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President Hage Geingob (2015-present) hints that the government may speed up the pace of land redistribution, ahead of a second national land conference. Former opposition Rally for Democracy and Progress (RDP) leader Hidipo Hamutenya is granted a hero's funeral by the ruling South West African People's Organisation (SWAPO Party of Namibia). The Bank of Namibia (BoN) (central bank) holds interest rates at 7% and revises down the official 2016 growth after the economy contracts in the second quarter of 2016. Domestic credit growth slows as inflation stays high.

Geingob hints at faster land reform

President **Hage Geingob** (2015-present) has acknowledged that the current land redistribution programme is failing to redistribute land fast enough to black **Namibians**.¹ However, in an address to the **Harvard Kennedy School of Government** in **Cambridge (Massachusetts)** during his extended visit to the **United States (US)** in September, Geingob cautioned that any attempt to carry out **Zimbabwe**-style expropriation of white-owned farms could cause "*instability*".² In response to a question about Namibia's "*willing seller, willing buyer*" policy, Geingob said:

*"Yes, we are failing so far, but the easy way had been to grab what white people have."*³

During campaigning for the November 2014 election, Geingob said that the government would pursue land reform through the principle of "*willing seller, willing buyer*" as well as other ways, such as land expropriation, especially when the land belongs to absentee landlords (see *ARC Briefing Namibia November 2014*).⁴ At the time Geingob pledged that land would be acquired in the common interest, and that those who lost land through expropriation would be compensated for it.⁵ Geingob said that the current model was based on a compromise agreed at the 1991 land conference after delegates had failed to reach a consensus and rejected as impractical demands that white-owned land should be returned to their pre-colonial **African** owners. While white Namibians continue to own most commercial farms, since they are Namibian citizens and not foreign owners, there is a limit on more radical forms of redistribution. Foreign ownership of land is limited, according to figures provided by land reform minister **Utoni Nujoma** to parliament earlier this year.⁶ He confirmed that 281 non-Namibians – just under one third of them **Germans** – own 1.4 million

¹ Geingob quoted in public address to Harvard Kennedy School of Government, 28 Sep 2016 (<http://iop.harvard.edu/forum/public-address-his-excellency-dr-hage-geingob>)

² Geingob quoted in public address to Harvard Kennedy School of Government, 28 Sep 2016

³ Geingob quoted in public address to Harvard Kennedy School of Government, 28 Sep 2016

⁴ The Namibian, 18 Nov 2014

⁵ The Namibian, 18 Nov 2014

⁶ New Era, 5 Jul 2016.

hectares (14,000 square kilometres), just 2% of Namibia's land area of which about 40% is farmable.⁷

While there has been considerable redistribution of land, many subsistence farmers can barely feed their families. They are mainly in the north where, although rainfall is on average higher, the soil is poorer than in the central plateau, which, in non-drought years, provides excellent grazing for cattle.

However, the land reform ministry recently confirmed that a second land conference to review redistribution procedures will take place in 2017.⁸ This has prompted renewed calls for reviving the idea of restoring land to ancestral owners, including an editorial comment in the **New Era** daily newspaper, which the ruling **South West African People's Organisation (SWAPO Party of Namibia)** owns.⁹ The comment linked more radical land redistribution to the issue of the genocide, which the German government has officially recognised it perpetrated against the **Ovaherero** and **Nama** communities during the suppression of the national uprising against colonial rule in 1904. The newspaper effectively claimed that the provision in the Namibian constitution for the 'just' compensation of private property seized or expropriated by the state blocked the capacity of Namibians to own their own land. Germany is funding a special programme of assistance for the genocide but has refused to pay formal reparations.

Land redistribution has been slow partly because it is costly; the state must be offered the land in the first instance but the price paid reflects prevailing open market prices.¹⁰ The land resettlement ministry commissioned a study into land prices in Namibia in 2015. The study found that

"...despite its shortcomings, the market-based land distribution often dubbed 'willing buyer, willing seller' approach, is still the best tool for land redistribution."¹¹

Since independence the government has acquired just 408 farms covering 2.9 million hectares (29,000 square kilometres) at a cost of N\$1.4 billion (US\$104m).¹² However, the proportion of commercial farms owned by indigenous, black Namibians is much higher as a substantial number of farms were bought privately with low interest, affirmative action loans (now discontinued) provided by the state-owned **Agricultural Bank of Namibia**.

