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President Hage Geingob (2015- present) outlines his Harambee Prosperity Plan (HPP) in more detail and tells critics of the plan within the government and ruling South West African People's Organisation (SWAPO) party they should resign. The government has extended consultation for the proposed black economic empowerment (BEE) law amidst strong criticism from local businesses. The Bank of Namibia (BoN) raises the repurchase (repo) rate by a further 25 basis points to 7%. Namibia Statistics Agency (NSA) data confirms that GDP growth slowed to a preliminary 5.7% last year and inflation increased again in March. The current account deficit widened last year due to a higher foreign trade deficit. The Husab uranium mine is on track to start up this year with planned production of 6,800 tonnes of uranium oxide per year.

Geingob puts flesh on the bones of the Harambee plan

President **Hage Geingob** (2015-present) used his second **State of the Nation Address** to the **National Assembly (NA)** on 5 April to outline in more detail his five-year targeted action plan, which is now officially called the **Harambee Prosperity Plan (HPP)**.¹ Geingob confirmed the HPP is based on five pillars: effective government and service delivery; economic advancement; social progression; infrastructure development; and international relations and cooperation (see *ARC Briefing Namibia January 2016*). Expected outcomes include increased transparency, “a high-performance and citizen-centred culture of service delivery”, significant reduction of poverty levels, a “reputable and comprehensive” educational and vocational training system, and a spirit of entrepreneurship and enterprise development (which seems at odds with the present rigid formulation of compulsory ownership transfers via the planned black economic empowerment (BEE) law, see below). As part of the HPP, the government is to conduct annual citizen satisfaction surveys in the public and private sectors to measure, amongst other things, professionalism, accessibility and turn-around times of service delivery. Geingob acknowledged that “the attainment of prosperity may sound over-ambitious to some” but said prosperity did not mean “opulence or excess”.²

A major shift in economic policy was Geingob’s confirmation the government would seek to leverage valuable assets representing parastatal-owned “dead (or sunk) capital” to reduce the burden (of subsidies) on the national budget. This effectively amounts to a partial privatisation programme. To consolidate Namibia’s fiscal position, the government will introduce structural reform measures aimed at reducing the debt to GDP ratio to under 30% by the end of the HPP in the 2020/21 fiscal year. Central government (public) foreign and domestic debt was 34% of GDP at the end of 2015; total foreign debt (including private and parastatal) was 52.2% of GDP.

More specific details included pledges to build 20,000 houses, service a minimum of 26,000 urban plots and build 50,000 toilets in rural areas to eliminate the “bucket system” within four years. The urban plot target – which is below what the government had promised – drew the anger of the grass-roots **Affirmative Repositioning (AR)** protest movement with which Geingob brokered a deal to head off AR’s planned mass occupation of urban land last July (see *ARC Briefing Namibia August 2015*). Answering MPs’ questions after the address, Geingob confirmed the government had agreed with AR it would service 200,000 plots but had not provided a timeframe to achieve this. AR leaders subsequently wrote to Geingob to question this new lower target, which presidential economic adviser **John Steytler** said the government had received and

¹ The Namibian, 6 Apr 2016.

² Text of full address, Office of the President, 5 April 2014.

responded to.³ He did not disclose what Geingob had told AR but said the 26,000-plot target was “minimalist” as HPP creates “framework conditions” to fast-track the servicing of land in general.

Geingob has showed some sensitivity to criticism of the Harambee plan. In mid-April press sources reported that Geingob had warned internal government critics they should resign if they could not support the plan.⁴ Geingob accused the critics of “knocking him from within” and coupled this with a general warning that all **South West African People’s Organisation (SWAPO)** politicians who publicly condemned government programmes, either in parliament or the media, and who do not want to follow party processes, should also resign.⁵ Geingob picked out deputy ministers, suggesting that opposition is concentrated in the lower levels of government. However, in so doing he confirmed one of his critics' main charges, that the plan was not discussed first by the cabinet.

