

AFRICA RISK CONSULTING

Namibia Monthly Briefing December 2019

Namibia Summary 17 December 2019

President Hage Geingob (2015-present) is re-elected with a sharply reduced share of the vote and the ruling SWAPO party loses its National Assembly (NA) majority in the 27 November elections. Geingob pledges to reign in corruption as the two ministers implicated in the 'Fishrot' scandal are charged with multiple offences and the acting fisheries minister promises reforms to the sector. The Bank of Namibia (central bank) keeps interest rates at 6.5% as Moody's downgrades Namibia's credit rating again. The economy contracts less strongly in Q3. Inflation falls to a five-year low of 2.5%.

Geingob wins again but with a much weaker mandate

President **Hage Geingob** (2015- present) was re-elected for a second five-year term on 27 November with a substantially reduced margin in the most closely fought presidential election since **Namibia's** independence in 1990.¹ However, voter turnout was down at just over 60% in both the presidential and simultaneous **National Assembly (NA)** elections, which many blamed on the use of electronic voting machines. A leading local newspaper declared:

*"... the real loser is again the **Electoral Commission of Namibia (ECN)**, which continues to exhibit a high level of incompetence and ineptitude ... The ECN clearly needs reforms. Start with transparency. The electoral body failed miserably at keeping Namibians informed about delays and other problems. This resulted in many people questioning the voting process, a key pillar of democracy. Many of the problems experienced this voting season were a mirror image of problems that arose in the 2014 elections. They should not be allowed to recur."*²

Geingob received just over 56% of the vote, according to the ECN's final election results announced on 30 November, down from 87% in 2014. With 465,000 votes, Geingob's vote tally was down from the 773,000 votes he received five years before, reflecting widespread voter disillusionment with official corruption, soaring joblessness and the government's slowness to implement faster land reform as mandated by the second national land conference of October 2018 (see *ARC Briefing Namibia November 2018, November 2019*).

Namibia's first independent candidate, **Panduleni Itula** – who remained a member of the ruling **South West African People's Organisation (SWAPO)** despite challenging the party leader – ran him a close second, gaining just under 29% of the vote. **McHenry Venaani**, whose **Popular Democratic Movement (PDM)** polled strongly in the NA election, came a weak third (although he managed second place in **Kunene region**) with **Bernardus Swartbooi**, leader of the grass roots-based **Landless People's Movement (LPM)** in fourth place (and a creditable second in the two southern regions of **Hardap** and **Karas**), and **Esther Muinjangu** of the **National Unity Democratic Organisation (NUDO)** – the political arm of the largest section of the **Ovaherero** traditional leadership and the only woman contender – in fifth place. Itula, who supported Geingob's **'Team SWAPO'** opponents in the November 2017 party leadership elections, garnered widespread support for his attacks on the government's patchy record on official corruption and failure to significantly reduce inequality, although some questioned whether, as a member of the ruling party, he really represented a challenge to the political status quo.

¹ Electoral Commission of Namibia (ECN), Official Announcement of the Final Election Results, 30 Nov 2019.

² The Namibian, 6 Dec 2019.

Results of 27 November presidential elections³

(Polling in 121 constituencies)

Candidate	Party affiliation	Votes	% share
Hage Geingob	South West African People's Organisation (SWAPO)	464,703	56.3
Panduleni Itula	Independent	242,657	29.4
McHenry Venaani	Popular Democratic Movement (PDM)	43,959	5.3
Bernadus Swartboo	Landless People's Movement (LPM)	22,542	2.7
Esther Muinjangu	National Unity Democratic Organisation (NUDO)	12,039	1.5
Others (6)		40,298	4.9
Total		826,198	100
Registered electorate		1,358,468	
Turnout: 60.8%			

Itula came first in Namibia's two most urbanised regions, **Erongo** (which includes **Walvis Bay** harbour) and **Khomas** (which includes the capital **Windhoek**), according to the initial results that showed voting by region (the ECN's final results omitted these). Itula almost beat Geingob in **Oshana region**, one of the four northern regions where the mainly **Oshivambo** population comprises SWAPO's political bedrock (along with the two **Kavango** regions). In his 3 December election victory speech, Geingob expressed his awareness of

*"... the despair of the impoverished, the homeless and the unemployed, especially the young people, who have voted in such large numbers."*⁴

But an analysis by **Freiburg University (Germany)** professor in political science **Reinhard Kössler** drew the opposite conclusion. Kössler said the elections showed voters registering their demand for dramatic changes:

*"Swapo's seemingly unassailable position has been shattered. The outcome of these elections may well go further than a slight erosion of Swapo's power position. The perennial issue of gross social inequality is articulated in demands for land, not only for farming, but above all for urban housing; the Fishrot scandal has already rekindled workers' resistance at the coast."*⁵

... and faces a strengthened opposition in parliament

In a reverse of the 2014 election results, the ruling party polled more strongly in the NA election than Geingob did in the presidential election, but even so, it lost the two-thirds majority it had gained in the first post-independence elections of 1994, winning 65.5% of the vote.⁶ As it no longer holds a two-thirds majority, SWAPO cannot amend the constitution without the backing of some opposition MPs. The result represented a massive loss of support compared to the 85% vote share won by the party in 2014. Under the part-proportional party list system used for NA elections (but not for regional or local elections) this entitled SWAPO to 63 MPs, down from 77 five years ago, out of the 96 directly-elected MPs. SWAPO lost 178,000 votes from five years ago, an unprecedented 25% drop in support. As a result, some 13 ministers and deputy ministers below 63 on SWAPO's party list failed to be re-elected and will be unable to continue serving in the government unless they are included as one of eight MPs Geingob is entitled to appoint (for their special expertise etc). These MPs do not have voting rights, so would not restore SWAPO's voting strength to above two-thirds again.

