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Namibia's current prime minister and president-elect, Hage Geingob, will announce the country's first vice president, along with the new prime minister and deputy prime minister at the beginning of February. The new cabinet is not expected to be announced until after Geingob has formally taken over as head of state in March. Localised protest occupations of urban land plots begin in Swakopmund, as popular discontent with the high-cost and unavailability of affordable land for housing grows. Namibia's GDP is officially forecast to grow by 5.6% in 2015 due to rising diamond output, a recovery in uranium production, the impact of new mine start-ups and a buoyant construction sector. Inflation is expected to continue to fall due to sharply lower oil prices, while business confidence reached an all-time high in November 2014. The expansion of a Namibian military-controlled business empire causes concern.

Geingob to announce top government posts shortly

President-elect and current prime minister **Hage Geingob** is moving quickly to establish the shape of his new government, even before he formally takes over as head of state on 21 March. As his inauguration will coincide with Namibia's 25th anniversary of independence, a massive double celebration in **Windhoek** is being planned with numerous African and global leaders expected to attend.

Geingob will be Namibia's third head of state – and its first non-ethnic-**Oshivambo** – in succession to **Sam Nujoma** (1990-2005) and **Hifikepunye Pohamba** (2005-2015). He took political observers by surprise in a 19 January media statement and message posted on his official *Facebook* page, disclosing that he would make “a major announcement” about his new government on 2 February. The statement added that he would hold three press conferences on that day, at which he would reveal the name of Namibia's first-ever vice-president, his successor as prime minister and a new deputy prime minister, along with the formation of a new body, the **Presidential Council**.¹ The announcement fuelled speculation in the local media about leading candidates for the country's top posts and also the purpose and likely composition of the new council (enquiries to both the Office of the Prime Minister and State House produced no clarification).

ARC continues to believe that Geingob will appoint a woman as either vice-president or prime minister. The current foreign affairs minister, **Netumbo Nandi-Ndaitwah**, a close ally of Geingob, seems likely to be appointed to one of the two main posts. Some have tipped current **South West Africa People's Organisation (SWAPO)** chief whip, **Peter Katjavivi**, the founding vice-chancellor of the **University of Namibia (UNAM)**, as the next prime minister. A (female) outsider for one of the two posts is the current home affairs and immigration minister, **Pendukeni Iivula-Ithana**. She stood unsuccessfully against Geingob in the election for a new SWAPO vice-president in December 2012 and at one time was thought to have Nujoma's backing to become Namibia's first female head of state. She and Geingob are not close, either personally or politically. However Geingob may decide to promote her in the interests of party unity and ethnic balance. Geingob is a **Damara**, and apart from Katjavivi,

¹ The Namibian, 21 Jan 2015, New Era, 23 Jan 2015.

who is an **Ovaherero**, the other likely appointees are all from Namibia's largest community, the northern Oshivambo.

There seems little prospect of a legal challenge to the outcome of the elections by the opposition parties, in contrast to the 2009 **National Assembly (NA)** election. In early January, deputy Chief Justice **Peter Damaseb**, who is also the current chair of the recently established **Electoral Court**, said no appeals had been lodged against the results of the 28 November presidential and NA elections.

*"By the time I went on holiday just before Christmas there were no appeals filed and if there were any, the court staff would have informed me."*²

Meanwhile, the opposition **Rally for Democracy and Progress (RDP)** is struggling to come to terms with its relegation to third place in both the presidential and NA elections, and loss of its position as the official opposition party in parliament. Party members are blaming the RDP's dismal showing on its 76-year-old leader, the former senior SWAPO cabinet minister **Hidipo Hamutenya**. But Hamutenya is resisting pressure to stand down. A planned vote of no-confidence in his continued leadership at an RDP national executive committee meeting scheduled for late January, backed by **Steve Bezuidenhout**, one of the party's three remaining MPs, did not take place.

Urban land occupations set to spread

The rising cost of serviced urban land, and alleged corruption by municipal authorities in allocating available plots, has for the first time sparked a popular movement to occupy land. While the protests first started in Windhoek before the elections, the focus has moved to **Swakopmund**, where an "affirmative repositioning" movement has developed.

