

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing May 2019

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#### Namibia Summary 24 May 2019

*President Hage Geingob (2015-present) declares a state of emergency in response to the worsening drought. The mines and energy minister rules out state shareholdings in mining firms but urges investors to facilitate local shareholdings. The Chamber of Mines rejects local press claims that mining firms have enjoyed a tax holiday. Namibia's current account deficit narrows in 2018 as faster growth in exports reduced the merchandise trade deficit. Inflation remains unchanged at 4.5% in April, but new data shows inflation is much higher in Windhoek than in the rest of the country. Rössing Uranium views the transfer of majority share ownership to China National Nuclear Corp (CNNC) subsidiary China National Uranium Corporation (CNUC) as a positive development. De Beers Marine Namibia (Debmarine), Namdeb's deepsea mining arm, orders its seventh and largest diamond production vessel yet. Illicit timber felling and exports are going largely unchecked.*

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#### A national drought emergency is declared ...

President **Hage Geingob** (2015-present) officially declared a state of emergency on 6 May due to a worsening drought that has resulted in the loss of thousands of animals in the past eight months.<sup>1</sup> The government is providing N\$573m (\$41m) to assist drought-affected farmers and vulnerable citizens. This is the fifth time in six years that the government has called a state of emergency due to drought. While **Namibia National Farmers Union (NNFU)** president **Jason Emvula** welcomed the declaration, he noted that his organisation, whose members are predominantly subsistence and small-scale commercial farmers, had been trying for months to get a state of emergency declared. Although the drought has affected both livestock and cereal crops, cattle have been the main victims. The government's latest food security update estimated that 64,000 animals (mainly cattle) had died since last October, with **Erongo** and **Kunene** regions the worst affected. Several regional governors have described the current drought as worse than the two previous ones in 2016 and 2013.<sup>2</sup>

Prime minister **Saara Kuugongelwa-Amadhila** set out the drought situation and relief package a few days later in the **National Assembly (NA)**.<sup>3</sup> The main relief measures include food assistance, provision of water tanks, and livestock marketing incentives. Drought-affected areas will receive fodder, and livestock owners will receive subsidies to transport livestock to and from grazing areas. Farmers will also get financial assistance to lease suitable grazing areas. Kuugongelwa-Amadhila said the drought had resulted from extremely low rainfall and high temperatures in the first half (October to December) of the 2018/19 rainy season.<sup>4</sup> This delayed the start of crop cultivation and caused the mass wilting of crops during the critical stages of germination, flowering and grain formation. Subsequent rainfall continued to be low.

Although household food security in most crop growing areas (northern and north-central **Namibia**) is currently viewed as satisfactory due to good harvests in the 2016/17 and 2017/18 cropping seasons, Kuugongelwa-Amadhila warned that the position is expected to worsen given the prospect of a poor harvest in 2018/19 season. Cereal production is estimated to have fallen by 70-80% in

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<sup>1</sup> The Namibian, 7 May 2019.

<sup>2</sup> The Namibian, 7 May 2019.

<sup>3</sup> New Era, 8 May 2019.

<sup>4</sup> New Era, 8 May 2019.

communal farming areas and by 15% in commercial crop-growing areas compared to the 2017/18 harvest. Kuugongelwa-Amadhila said the whole country will record a substantial reduction of at least 53% below last year's harvest and over 42% below the 20-year average production:<sup>5</sup>

*"Most regions are experiencing water shortage, as most of the rain-fed catchments are either dry or have little water owing to insufficient water inflow received this season. It is clear that livelihoods of the majority of Namibians, especially those that depend on agricultural activities, is threatened by lack of foodstuffs."*<sup>6</sup>

