 2000	2457
27	Marine Resources Act, 2000	2458
28	National Housing Development Act, 2000	2459
29	Stock Exchanges Control Amendment Act, 2000	2460
30	Regional Councils Amendment Act, 2000	2461
31	Council of Traditional Leaders Amendment Act, 2000	2462
32	National Housing Enterprise Amendment Act, 2000	2463
33	Decentralisation Enabling Act, 2000	2464
34	Value-Added Tax Amendment Act, 2000	2465

2001

1	Meat Corporation of Namibia Act, 2001	2522
2	Agricultural (Commercial) Land Reform Second Amendment Act, 2001	2523
3	Namibia Financial Institutions Supervisory Authority Act, 2001	2529
4	Motor Vehicle Accident Fund Act, 2001	2547
5	Police Amendment Act, 2001	2566
6	Labour Amendment Act, 2001	2568
7	Stock Brands Amendment Act, 2001	2569
8	Defence Amendment Act, 2001	2570
9	Appropriation Act, 2001	2572
10	Appeal Laws Amendment Act, 2001	2585
11	Namibia Film Commission Amendment Act, 2001	2620
12	Forest Act, 2001	2667
13	Environment Investment Fund of Namibia Act, 2001	2669
14	Additional Appropriation Act, 2001	2671
15	Administration of Estates Amendment Act, 2001	2672
16	Education Act, 2001	2673
17	Namibia Water Corporation Amendment Act, 2001	2674
18	Security Commission Act, 2001	2676

2002

1	Defence Act, 2002	2749
2	Appropriation Act, 2002	2767
3	High Court Amendment Act, 2002	2770
4	Supreme Court Amendment Act, 2002	2771
5	Communal Land Reform Act, 2002	2787
6	Value-Added Tax Amendment Act, 2002	2818
7	Income Tax Amendment Act, 2002	2820
8	Development Bank of Namibia Act, 2002	2826
9	Demutualisation Levy Act, 2002	2827

10	Legal Practitioners Amendment Act, 2002	2849
11	Roads Contractor Company Amendment Act, 2002	2868
12	Regional Councils Amendment Act, 2002	2870
13	Agriculture (Commercial) Land Reform Amendment Act, 2002	2875
14	Agricultural Bank Amendment Act, 2002	2884
15	Lotteries Act, 2002	2885
16	Additional Appropriation Act, 2002	2886
17	Local Authorities Amendment Act, 2002	2887
18	Aquaculture Act, 2002	2888
19	General Law (Health Professions) Amendment Act, 2002	2889
20	Electoral Amendment Act, 2002	2890
21	Security Enterprises and Security Officers Amendment Act, 2002	2891
22	Legal Practitioners Second Amendment Act, 2002	2892

2003

1	Inland Fisheries Resources Act, 2003	2962
2	Competition Act, 2003	2964
3	Magistrate's Act, 2003	2996
4	Combating of Domestic Violence Act, 2003	3002
5	Agricultural Bank of Namibia Act, 2003	3003
6	Appropriation Act, 2003	3004
7	Electoral Amendment Act, 2003	3013
8	Anti-Corruption Act, 2003	3037
9	Maintenance Act, 2003	3043
10	Community Courts Act, 2003	3044
11	Income Tax Amendment Act, 2003	3049
12	Namibia Sports Act, 2003	3050
13	Medicines and Related Substances Control Act, 2003	3051
14	Agricultural (Commercial) Land Reform Amendment Act, 2003	3096
15	Geneva Conventions Act, 2003	3109
16	Petroleum Products and Energy Amendment Act, 2003	3113
17	Additional Appropriation Act, 2003	3114
18	Payment System Management Act, 2003	3115
19	Agricultural (Commercial) Land Reform Second Amendment Act, 2003	3116
20	Transfer Duty Amendment Act, 2003	3119
21	General Law (Health Professions) Amendment Act, 2003	3120
22	Bills of Exchange Act, 2003	3121
23	Magistrates Amendment Act, 2003	3122
24	Criminal Procedure Amendment Act, 2003	3123
25	Teachers' Education Colleges Act, 2003	3124
26	Higher Education Act, 2003	3125
27	Local Authorities Amendment Act, 2003	3126

2004

1	Appropriation Act, 2004	3224
2	Law Reform and Development Commission Amendment Act, 2004	3238
3	Council for Health and Social Services Profession Repeal Act, 2004	3241
4	Namibia Communications Commission Amendment Act, 2004	3243
5	Wreck and Salvage Act, 2004	3244
6	Social Work and Psychology Act, 2004	3246

7	Allied Health Professions Act, 2004	3247
8	Nursing Act, 2004	3249
9	Pharmacy Act, 2004	3250
10	Medical and Dental Act, 2004	3251
11	Bank of Namibia Amendment Act, 2004	3277
12	Value-Added Tax Amendment Act, 2004	3282
13	Namibia Press Agency Amendment Act, 2004	3283
14	Local Authorities Amendment Act, 2004	3330
15	Labour Act, 2004	3339
16	Public Holiday Amendment Act, 2004	3348
17	Motor Vehicle Theft Amendment Act, 2004	3349
18	Former President's Pension and Other Benefits Act, 2004	3350
19	Stock Theft Amendment Act, 2004	3351
20	Roads Authority Amendment Act, 2004	3352
21	Meat Corporation of Namibia Amendment Act, 2004	3353
22	Agricultural Bank of Namibia Amendment Act, 2004	3355
23	Research, Science and Technology Act, 2004	3356
24	Water Resources Management Act, 2004	3357
25	Criminal Procedure Act, 2004	3358
26	National Disability Council Act, 2004	3360
27	National Heritage Act, 2004	3361
28	Companies Act, 2004	3362
29	Prevention of Organised Crime Act, 2004	3363

2005

1	National Arts Fund of Namibia, 2005	3424
2	Additional Appropriation Act, 2005	3425
3	Public Office-bearers (Remuneration and Benefits) Commission Act, 2005	3426
4	Income Tax Amendment Act, 2005	3428
5	Atomic Energy and Radiation Protection Act, 2005	3429
6	National Youth Service Act, 2005	3468
7	Appropriation Act, 2005	3477
8	Accreditation Board of Namibia Act, 2005	3480
9	Transfer of Convicted Offenders Act, 2005	3495
10	Animal Diseases and Parasites Amendment Act, 2005	3496
11	Communal Land Reform Amendment Act, 2005	3550
12	Insolvency Amendment Act, 2005	3551
13	Forest Amendment Act, 2005	3564
14	General Law Amendment Act, 2005	3565
15	Estates and Succession Amendment Act, 2005	3566
16	Conferment of Status of Founding Father of the Namibian Nation Act, 2005	3567
17	Metrology Amendment Act, 2005	3568
18	Standards Act, 2005	3569

2006

1	Appropriation Act, 2006	3645
2	State-owned Enterprises Governance Act, 2006	3698
3	Additional Appropriation Act, 2006	3758
4	Electoral Amendment Act, 2006	3759
5	Local Authorities Fire Brigade Services Act, 2006	3760

6	Children's Status Act, 2006	3761
7	Biosafety Act, 2006	3763

2007

1	Appropriation Act, 2007	3868
2	Value-Added Tax Amendment Act, 2007	3874
3	Financial Intelligence Act, 2007	3880
4	Electricity Act, 2007	3922
5	Income Tax Amendment Act, 2007	3964
6	Affirmative Action (Employment) Amendment Act, 2007	3965
7	Environmental Management Act, 2007	3966
8	Medicines and Related Substances Control Amendment Act, 2007	3968
9	Motor Vehicle Accident Fund Act, 2007	3970
10	Labour Act, 2007	3971

2008

1	Vocational Education and Training Act, 2008	4042
2	Veterans Act, 2008	4051
3	Appropriation Act, 2008	4067
4	Value-Added Tax Amendment Act, 2008	4084
5	State-Owned Enterprises Governance Amendment Act, 2008	4146
6	Road Traffic and Transport Amendment Act, 2008	4147
7	Plant Quarantine Act, 2008	4149
8	Minerals (Prospecting and Mining) Amendment Act, 2008	4189
9	Controlled Wildlife Products and Trade Act, 2008	4190
10	Prevention of Organised Crime Amendment Act, 2008	4191

2009

1	Local Authorities Amendment Act, 2009	4258
2	Sectional Titles Act, 2009	4259
3	National Youth Council Act, 2009	4276
4	Appropriation Act, 2009	4280
5	Magistrates Amendment Act, 2009	4307
6	Magistrates Courts Amendment Act, 2009	4308
7	Electoral Amendment Act, 2009	4322
8	Communications Act, 2009	4378

2010

1	Tobacco Products Control Act, 2010	4458
2	Prisons Amendment Act, 2010	4471
3	Transfer Duty Amendment Act, 2010	4472
4	Value Added Tax Amendment Act, 2010	4474
5	Income Tax Amendment Act, 2010	4475
6	Payment System Management Amendment Act, 2010	4479
7	Namibian Constitution Second Amendment Act, 2010	4480
8	Transfer Duty Second Amendment Act, 2010	4494
9	Appropriation Act, 2010	4515
10	Namibia Institute of Public Administration and Management Act, 2010	4521
11	Electoral Amendment Act, 2010	4542
12	Regional Councils Amendment Act, 2010	4543

