

AFRICA RISK CONSULTING

Namibia Monthly Briefing October 2023

Namibia Summary 18 October 2023

World Bank (WB) forecasts in its latest Africa Pulse publication that economic growth will reach 2.8% in Namibia, down from 4.6% reached in 2022. The WB cites high inflation, tighter monetary policies, and slow economic growth in Europe and South Africa as contributing factors to this. A parliamentary standing committee recommends on 3 October that Canada-headquartered ReconAfrica's (ReconAfrica) operations in the Kavango be monitored after a parliamentary investigation finds violations by the oil company. Shiwana Ndeunyema, the acting managing director of the National Petroleum Corporation (Namcor), denies that cabinet rejected a bailout plea and that no formal submission for a bailout has been made.

World Bank foresees slower growth for Namibia

The **World Bank (WB)** released its bi-annual publication **Africa Pulse** in October, forecasting a lower economic growth rate of 2.8% for Namibia, down from the 4.6% reached in 2022.¹ The WB further anticipates that Namibia's economic growth will remain at this level over the next two to three years.² The projection is slightly lower than the **International Monetary Fund's (IMF)** forecast of 3.2% but still slightly above the projected 2.5% growth rate for **Sub-Saharan Africa**.³

The report attributes Namibia's slower economic growth to relatively high inflation, which reached 4.5% in September, tighter monetary policies and lower economic growth in **Europe** and **South Africa**.⁴ South Africa's slower economic growth directly impacts Namibia as its currency is pegged to the South African rand - load shedding and transportation bottlenecks have impacted gross domestic product (GDP) in South Africa, with economic growth forecast of a mere 0.5%.⁵ Namibia's trade relations and business footprint across both countries will further see Namibia's economy directly impacted by South Africa's poor economic performance.⁶

The WB's economic projection for Namibia coincides with increasingly dire domestic socio-economic conditions, including hampered agricultural production due to both droughts and flooding.⁷ Drought in particular has severely impacted agricultural output and the deputy agriculture, water and land reform minister **Anna Shiweda** declared a state of drought in September.⁸ In March, various parts of Namibia were already suffering from acute drought and the **Namibia Livestock Producers Association** warned that livestock farmers are unable to feed their livestock. Grain farmers in western parts of northern and central Namibia were also severely affected.⁹ Currently, more than 695,000 people or 26.73% of the 2.6 million

¹ The Namibian, 7 Oct 2023

² World Bank, Oct 2023

³ The Namibian, 7 Oct 2023

⁴ World Bank, Oct 2023

⁵ IOL, 5 Oct 2023

⁶ ARC Briefing Analyst, 17 Oct 2023

⁷ The Namibian, 21 Sep 2023

⁸ The Namibian, 21 Sep 2023

⁹ Farmer's Weekly, 29 Mar 2023

population people need food assistance.¹⁰ The impact of the slowed economic growth will also worsen unemployment rates, recorded at 20.85% in 2022.¹¹ The WB advised:

“Namibia, along with its fellow middle tercile nations, must adapt to the changing economic landscape, leveraging its strengths to overcome the challenges and seize opportunities for future growth.”¹²

The **Namibia Statistics Agency (NSA)** released its second quarterly economic review in September, where they expanded on some of the contributors to slower economic growth between April and June.¹³ The NSA indicates that the reduced share of economic growth is mainly due to reduced construction activities and agricultural and forestry activities that respectively witnessed contractions amounting to 35.9% and 31.9% in real value added. In the corresponding quarter of 2022, Namibia’s construction industry witnessed a contraction of 24.6%.