Although MPs from all parties welcomed the aid package, there has been criticism of a cabinet proposal that Namibians should voluntarily donate 2% of their basic monthly salaries, including those in political office, as a once-off contribution to drought relief. Geingob suggested the measure during his annual **State of the Nation Address (SONA)** in April. A spokesperson for the prime minister's office, **Saima Shaanika**, said cabinet members had already committed to making the donation for one year with public sector workers also being canvassed about the proposal. The response of some union officials was hostile – **National Union of Namibian Workers (NUNW)** secretary general **Job Muniaro** said he could not support the proposal as Namibians were suffering from the extreme drought conditions and many could not afford to feed their families.<sup>7</sup>

Whilst the drought directly affects rural Namibians the most, water shortages are also going to affect towns and urban-based industries, delivering a further blow to the already weak economic growth prospects this year. **Windhoek** is introducing stricter water-saving measures from 1 June because of the drought and insufficient supply by the state-owned **NamWater** utility, which operates the bulk supply network fed by dams. **Windhoek Municipality** CEO **Robert Kahimise** said NamWater would only be able to supply the capital city with 163,000 cubic metres per week, against average weekly demand of 539,000 cubic metres.<sup>8</sup>

### **Alweendo rules out state ownership of mining industry**

In his keynote opening speech to the 8-9 May **Mining Expo** conference, reformist-minded mines and energy minister **Tom Alweendo** reassured investors that the government had no intention to acquire shareholdings in operating mines for the state (see *ARC Briefing Namibia April 2019*).<sup>9</sup> He acknowledged widespread calls from many Namibians that the government should acquire shareholdings in mining firms, on the basis that economic benefits from mining are not being shared equitably (despite widespread spending on training, social and community programmes by the largest mines). Noting the government was undertaking a public consultation, Alweendo said:

*"There is a legitimate expectation for local ownership and the sooner we address this concern, the better it is for the future sustainability of the mining sector ... We do not currently believe that government direct ownership in mining companies is the best solution to cure the problem of the lack of local ownership."*<sup>10</sup>

Geingob announced in 2018 the scrapping of the original provision in Namibia's proposed **National Equitable Economic Empowerment Framework (NEEEF)** law for a compulsory 25% stake in all local firms for empowerment entities or individuals, although the final draft has still to be published (see *ARC Briefing Namibia April, March 2018*).

Alweendo noted that so far, five of Namibia's 16 operational mining firms are 100% foreign-owned and while eleven had some level of local shareholdings, none exceeded 20%.<sup>11</sup> The sole exception is the government/**De Beers** 50:50 ownership of gem diamond producer **Namdeb Holdings** (see

<sup>5</sup> New Era, 8 May 2019.

<sup>6</sup> New Era, 8 May 2019.

<sup>7</sup> The Namibian, 23 May 2019.

<sup>8</sup> The Namibian, 13 May 2019.

<sup>9</sup> New Era, 9 May 2019.

<sup>10</sup> New Era, 9 May 2019.

<sup>11</sup> New Era, 9 May 2019.

below). Alweendo admitted that financing local ownership was one of the most difficult aspects, but concluded:

*“It is doable when well-aligned groups of local entrepreneurs, in collaboration with government-initiated funding programmes, approach the capital markets – both local and foreign – with well-prepared funding proposals.”<sup>12</sup>*

### CMN refutes claim mines paid too little tax

The **Chamber of Mines of Namibia (CMN)** has rejected a local newspaper claim that mining firms received a “*tax honeymoon*” from the government and has asked the finance ministry to review mining companies’ financial situations.<sup>13</sup> **The Namibian** daily newspaper published an article in which it estimated (based on CMN figures) that non-diamond mining companies had sold minerals worth N\$85 billion (\$6.1 billion) between 2012-17, while only N\$1 billion (\$71m) had been paid in corporate tax during the five-year period. The newspaper added this implied a taxable profit of only N\$3 billion (\$0.2 billion) had been made, partly because the beneficial owners of some companies were registered in offshore tax havens, thus limiting tax liabilities. In contrast, Namdeb had paid N\$10 billion (\$0.7 billion) in corporate tax over the period, on sales of N\$61 billion (\$4.4 billion). Responding to the claim, the CMN accused the newspaper of “*gross contextual and factual misrepresentations*”.<sup>14</sup> The CMN maintained it was not appropriate to compare corporate tax paid with gross earnings or revenue, since taxes were paid on net taxable profits, which were inevitably less. The CMN said looking at corporate tax paid was too narrow a focus and that, on average, 20% of the gross revenue and 50% of the profit generated by the mining sector is paid to the government in one form or another. The CMN has requested the finance ministry and Namibia’s receiver of revenue to review each mine’s finances “*to dispel such harmful rumours once and for all*”.<sup>15</sup>