13	Criminal Procedure Amendment Act, 2010	4554
14	Banking Institutions Amendment Act, 2010	4259

2011

1	Animal Health Act, 2011	4694
2	Long-term Insurance Amendment Act, 2011	4731
3	Income Tax Amendment Act, 2011	4732
4	Appropriation Act, 2011	4733
5	Pension Funds Amendment Act, 2011	4735
6	Inspection of Financial Institutions Amendment Act, 2011	4753
7	Income Tax Second Amendment Act, 2011	4755
8	Employment Service Act, 2011	4764
9	Statistics Act, 2011	4777

2012

1	Industrial Property Act, 2012	4907
2	Labour Amendment Act, 2012	4925
3	Geoscience Professions Act, 2012	4935
4	Flexible Land Tenure Act, 2012	4963
5	Appropriation Act, 2012	4968
6	Public Service Amendment Act, 2012	4972
7	Property Valuers Professions Act, 2012	4973
8	Electoral Amendment Act, 2012	4983
9	Correctional Service Act, 2012	5008
10	Disaster Risk Management Act, 2012	5029
11	Conferment of National Honours Act, 2012	5071
12	Prevention and Combatting of Terrorist Activities Act, 2012	5095
13	Financial Intelligence Act, 2012	5096
14	Former President's Pension and Other Benefits Amendment Act, 2012	5105
15	Presidential Remuneration and Other Benefits Act, 2012	5114
16	Veterinary and Veterinary Para-Professions Act, 2012	5115

2013

1	Veterinary and Veterinary Para-Professions Act, 2013	5139
2	National Planning Commission Act, 2013	5178
3	Veterans Amendment Act, 2013	5185
4	Income Tax Amendment Act, 2013	5206
5	Promulgation of Appropriation Act, 2013	5207
6	Transfer Duty Act, 2013	5208
7	Stamp Duties Amendment Act, 2013	5209
8	Agricultural (Commercial) Land Reform Amendment Act, 2013	5210
9	Electoral Amendment Act, 2013	5277
10	Public Accountants' and Auditors' Amendment Act, 2013	5334
11	Water Resources Management Act, 2013	5367
12	High Court Amendment Act, 2013	5384
13	Communal Land Reform Amendment Act, 2013	5385

2014

1	Agricultural (Commercial) Land Reform Act, 2014	5392
2	Magistrates Amendment Act, 2014	5431

3	Appropriation Act, 2014	5459
4	Prevention and Combating of Terrorist and Proliferation Activities Act, 2014	5490
5	Electoral Act, 2014	5583
6	Pension Funds Amendment Act, 2014	5584
7	Namibian Students Financial Assistance Fund Amendment Act, 2014	5588
8	Namibian Constitution Third Amendment Act, 2014	5589

2015

1	Public and Environmental Health Act, 2015	5702
2	National Health Act, 2015	5742
3	Child Care and Protection Act, 2015	5744
4	Appropriation Act, 2015	5762
5	Veterans Amendment Act, 2015	5774
6	Namibian Citizenship (Second) Special Conferment Act	5775
7	Namibia University of Science and Technology Act	5827
8	Public Enterprises Governance Amendment Act	5835
9	Marine Resources Amendment Act	5837
10	Appropriation Amendment Act	5895
11	Judiciary Act	5902
12	Value-Added Tax Amendment Act	5911
13	Income Tax Amendment Act	5912
14	Deeds Registries Act	5913
15	Public Procurement Act	5922

2016

1	Appropriation Act	6006
2	Export Levy Act	6042
3	Credit Agreements Amendment Act	6043
4	Income Tax Amendment Act	6044
5	Presidential Remuneration and Other Benefits Act	6045
6	Civil Aviation Act	6047
7	Appropriation Act	6050
8	Business and Intellectual Property Authority Act	6105
9	Namibia Investment Promotion Act	6110
10	Anti-Corruption Amendment Act	6156
11	Medical Aid Funds Amendment Act	6180
12	Long-term Insurance Amendment Act	6182
13	Short-term Insurance Amendment Act	6183
14	Unit Trusts Control Amendment Act	6184
15	Appropriation Amendment Act	6199
16	Namibia Industrial Development Agency Act	6202
17	Customs and Excise Amendment Act	6203

2017

1	Appropriation Act	6330
2	Access to Biological & Genetic Resources & Associated Traditional Knowledge Act	6343
3.	Nature Conservation Amendment Act	6344
4	Public Private Partnership Act	6357
5	Namibia Special Risks Insurance Association Act	6420
6	Controlled Wildlife Products and Trade Amendment Act	6421

7	Regional Councils Amendment Act	6422
8	One-Stop Border Posts Control Act	6423
9	Namibian Time Act	6449
10	Whistleblower Protection Act	6450
11	Witness Protection Act	6451
12	Namibia Revenue Agency Act	6486
13	Lotteries Act	6500
14	Education Amendment Act	6501
15	Appropriation Amendment Act	6502

2018

1	Combating of Trafficking in Persons Act	6562
2	Property Valuers Profession Amendment Act	6563
3	Local Authorities Amendment Act	6578
4	Appropriation Act	6623
5	Urban and Regional Planning Act	6631
6	Usury Amendment Act	6663
7	Microlending Act	6664
8	Allied Health Professions Amendment Act	6701
9	Medical and Dental Amendment Act	6702
10	Nursing Amendment Act	6703
11	Pharmacy Amendment Act	6704
12	Social Work and Phsychology Amendment Act	6705
13	Gaming and Entertainment Control Act	6793
14	Criminal Procedure Act Repeal Act	6804
15	Appropriation Amendment Act	6805
16	Namibia Deposit Guarantee Act	6806
17	National Symbols of the Republic of Namibia Act	6807
18	Public Service Amendment Act	6808
19	Extradition Amendment Act	6810
20	International Co-operation in Criminal Matters Amendment Act	6811
21	Repeal of Obsolete Laws Act	6812
22	Administration of Estates Amendment Act	6813
23	Seeds and Seed Varieties Act	6814

2019

1	Public Enterprises Governance Act	6907
2	Appropriation Act	6929
3	Appropriation Amendment Act	7067
4	Electronic Transaction Act	7068
5	Prevention and Combating of Pollution of the Sea by Oil Amendment Act	7075

2020

1	Bank of Namibia Act	7109
2	Income Tax Amendment Act	7249
3	Basic Education Act	7257
4	Appropriation Act	7260
5	Gaming and Entertainment Control Amendment Act	7269
6	Communications Amendment Act	7274
7	Post & Telecommunications Companies Establishment Amendment Act	7305
8	Appropriation Amendment Act	7382

Key Economic White Papers and Policies

Governments around the world often publish policy papers or "White Papers" to provide a clear indication of the direction they want to take in key areas of policy. Invariably, however, such policy documents tend to be something of a compromise. Too much clarity leaves little room for political manoeuvre. Too little clarity, however, and the documents serve little purpose.

Since Independence, the Namibian Government has produced a range of White Papers dealing with many of the most important areas of economic policy. In some cases, such as fisheries, transport, tourism, land reform, water and energy, these papers have made a lasting impact. In other cases, such as agriculture, fiscal policy, industry and foreign policy, these papers received little or no attention and sank almost without trace. Some policies are notable not so much for what they say as for what they omit. In other policy areas, such as commercialisation, public enterprise management, public private partnerships, or tax policy, Government has chosen not to publish any White Papers at all. In many instances, Government's policy documents have been carefully thought through and well written but then appear to be ignored.

Government's formal White Papers are complemented by a range of other plans and policies including the five-yearly National Development Plans and the overarching Vision 2030. The ruling SWAPO party has also published detailed manifestos at each of the 1994, 1999, 2004, 2009, 2014 and 2019 national elections. However, it is not clear whether there is any degree of consistency between these policies, plan and manifestos.