Despite the declined growth rate, media reports have applauded Namibia’s N\$7.3 billion (\$490.2m) growth in the second quarter, amounting to N\$58.6 billion (\$3.8 billion) of GDP in nominal terms.¹⁴ The WB indicates that Namibia’s economic growth is being driven by mining activities, particularly uranium and diamond mining. In the last quarterly review, quarrying and mining recorded 4.3% growth. The NSA’s statistician-general, **Alex Shimuafeni**, also pointed out that wholesale and retail trade as well as electricity and water recorded growth rates, respectively at 14.4% and 8.2%, compared to 12.9% and 2.1% in the corresponding quarter of 2022, which contributed to the stronger overall growth rate.¹⁵

ReconAfrica to be monitored

The parliamentary standing committee on natural resources (the standing committee), consisting of 28 members of the national assembly, presented a parliamentary report on 3 October recommending the monitoring of **Canada**-headquartered **Reconnaissance Energy Africa (ReconAfrica)** which is operating in the **Kavango** region.¹⁶ The recommendations come after a parliamentary investigation by the standing committee found that ReconAfrica is accused of misleading the public of its shareholdings and of drilling boreholes.¹⁷ The standing committee stated:

“The Ministry of Mines and Energy should initiate devising strategies to ensure consultation before the awarding of all licences are done with regional leaders, traditional authorities and the affected community.”¹⁸

The parliamentary report also served as a response to civil society organisations, activists and other organisations who petitioned Namibia’s parliament in February 2021 for an investigation, including members of **Save Okavango’s Unique Lifestyle (SOUL)**, an alliance of activists from Namibia and South Africa. The standing committee’s report recommends that a new committee be established and be comprised of parliamentarians from the environment, forestry and tourism ministry, agriculture, water, and land reform ministry and the mines and energy ministry.¹⁹ The standing committee indicated that this would strengthen cooperation and enhance trust as well as a sense of ownership among local communities. **Vincent Marenga**, a

¹⁰ The Namibian, 16 Oct 2023; Rosemasry N. Shikangalah, 2020;

¹¹ Statista, Sep 2023

¹² The Namibian, 7 Oct 2023

¹³ Institute for Public Policy Research, 2023; Namibia Statistics Agency, September 2023

¹⁴ The Namibian, 23 Sep 2023

¹⁵ Namibia Statistics Agency, Sep 2023

¹⁶ The Namibian, 8 Oct 2023

¹⁷ VOA, 30 Sep 2023

¹⁸ The Namibian, 8 Oct 2023

¹⁹ The Namibian, 8 Oct 2023

member of the standing committee and the ruling **South West Africa People's Organisation (SWAPO)**, noted:

*"They have violated [laws], but it was for permits. They drilled boreholes without permits, and on that one, there will definitely be penalties against them."*²⁰

The recent statements and recommendations are a shift from previous sentiments by the standing committee after consistent support for ReconAfrica's drilling operations by the government. In October 2021, local media outlet **New Era** reported that although locals are against the drilling operations, the government believes that locals of the **Okavango** had distanced themselves from SOUL's petition and that ReconAfrica indicated it is complying with environmental regulations.²¹

The parliamentary report's recommendation also comes after civil society organisations have continued to place pressure on ReconAfrica to stop its drilling efforts on a region that is popularly known for holding one of the most pristine rivers and ecosystems (*ARC Briefing August 2022*). On 13 July, several community and forest organisations including **Katope Community Forest, Ncumcara Community Forest, Muduvu Ngyangana Communal Conservancy** and the **Kavango East and West Regional Conservancy and Community Forest Association** appealed to the **Windhoek** high court to interdict ReconAfrica from its drilling activities, however, the case was dismissed.²² Despite the standing committee's new recommendation, the national assembly and cabinet still need to approve it before anything can be followed through on. ReconAfrica continues oil exploration activities in the Kavango and it remains to be seen how ReconAfrica will be held accountable for any alleged violations.