### A smaller foreign trade deficit narrows the current account deficit

Exports grew faster than imports last year, which resulted in the merchandise trade deficit decreasing by close to \$1.5 billion, down by almost 14% from 2017, and the lowest for six years.<sup>16</sup> As the year’s average foreign exchange rate of the **South African** rand/Namibia dollar to the US dollar was almost unchanged in 2018 from the previous year, the US dollar-denominated annual figures are directly comparable. Total export earnings rose by 12% to \$4.2 billion, of which the largest share comprised manufacturing, including processed fish, beverages (beer), refined zinc and smelted copper, at \$1.7 billion (+3%), other mineral products, including uranium, at \$1.1 billion (+32%), and rough diamonds at \$0.8 billion (+13%). Import growth slowed to 4%. Of total imports worth \$5.7 billion, the biggest components were consumer goods, \$1.4 billion, mineral fuels and oils, \$0.9 billion.<sup>17</sup> In 2018 the **Eurozone** was the top export market (29%, mainly fish and uranium), followed by South Africa (22%, gold for refining, live animals, beer and fish) and **Botswana** (15% – rough diamonds are sent to **Gabarone** for sorting into the final mix for sale to De Beers clients). South Africa was the largest source of imports (65% – mainly consumer goods and vehicles), followed by China (7%, mainly machinery and mechanical appliances) and the Eurozone (mineral products and vehicles).<sup>18</sup>

The positive services balance almost doubled due to higher net travel receipts, with reduced net outflows on the primary services sub-account, including investment income. This was mainly because of lower income payments (particularly dividends) to foreign direct investors. In contrast, Namibia’s net secondary income surplus decreased, reflecting a 1% reduction in **Southern African Customs Union (SACU)** receipts. The current account deficit narrowed to -\$303m, down by more than half on 2017.

<sup>12</sup> New Era, 9 May 2019.

<sup>13</sup> The Namibian, 9 May 2019.

<sup>14</sup> The Namibian, 9 May 2019.

<sup>15</sup> The Namibian, 9 May 2019.

<sup>16</sup> Bank of Namibia, Annual Report 2018

<sup>17</sup> Bank of Namibia, Annual Report 2018

<sup>18</sup> Bank of Namibia, Annual Report 2018

Namibia's current account 2017-2018 (\$m) <sup>19</sup>			
	2018		2017
	\$m	% change	\$m
Exports	4,211	12.3	3,751
Diamonds	842	12.9	746
Other minerals incl uranium	1,104	32.4	834
Manufactures incl processed fish	1,693	2.6	1,650
Food and live animals	333	14.8	290
Imports	-5,746	4.0	-5,525
Consumer goods	1,445	0.1	1,443
Mineral fuels and oils	904	35.3	668
Trade balance	-1,535	-13.5	1,774
Services (net)	105	138.6	44
Travel (net)	327	21.1	270
Primary + investment income (net)	-276	-26.0	-373
Secondary income (net)	0.6	14.3	0.7
of which SACU receipts	1,355	-1.0	1,369
<b>Current account</b>	<b>-303</b>	<b>56.3</b>	<b>-693</b>