Key Economic White Papers and Policies

YEAR	EVENT
1991	– White Paper on Fisheries – World Bank: Poverty Alleviation with Sustainable Growth
1992	– White Paper on Industrial Development – Draft White Paper on Transport Policy
1993	– Transitional National Development Plan 1991/92-1993/94 – Water and Sanitation Policy
1994	– White Paper on Tourism – SWAPO Manifesto "Equal Opportunities for All Namibians"
1995	– White Paper on Agriculture – First National Development Plan 1994/95-1999/00 – White Paper on Fiscal Policy
1997	– Namibia: Policy and Programme on Small Business Development
1998	– White Paper on Energy – National Land Policy – Poverty Reduction Strategy
1999	– White Paper on Labour-based Works Policy – Telecommunications Policy and Regulatory Framework for Namibia 1999 – SWAPO Manifesto "The Driving Force for Change"
2001	– White Paper on Aquaculture – National Resettlement Policy – Second National Development Plan 2000/01-2004/05
2002	– Poverty Reduction Strategy for Namibia
2003	– Minerals Policy for Namibia
2004	– Revised White Paper on Fisheries – White Paper on Namibia's Foreign Policy and Diplomacy Management – Vision 2030 – SWAPO Manifesto "SWAPO's Plan of Action for Peace, Unity and Sustainable Development"
2005	– Key Recommendations of the Cabinet Retreat – Sovereign Debt Management Strategy for Namibia
2008	– Third National Development Plan 2005/06-2009/10
2009	– National Policy Framework on Tourism for Namibia – SWAPO Manifesto "Striving for Economic Independence and Prosperity for All"
2011	– Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) – New Equitable Economic Empowerment Framework (NEEEF)
2012	– Namibia Financial Sector Strategy 2011-2021 Toward Achieving Vision 2030 – Fourth National Development Plan 2012/13-2016/17 – Namibia's Industrial Policy
2013	– Growth at Home: Namibia's Strategy for Industrialisation
2014	– SWAPO Manifesto "Consolidating Peace, Stability and Prosperity"
2015	– National Equitable Economic Empowerment Bill (not yet law) – Namibia Agriculture Policy
2016	– Harambee Prosperity Plan
2017	– Fifth National Development Plan 2017/18-2021/22
2019	– SWAPO Manifesto "Inclusive Development and Shared Prosperity"
2020	– Report by the High-Level Panel on the Namibian Economy – National Equitable Economic Empowerment Bill (not yet law) – National Broadband Policy

Namibian Economic Indicators

Indicator	Frequency	Source
IJG Business Climate Index*	monthly	Institute for Public Policy Research/IJG Securities
FNB House Price Index*	monthly	First National Bank Namibia
FNB House Volume Index*	monthly	First National Bank Namibia
New commercial vehicle sales (units)	monthly	National Association of Automobile Manufacturers of South Africa
Windhoek buildings approved (N$m)	monthly	City of Windhoek
Windhoek buildings complete (N$m)	monthly	City of Windhoek
Walvis Bay buildings approved (N$m)	monthly	Municipality of Walvis Bay
Walvis Bay buildings complete (N$m)	monthly	Municipality of Walvis Bay
Swakop buildings approved (N$m)	monthly	Municipality of Swakopmund
Swakop buildings complete (N$m)	monthly	Municipality of Swakopmund
National Budget (N$m – budget)	annually	Ministry of Finance
Development Budget (N$m - budget)	annually	Ministry of Finance/National Planning Commission
Registrations - (Pty) Ltd	monthly	Business and Intellectual Property Authority
Registrations - cc	monthly	Business and Intellectual Property Authority
Registrations - defensive names	monthly	Business and Intellectual Property Authority
Number of EPLs granted	monthly	Ministry of Mines and Energy
Number of Mining Licences granted	monthly	Ministry of Mines and Energy
Horticulture production (tonnes)	monthly	Namibian Agronomic Board
Milk production – Namibia Dairies (litres)	monthly	Namibia Agriculture Union
Number of cattle marketed	monthly	Meat Board of Namibia
Number of small stock marketed	monthly	Meat Board of Namibia
Horse mackerel catches (tonnes)	annually	Ministry of Fisheries and Marine Resources
Hake catches (tonnes)	annually	Ministry of Fisheries and Marine Resources
Total fish catches (tonnes)	annually	Ministry of Fisheries and Marine Resources
Diamond production (carats)	quarterly	Anglo American plc
Diamond production (carats)	monthly	Ministry of Mines and Energy
Diamond sales (carats)	monthly	Ministry of Mines and Energy
Uranium production (lbs)	monthly	Ministry of Mines and Energy
Uranium exports (lbs)	monthly	Ministry of Mines and Energy
SHG zinc production (tonnes)	monthly	Ministry of Mines and Energy
Gold bullion (kg)	monthly	Ministry of Mines and Energy

Lead concentrate (tonnes)	monthly	Ministry of Mines and Energy
Zinc concentrate (tonnes)	monthly	Ministry of Mines and Energy
Manganese (tonnes)	monthly	Ministry of Mines and Energy
Copper concentrate treated (tonnes)	monthly	Ministry of Mines and Energy
Blister copper produced (tonnes)	monthly	Ministry of Mines and Energy
Electricity production (kWh)n/a	annually	NamPower
New passenger vehicle sales (units)	monthly	National Association of Automobile Manufacturers of South Africa
Tourist arrivals	annually	Namibia Tourism Board
International arrivals at HKIA	monthly	Namibia Airports Company
Regional arrivals at HKIA	monthly	Namibia Airports Company
Bed occupancy rate	monthly	Hospitality Association of Namibia
Bed occupancy rate*	monthly	Namibia Tourism Board
Rail cargo (tonnes)	annually	TransNamib
Port traffic (tonnes)	monthly	NamPort
Petrol 93 LRP price (N$/l Q end)	monthly	Ministry of Mines and Energy
Petrol 95 ULP price (N$/l Q end)	monthly	Ministry of Mines and Energy
Diesel price (N$/l Q end)	monthly	Ministry of Mines and Energy
Household mortgages (N$m)	monthly	Bank of Namibia
Commercial mortgages (N$m)	monthly	Bank of Namibia
Household instalment credit (N$m)	monthly	Bank of Namibia
Commercial instalment credit (N$m)	monthly	Bank of Namibia
Private Sector Credit Extension (N$m)	monthly	Bank of Namibia
Money supply M2 (N$m)	monthly	Bank of Namibia
Foreign reserves (N$m)	monthly	Bank of Namibia
Merchandise trade balance (N$m)	quarterly	Bank of Namibia
Exchange rate (N$:US$)	daily	Bank of Namibia
Exchange rate (N$:€)	daily	Bank of Namibia
Namibia Consumer Price Index (%)	monthly	Namibia Statistics Agency
SA Consumer Price Index (%)	monthly	StatsSA
Namibian repo (%)	monthly	Bank of Namibia
South African repo (%)	monthly	Reserve Bank of South Africa
NSX overall index	daily	Namibian Stock Exchange
NSX local index	daily	Namibian Stock Exchange
JSE ALSI	daily	Johannesburg Securities Exchange

* discontinued

Namibian Cabinets

	Post (1990 Cabinet)	Post Holder	Changes	
1	President	Sam Nujoma		
2	Prime Minister	Hage Geingob		
3	Attorney-General	Hartmut Ruppel		
4	Director General National Planning Commission	Zedakia Ngavirue		
5	Minister of Agriculture and Rural Development	Gert Hanekom	until 1992 then Anton von Wietersheim then from 1993 Nangolo Mbumba	resigned/ sacked
6	Minister of Defence	Peter Mweshihange		
7	Minister of Education, Culture, Youth and Sport	Nahas Angula		
8	Minister of Wildlife, Conservation and Tourism	Niko Bessinger		
9	Minister of Finance	Otto Herrigel	until 1992 then Gert Hanekom	resigned
10	Minister of Fisheries (established 1991)	Helmut Angula		
11	Minister of Foreign Affairs	Theo-Ben Gurirab		
12	Minister of Health and Social Services	Nickey Iyambo		
13	Minister of Home Affairs	Hifikepunye Pohamba		
14	Minister of Information and Broadcasting	Hidipo Hamutenya	until 1993 then Ben Amathila	
15	Minister of Justice	Ngarakutuke Tjiriange		
16	Minister of Labour and Manpower Development	Hendrik Witbooi		
17	Minister of Lands, Resettlement and Rehabilitation	Marco Hausiku	until 1992 then Richard Kapelwa-Kabajani	
18	Minister of Local Government and Housing	Libertina Amathila		
19	Minister of Mines and Energy	Andimba Toivo ya Toivo		
20	Minister of Trade and Industry	Ben Amathila	until 1993 then Hidipo Hamutenya	
21	Minister of Works, Transport and Communication	Richard Kapelwa-Kabajani	until 1992 then Marco Hausiku	
22	Minister of Youth and Sport (established 1991)	Pendukeni Iivula-Ithana		

	Post (1995 Cabinet)	Post Holder	Changes
1	President	Sam Nujoma	
2	Prime Minister	Hage Geingob	
3	Deputy Prime Minister	Hendrik Witbooi	
4	Attorney-General	Vekuii Rukoro	
5	Director General National Planning Commission	Saara Kuugongelwa-Amadhila	
6	Minister of Agriculture and Rural Development	Nangolo Mbumba	until 1996 then Helmut Angula
7	Minister of Defence	Philemon Malima	until 1997 then Erkki Nghimtina
8	Minister of Education and Culture	John Mutorwa	
9	Minister of Environment and Tourism	Gert Hanekom	until 1997 then Philemon Malima
10	Minister of Finance	Helmut Angula	until 1996 then Nangolo Mbumba
11	Minister of Fisheries and Marine Resources	Hifikepunye Pohamba	until 1997 then Abraham Iyambo
12	Minister of Foreign Affairs	Theo-Ben Gurirab	
13	Minister of Health and Social Services	Nickey Iyambo	until 1996 then Libertina Amathila
14	Minister of Home Affairs	Sam Nujoma	from later in 1995 Jerry Ekandjo
15	Minister of Information and Broadcasting	Ben Amathila	
16	Minister of Justice	Ngarakutuke Tjiriange	
17	Minister of Labour and Human Resources Development	Moses Garoeb	until 1997 then Andimba Toivo ya Toivo
18	Minister of Lands, Resettlement and Rehabilitation	Richard Kapelwa-Kabajani	until 1996 then Pendukeni Iivula-Ithana
19	Minister of Regional and Local Government and Housing	Libertina Amathila	until 1996 then Nickey Iyambo
20	Minister of Mines and Energy	Andimba Toivo ya Toivo	until 1999 then Jesaya Nyamu
21	Minister of Trade and Industry	Hidipo Hamutenya	
22	Minister of Works, Transport and Communication	Hampie Plichta	
23	Minister of Youth and Sport	Pendukeni Iivula-Ithana	until 1996 then Richard Kapelwa-Kabajani
24	Minister of Higher Education	Nahas Angula	
25	Minister of Prisons and Correctional Services	Marco Hausiku	
26	Minister without Portfolio		from 1997 Hifikepunye Pohamba
27	Director General of Women's Affairs		from 1996 Netumbo Nandi-Ndaitwah