No bailout request amid Namcor's financial stress

Acting managing director of the **National Petroleum Corporation (Namcor)**, **Shiwana Ndeunyema**, stated on 16 October in response to local media reports that cabinet had not rejected a bailout proposal for Namcor and that no formal submission for a bailout has been made.²³ Local media outlet **The Namibia** reported on 15 October that Namcor's \$N2 billion (\$106.5m) bailout request was rejected by cabinet. The rejected article elaborately explained a web of challenges Namcor is allegedly facing as a result of its debt, including the undermining of independent decision-making by Gunvor:

*"Sources believe that Namcor will now be at the mercy of Gunvor Group and will be forced to purchase fuel exclusively from them, even when the market offers more favourable prices."*²⁴

Namcor is struggling to recover more than \$N600m (\$31.9m) in debt and owes \$N1.1 billion (\$58.6m) to **Swedish** global commodities and oil trading company **Gunver Group**. In the same article denounced by Ndeunyema, Gunvor Group's corporate affairs director **Seth Pietras** rejected any undue influence on the petroleum parastatal based on the debt owed, emphasising that Namcor's deal with Gunvor Group is based on a competitive procurement process and that Gunvor Group is not Namcor's sole lending entity.²⁵ Pietras went on further to describe The Namibian's information about the nature of influence that Gunvor has on Namcor as false and that a "good relationship" exists between the two.

In the subsequent article, Ndeunyema did not refute the amount of debt, including the figures of \$N600m (\$31.9m) and \$N1.1 billion (\$58.6m) cited in the previous report, but did note that the financial commitments towards its suppliers are maintained and that the parastatal diligently

²⁰ VOA, 30 Sep 2023

²¹ New Era, 13 Oct 2023

²² ARC Briefing, August 2022

²³ The Namibian, 16 Oct 2023

²⁴ The Namibian, 15 Oct 2023

²⁵ The Namibian, 15 Oct 2023

manages creditor and debtor accounts. However, Ndeunyema affirmed that commercially sensitive information could not be shared as it could compromise the company's position within a highly competitive downstream sector.²⁶

Namcor has faced a series of controversies, particularly in 2023 as its internal battles surfaced in the media. In early April, the then eight-year-long managing director **MD Mulunga** was placed on suspension after his relationship with the parastatals' board eroded. A corruption investigation was also launched into him, but the **Anti-Corruption Commission (ACC)** cleared him of any charges.²⁷ Market factors have also severely influenced the parastatal's balance sheet.²⁸ Namcor confirmed that the disruption in the supply of unleaded petrol was caused by low purchase rates in the market, leading to stock depletion.²⁹ As a result, Namcor advised commercial partners and retailers to temporarily explore alternative suppliers. The distress of governance issues comes at a time where alongside other countries, oil prices in Namibia have consistently increased since the outbreak of the **Russia-Ukraine** war.³⁰

The most recent hike came into effect on 4 October 2023 when petrol prices increased by 190 cents (\$0.01) per litre and diesel by 240 cents (\$0.013) per litre.³¹ With the recent outbreak of conflict between **Israel** and **Palestine**, fuel prices are anticipated to soar further as investors perceive the security of the **Middle East** at risk. Therefore, a myriad of challenges, both domestically and globally will make any road to recovery unforeseeably long for Namcor.³²

²⁶ The Namibian, 16 Oct 2023

²⁷ Africa Oil + Gas Report, 28 Jul 2023

²⁸ The Namibian, 16 Oct 2023

²⁹ The Namibian, 16 Oct 2023

³⁰ ARC Briefing Analyst, 17 Oct 2023

³¹ Ministry of Mines and Energy, Sep 2023

³² ARC Briefing Analyst, 17 Oct 2023

Planner

25 – 27 Jun 2024 **Windhoek (Namibia) Africa Hospitality Investment Forum (AHIF)** conference

2024 **(Namibia)** General elections

Chronology

16 Oct 2023 **Windhoek (Namibia)** *The Namibian*. **Osino Resources Corp**, a **Canadian**-based company, is reportedly finishing a book build –used to determine the initial price of a share and can be used to record investor demand - of N\$30.2m (\$2.03m) after listing on the **Namibian** stock exchange;

15 Oct 2023 **Windhoek (Namibia)** *The Namibian*. International relations minister and deputy prime minister **Netumbo Nandi-Ndaitwah** proposes that the long-standing border dispute with **South Africa** over the **Orange River** be discussed during current bilateral negotiations;

13 Oct 2023 **Windhoek (Namibia)** *SA News*. **South Africa's Cyril Ramaphosa** and President **Hage Geingob** co-chair the third session of the bi-national commission to assess bilateral agreements and consolidate relations;