³ Source: Electoral Commission of Namibia (ECN)

⁴ Government of Namibia, Speech by His Excellency Dr. Hage G. Geingob, President of the Republic of Namibia and the SWAPO Party, following victory in the 2019 Presidential and National Assembly Elections, 3 Dec 2019.

⁵ The Conversation Africa, Johannesburg, 6 Dec 2019.

⁶ ECN, Official Announcement of the Final Election Results, 30 Nov 2019.

The ousted MPs included labour minister **Erkki Nghimtina**, safety and security minister **Charles Namoloh**, deputy land reform minister **Priscilla Beukes**, deputy home affairs minister **Maureen Hinde-Mbuende**, and deputy public enterprises minister **Veikko Nekundi**. Namibian political expert **Henning Melba** said Geingob had a choice of whether to reward loyalists or try to win over party opponents:⁷

“People, especially the better informed in urban centres and the central Namibian regions, are no longer loyal to a party and its leaders who make promises without delivery.”

Political commentator **Ndumba Kamwanyah** said it could no longer be “business as usual” as the country is moving from “voting for loyalty to voting on issues. This means the party has to deliver, otherwise it would be voted out.”⁸

Results of 27 November National Assembly elections⁹

Party	Votes	% share	Seats won
South West African People’s Organisation (SWAPO)	536,861	65.5	63
Popular Democratic Movement (PDM)	136,576	16.6	16
Landless People’s Movement (LPM)	38,956	4.7	4
National Unity Democratic Organisation (NUDO)	16,066	1.9	2
All People’s Party (APP)	14,644	1.8	2
United Democratic Front (UDF)	14,644	1.8	2
Republican Party (RP)	14,546	1.8	2
Namibia Economic Freedom Fighters (NEFF)	13,580	1.7	2
Rally for Democracy and Progress (RDP)	8,953	1.1	1
Christian Democratic Voice Party (CDVP)	5,841	0.7	1
South West African National Union (SWANU)	5,530	0.6	1
Total	820,227	100	96
Turnout: 60.4%			

After decades of impotence, Namibia’s opposition parties won a substantially greater support and, with a total 33 MPs, the most they have ever won, may be more effective in holding the ruling party to account. The main winners out of the 15 parties contesting the NA election were the right-of-centre **Popular Democratic Movement (PDM)**, which more than trebled its share of the vote and almost quadrupled its MPs to 16, so remaining the official opposition in parliament, and the **Landless People’s Movement (LPM)**, which won four seats in contesting the election for the first time on a radical platform to expropriate farmland for the benefit of landless Namibians. Its advocacy of the return of so-called ‘ancestral land’ taken during the colonial era won it strong support in Namibia’s southern two regions, where the mainly **Nama** inhabitants believe they have not been allocated a sufficient share of the land purchased by the government under its now suspended “willing-buyer, willing-seller” policy (see *ARC Briefing Namibia November 2019*). The LPM is joined by the even more left wing **Namibia Economic Freedom Fighters (NEFF)**, which espouses policies similar to those of **South Africa’s Economic Freedom Fighters (EFF)** party, and won two seats. Both parties have stressed they will push the government to implement the resolutions passed by the second national

⁷ The Namibian, 3 Dec 2019.

⁸ The Namibian, 3 Dec 2019.

⁹ Source: Electoral Commission of Namibia (ECN)

land conference, including an outright ban on foreign ownership of farmland. LPM MP **Utaara Mootu**, a business and public management graduate from the **University of Namibia (UNAM)**, said she would be “*fearless, bold and unapologetic*” in her pursuit of radical change.¹⁰ SWAPO’s reason for not implementing even limited expropriation is that the constitution bans the acquisition of private assets without fair compensation. This might be overcome if either or both the LPM and NEFF supported changing the constitution to remove this clause as would seem a distinct possibility. The remaining opposition MPs are from a plethora of small parties, four of which have two MPs each, and the rest one.