The lack of affordable urban land looks to be an issue that Geingob will have to put at the top of his policy agenda when he formally takes up office in March. **Christian Democratic Voice Party (CDVP)** president **Gotthard Kandume** made the initial moves prior to the long Christmas holiday break. Kandume threatened on various occasions that hundreds of desperate residents who had unsuccessfully applied for plots from the municipality more than a decade ago would start building houses on occupied land. *"We will not pay for the land, but we will pay for the services."*³

More ominously, the avowedly Marxist **Namibia Economic Freedom Fighters (NEFF)** – whose propaganda commissar **Olsen Kahiriri** is one of those to have had a street named after him – is also supporting the campaign. This would put the NEFF in direct conflict with the government, as Geingob has made it clear that his government will not tolerate any illegal farmland grabs. The upsurge in popular discontent also reflects the failure of the government's national mass housing initiative – a personal initiative of outgoing head of state Hifikepune Pohamba – to provide accommodation for low-income Namibians. But the government's designated partner – the **National Housing Enterprise (NHE)** parastatal firm – has yet to secure the N\$2 billion (US\$0.2 billion) it pledged for the programme in borrowing from domestic banks. An initial 1,000 low-cost houses directly funded by the government was supposed to have been completed last year.

GDP growth set to expand in 2015 ...

Although GDP growth slowed to a preliminarily estimated 2.3% in Q3 2014 – down from an average 3.7% in the first two quarters of last year – this would appear to be a temporary blip.⁴ The **Bank of Namibia** (central bank) continues to project overall annual GDP growth of 5.3% for 2014, rising to 5.6% this year, underpinned by higher mining output, buoyant construction activity, strong consumer demand and government spending on public infrastructure.

² The Namibian, 7 Jan 2015.

³ The Namibian, 8 Jan 2015

⁴ Namibia Statistics Agency, Press Release on 3rd Quarter GDP, 17 Dec 2014.

The latter includes expansion of **Walvis Bay** harbour where a new container terminal – due to be operational by early 2018 – will more than triple capacity from 250,000 twenty-foot equivalent units (TEU) to 800,000 TEU per year. The terminal is being built by **China Harbour Engineering Co. (CHEC)**, one of seven firms that submitted formal bids in 2013, under a N\$3 billion (US\$260m) tender placed by the state-owned **Namibia Ports Authority (Namport)**, which its users view as one of Africa's better-managed harbour operators.

Q3's weak GDP growth, which on past precedent would normally be revised upwards when the Q4 GDP number is published, was mainly due to reduced uranium output and only fractional growth in rough diamond output. Strongest growth was recorded by construction (23%), along with wholesale and retail trade (14.3%). Production by both Namibia's current uranium mines – **Rössing** (69%-owned by **Rio Tinto**) and **Langer Heinrich** (75%-owned by **Paladin Energy**) fell: Rössing because output fell from mid-2014 by just under a fifth to 2,000 tonnes of uranium oxide per year, itself in response to the weak yellowcake market; and Langer Heinrich due to since-resolved operational problems. Langer Heinrich production rose by 27% to 592 tonnes in Q4; although overall annual output of 2,297 tonnes was 7% down on 2013, output should recover in 2015.⁵

Diamond output should have moved up strongly in Q4 as the Christmas season normally boosts international diamond jewellery sales and hence wholesale demand for uncut gemstones. In November also, the 50:50 government/**De Beers**-owned **Namdeb Diamond Corp. (Namdeb)** commissioned its new US\$32m **Sendelingsdrif** opencast mine on the **Orange River**. This is expected to produce 296,000 carats of larger, high-quality gemstones over its 20-year life, equivalent to some 15,000 carats annually.

Other new mines coming into operation will further boost GDP this year. The first gold pour at **Otjikoto**, 300 km north of Windhoek, Namibia's second gold mine, took place ahead of schedule in mid-December. Otjikoto cost US\$244m to develop and is owned 90% by **Canada's B2Gold Corp** and 10% by local empowerment group **EVI Mining**, with output projected at 140-150,000 ounces in 2015, rising to 200,000 ounces annually from 2016. B2Gold has appointed Namibian national **Mark Dawe** as the new managing director of **B2Gold Namibia**; Dawe held the same position at Namibia's **Okorusu** fluorspar mine, which was closed down by **Belgium's Solvay** chemicals group late last year. Dawe is a former president of the **Chamber of Mines of Namibia (CMN)**.⁶ The US\$95 million, 17,000 tonne per year **Tschudi** copper cathode mine is on track to start operating in Q2 2015 according to developer **Weatherly International**, which is listed on the **London (United Kingdom) Alternative Investment Market (AIM)**. Commissioning of the US\$2.2 billion, 6,800 tonne per year **Husab** uranium mine is scheduled by the end of 2015 and, once fully ramped-up in 2016, will substantially boost both Namibian GDP and exports.