### Windhoek inflation is above the national average

The **National Consumer Price Index (NCPI)** showed an unchanged 4.5% year-on-year (y/y) inflation rate for April compared to the previous month, although this remained almost one percentage point higher than a year earlier (3.6%).<sup>20</sup> But 12-month average inflation to April 2019 slowed to 4.6%, down from 4.9% in the preceding two months. For the first time, the **Namibia Statistics Agency (NSA)** has published figures for its zonal consumer price series. This shows the rate of inflation for each of three geographic zones, into which all 14 of the country's administrative regions are grouped, based – as with the NCPI – on the expenditure patterns of urban and rural households for all income groups as derived from the periodic **Namibia Household Income and Expenditure Survey (NHIES)**. In April, the y/y inflation rate for Zone 1 (northern Namibia, nine regions) was below the national average at 3.8%, that for Zone 2 (**Khomas region**, which includes Windhoek) was 5.0%, and that for Zone 3 (southern/eastern/western Namibia including Walvis Bay/**Swakopmund**, four regions), 4.8%. Given the much higher average disposable income levels of the capital and its surrounding area it is no surprise that Zone 2 inflation is both the highest and above the national average (as is Zone 3, where there is substantial mining and fishing industry employment). Zone 2 inflation was two percentage points higher than a year earlier (3.0%), whereas Zone 3 inflation was unchanged on a year earlier, and Zone 1 inflation only slightly higher.

By sector, transport inflation came in highest at 7.1%, up from 7.0% in March, due mainly to prices for public transport services spiking up by 20.1%, while other sub-sectors (vehicle purchases and operation of transport equipment) were largely unchanged; domestic fuel prices were not raised in April. Transport has the third biggest weighting in the NCPI basket of goods and services at 14.3%. In contrast, price rises for food and non-alcoholic beverages (16.5% weighting) slowed to 5.5% from

<sup>19</sup> Namibia Statistics Agency, Preliminary Annual National Accounts 2016

<sup>20</sup> Namibia Statistics Agency, National Consumer Price Index. April 2019.

5.8% in March, with bread and cereal prices up by 9.0% compared to 9.9% in March. Inflation for housing, utilities and fuels, the biggest NCPI component with a 28.4% weighting, was only fractionally higher than in March at 2.2%.<sup>21</sup>

Inflation could trend downwards in coming months following this month's approval by the **Electricity Control Board (ECB)** of an application by the state-owned utility **Namibia Power Corp. (NamPower)** for a 2.5% decrease in its bulk electricity tariff.<sup>22</sup> This is paid by regional electricity distributors (REDs), regional councils, local authorities and mines. The increase comes into effect on 1 July and will reduce the tariff from N\$1.69 (\$0.12) to N\$1.65 (\$0.12) per kilowatt hour, which in the case of large bulk users (such as the major mines) will reduce costs considerably. Individual consumer tariffs are likely to remain unchanged, taking into account adjustments in distribution costs of suppliers to end-users, although ECB chief executive officer **Foibe Namene** said the bulk tariff reduction will be taken into account when distributors apply for a review of their tariffs.

Global oil prices have temporarily stabilised after the **Organisation of Petroleum Exporting Countries (OPEC)** took no action to raise output at its latest meeting in **Vienna (Austria)** on 21 May, despite the ongoing **US-Iran** geopolitical tensions and the downside risk of the **US-China** trade/tariff war. **Brent** crude was \$72 per barrel on and **West Texas Intermediate (WTI)** \$63 per barrel on 22 May, almost unchanged on a month earlier, for June 2019 and July 2019 contracts respectively.<sup>23</sup> But inflationary pressures could ramp up again if a recent fall in the foreign exchange value of the South African rand (to which the Namibia dollar is linked at par) continues. The rand's value against the US dollar was US\$1.00=ZAR14.38 on 22 May, compared to US\$1.00=ZAR14.07 as of 18 April, a 2.2% depreciation, raising the cost of Namibian imports.<sup>24</sup>