Hero's burial for Hamutenya

The death of **Hidipo Hamutenya**, a former leading member of SWAPO who defected in 2007 to form the opposition **Rally for Democracy and Progress (RDP)**, has highlighted SWAPO's dominant influence in Namibian politics and the lack of deep-seated antagonisms between parties. Hamutenya died on 6 October aged 77, having collapsed at a friend's wedding several weeks before.¹³ Although Hamutenya left SWAPO after falling out with Namibia's first president, **Sam Nujoma** (1990-2005), Geingob offered him a full state funeral or "*hero's burial*". Nujoma had accused Hamutenya of being a 'neo-imperialist' after he challenged Nujoma's chosen successor, **Hifikepunye Pohamba** (2005-2015), for the party's presidential nomination in 2004. But Hamutenya maintained friendly relations with both Pohamba, to

⁷ New Era, 5 Jul 2016. However, the Namibian Sun later reported on 25 Aug 2016 that this number was 247.

⁸ Windhoek Observer, 29 Sep 2016.

⁹ Windhoek Observer, 29 Sep 2016.

¹⁰ News24, 17 Mar 2015

¹¹ News24, 17 Mar 2015

¹² Namibian Sun, 5 Jul 2016.

¹³ The Namibian, 10 Oct 2016.

whom he was distantly related, and Geingob, who was director of the **United Nations Institute for Namibia (UNIN)** in **Lusaka** with Hamutenya as deputy director during the late 1970s/early 1980s.

Hamutenya stepped down as RDP leader in February 2015 after the party's poor showing in the November 2014 elections. This opened the way for reconciliation with SWAPO which he formally rejoined in August 2015 (see *ARC Briefing Namibia November 2015*). Thwarted in his aspiration to become head of state via SWAPO, Hamutenya hoped the RDP could mount a serious challenge to the ruling party by gaining support in its northern heartland (Hamutenya was a **Kwanyama**, the largest **Oshivambo** sub-group). It did relatively well in the 2009 election when the party gained eight MPs, although the RDP joined most other opposition parties in a protracted – and ultimately unsuccessful – legal challenge to the legislative election results due to alleged widespread irregularities. His death seems to finally put the seal on an opposition party gaining power from SWAPO. His successor as RDP leader, **Jeremia Nambinga**, has made little impact, leaving the relatively youthful **DTA of Namibia** leader, **McHenry Venaani**, as the most credible opposition figure (see *ARC Briefing Namibia December 2014*).

Bank of Namibia holds repo rate, cuts growth forecast

The **Bank of Namibia (BoN)** (central bank) opted to keep the repurchase (repo) rate unchanged on 7.0% at the 18 October meeting of its monetary policy committee (MPC). To that extent it was a non-event, although the MPC meeting underlined the BoN's primary concern to shore up the economy and avoid increasing costs by raising interest rates while output remains depressed by the current weak state of the global economy. The recent cycle of monetary policy tightening has reached its limit, with another hold decision almost certain at this year's final MPC meeting on 6 December, given that the **South African Reserve Bank (SARB)** (central bank), whose monetary policy decisions the BoN matches, is expected to keep its repo rate unchanged. BoN governor **Ipumbu Shiimi** said the MPC decided to keep the repo rate at a level "*appropriate to support (economic) growth and maintain the one-to-one link of the Namibia dollar to the South African rand*".¹⁴

The BoN confirmed that the economy had slowed in the first eight months of 2016, with agriculture, manufacturing, construction and mining – diamonds and zinc in particular – performing poorly. The economy contracted in Q2 2016 and may have done so again in Q3. Not only that, but Shiimi told a 19 October press conference in **Windhoek** that the BoN would revise down its growth forecast for 2016 from the 4.5% rate projected in January. Windhoek stockbroker **IJG Securities'** head of research **Roland Brown** commented:

*"I imagine that we will see BoN's forecasts revised down to around 2.5%, in line with the forecasts of the **International Monetary Fund (IMF)**. As we are now over 80% of the way through the year, BoN should have sufficient high-frequency data to be fairly accurate on these forecasts."*¹⁵

Brown doubts that current higher growth forecasts for next year of 5.4% (BoN) and 5% (IMF) due to production by the large new **Husab** uranium mine will be attained (see *ARC Briefing Namibia September 2016*).