	Post (2000 Cabinet)	Post Holder	Changes	
1	President	Sam Nujoma		
2	Prime Minister	Hage Geingob	until 2002 then Theo-Ben Gurirab	
3	Deputy Prime Minister	Hendrik Witbooi		
4	Attorney-General	Ngarakutuke Tjiriange	until 2001 then Pendukeni Iivula-Ithana	
5	Director General National Planning Commission	Saara Kuugongelwa-Amadhila	until 2003 then Immanuel Ngatjizeko	
6	Minister of Agriculture and Rural Development	Helmut Angula	until 2004	resigned
7	Minister of Defence	Erkki Nghimtina		
8	Minister of Education and Culture	John Mutorwa		
9	Minister of Environment and Tourism	Philemon Malima		
10	Minister of Finance	Nangolo Mbumba	until 2003 then Saara Kuugongelwa-Amadhila	
11	Minister of Fisheries and Marine Resources	Abraham Iyambo		
12	Minister of Foreign Affairs	Theo-Ben Gurirab	until 2002 then Hidipo Hamutenya until 2004	sacked
13	Minister of Health and Social Services	Libertina Amathila		
14	Minister of Home Affairs	Jerry Ekandjo		
15	Minister of Information and Broadcasting			
16	Minister of Justice	Ngarakutuke Tjiriange	until 2003 then Albert Kawana	
17	Minister of Labour and Human Resources Development	Andimba Toivo ya Toivo	until 2002 then Maria Mungunda	
18	Minister of Lands, Resettlement and Rehabilitation	Pendukeni Iivula-Ithana	until 2001 then Hifikepunye Pohamba	
19	Minister of Regional and Local Government and Housing	Nickey Iyambo	until 2002 then	
20	Minister of Mines and Energy	Jesaya Nyamu	until 2002 then Nickey Iyambp	sacked
21	Minister of Trade and Industry	Hidipo Hamutenya	until 2002 then Jesaya Nyamu	
22	Minister of Works, Transport and Communication	Moses Amweelo		
23	Minister of Youth and Sport			
24	Minister of Higher Education	Nahas Angula		
25	Minister of Prisons and Correctional Services	Marco Hausiku		
26	Director General of Women's Affairs	Netumbo Nandi-Ndaitwah		

	Post (2005 Cabinet)	Post Holder	Changes
1	President	Hifikepunye Pohamba	
2	Minister of Presidential Affairs	Albert Kawana	
3	Prime Minister	Nahas Angula	
4	Deputy Prime Minister	Libertina Amathila	
5	Attorney-General	Pendukeni Iivula-Ithana	
6	Director General National Planning Commission	Helmut Angula	until 2008 then Peter Katjavivi
7	Minister of Agriculture, Water and Forestry	Nickey Iyambo	until 2008 then John Mutorwa
8	Minister of Defence	Charles Namoloh	
9	Minister of Education	Nangolo Mbumba	
10	Minister of Environment and Tourism	Willem Konjore	until 2008 then Netumbo Nandi-Ndaitwah
11	Minister of Finance	Saara Kuugongelwa-Amadhila	
12	Minister of Fisheries and Marine Resources	Abraham Iyambo	
13	Minister of Foreign Affairs	Marco Hausiku	
14	Minister of Health and Social Services	Richard Kamwi	
15	Minister of Safety and Security	Peter Tsheehama	until 2008 then Nickey Iyambo
16	Minister of Information and Broadcasting	Netumbo Nandi-Ndaitwah	until 2008 then Joel Kaapanda
17	Minister of Justice	Pendukeni Iivula-Ithana	
18	Minister of Labour and Social Welfare	Alpheus !Naruseb	until 2008 then Immanuel Ngatjizeko
19	Minister of Lands and Resettlement	Jerry Ekandjo	until 2008 then Alpheus !Naruseb
20	Minister of Local Government, Housing and Rural Development	John Pandeni	until 2008 then Jerry Ekandjo
21	Minister of Mines and Energy	Erkki Nghimtina	
22	Minister of Trade and Industry	Immanuel Ngatjizeko	until 2008 then Hage Geingob
23	Minister of Works, Transport and Communication	Joel Kaapanda	until 2008 then Helmut Angula
24	Minister of Youth, National Service, Sport and Culture	John Mutorwa	until 2008 then Willem Konjore
25	Minister of Veterans Affairs	Ngarakutuke Tjiriange	
26	Minister of Home Affairs and Immigration	Rosalia Nghidinwa	
27	Minister of Gender Equality and Child Welfare	Marlene Mungunda	

	Post (2010 Cabinet)	Post Holder	Changes	
1	President	Hifikepunye Pohamba		
2	Minister of Presidential Affairs	Albert Kawana		
3	Prime Minister	Nahas Angula	until 2012 then Hage Geingob	
4	Deputy Prime Minister	Marco Hausiku		
5	Attorney-General	Albert Kawana		
6	Director General National Planning Commission	Tom Alweendo		appointed on 25 March 2010
7	Minister of Agriculture, Water and Forestry	John Mutorwa		
8	Minister of Defence	Major General Charles Namoloh	until 2012 then Nahas Angula	
9	Minister of Education	Abraham Iyambo	until 2013 then David Namwandi	
10	Minister of Environment and Tourism	Netumbo Nandi-Ndaitwah	until 2012 then Uahekua Herunga	
11	Minister of Finance	Saara Kuugongelwa-Amadhila		
12	Minister of Fisheries and Marine Resources	Bernard Esau		
13	Minister of Foreign Affairs	Utoni Nujoma	until 2012 then Netumbo Nandi-Ndaitwah	
14	Minister of Health and Social Services	Richard Kamwi		
15	Minister of Safety and Security	Nangolo Mbumba		
16	Minister of Information and Broadcasting	Joel Kaapanda		
17	Minister of Justice	Pendukeni Iivula-Ithana	until 2012 then Utoni Nujoma	
18	Minister of Labour and Social Welfare	Immanuel Ngatjizeko	until 2012 then Doreen Sioka	
19	Minister of Lands and Resettlement	Alpheus !Naruseb		
20	Minister of Local Government, Housing and Rural Development	Jerry Ekandjo	until 2012 then Charles Namoloh	
21	Minister of Mines and Energy	Isak Katali		
22	Minister of Trade and Industry	Hage Geingob	until 2012 then Calle Schlettwein	
23	Minister of Works, Transport and Communication	Erkki Nghimtina		
24	Minister of Youth, National Service, Sport and Culture	Kazenambo Kazenambo	until 2012 then Jerry Ekandjo	
25	Minister of Veterans Affairs	Nickey Iyambo		
26	Minister of Home Affairs and Immigration	Rosalia Nghidinwa	until 2012 then Pendukeni Iivula-Ithana	
27	Minister of Gender Equality and Child Welfare	Doreen Sioka		

	Post (2015 Cabinet)	Post Holder	Changes
1	President	Hage Geingob	
2	Vice President	Nickey Iyambo	until 2018 then Nangolo Mbumba
3	Minister of Presidential Affairs	Frans Kapofi	until 2018 then Immenuel Ngatjizeko until 2018 then Martin Andjaba
4	Prime Minister	Saara Kuugongelwa-Amadhila	
5	Deputy Prime Minister and Foreign Affairs	Netumbo Nandi-Ndaitwah	
6	Attorney-General	Sakeus Shanghala	until 2018 then
7	Director General National Planning Commission	Tom Alweendo	until 2018 then Obeth Kandjoze
8	Minister of Agriculture, Water and Forestry	John Mutorwa	until 2018 then Alpheus !Naruseb
9	Minister of Defence	Penda ya Ndakolo	
10	Minister of Education	Katrina Hanse-Himarwa	until 2019 then Martin Andjaba
11	Minister of Environment and Tourism	Pohamba Shifeta	
12	Minister of Finance	Calle Schlettwein	
13	Minister of Fisheries and Marine Resources	Bernard Esau	until 2019 then Albert Kawana
14	Minister of Foreign Affairs	Utoni Nujoma	until 2012 then Netumbo Nandi-Ndaitwah
15	Minister of Health and Social Services	Bernard Haufiku	until 2018 then Kalumbi Shangula
16	Minister of Safety and Security	Charles Namoloh	
17	Minister of Information and Communication Technology	Tjekero Tweya	until 2018 then Stanley Simataa
18	Minister of Justice	Albert Kawana	until 2018 then Sackeus Shanghala until 2019 then Frans Kapofi
19	Minister of Labour, Industrial Relations and Employment Creation	Erkki Nghimtina	
20	Minister of Land Reform	Utoni Nujoma	
21	Minister of Urban and Rural Development	Sophia Shaningwa	until 2018 then Peya Mushelenga
22	Minister of Mines and Energy	Obeth Kandjoze	until 2018 then Tom Alweendo
23	Minister of Industrialisation, Trade and SME Development	Immanuel Ngatjizeko	until 2018 then Tjekero Tweya
24	Minister of Works, Transport and Communication	Alpheus !Naruseb	until 2018 then John Mutorwa
25	Minister of Sport, Youth, and National Service	Jerry Ekandjo	until 2018 then Erastus Uutoni
26	Minister of Veterans Affairs	Nickey Iyambo	
27	Minister of Home Affairs and Immigration	Pendukeni Iivula-Ithana	until 2018 then Frans Kapofi
28	Minister of Gender Equality and Child Welfare	Doreen Sioka	
29	Minister of Higher Education, Training and Innovation	Itah Kandjii-Murangi	
30	Minister of Poverty Eradication and Social Welfare	Bishop Zephania Kameeta	
31	Minister of Public Enterprises	Leon Jooste	