### Rössing MD welcomes Chinese ownership

**Rössing Uranium Ltd (RUL)** managing director **Richard Storrie** believes that the pending acquisition of a majority 46.8% shareholding by **China National Nuclear Corp. (CNNC)** subsidiary **China National Uranium Corporation (CNUC)** from **Anglo-Australian** resources group **Rio Tinto** is "a positive development for the mine" (see *ARC Briefing Namibia December 2018*).<sup>25</sup> Storrie spoke extensively about the prospect at a 6 May press conference in Windhoek, where he presented RUL's 2018 annual report to stakeholders "Moving Forward with Confidence", which showed that both sales revenue and net profit had increased, compared to 2017, despite "challenging operating conditions". According to Storrie, the sale remains on track for completion by mid-2019, with the only regulatory approval still outstanding that of the **Namibia Competition Commission (NCC)**.<sup>26</sup> The NCC is unlikely to withhold consent, even though the transaction will result in both Namibia's operating uranium mines becoming majority Chinese-owned.

Under last November's Rio Tinto/CNNC binding agreement, the Chinese state-owned utility will pay a maximum \$106.5m for a majority stake, with the \$100m post-completion 'contingent payment' linked to uranium spot prices and the mine's net income during the next seven calendar years. Other shareholders will be unaffected by the transaction. They include the Namibian government with a 3% equity stake but a blocking 51% of the voting rights, **South Africa's Industrial Development Corp. (IDC)** with 10%, and the government of Iran with 15% (described by Rössing as a legacy, passive investor). The shareholders do not have uranium offtake rights, and both Rio Tinto and the Namibian government have strongly refuted occasional claims in the global media that Iran had obtained its first uranium for enrichment from Rössing.

<sup>21</sup> Namibia Statistics Agency, National Consumer Price Index, April 2019.

<sup>22</sup> New Era, 7 May 2019.

<sup>23</sup> Oil price.com (online), 22 May 2019

<sup>24</sup> XE Currency Converter (online), 22 May 2019

<sup>25</sup> The Namibian, 7 May 2019; Rössing Uranium Ltd, Moving Forward with Confidence, Report to stakeholders 2018.

<sup>26</sup> The Namibian, 7 May 2019; Rössing Uranium Ltd, Moving Forward with Confidence, Report to stakeholders 2018.

Storrie said the transfer would facilitate Rössing's uranium sales into "a vertically-integrated off-taker in the Chinese nuclear market...in particular with the strongest player in that market".<sup>27</sup> With many of Rössing's existing long-term higher-priced contracts with utilities due to expire soon, Storrie cautioned that Rössing will have a large exposure to the spot market for the next year. The global spot price has declined by about 14% this year, from \$28.70 per pound U3O8 as of 14 January, to \$24.65 per pound as of 20 May.<sup>28</sup> Industry sources say little change is expected until a decision by **United States (US)** President **Donald Trump** (2017-present) (due by 15 July) on the recommendations (so far unpublished) of a **US Department of Commerce** investigation (under Section 232 of the **Trade Expansion Act of 1962**) into the impact of uranium imports on national security. This was triggered by the January 2018 filing by two US uranium producers seeking a quota to limit alleged, unfairly cheap yellowcake imports. If implemented, this would effectively reserve a portion of the US market for domestic production. **North American** utilities remained Rössing's biggest market in 2018, accounting for 45% of sales, followed by **Europe, Middle East and Africa** at 23%, **Japan**, 21% and **Asia** 11%, with the latter's share set to expand as the mine sells more of its output to China.<sup>29</sup>