*“Some are saying the HPP was never approved by Cabinet. It is my programme, it is not a cabinet programme. It is a president's action plan but he is consulting people to buy into it.”*⁶

Geingob has also taken offense at criticism of the new black economic empowerment (BEE) law for which the government has now extended consultations on the draft bill until the end of April (see *ARC Briefing Namibia February 2016*). Geingob expressed his disappointment at what he termed “Us and Them” formations, as when the government published the draft **New Equitable Economic Empowerment Framework (NEEEF)** bill, it was meant as a consultation framework. The local business community issued a strong criticism of what it regards as the overly-bureaucratic and value-destroying components of NEEEF at an end-March consultative meeting in **Windhoek** that the **Namibia Chamber of Commerce and Industry (NCCI)** organised.⁷ The NCCI drafted comments and recommendations for submission to the Office of the Prime Minister, **Saara Kugongelwa-Amadhila**. The NCCI secretariat’s **Leonard Kamwi** described some pillars as “problematic”, including the management (preferential promotions) and the ownership (minimum BEE equity shareholdings) pillars.⁸ Kamwi said this could “potentially disrupt” macro-economic stability, noting that the indigenous population currently lacks individuals with the right skills and expertise to manage a business. Participants at the consultative meeting criticised the draft bill’s “evasive” language and described the provision preventing black Namibians from selling their shares to white Namibians as “unconstitutional”.⁹ Some participants suggested that the term “previously disadvantaged” could include the post-independence black elite and suggested it be altered to “the currently disadvantaged”. Business leaders said clarification was needed on the size of a business that would have to comply with BEE provisions as it could be cumbersome and penalising for a sole proprietor of small or medium sized enterprises (SMEs) to cede a 25% ownership stake. NCCI CEO **Tarah Shaanika** acknowledged that implementation of the NEEEF appeared inevitable, but urged compromises “from all sectors” to ensure the final version was acceptable to all parties.

Borrowing cost rises again...

As ARC anticipated, the **Bank of Namibia (BoN)**, central bank) raised its repurchase (repo) rate by a further 25 basis points (bps) at its **Monetary Policy Committee (MPC)** meeting on 13 April, notching it up to 7%.¹⁰ With year-on-year (y/y) inflation maintaining an upward trend since the start of 2016, it was expected that the central bank would tighten monetary policy again at its second rate setting meeting of the year. This became inevitable after the **South African Reserve Bank (SARB)** raised its repo rate by 25 bps to 7% on 17 March. This meant that for the second time this year, **South Africa**’s repo rate was above that of Namibia’s (see *ARC Briefing Namibia February 2016*). The SARB stated the increase was principally aimed at keeping domestic inflation in check – South Africa’s headline rate of inflation is currently forecast

³ The Namibian, 8 Apr 2016.

⁴ New Era, 14 Apr 2016.

⁵ New Era, 14 Apr 2016.

⁶ New Era, 14 Apr 2016.

⁷ Namibia Economist, 1 Apr 2016.

⁸ Namibia Economist, 1 Apr 2016.

⁹ Namibia Economist, 1 Apr 2016.

¹⁰ Bank of Namibia, Monetary Policy Committee (MPC) meeting of 13 Apr 2016.

to peak at 7.3% y/y in the final quarter of 2016.¹¹ The BoN stressed the need to prevent possible capital outflows from Namibia resulting from an interest rate differential. BoN governor **Iipumbu Shiimi** said capital outflows could put pressure on the country's international reserves.¹² Namibia's foreign reserves totalled N\$26.6 billion (US\$1.8 billion) as of 11 April according to the BoN.¹³ This is slightly less than the N\$27.4 billion (US\$2.2 billion) level of two months earlier, although the continued depreciation of the South African rand reduced the **United States (US)** dollar value by proportionately more. Even so, the BoN confirmed that reserves remained sufficient to sustain the one-to-one link of the Namibia dollar with the rand.¹⁴ The BoN said reserves were 5.5 times the value of currency in circulation inside the country (in both Namibia dollar and rand), another measure it closely monitors.¹⁵

Shiimi said the BoN expected that local commercial banks would also raise deposit rates by the same margin, thereby encouraging savings.¹⁶ This is the norm after any repo rate change, and will have increased the banks' prime lending rates to 10.75%, making borrowing the most expensive since October 2010.¹⁷ The next BoN rate setting meeting will take place on 15 June. On the assumption that the economy does not suffer a sharp slowdown before then, the repo rate could be raised by a further 25 bps. Most local analysts are factoring in at least one more repo rate increase this year and more likely two. **Capricorn Asset Management (CAM)** analyst **Suta Kavari** predicts two more hikes in 2016.