	Post (2020 Cabinet)	Post. Holder	Changes
1	President	Hage Geingob	
2	Vice President	Nangolo Mbumba	
3	Minister of Presidential Affairs	Christine /Hoebes	
4	Prime Minister	Saara Kuugongelwa-Amadhila	
5	Deputy Prime Minister and International Relations and Cooperation	Netumbo Nandi-Ndaitwah	
6	Attorney-General	Festus Mbandeka	
7	Director General National Planning Commission	Obeth Kandjoze	
8	Minister of Agriculture, Water and Land Reform	Calle Schlettwein	
9	Minister of Defence and Veteran Affairs	Peter Vilho	until 2021 then Frans Kapofi
10	Minister of Education, Arts and Culture	Anna Nghipondoka	
11	Minister of Environment, Forestry and Tourism	Pohamba Shifeta	
12	Minister of Finance	Iipumbu Shiimi	
13	Minister of Fisheries and Marine Resources	Albert Kawana	until 2021 then Derek Klazen
14	Minister of Health and Social Services	Kalumbi Shangula	
15	Minister of Home Affairs, Immigration, Safety and Security	Frans Kapofi	until 2021 then Albert Kawana
16	Minister of Information and Communication Technology	Peya Mushelenga	
17	Minister of Justice	Yvonne Dausab	
18	Minister of Labour, Industrial Relations and Employment Creation	Utoni Nujoma	
19	Minister of Urban and Rural Development	Erastus Uutoni	
20	Minister of Mines and Energy	Tom Alweendo	
21	Minister of Industrialisation and Trade	Lucia Iipumbu	
22	Minister of Works and Transport	John Mutorwa	
23	Minister of Sport, Youth, and National Service	Agnes Tjongarero	
24	Minister of Gender Equality, Poverty Eradication and Social Welfare	Doreen Sioka	
25	Minister of Higher Education, Training and Innovation	Itah Kandjii-Murangi	
26	Minister of Public Enterprises	Leon Jooste	until 2022 then resigned

Publicly Available Research by the Same Author

Business Financial Services

"Study on a Private Equity-Venture Capital Initiative for Emerging Medium-Sized Enterprises in Namibia: Assessing Market Demand", December 2012

Chamber of Mines of Namibia

"Mining Taxation in Namibia: Stop Boiling the Frog!", Presentation to Stakeholders, 14 August 2019

"Mining and the Namibian Economy", Presentation to Basic Income Grant Coalition, 27 September 2011

IJG

"Lacking Drive: Namibia's Export Performance", IJG Research Report, 8 October 2012

"The Long Road to Fiscal Credibility" IJG Research Report, 16 July 2012

"Doing Pretty Much the Same With More: The 2012/13 Budget", IJG Research Report, 17 April 2012

"Bubble Trouble: A Housing Bubble in Namibia?", IJG Research Report, 18 January 2012

"Squeezing Win Win from Zero Sum", IJG Research Report, 17 October 2011

"Vision 2030: Only 21 Years to Go", IJG Research Report, January 2009

"Agriculture in Namibia: Waiting for the Supply Response", IJG Research Report, 21 July 2008

Taking the Next Step: Namibian State-Owned Enterprises, IJG Research Report, 9 April 2008

"Go Directly to Services, Do Not Pass Manufacturing, Do Not Collect Industrialisation: Manufacturing in Namibia", 9 October 2007

"As Good As It Gets: Namibia's Fishing Industry", IJG Research Report, July 2007

"Diamond Cutting and Polishing in Namibia: How Far Should De Beers Be Pushed?", IJG Research Report, March 2007

G Up!? Telecommunications in Namibia, IJG Research Report, January 2007

Time to Let Go: Namibian State-Owned Enterprises, IJG Research Report, October 2006

"Riding the Wave: Mining in Namibia" IJG Research Report, June 2006

IPPR

"A Basic Income Grant for Namibia: Is BIG too Big?", IPPR QER Q3 2021

"Namibia's Tourism Sector: A Long Haul", IPPR QER Q2 2021

"National Budget 2021/22: Wakanda Must Wait", IPPR QER Q1 2021

"Summary – 2020 A Year Like No Other", IPPR QER Q4 2020

"Namibia's Diamond Dream - Where are We?", IPPR QER Q3 2020

"The High Level Panel on the Namibian Economy: Elephants in the Room", IPPR QER Q2 2020

"Foreign Direct Investment: When in a Hole the First Thing to do is Stop Digging", IPPR QER Q1 2020

"Just for the Record –Better Statistics Suggest Namibia Has Only 190,000 Formally Employed People in the Private Sector Out of a Population of 2.4 Million People", IPPR QER Q4 2019

"Just for the Record – Namibia's Economic Policy and Performance since 2015", IPPR QER Q3 2019

"Rising Debt, Falling Growth Means Tough Choices Ahead – Namibia's Public Debt", IPPR QER Q2 2019

"Waiting for Something to Turn Up: Namibia's National Budget 2019/20", IPPR QER Q1 2019

"Treading Water: Reforming Namibia's Commercial State-Owned Enterprises", IPPR QER Q4 2018

Public Enterprise Governance Rankings

"IPPR Public Enterprise Governance Rankings 2021", IPPR Issue No.02, November 2021

"IPPR Public Enterprise Annual Rankings", IPPR Issue No.01, March 2020

Covid

"Reforming the Economy: Where Do We Go From Here?", IPPR Covid-19 in Namibia, Issue 3, August 2020

"Helping the People: Welfare and Assistance Measures - the Story So Far", IPPR Covid in Namibia, Issue 2, August 2020

Other Publications

"The Mid-Term Review FY2021/22: Steadying the Ship in Choppy Covid Waters", IPPR Democracy Report: Special Briefing Report, November 2021

"Namibia's National Budget FY2020/21: Giving the Can Another Kick - But How Long is the Road?", IPPR Briefing Paper, June 2020

"Access to Information and the Namibian Economy", IPPR Briefing Paper, December 2012

"The National Budget 2012/13 – Show Us the Jobs!", IPPR Democracy Report Special Paper, March 2012

"The Cry of the Anguished Economist", IPPR Comment, March 2009

"National Budget 2008/09: Great Dollops of Jam". IPPR Briefing Paper No. 42, March 2008

"National Budget 2007/08: Jam Today". IPPR Opinion No. 19, March 2007

Open Budget Index: Country Summary and Key Findings, November 2006

"National Budget 2006/07: Continuity Tinged with Change". IPPR Opinion No. 18, March 2006

"National Budget 2005/06: The Continuity Candidate's Budget". IPPR Opinion No. 17, May 2005

"Have Priorities Changed? Budget Trends Since Independence" IPPR Briefing Paper No. 32, July 2004 (with Julia Mbai)

"After the Dust has Settled" IPPR Opinion No.16, June 2004

"Managing Diamond Dependency: Should Namibia Risk More to Gain More?" IPPR Research Report No. 6, April 2004 (with Martin Boer)

"Rethinking Land Reform in Namibia: Any Room for Economics?", IPPR Opinion No. 13, April 2004

The Namibian Stock Exchange and Domestic Asset Requirements: Options for the Future", IPPR Research Report No. 5, March 2004

"Skorpion Picks Up Speed" IPPR Economic Outlook for 2004, March 2004

"National Budget 2004/05: Election Fever?" IPPR Opinion No. 12, March 2004

"A Rich Man's Hobby", IPPR Opinion No. 11, December 2003

"Complex Fees + Lack of Competition = Excess Profits", IPPR Briefing Paper No. 27, November 2003 (with Martin Boer)

"Additional Budget 2003/04: We Had it Coming" IPPR Opinion No. 9, October 2003

"Less than 30,000 Jobs in Ten Years: Employment Trends in Namibia Since 1991". IPPR Briefing Paper No. 24 (with Peya Sheefeni and Jessica Humavindu), October 2003

Tito Mboweni - Governor of the South African Reserve Bank, IPPR Interview No. 7, October 2003