The large number of regional and international organisations which sent teams to monitor the elections, including the **African Union Election Observer Mission (AUEOM)**, and the **Commonwealth Election Observer Mission (CEOM)**, deemed the polling process to have been broadly fair, and conducted in an atmosphere generally free from intimidation. The ECN was mildly criticised for not engaging more pro-actively with voters and civil society groups to familiarise Namibians better with the use of electronic voting machines (EVMs). The CEOM chair, former **Zambian** attorney general **Musa Mwenye**, said the ECN should engage with electoral stakeholders in a post-election inclusive dialogue on how to resolve the issue of the lack of a voters’ verifiable paper audit trail (VVPAT) ahead of future elections.¹¹ The inadequacies of the current EVMs – voters endured long waits at polling stations because there were either too few machines or some malfunctioned – and the absence of VVPATs are the principal bones of contention for the opposition. Itula, who mounted an unsuccessful last-ditch legal bid to block the use of EVMs in the elections, claimed they had enabled the government and the ECN to rig the elections in favour of Geingob and SWAPO.¹² Some opposition parties, including the PDM, are mulling a legal challenge to the election results; immediately after these were announced, they claimed irregularities by the ECN in counting the votes cast in both elections. Similarly, the LPM’s Swartbooi claimed the EVMs used by the ECN are below standard, with votes increased for Geingob and SWAPO:

“The setup is extremely non-compliant with the rules, as it is prone to security risks and it is not safe.”¹³

‘Fishrot’ perpetrators charged as the scandal rolls on ...

Geingob’s attempts since the elections to draw a line under the so-called ‘**Fishrot**’ scam which caused two cabinet ministers to resign just two weeks before the polls after **Wikileaks** and **Qatari** broadcaster **Al Jazeera** coordinated the publication of leaked documents implicating them in corrupt activities, have not cut much ice with outraged Namibians (see *ARC Briefing Namibia November 2019*). Damaging public criticism by other ministers of those implicated in the affair have fanned the flames and annoyed Geingob. Both ex-ministers, **Bernard Esau** (fisheries and marine resources) and **Sakeus ‘Sacky’ Shanghala** (justice), were arrested during election week and along with four associates were formally charged on 29 November in **Windhoek Magistrates Court** with a variety of offences, including corruption, fraud, money laundering, and contravening the **Fisheries Act**, along with several counts of violating the **Prevention of Organised Crime Act (POCA)**.¹⁴ The other accused are former **Investec Asset Management Namibia (IAMN)** managing director **James Hatuikulipi**, his cousin **Tamsin ‘Fitty’ Hatuikulipi** who is also Esau’s son-in-law, IAMN client manager (currently suspended) **Ricardo Gustavo**, and **Pius ‘Taxa’ Mwatelulo**. The state alleges the six accused received corrupt payments of at least N\$104m (\$7m) in various devious ways from **Icelandic**-owned companies in return for being granted access to Namibian fish resources, via allocating hake mackerel quotas previously held by other firms. The complex fraud could amount to up to N\$2.5 billion (\$169m) in questionable fishing deals and kickbacks. In another twist, the Icelandic-linked **Heinaste**

¹⁰ The Namibian, 2, 4 Dec 2019.

¹¹ The Namibian, 2 Dec 2019.

¹² The Namibian, 8 Dec 2019.

¹³ New Era, 2 Dec 2019.

¹⁴ New Era, 29 Nov 2019, The Namibian 2 Dec 2019.

fishing boat owned by **Esja Fishing**, was impounded by Namibian authorities at the end of November for fishing in a restricted zone off **Walvis Bay** harbour town. Via a **Cyprus**-based affiliate, **Esja Seafood**, the firm is linked to one of the main alleged perpetrators of the fraud, the large Iceland-based fishing company **Samherji**.

The six have been granted bail, with a full trial in the **Windhoek High Court** set to begin early next year. Among specific counts, Esau is charged with corruptly using his position to obtain ‘gratification’ for awarding a quota for up to 55,000 tonnes of horse mackerel to **Nangomar Pesca Namibia** from 2014, in which Shangala, both Hatuikilipis and Gustavo conspired. Gustavo is alleged to have been the sole director of this company, a wholly owned subsidiary of **Angola**-registered **Nangomar Pesca Limitida**, with Angola’s former fisheries minister, **Victoria de Barros Neto** alleged to have been the main shareholder. The five are also charged with soliciting, accepting or agreeing to accept N\$104m from two Icelandic firms, **Mermaria Seafood** and Esja Seafood, to secure a continuous allocation of quotas; defrauding the government by misrepresenting that Esau was authorised by the cabinet to sign a fisheries cooperation agreement with Angola which, instead of being to the benefit of the people of both countries, was for their own enrichment. All six, including Mwatelilo, face money laundering charges for allegedly issuing dummy invoices, with cash transferred between various bank accounts of overseas letterbox companies to conceal or disguise the source of the money.

In his election victory speech, Geingob pledged to intensify the fight against corruption at all levels, so as to stamp out “*this evil*”:

“I would like to pay specific attention to the widely reported corruption in the fishing sector. Corruption diverts resources intended for development and we understand therefore, the anger of many Namibians expressed on the ongoing allegations of corruption in the fishing industry.”¹⁵

Geingob disclosed that the SWAPO politburo took the decision to remove the two MPs implicated – Esau and Shangala – from the National Assembly and remove them from SWAPO’s party list (approved candidates for parliament). At the final cabinet meeting of 2019 on 6 December, Geingob said the actions of a few corrupt individuals had tainted the name of the country and served as a wake up call for the government to redouble efforts to combat the practices.¹⁶ It was subsequently reported that Geingob warned ministers at the meeting who had publicly condemned the scandal to resign if they do not trust the government to handle the matter.¹⁷ Finance minister **Calle Schlettwein** and mines and energy minister **Tom Alweendo** were among those publicly expressing criticism via social media platforms. In a 1 December **Tweet**, Schlettwein said:

“The Al Jazeera video shows a typical case of resource looting from a developing country (Namibia) by a multinational company with the involvement of a few highly placed and influential Namibians. It is criminal. All must be prosecuted.”