...and inflation has slowed

Other positive economic developments include a continued downward trend in year-on-year inflation, which eased to 4.6% in December 2014, from 5.0% in November; the overall annual inflation rate for 2014 was 5.4%, down from 5.6% in 2013. This makes it likely that the central bank will continue to delay a further increase in its repurchase (repo) rate from the present level of 6.0% until well into 2015.

Inflation is expected to fall further in coming months, due to the sharply lower oil price and its lagged impact on prices for food and consumer goods. The local pump price of oil has fallen by 14% since August 2014 although the cost in local currency terms has decreased by 55% over the same period (due to the **South African** rand/Namibia dollar's continued depreciation against the **United States** dollar). As such, Windhoek stockbrokers **IJG Namibia** expect pump prices to fall by some 20% during

⁵ Paladin Energy, Quarterly Activities Report for Quarter ending 31 December 2014, 19 Jan 2015.

⁶ B2Gold, 11 Dec 2014; New Era, 23 Jan 2015.

Q1 2015, to a level last recorded in 2012.⁷ The Business Climate Index (BCI) – published in the *IJG Business Climate Monitor* and compiled by the Windhoek-based **Institute for Public Policy Research (IPPR)** – has continued to scale new heights, reflecting the sharply lower oil price and buoyant state of the domestic economy. The BCI is based on monthly data for 14 (not 13 as incorrectly stated in the *ARC Namibia December 2014 Briefing*) broad economic indicators. The overall index rose to 165.3 (100 is the index base) in November, up from 163.1 in October.

*"This continued climb in the index was to be expected as the local economy continued to perform well, coupled with the major decline seen in the oil price."*⁸

Concerns over the military's growing business empire

In contrast to many sub-Saharan African states, Namibia's military has played no active part in politics since the country's independence in 1990. However, the **Namibian Defence Force (NDF)** has built up a business empire that is unaccountable to the public or parliament, giving rise to concerns in some quarters that it could become a potential threat to the country's democracy. In **Zimbabwe**, for example, the military wields immense clout, in part because of its shadowy business dealings.

According to research by a Namibian journalist working as an intern with the **AmaBhugane** investigative unit of South Africa's *Mail & Guardian* newspaper, the principal military-owned company is **August 26 Holdings**. This was formed by the defence ministry in 1998, when Namibia sent troops to aid the **Democratic Republic of the Congo (DRC)** government in the civil war. It initially warehoused rights in the **Maji Munene** opencast diamond mine near **Tshikapa**, which was awarded to Namibia by the grateful then DRC president **Laurent Kabila** (1997-2001), although the level of production or revenues generated by any mining at Maji Munene have never been disclosed.

The firm subsequently set up eight industrial subsidiaries:

- **August 26 Logistics;**
- **Windhoeker Maschinenfabrik** (previously a privately-owned engineering firm which produced armoured personnel carriers for the NDF);
- **August 26 Industries;**
- **Sat-Com;**
- **August 26 Ultimate Business Machine (UBM);**
- **August 26 Textile and Garment;**
- **NamForce** and
- **Agri-Tour.**

Many of these are run by serving or retired senior NDF officers, and while some were established to service the NDF, August 26 Holdings has increasingly spread its influence into the public sector and state-influenced sectors such as construction, diamonds and agriculture. Despite reportedly securing government contracts worth billions of Namibia dollars, the firm has never published an annual report, is not audited by the state auditor-general and has never been called to appear before a parliamentary committee to account for its activities.

Current defence minister **Nahas Angula** declined to comment on the research findings but has, in the past, maintained that the military's business dealings cannot be made public due to national security concerns. Yet August 26 has a well-connected board of directors and is chaired by current cabinet secretary **Frans Kapofi**, a technocrat with military background. Kapofi acknowledged that some August 26 businesses are in financial trouble:

*"Some of the companies are in intensive care. We are looking at how to get them out of trouble. They will definitely need financial backing from the state."*⁹

⁷ *IJG*, Namibia CPI- December 2014, 16 Jan 2015.

⁸ *IJG Business Climate Monitor* for November 2014, Institute for Public Policy Research (IPPR).

⁹ *The Namibian*, 19 Dec 2014.