"Getting the Most Out of Our Diamonds: Namibia, De Beers and the Arrival of Lev Leviev" IPPR Briefing Paper No. 20, September 2003 (with Martin Boer)

"National Budget 2003/04: Mr Mbumba's Low Maintenance Garden" IPPR Opinion No. 8, April 2003

"Agricultural Employment in Namibia: Not the Engine of Wage Employment Growth" IPPR Briefing Paper No. 16, February 2003 (with Martin Angula)

"One Lump or Two?" IPPR Economic Outlook for 2003, February 2003

"Maintaining Economic Independence: Government Debt and Fiscal Sustainability" IPPR Briefing Paper No. 13, October 2002

"Additional Budget 2002/03: Old Habits Die Hard" IPPR Opinion No. 7, October 2002

"Maintaining Economic Independence: Government Debt and Fiscal Sustainability" IPPR Briefing Paper No. 13, October 2002

"A Secondary Consideration? Public Spending on Education Since 1990", IPPR Briefing Paper No. 11, June 2002

"National Budget 2002/03: We've Been Here Before" IPPR Opinion No. 6, April 2002

"Globalisation Marches On" IPPR Economic Outlook for 2002, February 2002

"Additional Budget 2001/02: More Special Circumstances" IPPR Opinion No. 4, October 2001

"Do We Need a Development Bank?, IPPR Opinion No. 2, October 2001

Lazarus Ipangelwa - Deputy Governor of the Bank of Namibia, IPPR Interview No. 5, October 2001

Joseph P. Cassidy - US Embassy Windhoek, IPPR Interview No. 4, September 2001

"Namibia's Great White Hope", IPPR Briefing Paper No. 7, August 2001

"Some Encouraging Macroeconomic Trends", IPPR Briefing Paper No. 6, August 2001

"How Well Does the Government Budget?" IPPR Briefing Paper No. 4, July 2001

John Walenga - President of the Indigenous People's Business Council, IPPR Interview No. 2, June 2001

"Namibia National Budget 2001/02: A Driving Force for Change?" IPPR Opinion No. 1, April 2001

Nangolo Mbumba - Minister of Finance, IPPR Interview No. 1, April 2001

"Defending the Indefensible: Namibian Defence Expenditure Since 1990", IPPR Briefing Paper No. 1, April 2001

"Waiting for Skorpion", IPPR Economic Outlook for 2001, January 2001

"Abracadabra! Namibia's Latest National Accounts", IPPR Briefing Paper, December 2000

"Almost All the Ingredients for Trouble Ahead: The Economics of Corruption and the Implications for Namibia", IPPR Briefing Paper, December 2000

Insight Namibia

"A Sense of Déjà Vu" - Employment Statistics in Namibia, September 2012

"Namibia's Most Openly Profitable Companies", June 2012

"Squeezing the Squeezed Middle" - Tax in Namibia, May 2012

"Propulsion for Growth" - Rolls-Royce in Namibia, April 2012

"Namibia's Unsurprising N$40 Billion Budget", March 2012

"Promises Promises" - Namibian Budget Promises, February 2012

"Is the Sky the Limit?" - Namibian Public Debt, January 2012

"That Sinking Feeling" - Water Desalination in Namibia, December 2011

"Diamond Beneficiation Revisited", December 2011
"Tweaking Our Way to the Status Quo" - SACU Reform, October 2011

"Money, Skill, and Luck And Lots of All Three" - Oil and Gas Exploration in Namibia, September 2011

"A Speculative Buy" - Oil and Gas Exploration in Namibia, September 2011

"Targetting the Magic Million" - Omitiomire Copper Mine, July 2011

"Where Angels Fear to Tread" - The National Pension Fund, June 2011

"Namibia's Most Profitable Companies", May 2011

"Putting Dracula in Charge of the Blood Bank" - The NDTC, December 2007

"Big Bucks" – Namibian Profits Rankings, November 2007

"Just Getting By" - TransNamib, October 2007

"Life After Death" – Tailings, October 2007

"If there were no whites in Zimbabwe, Mugabe would have to create them" – Interview with Dr John Makumbe, October 2007

"His Way" – Obituary of Leonard Stupenkov, October 2007

"Throwing Money at the Problem" – World Bank in Namibia, October 2007

"The Taxpayers Burden" – Loan Guarantees in Namibia, October 2007

"I think we are on the right track" – Interview with Lazarus Hangula, October 2007

"What I could have done with half a billion dollars!" – Interview with Dr Tjama Tjivikua

"The Exception to the Rule" - Development Bank of Namibia, September 2007

"Almost Respectable" – Trustco Results, September 2007

"The Mouse that Roared" – Namibia's Private Sector, August 2007

"We'd Blow Them Out of the Water" – Interview with Larry Oellermann, August 2007

"The World is His Oyster" – Interview with Joe Gross, August 2007

"Half a Loaf" – Kudu Gas-to-Power, July 2007

"The Dismal State of the Dismal Science" – Economics in Namibia, July 2007

"Til Death Do Us Part" – Interview with Martinus Fabianus, July 2007

"Getting It Right" – Namibian Tourism, June 2007
"Innovation and Long-Term Thinking" - Tourism, May 2007

"The Buck Stops Here" - Standard Bank Namibia, June 2007

"The Most Sensitive Question of All" – Salaries in Namibia, May 2007

"Making the Cut" – Namibian Textile Industry, May 2007

"The Ins and Outs of Budgeting" – Namibian Budget, May 2007

"Budget 2007/08" – Namibian Budget, April 2007

"Deal…Or No Deal?" - De Beers, April 2007

"Tourism is Being Paid Lip Service"- Interview with Gideon Shilongo, April 2007

"Three's A Crowd" – Telecoms Regulation, March 2007

"We've Got a Clean Slate" – Mac Allman, March 2007

"Namibia's Most Expensive Hole" - Ongopolo Mining, March 2007

"We Made Three Mistakes with Empowerment" - Interview with Dr Iyambo, March 2007

"Science and the Resource" – Fisheries Science, March 2007

"Year of the Bull" – Namibian Stock Exchange, March 2007

"A US$200 million Misunderstanding" – MCA, February 2007

"Tough Love" – Namibian Budget, February 2007

"Uncharted Territory" - Financial Sector Charter, February 2007

"We Didn't Want Another Big Brother" – Interview with Johan Swanepoel, February 2007

"Alone They're Going to Do Better" – Bank Windhoek, February 2007

"The Head and the Heart" - The Basic Income Grant, December 2006

"Vulnerable to Mood Swings" - Blood Diamonds, December 2006-January 2007

"One Day Son Will All This Be Yours?" - Land Reform, December 2006 – January 2007

"Namibia's Nuclear Option" – Namibia and Nuclear Power, November 2006

"Positive But Not That Positive" – GDP Growth, November 2006

"Parastatals: Dreaming the Impossible Dream", November 2006

Interview with Lazarus Uandja, November 2006

"Late Harvest" – NAM, November 2006

"Why Aren't You In?" – Trustco Listing, November 2006

"We Will Move Into Any Sector" – Interview with Quinton van Rooyen, November 2006

"Something for Everyone" – Old Mutual BEE, November 2006

"We Are Not Giving Away Anything for Nothing" – Interview with Johannes !Gawaxab, November 2006

"Raking It In" – Competition and Taxation, November 2006

"Langer Heinrich in Kurzer Zeit" - Langer Heinrich Mine, October 2006

"Going Nowhere Slowly" – BEE, October 2006

"Three Pillars of Wisdom" – Interview with Riaan Potgieter, October 2006

"Stumbling Towards Transformation" - BEE, October 2006

"For Us It's Make or Break" - Interview with Rod Webster - Weatherly International, September 2006

"The Only Way is Up" – Namibia Wildlife Resorts, September 2006

"We Were in ICU" – Interview with Tobie Aupindi, September 2006

"Je Ne Regrette Rien" – Interview with Andre Neethling, September 2006

"Learning the Lessons of Failure" – Ongopolo Mining, September 2006

"A Very Political Price to Pay" - Petrol Prices , September 2006

"In Defence of Defence" – Defence Spending, September 2006

"A Peculiar Local Custom" – Customs Duties, September 2006

"Nice Work If You Can Get It" – SOE Salaries, September 2006

"Sound Business" – DB Audio, August 2006

"More Statistical Puzzles" – Employment Statistics, August 2006

"Man of Property: Sven Bachran", July 2006

"Indefinite Article" – IMF Report on Namibia, July 2006

"A Statistical Mystery" - Poverty and Unemployment Statistics, June 2006

"Guaranteeing Failure" – Loan Guarantees, June 2006

"We are being proactive" – Interview with Veston Malango, June 2006

"Passport to Profit" – Telepassport, May 2006

"Their Money Our Challenge" – the MCA, May 2006

"Having Her Cake and Eating It" – National Budget, May 2006

"Don't Look Back in Anger" – Namibian Economy, April 2006

"A Pull-out in All But Name" – Finnish and Swedish Aid, April 2006

"We want to discourage the export of raw materials" – Interview with Erkki Nghimtina, April 2006