Alweendo tweeted on 4 December:

“This scandal is a sign that corruption is more endemic than has been acknowledged, and ‘that we as the government and trustees of public interest need to be more vigilant. Let us demand that the institutions responsible for holding us accountable will leave no stone unturned in their investigations, and ensure that those responsible are held accountable.’¹⁸

... and Kawana promises to help fishing workers get their jobs back

Geingob has given the tough task of restoring confidence in the administration of Namibia’s fisheries sector to shrewd cabinet veteran and justice minister **Albert Kawana**, who is not only acting fisheries minister, but now also has the responsibility for investigating instances of corruption,

¹⁵ Government of Namibia, Speech by His Excellency Dr. Hage G. Geingob, President of the Republic of Namibia and the SWAPO Party, following victory in the 2019 Presidential and National Assembly Elections, 3 Dec 2019.

¹⁶ Namibia Economist, 6 Dec 2019.

¹⁷ The Namibian, 11 Dec 2019.

¹⁸ The Namibian, 11 Dec 2019.

maladministration and nepotism in the sector.¹⁹ Kawana is from the dwindling group of former exiled SWAPO leaders who have dominated the political scene since independence in 1990, and was appointed a minister by Namibia's first president, **Sam Nujoma** (1990-2005). However, at a 9 December media briefing on his new role, Kawana cautioned his inquiries could take years to complete and might involve amending existing fisheries legislation. He intends to propose changes to the **Marine Resources Act** to increase the transparency of allocating fishing rights and subsequent quotas to companies and individuals, currently controlled by the minister. He suggested this would involve publishing the details of planned allocations in the *Government Gazette* so the public could first scrutinise them and lodge objections.

Kawana also disclosed that his investigation would include the state-owned **National Fishing Corp. of Namibia (Fishcor)**. This was allocated a 15-year quota by Esau, worth some N\$1.8 billion (\$120m) in landed catch value, with part of the allocation transferred from other firms, such as the **Russian-Namibian horse mackerel joint venture, Namsov Fishing Enterprises (NFE)**, most of whose workers lost their jobs in consequence. In all, several thousand fishing workers are reported to have lost their jobs because of Esau's decisions (the industry employs some 16,000 in all). Kawana told a mid-December public meeting in Walvis Bay that the government would re-employ the 500-700 former Namsov employees made redundant when the firm closed down in 2018 after losing most of its quota.²⁰ The meeting came a day after an anti-corruption protest march in the harbour town by unemployed fishermen, factory workers and their families. According to the **Namibian Fishing United Association (NFUA)**, repeated appeals to Esau to intervene and save jobs fell on deaf ears. Separately, **Erongo region** governor **Cleophas Mutjavikua** disclosed that he held several meetings with Esau, along with the Walvis Bay mayor and SWAPO regional coordinator, from 2017 onwards, in a fruitless effort to take steps to reverse the loss in fishing job caused by his reallocation of fishing quotas. According to him, most of some 4,500 fishermen who went on strike four years ago lost their jobs as a direct result of the withholding and manipulation of fishing quotas by those implicated in the 'Fishrot' scandal.²¹

BoN holds repo rate at 6.5%

The economy's continued fragility was the principal reason for the **Bank of Namibia (BoN)** (central bank) keeping its repurchase (repo) rate unaltered on 6.5% at its 4 December **Monetary Policy Committee (MPC)** meeting.²² This maintained alignment with South African interest rates as the **South African Reserve Bank (SARB)** (central bank) had opted to hold its repo rate on 6.5% in November. BoN governor **Iipumbe Shiimi** noted that as well as continuing to support the domestic economy, keeping the repo rate unchanged also served to underpin the one-to-one peg of the Namibia dollar to the South African rand. This is crucial to Namibia's economic stability and avoids the potential for any capital flight should both countries' repo rates be out of alignment for a sustained period. This was the reason for Namibia immediately following suit when the SARB reduced its repo rate by 25 basis points from 6.75% in July 2019 (see *ARC Briefing Namibia August 2019*). Otherwise, the BoN might well have opted to cut its repo rate this month to provide a boost to the stalled economy and raise both business and consumer confidence.

Shiimi noted in the central bank's latest Monetary Policy Statement (MPS) that the economy had "*continued to slow*" during the first ten months of 2019, reflecting weak performances by agriculture, mining, manufacturing, construction, wholesale and retail trade. In fact it appears that the economy registered an uptick in Q3 from official data published after the central bank's MPS. But he highlighted one positive development, in the form of increased lending to business, mainly in the financial, real estate, retail and other tertiary service sectors during the period, whereas borrowing by households

¹⁹ The Namibian, 12 Dec 2019.

²⁰ The Namibian, 12 Dec 2019.

²¹ The Namibian, 9 Dec 2019.

²² Bank of Namibia, Monetary Policy Statement, 4 Dec 2019.

slowed. Average annual growth in private sector credit extension (PSCE) during January-October 2019 was 6.8%, up from 6.2% in the same period of 2018.²³

Moody's downgrades Namibia's credit rating another notch...