*"Going forward, we expect two more interest rate increases this year, taking the repo and prime rates to 7.50% and 11.25% respectively, after which we expect a normalisation in rates and a moderation in the country's inflation profile in 2017. Some light at the end of a very long tunnel."*¹⁸

NSA data confirms that the economy slowed last year

The Bank of Namibia noted that the economy had recorded still strong, but slower, real GDP growth in 2015.¹⁹ Meanwhile, domestic credit growth, despite reducing, remained in double digits at 12.7% y/y in February, down from 13.8% in January.²⁰ Credit extended to businesses grew by 12.2%, and credit to households by 12.9%, the first time the former had increased more slowly than the latter since January 2014. This reflected base effects, following strong corporate credit growth during the past two years. Real GDP growth decreased to 5.7% last year, down from 6.3% in 2014, according to **Namibia Statistics Agency (NSA)** preliminary 2015 national accounts.²¹ Primary sector output contracted more sharply, by -3.1% compared to -1.8% in 2014, due to agricultural real value-added turning negative (-10.3%), and fishing output contracting a bit more (-2.8%). In contrast, the mining sector contracted only fractionally, by -0.1%, compared to -6.2% in 2014, due mainly to substantially higher output of metal ores (up by 60.1%). This reflected greatly expanded doré gold and cathode copper production from the new **Otjikoto** (92% owned by **Canada-based B2Gold** and 8% by local black empowerment group **EVI mining**) and **Tschudi** (owned by the **London Stock Exchange (LSE)**'s **Alternative Investment Market (AIM)**-listed **Weatherly International**) mines respectively. These are in fact partly processed products rather than 'ores'. That almost offset an 18.1% contraction in uranium output for the third successive year along with a 3.4% decrease in diamond output. Construction output slowed from a record 42.9% expansion in 2014 to a still robust 33.7% last year. Secondary sector output decreased from 9.5% in 2014 to 8.0% and overall tertiary sector output from 7.5% to 5.9%.

On past experience, the growth rate may well be revised upwards when the final version of the national accounts is published, usually in the final quarter of the year. While the BoN expects continued, although

¹¹ News24.com, 17 Mar 2016.

¹² Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

¹³ Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

¹⁴ Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

¹⁵ Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

¹⁶ Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

¹⁷ Bank of Namibia, Annual Reports, Table II.9 Selected interest rates: Namibia and South Africa.

¹⁸ The Namibian, 15 Apr 2016.

¹⁹ IJG Namibia, Private Sector Credit Extension February 2016.

²⁰ IJG Namibia, Private Sector Credit Extension February 2016.

²¹ Namibia Statistics Agency, Preliminary National Accounts, 2015.

somewhat weaker, GDP growth this year, it warned that continuing risk factors included the slowdown in the economies of Namibia's leading trading partners – the **European Union (EU)** and South Africa, weak commodity prices (although copper and iron ore prices rose in early April), the rand's volatile exchange rate and the continuing impact of prevailing drought conditions.²²

Inflation continued to rise in March...

Year-on-year (y/y) inflation rose for the fourth successive month in March, notching up by 0.4 percentage points to 6.5%, the highest level since January 2013 and almost double the 3.4% y/y rate for March 2015.²³ As in the previous month, NSA data showed that six out of the 12 basket of goods categories used to calculate the **National Consumer Price Index (NCPI)** recorded higher prices, including two with the biggest basket weightings – food and non-alcoholic beverages (16.5%), and housing, water, electricity, gas and other fuels (28.4%).²⁴ These together account for 45% of the NCPI. Continued local currency depreciation coupled with the impact of local and regional drought conditions were the main factors causing a 9.7% y/y increase in food prices, up from 7.2% in February.²⁵ This resulted from across-the-board price rises, particularly of fruit, vegetables, meat and grain products such as bread and cereals.²⁶ These mainly reflected the continuing drought, and the higher cost of non-South African sourced food imports (especially maize and other cereals). Alcoholic beverage prices rose fractionally less in March by 7.8%, although the monthly increase more than doubled to 1.4% due to increased tobacco taxes announced in the 2016/17 budget of 25 February (*ARC Briefing Namibia March 2016*).²⁷