¹⁴ Bank of Namibia, Monetary Policy Statement, 19 Oct 2016.

¹⁵ The Namibian, 21 Oct 2016.

“No, this is highly unlikely. 2017 will remain a highly challenging year for Namibia, as a combination of factors, from global demand for Namibia's commodities, to drought, to fiscal challenges, the end of a construction boom and many more continue to weigh on us.”¹⁶

A potential recovery in agriculture, should higher rainfall occur during the wet season (November 2016-March 2017) and a rapid ramp up in output by Husab coupled with higher diamond output, would alter the picture:

“Should Husab start production as planned, and produce throughout the year, and should we see some recovery in diamond production (expected to be down around 10% in 2016), these could drive overall growth.”¹⁷

GDP contracted in Q2

The latest quarterly **Namibia Statistics Agency (NSA)** GDP figures the show that output decreased in Q2.¹⁸ The economy contracted by 1.2% overall, compared to positive growth of 3.4% in Q1 and 7.0% in the same quarter of last year. This was the first GDP contraction since Q1 2013. Worryingly, the worst performers – mining and construction – were the sectors that had driven the high growth rates of 2013-15. A small contraction in government services output was also noteworthy as the sector is the largest component of GDP and grew by just under 5% in Q1 and almost 10% in the same quarter of last year, indicating the limited public spending cuts so far are already having an impact.¹⁹

Real GDP growth Q2 2016 (% change) ²⁰			
Sector	2016		2015
	Q2	Q1 Revised	Q2
Agriculture	-5.2	-14.2	-18.6
Fishing	3.3	-2.0	3.9
Mining & quarrying	-13.2	6.8	-5.9
Manufacturing	-9.4	5.4	-2.9
Electricity & water	25.7	9.4	13.9
Construction	-19.9	0.2	37.7
Wholesale & retail trade	9.6	3.5	12.1
Hotels & restaurants	-15.5	0.2	6.2
Transport & communication	3.5	0.7	7.7
Financial intermediation	4.1	3.8	4.8
Real estate activities & business services	1.1	2.2	4.7
Government services	-0.9	4.9	9.6

¹⁶ The Namibian, 21 Oct 2016.

¹⁷ The Namibian, 21 Oct 2016.

¹⁸ Namibia Statistics Agency, Gross Domestic Product, Second Quarter 2016.

¹⁹ Namibia Statistics Agency, Gross Domestic Product, Second Quarter 2016.

²⁰ Source: Namibia Statistics Agency, Gross Domestic, Product Second Quarter 2016

Real GDP growth Q2 2016 (% change) ²⁰			
	2016		2015
Sector	Q2	Q1 Revised	Q2
Other private services	1.9	2.2	0.2
FISIM ²¹	2	4.9	3.2
All industries at basic prices	-2.1	3.0	5.9
Taxes on products	7.9	8.1	20.8
GDP	-1.2	3.4	7

The higher diamond and uranium output reported for Q3 could potentially avert a further GDP contraction. Rough diamond producer **Namdeb Holdings**, owned 50:50 by the government and **De Beers SA**, produced 405,000 carats (285,00 carats offshore) in Q3, a 37% quarter-on-quarter increase, although 13% below a year earlier, due to lower onshore grades.²² Nine-month production of 1,15 million carats, was down 16% from 1.36 million carats in 2015. Combined output by the **Langer Heinrich** and **Rössing** mines was 1,012 tonnes of uranium oxide in Q3, 4% higher than in Q2 and up 43% on a year previously due to higher grades. Nine-month production was 19% higher at 2,920 tonnes.²³

Credit growth slows, inflation stays high

Year-on-year (y/y) growth in domestic credit – private sector credit extension (PSCE) – slowed to an average of 12.1% during the first eight months of 2016, a decrease from 15.6%, according to the BoN.²⁴ This has reduced the incentive to continue monetary policy tightening, by easing the BoN's concerns that the previous high household borrowing, particularly installment credit, had widened the foreign trade deficit unsustainably by financing a rapid increase in imports of high-end consumer goods. PSCE growth decreased to 10.8% in August from 11.1% in July, with credit extension to business decreasing by just over one percentage point to 11.7%. This more than offset somewhat higher credit extension to households of 10.4% y/y (9.7% previously), caused largely by an increase in installment credit, reflecting improved liquidity (and willingness to lend) at local commercial banks. Although lending to business continues to grow faster than that to households, IJG Securities pointed out that:

“the relatively low base from which this growth stems, means that the majority of private sector credit still sits with the individual.”²⁵

Y/y inflation rose slightly to 6.9% in September from 6.8% the previous month, with higher food prices a major driver.²⁶ Annual average inflation was 6.9% during July-September, and 6.5% in the first nine months of 2016; this compares to only 3.4% in the same period of last year. Prices of food and non-alcoholic beverages (weighting of 16.5% in the **Namibia Consumer Price Index [NCPI]** basket) rose by 12.0% vs 11.5% in August; the upward

²¹ Financial intermediation services indirectly measured

²² Anglo American, Production report for the third quarter ended 30 September 2016

²³ Paladin Energy, Rio Tinto, production reports for the third quarter of 2016

²⁴ Bank of Namibia, Monetary Policy Statement 19 Oct 2016.

²⁵ IJG Securities,, PSCE- August 2016.

²⁶ Namibia Statistics Agency (NSA), Namibia Consumer Price Index, Sep 2016.

pressure on food prices is a function of the continuing drought in Namibia and the **Southern African** region. Inflation for housing, water, electricity, gas and fuels (28.4% of the basket weighting) was unchanged at 8.0%, while transport inflation was only fractionally lower at 3.3%.

Implications

Although the death of Hamutenya removes the most credible opposition party figure from the scene – despite his having already rejoined SWAPO – political pressure is heating up over land reform and black economic empowerment (BEE). The government is staging a foreign investment conference next month in Windhoek but it seems unlikely that many new investors will make hard cash commitments until it is clearer what will happen on this key issue. Mass expropriation would violate the constitution and would almost certainly be challenged in Namibia's **Supreme Court**. For that reason alone, it is off the agenda, apart from the resistance Geingob warned could rise to any land-grabbing activities by the state or grass-roots activists.

There are wider questions as to the national economic benefits of converting commercially-successful large-scale livestock farms into smaller units for resettled families who lack sufficient support from government agencies (machinery and feed). Namibia's colonial past means that land reform will continue to be conflated with ancestral ownership, which is an emotional matter for many landless Namibians so a difficult political issue for the government which has generally sought a pragmatic course.

The BoN is trying to keep the economy on track by keeping interest rates unchanged. Increasing the repo rate to reduce (largely imported) inflation will add to the combination of drought-induced water shortages and adverse external circumstances – continued weak commodity prices and low growth in Namibia's key export markets – depressing domestic output. There is a prospect the BoN could loosen monetary policy from early next year. The SARB, whose interest rate decisions the central bank closely tracks, has halted the monetary policy tightening it initiated at the beginning of this year in a bid to stem inflation. South Africa's current weak economic growth has become its major concern, especially if a potential sovereign credit ratings downgrade sparks resumed depreciation of the rand, whose foreign exchange value has stabilised since mid-year.

This may be vital to the economy recovering in 2017. There is little scope for the government to help by fiscal stimulus measures since, having already wound back the previous expansionary fiscal policy, the pending mid-year budget review will see spending levels for 2016/17 and possibly further to reduce above-target budget deficit and public borrowing. Higher diamond and uranium output will make a major contribution to higher GDP growth next year. Diamond production is already on the increase again. With sales of diamond jewellery remaining strong in **China** and **India**, and global cutting firms restocking, **De Beers** has eased back on the production cut-backs implemented across its diamond mining operations (in **Botswana**, **Canada**, Namibia and South Africa) last year. Despite the uranium spot price falling further, to just above US\$20 per pound of uranium oxide, under half last year's average level, the Husab mine will be producing next year, mainly to supply the expanding demand for nuclear fuel in China. However, because global spot market sales might incur a loss, ramp-up to full production capacity of 6,800 tonnes per year (of which some 10-20% would be sold on the global market) may be phased in over a longer period, to 2018.

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