Two days after the central bank's decision to keep interest rates unchanged, Namibia's sovereign credit rating took another knock, this time from **Moody's Investor Service**, which downgraded the government's long-term issuer and senior unsecured ratings from an already sub-investment grade 'Ba1' to 'Ba2'.²⁴ But Moody's also restored Namibia's outlook to 'stable' from 'negative', to which it had been dropped in December 2016. Moody's said the trigger for its sovereign credit downgrade – which followed a second downgrade by **Fitch** two months previously from 'BB+' to 'BB' – was the economy remaining weaker for longer than anticipated, along with continued high public debt, despite ongoing fiscal consolidation (see *ARC Briefing Namibia October 2019*). Moody's also assessed that Namibia remains exposed to various long-standing depressant factors, including South Africa's subdued growth, potentially lower than expected **Southern African Customs Union (SACU)** revenue and/or renewed depreciation of the South African rand. Moody's said it had raised Namibia's outlook because it believes that policymakers retain some capacity to respond to shocks, helped by moderate liquidity and external vulnerability risk. It commented:

*"Policy effectiveness is also supported by the pegged exchange rate arrangement that promotes stable price competitiveness with South Africa, Namibia's largest trading partner. The arrangement also contributes to stable inflation at moderate levels by preventing sharp swings in the cost of imported goods."*²⁵

In a statement released in response to Moody's rating action, Schlettwein said the downgrade was expected because of challenging conditions locally and globally, and pledged to continue along the path of fiscal stringency and policy reforms:

*"The government reiterates its commitment to a growth-friendly fiscal consolidation and the package of structural reforms to support domestic economic activity, improve business confidence, policy certainty and bring about recovery of the domestic economy and sustainable public debt management."*²⁶

... but the economy performs slightly better in Q3...

Namibia's economic recession may finally be bottoming out. Real GDP contracted by just 0.8% in Q3 of 2019. This compared to 0.4% positive growth in the same quarter of 2018, but nonetheless represented a shallower contraction than that recorded in the first two quarters of 2019, at -3.6% (Q1) and 2.9% (Q2), and in the final quarter of 2019 (-4.2%).²⁷ Even so, the continued negative growth makes it virtually certain that for 2019 as a whole the economy will have stayed in recession. The **Namibia Statistics Agency (NSA)** had only issued the data set and not the accompanying analysis, when this report was published. The bare figures show three crucial sectors – agriculture, mining and construction – performed better in Q3, while real estate and business services maintained strong growth (7.5%) for the second successive quarter. Agriculture and forestry real value-added output rose by 1.5% in Q3, having decreased by 29.3% in Q2 and 8.3% in Q1, amid hopeful signs that the protracted drought of 2018-2019 may at last be drawing to a close. Recent rainfall in northern Namibia has encouraged communal area farmers to plough and sow their fields, with reports that the staple *mahangu* (millet) crop is doing well. *"We are very happy to see the mahangu germinating and this is the sign of a positive yield"*.²⁸ High rainfall during mid-December in northwestern Namibia – **Kunene region** and parts of **Erongo region** – caused non-perennial rivers to flow again, sometimes causing localised flash floods. The construction sector rebounded in Q3, recording 20% growth, following a fractional 0.3% decrease in real value-added output in Q2, and respective contractions of 25.3% and 19.8%, in Q1 and the final quarter of 2018.

²³ Bank of Namibia, Monetary Policy Statement, 4 Dec 2019.

²⁴ Moody's Investor Services, 6 Dec 2019, Namibia Economist, 9 Dec 2019.

²⁵ Namibia Economist, 9 Dec 2019.

²⁶ Namibia Economist, 9 Dec 2019.

²⁷ National Statistics Agency, Gross Domestic Product, Third Quarter 2019, Data Set.

²⁸ New Era, 6 Dec 2019.

Despite lower rough diamond output, overall mining real value-added contracted by a more modest 8.2% in Q3, compared to a 29.3% decrease in Q2 (see *ARC Briefing Namibia October 2019*). However, this was still a sharper fall in real value-added output than in Q1 (-5.9%) and in the final quarter of 2018 (-1.2%), while in the same quarter of 2018 the sector had recorded 12.1% positive growth. Diamond recoveries will likely have remained depressed in Q4, having fallen by 17% in the first nine months of this year, mainly due to the suspension of mining operations at the **Elizabeth Bay** mine (which was subsequently sold), and falling output at the other onshore mines operated by the 50:50 government/**De Beers**-owned **Namdeb Holdings** where production fell by a third during the period. Output for 2019 as a whole is unlikely to exceed 1.7m carats, down from a post-independence record of just over 2.0m carats last year. In a bid to prolong land-based mining beyond 2023, Namdeb has begun talks with the government on reducing the currently high tax and royalty rates, which it says renders continued mining beyond that date uneconomical. The firm currently pays 55% diamond profits tax plus a 10% royalty on turnover. Namdeb chief executive **Riaan Burger** said he was confident that the government would grant the company a waiver, particularly with regard to the royalty:

“While that may be conducive or viable for new diamond operators, it might not be conducive to an aging mining asset like Namdeb.”²⁹