Housing and utilities inflation rose by 7.5% y/y, only slightly more than in February, due mainly to higher fuel prices which rose by 8.9%.²⁸ But because this is the NCPI basket category with the heaviest weighting, it contributed 2.1 percentage points of the overall inflation rate, or almost a third. The y/y inflation rate for transport, with the third-largest basket weighting (14.3%), slowed from 4.7% in February to 4.3%, reflecting the reduced cost of operating personal vehicles due to continued low fuel prices.²⁹ As the price of transportation impacts most other NCPI basket categories, it has a major impact on overall inflation. With the deflationary impact of last year's sharp reduction in oil prices, the beneficial knock-on effects are expected to fall away. Windhoek stockbrokers **IJG Securities** predict that inflation will maintain an upward trend this year:

“Looming drought conditions as well as increasing utilities costs should further see inflation pick up in basket categories such as food and non-alcoholic beverages, alcoholic beverages and tobacco, and housing (plus utilities).”³⁰

...as current account deficit widens

Due to a substantial deterioration in the foreign trade account as imports surged, Namibia's current account deficit widened to N\$19.0 billion (an 83% increase) last year (see table).³¹ In US dollar terms, the deficit widened less, by 55% to US\$1.5 billion, reflecting the Namibia dollar's depreciation against the US dollar. However, because the capital account surplus more than doubled to US\$2.6 billion in 2015 – reflecting significantly higher foreign direct investment and portfolio net inflows of a combined US\$2.3 billion (equity capital investment in mining developments and the US\$750m Eurobond issue respectively) – the overall balance of payments moved out of deficit, registering a US\$791m surplus last year.³² The widening of the trade deficit will nevertheless be a concern to the BoN and finance ministry. If capital inflows decrease, the overall payments balance will slip back into the red. The trade deficit rose by almost a third to N\$37 billion

²² Bank of Namibia, Monetary Policy Statement, 13 Apr 2016.

²³ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁴ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁵ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁶ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁷ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁸ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

²⁹ Namibia Statistics Agency, Namibia Consumer Price Index, March 2016.

³⁰ IJG Research, Namibia CPI- February 2016.

³¹ Bank of Namibia Annual Report 2015

³² Bank of Namibia Annual Report 2015

last year and by 12% in US dollar terms to US\$2.9 billion.³³ Similarly, local currency exports rose slightly to N\$51.3 billion and imports expanded by 13% to N\$88.1 billion.³⁴ However, US-denominated exports decreased by 13% to US\$4.0 billion and imports fell by 4% to US\$6.9 billion.³⁵

While diamond exports were higher in local currency value, US dollar exports decreased by 10% to US\$1.0 billion, reflecting lower production and prices, while manufactured goods exports (including processed meat and fish, refined zinc) fell by 37% to N\$0.6 billion.³⁶ Other current account components tended to balance out; the net services deficit fell slightly while the deficit on net incomes widened due to bigger dividend payouts to foreign direct investors and higher foreign debt interest payments.³⁷ Net current receipts, always the main positive component, rose only marginally in local currency terms while decreasing in US dollar terms to US\$1.5 billion. Namibia's share of **Southern African Customs Union (SACU)** common pool receipts – paid in rand – recorded only a small increase compared to recent years.³⁸

Current Account 2014 and 2015³⁹						
	2014⁴⁰		2015⁴¹		% change	
	N\$m	US\$m	N\$m	US\$m	N\$m	US\$m
Exports	49,965	4,626	51,262	4,036	2.6	-12.8
Diamonds	13,990	1,295	14,815	1,167	5.9	-9.9
Uranium	4,197	389	3,386	274	-16.9	-29.6
Other minerals	2,998	278	4,460	351	48.8	26.3
Food & live animals	4,147	384	4,511	355	8.8	-7.6
Manufactured products ⁴²	9,643	893	7,177	565	-25.6	-36.7
Re-exports	8,094	749	9,586	518	18.4	-17.5
Other	6,895	638	7,228	569	5.7	-10.8
Imports	77,920	7,215	88,123	6,906	13.1	-4.3
Merchandise trade balance	-27,955	-2,583	-36,861	-2,889	31.9	11.8
Services (net)	-950	-88	-667	-53	-29.8	-39.8
Income (net) ⁴³	-288	-27	-459	-36	59.4	33.3
Current transfers (net)	18,792	1,740	18,952	1,492	0.9	-14.3
Current account balance	-10,401	-963	-19,034	-1,492	83	54.9

³³ Bank of Namibia Annual Report 2015

³⁴ Bank of Namibia Annual Report 2015

³⁵ Bank of Namibia Annual Report 2015

³⁶ Bank of Namibia Annual Report 2015

³⁷ Bank of Namibia Annual Report 2015

³⁸ Bank of Namibia Annual Report 2015

³⁹ Bank of Namibia, Annual Report 2015

⁴⁰ Provisional

⁴¹ Provisional

⁴² Includes refined zinc, smelted copper, cut diamonds, processed meat and fish, export processing zone (EPZ) products

⁴³ Includes compensation of employees.