Kapofi conceded that August 26's subsidiaries do not produce up-to-date financial reports, but said there are plans to publish them. The group's acting chief executive officer, **Josiah Kasheeta**, has refused to give information about the company, citing security reasons.

"Since we deal with the defence and security of the country, we do not want to expose ourselves."¹⁰

In November, the *Tender Bulletin*, an independent weekly newsletter that monitors government contracts, criticised August 26's secretive practices as an open door for corruption and warned that it could pave the way for military control of the state.

The **Namibia Chamber of Commerce and Industry (NCCI)** voiced concern in more measured terms. It commented that the companies become a problem when they are awarded state contracts that do not concern the military, as the main purpose of August 26 appeared to be to provide jobs for retired generals. NCCI chief executive officer **Tarah Shaanika** commented:

" Why should the military get a catering tender when so many other companies can supply food?"¹¹

Senior generals reportedly manipulated the tender system to hand contracts worth over N\$1.5 billion (US\$0.1 billion) for the supply of food to military bases to "briefcase companies" owned by relatives and friends. The contracts had previously been awarded to private companies after a tender process, and subsequently withdrawn. The contracts were then awarded to August 26, which signed a sub-contract with its 51% subsidiary, August 26 Logistics.

There is further evidence that August 26 entities have circumvented tender regulations. UBM, launched last September, and initially set up to modernise army barracks, scooped a N\$450 million (US\$39 million) contract late last year for construction of a new military hospital without submitting a tender.

Implications

Geingob evidently feels his position is strong enough to appoint Namibia's second and third most senior public officials over a month before he is formally sworn in as the new head of state. His decisions will go a long way in indicating the political shape and policy direction of his government. Geingob will be mindful of the need to keep all internal factions and ethnic groups of the SWAPO stable happy, meaning that a woman will almost certainly be appointed to one of the top positions. Keeping the party's predominant Oshivambo membership happy will be another consideration, and there have been covert suggestions that the vice-presidency has been created specifically to meet that requirement.

Geingob is expected to make talent – as much as ethnic balance and political loyalty – the main criterion in appointing his first cabinet. Among those likely to be promoted are the current trade and industry minister, **Calle Schlettwein**, and the fisheries and marine resources minister, **Bernard Esau**. Namibia's longest-serving finance minister, **Saara Kuugongelwa-Amadhila**, could well be replaced although as a political protégé of Nujoma, she would probably be kept in the cabinet.

On the policy front, Geingob will have to devise a solution to growing grass roots pressures to make more affordable land for low-cost housing available. Otherwise the militant NEFF and other activist groups could widen this into potential farmland occupations in protest at the continued slow pace of the government's land-purchase scheme for historically disadvantaged Namibians (HDNs). However, Geingob has made it clear he will have no truck with illegal, Zimbabwe-style land seizures and, despite the radical **SWAPO Youth League (SYL)** having more MPs in the new parliament, the present

¹⁰ The Namibian, 19 Dec 2014.

¹¹ The Namibian, 19 Dec 2014.

“willing-buyer, willing-seller” basis for land reform is unlikely to be ditched in favour of expropriation.

With the economy on an upward growth swing, Geingob enters office at a time of rising national output, exports, government revenues and disposable incomes (for the affluent minority). This will provide some leeway for policies to rebalance the economy by shifting towards value-added production and the export of finished rather than raw goods. Even though Geingob is expected to continue the broadly pro-business policies of his predecessor in office, he will also aim to tackle reducing income inequalities and reducing unemployment. The latter part will be difficult to achieve given SWAPO’s poor track record since independence, but Geingob will want to pay lip-service – at least – to transforming Namibia into an industrialised society under its long-term development goal, **Vision 2030**.

Despite persisting global economic uncertainties, the prospect of an external shock to Namibia’s economy has receded, and the country is among the beneficiaries of the sharp fall in the oil price, which is driving a continuing fall in inflation. In consequence, the central bank will keep interest rates on hold until the second half of 2015, which will underpin continued domestic demand and keep down business costs, including the leading mining exporters. Domestic credit growth has shown signs of slowing in response to the two interest rate increases implemented last year and, unless growth surges again to an unsustainable level, the central bank will keep rates on hold as long as possible.

The growing business interests of the NDF and August 26 raise the risk of Namibia’s private sector being crowded out by unfair competition for government contracts due to the influence of ex-military officers in the operations of the August 26 Holdings conglomerate. The record of the armed forces in wider southern African politics and business is reason enough for concern.