Both gold and uranium mining output expanded in Q3. The **Otjikoto** mine in north-central Namibia produced 49,411 ounces of gold, 17% higher than in the same quarter of the previous year. This was due to resumed mining of higher-grade ore at the **Wolfshag** open pit. Wolfshag contains a probable mineral reserve of 440,000 ounces grading 2.3 grams/tonne of gold, compared to 480,000 ounces grading 1.26 gr/t at Otjikoto pit.³⁰ There are no company published quarterly uranium production figures since **Anglo-Australian** resources group **Rio Tinto** sold its 68.6% majority equity interest in the **Rössing** mine to **China National Nuclear Corp. (CNNC)** in mid-July (see *ARC Briefing Namibia July 2019, October 2019*). Like **China General Nuclear (CGN)**, the 90% owner of the **Husab** uranium mine, CNNC does not publish quarterly output data. But in its Q3 production report, Rio Tinto stated that Rössing output for the just over two-week period to 16 July (when the sale to CNNC took effect) was 112 tonnes of uranium oxide.³¹ If this level was maintained, Q3 output would have been 670 tonnes, slightly higher than a year earlier (657 tonnes). Husab mine production is continuing to ramp up but it is not known if the target of producing 5,000 tonnes in 2019 is on track as there have been several labour disputes this year.

Real GDP growth Q3 2019³²			
(% change)			
	2019		2018
	Q3	Q2	Q3
Agriculture	1.5	-29.3	2.3
Fishing	1.4	2.9	3.6
Mining & quarrying	-8.2	-24.5	12.5
Manufacturing	0.3	5.6	-1.3
Construction	20.0	-0.3	-16.3
Electricity & water	18.9	3.8	7.7
Wholesale & retail trade	-5.4	-1.8	-9.7
Hotels & restaurants	2.9	0.2	-3.6

²⁹ Reuters, 21 Nov 2019.

³⁰ B2Gold Announces Strong Third Quarter and Year-to-Date 2019 Results, 5 Nov 2019; B2Gold website, Projects, Otjikoto Mine-Namibia..

³¹ Rio Tinto, Third quarter operations review, 16 Oct 2019.

³² Namibia Statistics Agency, Gross Domestic Product Second Quarter 2019.

Transport & communication	-3.3	-1.6	-2.9
Financial services	1.5	0.8	-1.7
Real estate & business services	7.5	7.0	-0.8
Public administration & defence	0.8	-1.3	3.0
Financial intermediation services indirectly measured	n/a	n/a	n/a
All industries	-0.7	-3.3	0.9
Taxes less subsidies on products	-1.8	1.6	-4.9
GDP at market prices	-0.8	-2.9	0.4

... while revised data shows GDP grew marginally in 2018

The final version of the 2018 national accounts published by the NSA in mid-December, sprung a surprise. Whereas the preliminary version published in March showed the economy had contracted fractionally, by 0.1%, this has now been revised to marginal positive growth of 0.3%. While GDP is still shown as having contracted in 2017, this has now been slightly reduced, from -0.9% originally, to -0.7%.³³ This means that the economy deteriorated more sharply this year compared to last than had previously been evident, given the first three quarters of 2019 have all recorded negative economic growth (see above). The worsening economic performance in fact began in Q4 2018, when the GDP contracted by 4.2%, having been in positive territory for the first three quarters of the year. The main factor in the worsening growth performance in 2019 has been the protracted drought, which caused agricultural real value-added output to contract by 37% in the first two quarters of 2019, along with a weaker mining sector, which suffered a 31% fall in output during the same period, mainly due to lower diamond production.

The NSA has made substantial revisions to the real value-added output of only a few economic sectors. Although mining output has been revised down to 16.0% from 22.0% previously, the contraction in construction is now put at only -5.4%, compared to -18.3% previously, while hotels and restaurants (a proxy for the tourism industry) recorded fractional output growth of 0.4% compared to a 9.4% contraction originally. Growth in real estate activities have been revised up to 2.7% from 1.3%, and government services (which contributed just over 25% of GDP at current prices in 2018) contracted by only 0.2% last year, not 1.3% as originally estimated. These combined changes were sufficient to make overall economic growth just positive in 2018, rather than negative as previously estimated.³⁴

Inflation dips to only 2.5% in November

The year-on-year (y/y) inflation rate continued to fall in November, slowing for the third successive month to 2.5%, the lowest level recorded by the **Namibia Consumer Price Index (NCPI)** since June 2015 (2.9%).³⁵ This was also well below South Africa's 3.6% y/y inflation rate in November. The last time y/y inflation was below this level was over eight years ago, when it clocked in at 1.2% in February 2011 and 1.9% in January 2011. Y/y inflation was 3.1 percentage points lower in November than a year previously (5.6%), while 12-month average inflation further decelerated to 3.9% (from 4.2% in October). The differential between goods and services' inflation rates widened again, with prices for goods coming in at 1.7% (down from 2.7% in October), with prices for services rising by an unchanged 3.4%.

Once again, the key factors restraining inflationary pressures were the continued weak domestic consumer demand and global oil price, accompanied by stability in the foreign exchange value of the

³³ Namibia Statistics Agency, Annual National Accounts 2018.

³⁴ Namibia Statistics Agency, Annual National Accounts 2018.