With the nearby **Husab mine** (owned 90% by **China General Nuclear (CGN)**) having ramped up production to over half its design capacity of 15 million pounds (6,800 tonnes) of uranium oxide, Rössing is no longer Namibia's biggest yellowcake mine. Namibia was the fourth biggest uranium producer globally in 2018, with total output of some 6,550 tonnes U3O8; Husab production more than doubled to 3,580 tonnes, Rössing output rose by 17% to 2,480 tonnes and **Langer Heinrich (Paladin Energy 75%, CNNC 25%)** produced 490 tonnes before being placed on care-and-maintenance in mid-year.<sup>30</sup> Rössing's financial situation improved last year, showing Rio Tinto is handing over a viable asset to CNUC. Turnover increased by 5% to N\$2.8 billion (\$0.2 billion), due to a higher realised sales price and a more favourable foreign exchange rate. Cost savings enabled a N\$167m (\$12m) net profit, up from only N\$1.9m (\$0.1m) in 2017.<sup>31</sup>

### Debmarine expands its diamond mining fleet

**De Beers Marine Namibia (Debmarine)**, Namdeb's deepsea mining arm, has ordered a new, large production vessel from the **Netherlands**-based company **Damen Shipyards**, where work on the 177-metre-long ship is already underway.<sup>32</sup> The ship is a crawler diamond recovery vessel, whereas all but one of the existing fleet are vertical drill ships. It will cost N\$7 billion (\$538m) and will be Debmarine's first custom-designed mining vessel with a production capacity of up to 0.5m carats per year. Once commissioned in 2022, the as yet unnamed ship is expected to expand offshore mining capacity by some 35%. Debmarine produced a record 1.4m carats from the seafloor in the 5,987 sq km **Atlantic 1 mining area** in 2018, 4% up on the previous year, boosting Namdeb's overall production (including onshore recoveries) to a post-independence high of 2.0m carats (see *ARC Briefing Namibia February 2019*). Debmarine recovered 364,000 carats in January-March 2019, almost unchanged from a year earlier, although Namdeb's overall production decreased by 9% to 483,000 carats.<sup>33</sup> This was due to a 27% fall in onshore recoveries, due to the large **Elizabeth Bay** mine just south of **Lüderitz** in the north of the **Sperrgebiet** (restricted zone, **Diamond area No. 1**) transitioning to care-and-maintenance pending a potential sale.

The new vessel is expected to create 160 new jobs on top of Debmarine's existing 975 employees. Debmarine CEO **Otto Shikongo** said the ship will incorporate the latest marine mining technologies to optimise efficiency and utilisation rates. De Beers group CEO **Bruce Cleaver** commented:

<sup>27</sup> The Namibian, 7 May 2019; Rossing Uranium Ltd, Moving Forward with Confidence, Report to stakeholders 2018.

<sup>28</sup> Ux Weekly, 14 Jan 2019; Ux Weekly, 20 May 2019.

<sup>29</sup> Rossing Uranium Ltd, Moving Forward with Confidence, Report to stakeholders 2018.

<sup>30</sup> Ux Weekly, 14 Jan 2019; Ux Weekly, 20 May 2019.

<sup>31</sup> Rossing Uranium Ltd, Moving Forward with Confidence, Report to stakeholders 2018

<sup>32</sup> New Era, 17 May 2019; Subsea World News, 17 May 2019.

<sup>33</sup> Anglo American plc, Production report for the first quarter ended 31 March 2019.

*“Some of the highest quality diamonds in the world are found at sea off the Namibian coast. With this investment we will be able to optimise a new technology to find and recover diamonds more efficiently and meet growing consumer demand across the globe.”<sup>34</sup>*

Shikongo told the Mining Expo conference that marine mining output had increased by 168% since 2002, with six mining vessels now in operation.<sup>35</sup> Over the next six years, production is forecast to rise by a further 30% but is subsequently expected to decline without substantial investment in replacing older mining ships.<sup>36</sup>

Debmarmine sales revenue was N\$8.9 billion (\$0.7 billion) last year, 11% higher than in 2017, with capital expenditure up by 27% at N\$847m (N\$65m), according to Shikongo. The firm made a N\$2.8 billion (\$0.22 billion) direct financial contribution to Namibia (N\$3.4 billion (\$0.26 billion) in 2017), comprising N\$2.4 billion (\$0.18 billion) in royalties (10% of sales) and income tax at 55% (down 4% on 2017) along with N\$0.4 billion (\$28m) in dividends and non-resident shareholders’ tax (NRST) payable on the 50% share of dividends remitted to De Beers.<sup>37</sup>