13 Oct 2023 **Windhoek (Namibia)** *The Namibian*. The defence lawyer in the **Fishrot** fishing quotas corruption case, **Lucius Murorua**, argues that his clients need liberty to prepare their case, citing that prison does not provide the necessary facilities to effectively prepare their evidence;

12-13 Oct 2023 **Istanbul (Turkey)** *State Information Service of Egypt*. **Egypt's** trade minister, **Ahmed Samir**, heads a trade delegation between **Turkey** and **African** countries, the fourth session of the Turkish-African Economic and Trade Forum. **Namibia's** deputy trade minister, **Verna Sinimbo** asks for support from **Turkey** to diversify its local industries;

12 Oct 2023 **Windhoek (Namibia)** *The Namibian*. **Namibia Economic Freedom Fighters (NEFF)** member **Dimbulukeni Nauyoma** is found not guilty of charges related to public violence, malicious damage to property and incitement of public violence in a demonstration on 21 March;

11-13 Oct 2023 **Windhoek (Swakopmund)** *Namibia Economist*. Namibia hosts the **Southern African Development Community (SADC)** anti-corruption agents meeting to strengthen efforts towards implementing strategic anti-corruption policies;

11 Oct 2023 **Windhoek (Namibia)** *All Africa*. Namibia and **South Africa** business executives agree to explore opportunities to increase trade and investment flows between the two countries during the **Namibia-South African Business Forum and Exhibition**;

11 Oct 2023 **Windhoek (Namibia)** *Reuters*. Petroleum commissioner **Maggy Shino** says Namibia expects its first oil from major offshore fields by 2023 and is considering a Floating Production Storage and Offloading (FPSO) platform to help it export its oil;

10 Oct 2023 **Windhoek (Namibia)** *New Era*. Namibia will host the **Africa Hospitality Investment Forum (AHIF)** conference, considered the premier tourism and hotel investment conference, from 25 to 27 June 2024;

9 Oct 2023 **Windhoek (Namibia)** *New Era*. **Namibia Statistics Agency (NSA)** reports a decrease in exports, with goods worth N\$7.4 billion (\$496.96m) exported in August, down from N\$8.2 billion (\$550.68m) in July;

3 Oct 2023 **Johannesburg (Namibia)** *Southern African Freight News*. A report by the publication *Southern Africa Freight News* highlights that dates record the highest rates of horticultural export earnings and potatoes recorded the highest import value, at N\$17.2m (\$905.7 thousand), of horticultural products;

2 Oct 2023 **Windhoek (Namibia)** *The Namibian*. **Windhoek High Court** dismisses airport services company **Menzies Aviation** (Namibia) petition to return to the premises of **Hosea Kutako International Airport** following its eviction by the **Namibia Airports Company (NAC)** on 19 August;

28 Sep 2023 **Windhoek (Namibia)** *The Namibian*. Mines and energy ministry says Namibia is considering acquiring a stake in **Angola's Lobito Refinery** or constructing its own refining facility as government focuses on plans for if Namibia becomes an oil producer;

27 Sep 2023 **Windhoek (Namibia)** *Al Jazeera*. Namibia suspends imports of live poultry, birds and poultry products from **South Africa** following an outbreak of highly pathogenic avian influenza in South Africa;

24 Sep 2023 **Windhoek (Namibia)** *The Namibian*. The **Institute for Public Policy and Research (IPPR)** raises concerns over a plan by the **African Energy Chamber (AEC)**, led by controversial **Cameroonian** businessman **NJ Ayuk**, to present Namibia's President **Hage Geingob** with a lifetime achievement award for advancing the Namibian energy sector, citing Ayuk's questionable track record and implication in the network of **Gabriel Mbega Obiang Lima, Equatorial Guinea's** former oil minister and son of its president;

20 Sep 2023 **Windhoek (Namibia)** *Mining Weekly*. President **Hage Geingob** says the **United States** is missing out on investing in green hydrogen and mineral resource projects in Namibia but that **European** nations are "running" to Namibia;

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