³⁵ Namibia Statistics Agency, National Consumer Price Index, Nov 2019.

South African rand, to which the Namibia dollar is linked at par. The docile oil price has enabled the government to continue a freeze on domestic fuel prices into December. Global prices in fact spurted upwards on 13 December to a three-month high, despite market fundamentals for any sustained rally remaining bearish. This reflected reports that a so-called phase one trade deal between **China** and the **United States** looked imminent. The benchmark **Brent** crude price traded up by 1.6% on the day to \$65.22 per barrel. But a leading energy newsletter cautioned:

*“While a partial deal could boost oil demand growth, oversupply continues to be a source of concern, with the [Paris-based intergovernmental organisation] **International Energy Agency (IEA)** warning, again, that a glut is looming next year.”³⁶*

Windhoek stockbrokers **IJG Namibia** noted that:

“Inflationary pressure in Namibia remains low as gloomy domestic economic conditions translates to muted demand for both goods and services. IJG’s inflation model forecasts an average inflation rate of 3.8% y/y in 2019 and 3.5% y/y in 2020. The largest upside risk to this forecast is higher food costs as the drought affects local food production.”³⁷

The main contributor to November’s lower inflation was a sharp fall in transport inflation (NCPI weighting of 14.3%) to just 0.1%, down from 1.5% in October and 13.8% a year earlier. This reflected both the impact of low oil prices on the cost of operating personal transport, which fell by 0.2%, compared to a 15.4% increase a year earlier, and of exchange rate stability on vehicle purchases, with price rises slowing to 3.1%, down from 6.9% a year previously.³⁸ Inflation for housing and utilities (heaviest NCPI weighting at 28.4%), was unchanged from October at 1.9%, down from 3.7% a year earlier, with electricity, gas and other fuel prices recording a further decrease of 0.8%. The main inflation drivers – for a fifth successive month – were food and non-alcoholic beverages (16.5% weighting), although price increases decelerated to 2.9% y/y from 4.0% in October, along with alcoholic beverages and tobacco (12.6% weighting), where inflation also slowed 2.7%, down from 3.9% in October. Food inflation (excluding beverages) slowed to 2.9% from 4.1% previously; price rises for bread and cereals, the main food staple, eased further to 2.3% (from 4.4% previously), while fruit prices decelerated to 14.0% (14.5% in October). In contrast, vegetable prices rose by 14.4% (up from 12.8%).³⁹

Looking back at 2019 ...

The year was one of the most difficult in Namibia’s post-independence history, both politically and economically, although the country continued to be strife-free. Namibia enjoys good bilateral relations with all its neighbouring countries (Angola, Zambia, **Botswana** and South Africa) and regionally via the **Southern African Development Community (SADC)**. President Geingob remained under pressure to implement the resolutions of the October 2018 second national land conference more speedily, even before the grass roots activist group, the Landless People’s Movement (LPM), turned itself into a political party early in the year so it could contest the November 2019 presidential and National Assembly (NA) elections. The growing public distrust with the ruling SWAPO party over ongoing official corruption and continued sales of valuable commercial farmland to wealthy foreigners notched up further with the exposure of extensive malpractice and fraud by two government ministers, both political allies of Geingob, in the allocation of lucrative sea fishing catch quotas two weeks before the polls. In the event, Geingob was returned for a second five-year term, but his narrow win against a popular ‘independent’ presidential candidate who in fact was a member of the anti-Geingob faction in SWAPO, and ruling party’s substantial loss of seats in the NA election, has left him with much reduced political authority.

³⁶ Oilprice.com (online), 13 Dec 2019.

³⁷ IJG Namibia, NCPI-November 2019.

³⁸ Namibia Statistics Agency, National Consumer Price Index, Nov 2019.

³⁹ Namibia Statistics Agency, National Consumer Price Index, Nov 2019.

Economically, 2019 was a year to forget. Real GDP contracted for the first three quarters of the year, reflecting depressed consumer demand, reduced agriculture and mining output, while the protracted drought put further pressure on poorer rural households, with one-third of the population officially estimated to be on government food relief programmes by year-end. Rising unemployment, especially among Namibian youth where it is estimated to exceed 50%, and the mounting numbers living in informal settlement shacks, especially around Windhoek, contributed to the bleak picture. While the government ploughed on with its fiscal consolidation strategy, it failed to take decisive action to reduce the public sector payroll and public debt continued to rise. Because of this and the weak economy, Namibia's sovereign credit rating was twice downgraded by global credit rating agencies. The IMF's mid-year Chapter IV consultation report made it clear the government had to proceed more effectively with structural reforms to strengthen government capacity, including tackling the problem of loss-making parastatals. The economy remains largely dependent on the large-scale export of mineral products, and Chinese state-owned nuclear power companies now dominate the uranium sector following the sale by **Rio Tinto** of the **Rössing** mine to China National Nuclear Corp. (CNNC) in July for just over \$100m. Although the government retains ultimate control via its ownership of a majority of the voting rights in **Rössing Uranium Ltd (RUL)** and the **Namibia Competition Commission (NCC)** imposed certain conditions in return for permitting the transaction, **Beijing** is effectively in control of one of the country's most important strategic mineral resources.

What to watch for in 2020 ...