Husab will more than treble uranium output

Despite a fire at the end of December that gutted much of a ball mill in the processing section, most repairs are complete at the US\$2.2 billion **Husab** uranium mine near **Swakopmund**. Commissioning is now expected in mid-year or early in the second half of the year (see *ARC Briefing Namibia January 2016*). **CGN Global Uranium (CGNGU)** general manager **Sashi Davies** described the fire as only “a bump on the road to production”.⁴⁴ CGN is the **Cambridge (United Kingdom)**-based marketing subsidiary of **China General Nuclear Power Group (CGNPG)**, which owns a 90% equity interest in the Namibia-registered Husab owner, **Swakop Uranium (SU)**.

Planned production is some 6,800 tonnes per year of uranium oxide once fully ramped-up, expected during 2017.⁴⁵ This will more than treble Namibia’s current uranium output from the **Langer Heinrich** and **Rössing** mines, which fell by just under a fifth to 2,971 tonnes last year. Davies confirmed 1,322 employees had been hired as of March (92% Namibians and 11% female), which will increase to some 2,000 by the end of 2016 of whom 1,650 would be permanent employees.⁴⁶ The mining fleet is scaling up with 26 large haul trucks already in operation, with ‘cold’ (first stage) commissioning of the crusher and ore conveyors underway.⁴⁷ A 65-kilometre water pipeline from Swakopmund is complete and the main electricity sub-station energised.⁴⁸

Husab is not the only mining development set to underpin continued strong economic growth this year. Finance minister **Calle Schlettwein** told parliament in March that the coming into operation of large-scale mining projects will support decent levels of economic growth “*despite weak commodity prices and relatively slow growth in external demand*”.⁴⁹ Canada-based **Dundee Precious Metals (DCM)** opened a new sulphuric acid plant on 6 April at its **Tsumeb** smelter complex in northeast Namibia.⁵⁰ This will produce some 230,000-280,000 tonnes of acid, most of which will be sold to the Rossing uranium mine, ending its need to import acid.⁵¹ The plant was the key component of the Canadian firm’s response to employee concerns at the impact on their health of toxic discharges of sulphur gases from copper smelting and the government’s requirement that it upgrade the site as a condition for allowing operations to continue. DCM invested some US\$314m during 2013-2015 on the plant and other upgrades, including new copper converters to raise blister copper production to 240,000-265,000 tonnes.⁵²

In addition, Weatherly International has successively ramped up production at the new Tschudi copper mine near Tsumeb.⁵³ Weatherly is listed on the LSE’s Alternative Investment Market but moved its head office to Namibia last year. In the first quarter of 2016, the mine produced 4,442 tonnes of copper cathode, up from 4,076 tonnes in the previous quarter and equivalent to 4% above annual nameplate capacity of 17,000 tonnes. The firm has also reduced production cash cost. Despite continued copper price weakness,⁵⁴ Weatherly had presold planned second quarter production at US\$4,912 per tonne, above the US\$4,472 per tonne received in the first quarter and the US\$3,429 per tonne production cash cost. London stockbroker **S P Angel** commented:

*“Tschudi is now operating at above its designed nameplate capacity and appears to have put its early setbacks behind it.”*⁵⁵

⁴⁴ Husab- From Construction to Production, Sashi Davies, General Manager, CGN Global Uranium Ltd, World Nuclear Fuel Cycle, Apr 2016.

⁴⁵ Husab- From Construction to Production, Sashi Davies, General Manager, CGN Global Uranium Ltd, World Nuclear Fuel Cycle, Apr 2016.

⁴⁶ Husab- From Construction to Production, Sashi Davies, General Manager, CGN Global Uranium Ltd, World Nuclear Fuel Cycle, Apr 2016.