"Drifting Downstream" – Minerals Beneficiation, April 2006

"Are You Rated?" – BEE, April 2006

"Credit Where Credit's Due" – Sovereign Credit Rating, March 2006

"Countdown to 100/7" – O&L, March 2006

"Orbiting the Truth" – Tourism Satellite Accounts, March 2006

"A Small Gem Makes the Cut" – Johann Viljoen, March 2006

"Killing One Bird With One Stone" – Okorusu Mine, February 2006

"Too Young to Die" - Rosh Pinah Mine, November 2005

"Could Do Better" - Namibia's International Rankings, October 2005

"Spare Us a Copper Gov?" - Ongopolo Mining, August 2005

"We Have Put a Premium on Governance" - Interview with David Nuyoma of the DBN, August 2005

"www.outofdate.com.na" - Government Websites, July 2005

"We have done well in spite of being a monopoly" - Interview with Bengt Strenge of MTC, June 2005
Milk the Collection - MTC, June 2005

Shoot First Ask Questions Later - Mining Taxation, May 2005

Staying Green - Nedbank Namibia, November 2004

Neither Here Nor There - Tourism Statistics, October 2004

First Mover Advantage - FNB Namibia, October 2004

Namibian Stock Exchange

"Understanding Your Money and the Namibian Stock Exchange", R Sherbourne, Namibian Stock Exchange, 2000

NEPRU

"Creating a Productive Financial Sector", NEPRU Viewpoint No. 26, October 1999

"Improving Public Education in Namibia", NEPRU Viewpoint No. 25 , October 1999

"Creating an Effective Public Sector", NEPRU Viewpoint No 24. October 1999

"Should the Namibia Dollar be Devalued?", Robin Sherbourne, NEPRU Occasional Paper No.6, 1995

"Export Processing Zones and Their Relevance to Namibia", NEPRU Research Report, 1993

The Social Dimensions of Monetary, Currency and Credit Policy in Namibia, NEPRU Working Paper No. 1993

NID

"Spot the Difference: Namibia's Political Parties Compared" edited by Justine Hunter, NID, 2004
Guide to The National Budget, NID, 2008

Subject index

A

African Growth and Opportunity Act (AGOA) 9, 172, 332, 346, 349, 608-9, 623, 631, 632

Agricultural Bank of Namibia (Agribank) 135, 157, 162-3, 489, 499, 535, 550-1, 556-9, 563, 568-9, 572-3, 586

Air Namibia 55, 135, 420, 424, 433, 441-5, 448-9, 454-6, 458, 527, 530, 533-4, 537-8, 542-4, 546, 586

Anti-Corruption Commission (ACC) 9, 81, 84, 100, 102, 104, 194, 377, 414, 446, 450, 506, 508, 531-2, 638, 652,

AREVA 30, 232-3, 241, 250-1, 283, 409-13

B

Balance of payments 9, 15, 32, 598

Bank charges 498,

Bank of Namibia 9, 19, 24-5, 43, 54, 56-7, 64, 65, 72, 76, 78-9, 80, 106, 108-10, 113-4, 116-19, 135, 157, 224, 237, 282, 332, 343, 355, 393, 414, 421, 435, 445, 448, 487-9, 490-98, 500-3, 520, 528, 535, 537, 539, 550, 582, 584-5, 588, 599, 601, 616, 638, 648-9, 657, 658, 661-65, 668, 673, 675-77, 681, 685, 696-97

Bank Windhoek 163, 272, 377, 487-9, 490, 493-4, 498, 499, 502, 579, 586, 594, 601-2, 647, 697

Basic Income Grant (BIG) 9, 85-6, 122, 124, 694, 698

Beneficiation 231,278, 282, 283, 317, 319, 323, 325-6, 342, 352, 362, 365, 648, 696, 699

Black Economic Empowerment (BEE) 9, 222, 266, 278, 280 -81, 284, 315, 343, 388, 423, 425, 433-5, 462, 478, 491, 494, 497, 508, 525, 636-9, 640-6, 648, 650, 652-55

Business confidence 39, 40

C

Cell One 30, 461-2, 470-4

Cement 27, 30-1, 192, 237, 279, 332-3, 351-2, 355, 369, 370-1, 374, 378, 380, 385, 494

China 9, 17, 31, 36-7, 64-5, 153, 161, 173, 231, 233, 243-4, 246-9, 272-4, 281, 306, 310, 317, 364, 369, 371, 377-8, 380-2, 384, 395, 436, 443-5, 450, 466, 470-1, 510, 607-8, 620, 624-5, 628-31, 634, 650-1

Communications Regulatory Authority of Namibia (CRAN) 461-2, 474, 477

Competitiveness Index (GCI) 42, 353

Conservancies 419, 429, 433

Controlled grains 168-9

Corruption 9, 15, 19, 21, 68, 81, 84, 91, 100, 102, 104, 113, 185, 192-4, 363, 369, 371, 376-9, 380-5, 414, 445-6, 450, 452, 496, 506, 508, 515, 529, 531-3, 638, 652-4, 676, 680, 696

D

De Beers 9, 26, 232-4, 237, 238, 241, 252-7, 259, 278, 281-2, 287, 303, 304-5, 310-28, 363-4, 509, 521, 601, 639, 650-1, 694-5, 697

Desalination 9, 17, 30, 232-33, 250-51, 283, 367, 409-13, 696

Development Bank of Namibia (DBN) 224, 237, 282, 332, 355, 393, 414, 487, 488-9, 492, 494, 502-3

E

Economic Partnership Agreements (EPAs) 620, 622

Employment trends 126, 136, 695

Epangelo 233, 241, 243-4, 261-2, 280-1, 287, 527, 530, 532, 542, 544-5, 638, 647, 650-1

Equitable Economic Empowerment 11, 18, 21, 25, 360, 497, 639, 641, 643, 644-6, 655, 683

Expenditure 10-1, 14, 24-6, 27-9, 47-8, 50-5, 57-9, 60, 64, 67, 70-7, 79, 80-82, 85, 92-9, 100-113, 122-3, 126-7, 142-3, 147, 153-4, 239, 255, 266, 276, 325, 357, 360, 373, 385, 422, 464, 512, 524, 560, 571, 574, 650, 696

Export Processing Zone (EPZ) 38, 50, 122, 223, 278, 331-4

Exports 14, 23, 28, 33-4,36-8, 47, 54, 153, 156, 159, 161, 171-3, 175, 178, 212, 217, 223, 227, 232, 236-7, 240, 307, 313, 320, 321, 325-6, 334, 339, 341, 349, 357, 363, 397, 406, 453, 607, 610, 615, 622-8, 630, 632, 634, 684

European Union 10, 156, 607, 613, 620, 622

F

First National Bank of Namibia (FNB) 601

Fiscal targets 48, 50-1, 52, 67

Fishcor 135, 194, 200, 208, 211, 324, 524, 532, 538

Fishrot 19, 21, 185, 187, 190-1, 193-4, 200, 211, 220

Fitch Ratings 14, 21, 24, 43, 48, 52, 64, 66, 388, 402, 462, 473

G

Government Institutions Pension Fund (GIPF) 10, 134, 172, 272, 447, 490-1, 495, 579

Gross Domestic Product (GDP) 10, 25, 143, 234, 341, 610, 662

H

Harambee 10, 21, 38, 683

Hard Stone Processing (HSP) 10, 304, 312, 326, 345

Husab mine 233, 243, 371

I

Infant Industry Protection (IIP) 10, 162, 331, 332-3, 338, 351-2, 370, 380, 608, 616, 621

Inflation targeting 24, 107-8, 111, 113, 116

Informal sector 121, 123, 136, 140-1

Interest rates 107-13, 116-7, 568, 663

K

Kudu gas-to-power 283, 367, 388-9, 392-3, 394-5, 401-3, 534, 697

L

Land ownership 154, 176-7, 549, 554, 567, 653

Langer Heinrich 30-1, 232-3, 238, 242-6, 248, 279, 281, 650, 698

Leo 194, 393, 420, 423, 443, 449, 461-3, 472-3, 475, 478, 481-2, 491,

Lev Leviev Diamonds (LLD) 10, 232, 259, 260, 304-5, 312-3, 315, 318-20, 325-6, 344, 363

M

Meatco 135, 152-3, 157, 159, 161, 163, 180, 182, 491, 521, 524, 531

Medium-Term Expenditure Framework (MTEF) 48, 50, 58-9, 71

Minimum wage 122-3, 137, 153, 369, 370-1, 375

Mining & minerals royalty tax 48, 52, 61, 232-3, 239, 248-9, 255, 276, 325

Motor Vehicle Accident Fund of Namibia (MVAF) 11, 511-3, 520, 528, 516, 765

MTC 11, 30, 52, 63, 135, 377, 461-4, 466-7, 470-473, 476-479, 480-2, 484, 519, 512, 527, 531, 538-9, 594, 638, 647, 699

N

NAMCOR 11, 135, 290-1, 292, 294, 297, 298, 300-1, 378, 388, 394-5, 505-10, 515-6, 531, 542, 544, 515-6, 531, 542, 544, 546, 638, 647

NamGem 232, 241, 253-4, 256, 303-5, 311-3, 315, 318-20, 323, 325-6, 328, 345, 363

Namib Desert Diamonds 303, 305, 323, 527

Namibia Airports Company (NCA) 11, 135, 379, 431, 441, 442-4, 450, 452, 454-6, 520, 525, 527, 530-1, 542-544, 546, 666, 685