Three issues will dominate the first year of Geingob's second term in office: official corruption, especially in the fishing sector where experienced justice minister, Albert Kawana has promised overdue reforms; how the government copes with more effective scrutiny of its policies by the stronger opposition in parliament and greater pressure to roll out faster redistribution of commercial farms without lowering agricultural productivity. Most larger farms are for cattle and sheep and need to be farmed as one unit to be efficient, limiting the number of Namibians who can be resettled, a factor that has been belatedly recognised by the government, along with the need for more support for those resettled. The LPM, with four MPs in the new parliament, will spearhead efforts to push the government in the direction of expropriating some farms to achieve resettlement goals. One aspect to watch for is whether the government will invoke its support, along with that of the two Namibian Economic Freedom Fighters (NEFF) MPs, to ensure the necessary two-thirds majority to amend the constitution to allow this. Any such move is bound to be strongly opposed by the pro-business Popular Democratic Movement (PDM), by far the biggest opposition party with 16 MPs.

The third, and potentially most crucial challenge for the re-elected SWAPO government is to maintain fiscal stability while promoting pro-growth policies, to lift the economy out of stagnation and create more jobs. It has few available tools to achieve this, as spending more government money will only raise the budget deficit and public borrowing, making it even more difficult to ensure an upgrade in Namibia's sovereign credit rating, which is a key priority according to the finance minister, Calle Schlettwein, who seems likely to retain his job in the March cabinet reshuffle. The independent central bank will be unable to cut interest rates to provide an economic stimulus in the absence of monetary policy loosening by South Africa's central bank, which currently seems unlikely before mid-2020 although that may change if South Africa's economic growth continues to languish. The crucial requirement is for the government to grasp the nettle of real cuts in recurrent – as opposed to capital/development – expenditure, which was unwisely pared down in last year's 2019/20 mid-year budget review, by shrinking the public sector payroll and ending costly subsidies to loss-making parastatals. The IMF has long called for such measures, although as Namibia is not a borrower, it has recommendatory influence only; however, Namibia does need to meet some structural reform targets to maintain its eligibility for the concessional funding facility negotiated two years ago with the **African Development Bank (AfDB)**. But with a reduced parliamentary majority and continued high unemployment it is questionable whether SWAPO has the political will to take on the public sector unions by imposing job cuts, although the albatross of **Air Namibia** may finally be cut adrift. This

means the 2020/21 budget, due in March, will be a more than usually crucial guide to the government's policy priorities.

Planner

11 Feb 2020 **Windhoek (Namibia) Bank of Namibia** Monetary Policy Committee meeting;
4 Mar 2020 **Windhoek (Namibia) Hage Geingob** formally appointed as head of state;

Chronology

14 Dec 2019 **Windhoek (Namibia) The Namibian**. Ministry of environment and tourism says rhino poaching dropped to 41 rhinos killed in 2019 so far, compared with 72 during the same period last year;

13 Dec 2019 **Windhoek (Namibia) IHS Markit**. Real GDP contracted 0.8% year on year in the third quarter of 2019 and 2.4% year on year during the first nine months of 2019 due to dismal domestic demand conditions and fiscal consolidation;

13 Dec 2019 **Windhoek (Namibia) BBC Monitoring**. Home affairs commissioner for refugees **Likus Valombola** says 42 immigrants who report to have fled **South Africa** due a recent wave of xenophobic attacks were being turned away because they are not recognised as asylum seekers;

12 Dec 2019 **Windhoek (Namibia) Namib Times**. State utility provider **NamPower** board chairperson **Kauna Ndilula** says **Namibia** has set aside \$1 billion to create generation and supply power;

12 Dec 2019 **Windhoek (Namibia) Namib Times**. State water utility **NamWater** says dams nationwide were at 19.3% of capacity compared to 35.6% this time last year due to the worst drought in more than 100 years;

12 Dec 2019 **Windhoek (Namibia) The Namibian**. Telecommunications equipment provider **PowerCom** says it will erect 19 network towers countrywide next year to improve internet connectivity;

11 Dec 2019 **Windhoek (Namibia) The Namibian**. **Mineworkers Union of Namibia** says it will capitalise on 25% share ownership in their investment vehicle **Nammic** to invest in a venture capital that will earn its members additional income and shield them further from job losses;

2 Dec 2019 **Windhoek (Namibia) Namib Times**. Prosecuting authorities say former justice minister **Sakeus Shanghala** and fisheries minister **Bernardt Esau**, along with two former employees of **South Africa**-based **Investec**, implicated in **Namibia's** biggest corruption scandal will remain in police custody until 20 February;

30 Nov 2019 **Windhoek (Namibia) The Namibian**. **Electoral Commission of Namibia** announces that incumbent President **Hage Geingob** won the 2019 presidential election with 56.3% of the vote;

28 Nov 2019 **Windhoek (Namibia) Namib Times**. President **Hage Geingob** and his ruling party **SWAPO** hold an early lead as the **Electoral Commission of Namibia** continues to count votes in the presidential election;

27 Nov 2019 **Windhoek (Namibia) Namib Times**. **Namibians** vote in presidential and national assembly elections while the ruling party **South West Africa People's Organisation** faces a rare challenge to its dominance due to a recession and an ongoing corruption scandal;

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