### Illicit timber exports escalate

Existing control mechanisms are proving inadequate to curtail an upsurge in the illegal harvesting and export of valuable timber from northeastern Namibia, with Chinese firms reported to be closely involved, along with locals owning land on which trees are located. The **Namibian Environment and Wildlife Society (NEWS)** staged a peaceful protest in Windhoek on 11 May to highlight the issue in response to a rising frequency of reports that rosewood forests, mainly in **East Kavango** and **West Kavango** regions, are being stripped bare to supply demand from the wooden furniture markets in both China and **Vietnam**.<sup>38</sup> NEWS called for penalties on those systematically violating the provisions of the **Environmental Management Act** and the **Forest Act**, and claimed that the laws designed to protect natural resources and sustainable management were ineffective in practice due to inadequate patrolling of forested areas. In a statement sent to the agriculture, water and forestry ministry, NEWS warned that if unchecked, soil erosion and desertification would result, as it takes rosewood trees up to a century to reach maturity. It added that issuing a permit did not guarantee adherence to its provisions:

*“Responding to foreign demand for timber and overlooking an ecological dilemma is not sustainable or responsible.”<sup>39</sup>*

The government suspended the issue of permits for logging, transporting, marketing and exporting of Namibian timber in November, while stipulating that any timber sent through Namibia from neighbouring countries must be accompanied by the appropriate weigh bridge certificates. This has proved inadequate to curb illegal logging and in early May, environment ministry executive director **Teofilus Nghitila** directed the police to arrest anyone found to be engaged in these activities. He requested police inspector general **Sebastian Ndeitunga** for immediate police intervention and the confiscation of timber being transported from Namibia.<sup>40</sup> In one recent instance, Namibian customs officials and forestry inspectors were reported to have intercepted six trucks, each loaded with about 35 tonnes of timber, at **Walvis Bay**. The trucks were allegedly transporting timber from an **Angolan** village to a Chinese business in the port, but officials suspected the timber had actually come from northeastern Namibia.<sup>41</sup>

A mid-May report compiled by agriculture and environment ministry officials following inspections of affected areas in the northeast indicated that such instances are just the tip of the iceberg. It estimated

<sup>34</sup> New Era, 17 May 2019.

<sup>35</sup> Debmarmine Namibia, Past-Present-Prospects, May 2019.

<sup>36</sup> Debmarmine Namibia, Past-Present-Prospects, May 2019.

<sup>37</sup> Debmarmine Namibia, Past-Present-Prospects, May 2019.

<sup>38</sup> The Namibian, 13 May 2019.

<sup>39</sup> The Namibian, 13 May 2019.

<sup>40</sup> The Namibian, 8 May 2019.

<sup>41</sup> The Namibian, 8 May 2019.

that some 32,000 blocks of unprocessed rosewood had been illegally felled and exported since November 2018, of which 10,000 blocks had been shipped to China and Vietnam alone.<sup>42</sup> While the report noted it was difficult to determine the value of the timber export trade, based on an average selling value of N\$500 (\$36) per tree, local farmers were losing potential earnings of up to N\$24m (\$1.7m) per year. The ministry reported that there is little monitoring and enforcement on the ground due to limited personnel and transport, while a nearly-completed internal audit report had exposed irregularities in the issuing of permits at the Walvis Bay forestry office with a suspected official suspended from permit-related duties.