Namibia Breweries 332-3, 355-6, 424, 578, 595, 600

Namibian Broadcasting Corporation (NBC) 11, 473, 520, 523, 527-8, 535-7, 550, 561

Namibia Custom Smelters (NCS) 11, 30, 63, 232-3, 272-4, 278

Namibia Diamond Corporation Ltd (Namdeb) 19, 48-9, 122, 232-3, 238, 241-2, 252-7, 260, 276, 281, 287, 303-5, 311, 313-5, 317-9, 322-3, 325, 326-7, 448, 521, 638-9, 646-7, 650

Namibia Diamond Trading Company (NDTC) 11, 30, 34, 232, 253-6, 259, 260, 304-5, 312, 317-9, 320-1, 322-3, 324, 325-7, 332, 344, 357, 363, 697

Namibia Liquid Fuel (NLF) 11, 506, 508, 637, 638, 647, 652

Namibia Tourism Board (NTB) 11, 419, 420, 424, 434, 438-9, 520, 527-8, 536, 675

Namibia Wildlife Resorts (NWR) 12, 419, 420-5, 427, 428, 434-5, 438, 520, 525, 527, 530, 532, 534, 538, 543, 638

Namibian Competition Commission (NaCC) 11, 267, 233, 332, 338, 350, 463, 478, 510

Namibian Financial Institutions Supervisory Authority (NAMFISA) 11, 135, 343, 488-9, 497, 500, 502, 536, 539, 578-9, 580, 583, 585, 586, 589, 591-2, 598, 599, 602, 638

Namibian Mineworkers Investment Corporation (NAMMIC) 11, 180, 271

Namport 135, 367, 371, 376, 383, 441-3, 444, 450, 452, 454-6, 458, 531, 534, 538, 542, 544, 546-7, 685

Nampost 91, 135, 465, 479, 480, 524, 527, 531, 538, 542, 544, 546

NamPower 135, 263, 349, 360, 387-99, 400-6, 446, 448, 470, 473, 518, 522, 531, 534, 538-9, 542-6, 586, 638, 648, 685

NamWater 135, 152, 283, 349, 409-17, 534, 538, 542-6

National Horticulture Development Initiative (NHDI) 151, 152, 170

National Petroleum Corporation of Namibia 11, 290, 506, 527

National Resettlement Policy (NRP) 11, 549, 554, 560, 564, 571, 574, 637

Navachab gold mine 30-1, 241-2, 260

Nedbank Namibia 488-9, 492, 496, 502, 647, 699

New Equitable Economic Empowerment Framework (NEEEF) 21, 360, 497, 639, 641, 642-4, 645, 650, 683

O

Ohlthaver & List 208, 211, 220, 338, 343, 427, 550, 638, 647

Okorusu Fluorspar 232-3, 242, 264-5, 279, 365

Ongopolo Mining and Processing 271, 332, 364-5, 637-8, 647

Orascom 30, 461-3, 472-4, 534

Otjikoto mine 7

P

Pensions 85, 88-90, 136, 144, 146, 375, 556, 579, 668-71

Portugal Telecom 30, 462-3, 466, 471-2, 474, 478, 480-2, 521

PowerCom 388-9, 402, 462-3, 470-1, 473, 478, 534

Public debt 14, 19, 47, 50-3, 55, 57, 64-6, 665, 694

R

Ramatex 30, 36, 122, 332, 344, 346-9, 356-7, 623, 625

Renewable energy 9, 12, 387, 389, 393, 395, 402-3, 586, 594

Rio Tinto 12, 31, 233-4, 246, 248-9, 316-7

Road Fund Administration (RFA) 441, 442, 444, 451-2, 455, 456, 511, 512, 514, 520, 528, 586

Roads Authority (RA) 376, 441-3, 444, 451, 455, 456, 512, 520, 527, 528, 530, 532, 542-3, 546, 674, 677

Roads Contractor Company (RCC) 12, 369, 370-1, 376-8, 384, 441, 451, 456, 510, 520, 527, 530, 533, 542-4, 546

Rosh Pinah Zinc Corporation (RPZC) 12, 233, 266, 268, 281, 651

Ruacana hydroelectric power station 386, 388-9, 390-1, 396

S

SABMiller 31, 333

SME Bank 21, 332-3, 355, 358, 487-9, 495-6, 498-9, 500, 535, 540, 637

SOE Governance Council (SOEGC) 12, 521, 523-4, 526-7, 537, 540

Skorpion zinc mine 30, 32-4, 232-3, 242, 268, 332, 344, 356, 397, 406

Southern African Customs Union (SACU) 12, 24, 27, 32-3, 38, 47, 48-50, 52, 55, 60-2, 78, 332-3, 338, 351-2, 355, 359, 511-3, 607, 608-9, 611-22, 626, 628-9, 631, 665

Southern African Development Community (SADC) 12, 36-7, 42, 115, 152, 169, 186-7, 211-2, 353, 359, 398, 453, 470, 506, 607, 608-9, 610, 611, 613, 617, 619, 620-1, 622, 625-6, 628-9, 631

Standard Bank Namibia 343, 488, 489, 492-3, 502, 578, 594-5, 603, 697

Strategic Minerals 231, 241, 280, 284

SWAPO 12, 20-1, 91, 123, 124, 126, 180, 241, 250, 338, 340, 342, 349, 378, 391, 451, 500, 535-6, 550, 560-1, 579, 624, 639, 641-2, 649, 682-3

T

Tax incentives 38, 48, 49, 50, 55, 60-3, 223, 278, 331-4, 338, 344, 352, 360, 363, 628

Telecom Namibia 135, 377, 460, 461, 462-7, 472, 473, 478-83, 492, 524, 527, 530-1, 534, 542, 544, 546, 586, 648

Total Allowable Catch (TACs) 185, 189, 190-1, 200, 201

Tourism Levy 420, 424, 425, 434, 536

Tourism Satellite Accounts (TSA) 12, 419-20, 432, 438

TransNamib 135, 349, 425, 440-50, 453-9, 525, 527, 530, 532, 538, 542-6, 685, 697

Transparency International 15, 381-2, 381, 385

U

UraMin 410, 412

Uranium price 244, 245-51, 344, 409, 412

United States 12, 37, 382, 430, 625, 630

V

Value Added Tax (VAT) 12, 47-9, 50, 53, 54, 56, 60-1, 77, 78, 85

Van Eck power station 390, 396, 402

Veterinary Cordon Fence (VCF) 156, 163-4

W

Walvis Bay Corridor Group (WBCG) 442, 446, 450, 453, 456

Weatherly Mining Namibia 12, 232, 242, 271-4, 281, 651

World Economic Forum (WEF) 42, 353, 359, 360-1, 354, 398, 420-1, 437, 438

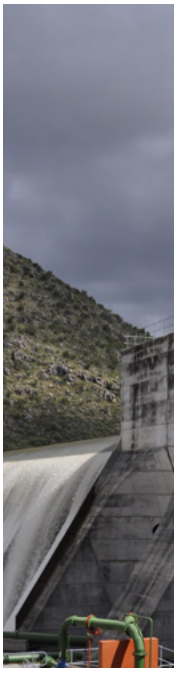
Z

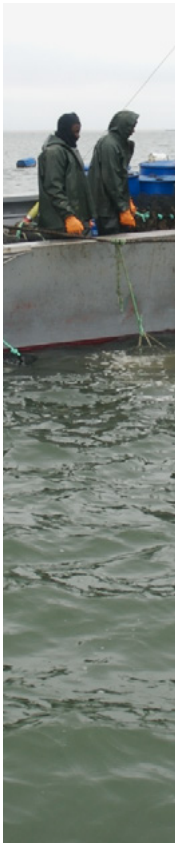
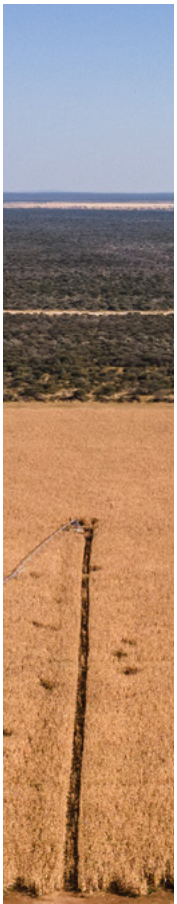
Zinc price 269

This is the fifth edition of the Guide to the Namibian Economy published by the Institute for Public Policy Research (IPPR). With new material and now at around 700 pages, the Guide remains the most detailed, comprehensive and accessible book on the Namibian economy currently available.

The Guide is the culmination of author Robin Sherbourne's engagement with the economic issues and challenges facing Namibia over the last thirty years since Independence in 1990. It brings together a vast array of data, historical information, and analysis on the economy. The book is divided into 25 chapters examining the macroeconomic, sectoral and cross-sectoral issues that have affected the economy.

It serves as an invaluable source of information and insight about the Namibian economy for a wide range of interested parties including policymakers, investors, entrepreneurs, journalists, students, and indeed anyone else with an interest in Namibia's economic development. This edition was produced with the generous sponsorship of B2Gold Namibia.



ISBN 978-99945-52-60-3