⁴⁷ Husab- From Construction to Production, Sashi Davies, General Manager, CGN Global Uranium Ltd, World Nuclear Fuel Cycle, Apr 2016.

⁴⁸ Husab- From Construction to Production, Sashi Davies, General Manager, CGN Global Uranium Ltd, World Nuclear Fuel Cycle, Apr 2016.

⁴⁹ The Namibian, 24 Mar 2016.

⁵⁰ New Era, 7 Apr 2016.

⁵¹ New Era, 7 Apr 2016.

⁵² The Namibian, 11 Apr 2016; Dundee Precious Metals, Investor Presentation, Apr 2016

⁵³ Weatherly International, Quarterly Operations and Production Update, 14 Apr 2016.

⁵⁴ Wall Street Journal, 27 April 2016 reported 3-month copper futures had receded to US\$2.2245 per pound as optimism over improved industrial demand for the metal started to wane; 3-month copper had spiked above US\$2.2500 per pound in previous weeks from improving economic data out of China

⁵⁵ Proactive Investors, 14 Apr 2016.

Implications

The formal launch of the 2016/17-2019/20 *Harambee* Prosperity Plan in Geingob's state of the nation address confirms he has genuine zeal to carry out a social reforming agenda and ensure poorer Namibians are lifted out of poverty. Some specific details of programmes have been given for the first time and no doubt more will emerge in due course although the plan remains stronger on generalities at this stage. It will be important for Geingob to retain a strong political consensus if he is to succeed in pushing through the reforms. Already some internal critics are claiming the plan is an exercise in excessive executive power, with unhappiness that the proposals were not submitted to cabinet first. Understandably, from Geingob's perspective – given that due to his age (75 years) he may serve only one five-year term as head of state – this might have led to delay in getting the plan implemented. By temperament, Geingob is a doer, unlike his more cautious predecessor, **Hifikepunye Pohamba** (2005-2015), and with an academic training has the confidence to express his own ideas. This does not make for a comfortable leadership style and Geingob may find this comes back to haunt him, especially at the next SWAPO ordinary party congress next year. Although Pohamba made it clear when he stepped down as president that he was also resigning as SWAPO leader, technically it is for the party to decide its leader, and some anti-Geingobists claim he can only be an interim leader until he is confirmed at the next congress. This presently looks to be a formality given Geingob's domination of the political scene; however if he stumbles – for instance if the urban land activists resume their mass occupation campaign – unreconciled opponents might put up a candidate for the SWAPO presidency, conceivably the youth and sports minister, **Jerry Ekandjo**, who unsuccessfully stood against Geingob for the party vice presidency in 2012.

Despite the continued global economic headwinds and volatile commodity prices, and Namibia's weak current account position and over-high debt burden, the domestic economy is continuing to thrive. The major risk is that continuing local currency weakness – over which Namibia has no control while the Namibia dollar remains tied at parity to the South African rand – will re-ignite inflation to such an extent that the central bank will feel obliged to raise interest rates more steeply than it currently plans to. This could choke off economic growth by raising the cost of business investment, which judging by the continued high rate of corporate borrowing levels, remain at robust levels. South African financial sector analysts are currently pricing in a fall of the rand to a level of US\$1=R19 by the end of this year, reflecting South Africa's weak growth and unfavorable inward investment prospects during 2016-2017. This would represent a further depreciation by almost a third on the already depressed current level of just over R14 to the US dollar and would risk a substantial further increase in the cost of Namibia's imports, causing the foreign trade account and current account deficits to widen.

Namibia's mining sector – whose exports are crucial to maintaining foreign reserves – will continue to be the country's economic power house, at least in the short-term, due to new mines and expansion projects. There are also several promising mining projects in the pipeline – for graphite and tantalite amongst others – while a recovery in the uranium price would make it economic to develop two more yellowcake mines, at **Etango** nearby to Husab, and at **Valencia**, to the north of Rössing. But these all depend on Namibia continuing to attract foreign direct investment (FDI) inflows and here the worry must be that an over-zealous application of the proposed BEE law in its present form would deter investors. It is inconceivable that many small junior exploration firms could transfer a 25% equity interest to local BEE partners without disrupting their investment programmes, especially with investment funds already at a premium. Hopefully a compromise on the ownership issue will emerge from the consultative period on the draft bill.

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