*“Although the directorate of forestry uses marketing permits as a tool to control the transport of logs, this is difficult to implement due to the high number of trucks and volumes of timber that were being exported.”<sup>43</sup>*

The report also raised the prospect of timber cargoes being used to transport illegal wildlife products, including rhino horns and elephant tusks, and said that heavy trucks serviced in forest areas were causing extensive pollution. It noted that trees harvested by small-scale commercial farmers are state-owned resources, and as such should be used to benefit the broader community in communal farming areas, but instead are treated as private property.<sup>44</sup> In March, it was reported that leading citizens in **Rundu** (the Kavango East regional capital) who lease government-owned farms, were among 230 people submitting applications for environmental clearance to cut down 200,000 trees over 5,700 sq km of forested area. The applicants, including government officials, ruling party MPs and local councillors, police chiefs, traditional and church leaders, wanted to use the proceeds from felling trees and exporting the timber to upgrade their farms.<sup>45</sup> The same source reported that an unidentified Chinese firm had used a bogus agricultural “*green scheme*” project to cut down trees for export. The report’s recommendations include an indefinite extension of the moratorium on commercial timber harvesting, with any transit permits approved for timber originating from outside Namibia to be closely monitored along Namibia’s road network, with regional convoys if necessary.<sup>46</sup> Finance minister **Calle Schlettwein** announced a 15% export levy on timber in the 2019/20 budget tabled in late March, but the measure has yet to be implemented (see *ARC Briefing Namibia March 2019*).

## Planner

12 June 2019 **(Namibia) Bank of Namibia**, Monetary Policy Committee rate setting meeting

13 June 2019 **(Namibia) Namibia Statistics Agency**, National Consumer Price Index, May 2019

13 June 2019 **(Namibia) Namibia Statistics Agency** Quarter 1 2019 Trade Statistics Bulletin

20 June 2019 **(Namibia) Namibia Statistics Agency** Quarter 1 2019 GDP

November 2019 **(Namibia) National Assembly** and presidential elections

## Chronology

17 May 2019 **Windhoek (Namibia) Global Times**. Trade and development minister **Tjekero Tweya** says the government will launch a special economic zone in **Walvis Bay** in June;

16 May 2019 **Windhoek (Namibia) IOL UK**. **Namibia**-based joint venture between the government and **United Kingdom**-based **Anglo American Plc, Debmarine Namibia**, approves the construction of a \$468m diamond recovery vessel;

<sup>42</sup> The Namibian, 14 May 2019.

<sup>43</sup> The Namibian, 14 May 2019.

<sup>44</sup> The Namibian, 14 May 2019.

<sup>45</sup> The Namibian, 14 May 2019.

<sup>46</sup> The Namibian, 14 May 2019.

15 May 2019 **Windhoek (Namibia)** *The Namibian*. Ruling **SWAPO** party appoints **Martin Inkumbi, Beverly Gawanas-Vugs** and **Ephraim Nekongo** to board positions in its business empire in Namibia;

13 May 2019 **Windhoek (Namibia)** *Mining.com*. **Canada**-based mining company **White Metal Resources** agrees to two binding letters of intent to purchase a 95% interest in four prospecting licences in **Namibia**;

13 May 2019 **Windhoek (Namibia)** *The Namibian*. The **Central Procurement Board** awards a \$21m contract to **Gem Diamonds Namibia** to valuate diamonds for the next five years;

9 May 2019 **Windhoek (Namibia)** *The Namibian*. The **Chamber of Mines of Namibia** asks the finance ministry to review the financials of mining companies to determine if they have violated tax rules after an April article states that mining companies received tax honeymoons;

6 May 2019 **Windhoek (Namibia)** *africanews*. The government declares a state of emergency due to a drought in several areas;

30 Apr 2019 **Windhoek (Namibia)** *Informante*. Deputy minister of mines and energy **Kornelia Shilunga** says **Namibia** imported 73% of its energy in 2018, the highest since independence;

24 Apr 2019 **Windhoek (Namibia)** *The Namibian*. **United States**-based oil giant **ExxonMobil** acquires four off-shore oil blocks in **Namibia**, adding 28,000 square kilometres of exploration acreage;

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