

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing October 2022

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#### Namibia Summary 18 October 2022

*Namibia experiences two nationwide incidents of power outages in October but Namibia Power Corporation (NamPower) promises that there will be no load shedding. Namibia imports 40% of its electricity from South Africa, whose rolling blackouts since 2007 have also impacted Namibia's electricity supply. Mines and energy minister Tom Alweendo describes allegations on social media that he accepted bribes from the China-headquartered lithium-mining company Xinfeng Investments (Pty) as malicious slander. The International Monetary Fund (IMF) shares preliminary findings on Namibia's economy on 5 October, indicating that Namibia's real GDP is expected to reach 3% in 2022 and 3.2% in 2023. Trustco Group takes the Bank of Namibia (central bank) to court, requesting that the Windhoek High Court review the Banking Institutions Act of 1998. Trustco Group claims the central bank's directives create a trend of foreign ownership of Namibia-based banks.*

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#### Nampower promises Namibia is safe from load shedding

Namibia experienced two incidents of nationwide power outages in October, the first occurring on 5 October in the central, northern and coastal regions of Namibia and the second on 9 October in the **Kavango West** and **Kavango East** regions.<sup>1</sup> The **Namibia Power Corporation (NamPower)** released a statement on 10 October informing the public that the second power outage – which lasted almost 24 hours – was caused by a faulty current transformer, with a trip on the 400 kilovolts (kV) **Kokerboom-Auas** line resulting in a partial system collapse.<sup>2</sup>

The blackouts have stoked fears that Namibia could follow the route of neighbouring **South Africa**, which has been experiencing severe and consistent power cuts, known as load shedding, since 2007. By 2021, South Africa's power cuts had resulted in the loss of over one million jobs and economic losses of approximately N\$700m (\$47m) per stage per day.<sup>3</sup> South Africa is likely to continue suffering severe strain on the power grid in the foreseeable future, which will impact Namibia, as it imports approximately 40% of its electricity from South Africa.<sup>4</sup> Senior public relations officer at the mines and energy ministry, **Andreas Simon**, said Namibia has two power import contracts with South African state-owned power supply utility **Eskom**, but the electrical supply is reduced at every stage of load shedding in South Africa:

*“When it's stage 1 or 2 load shedding they reduce our supply by 10% (10MW). Load shedding of stage 3 in South Africa results in a reduction of 15% (15MW). There is a 5% reduction in supply with every subsequent stage [...] Stage 4 results in 20%, stage 5 results in 25%, stage 6 results in 30%.”<sup>5</sup>*

Simon said Namibia is unable to access a 300MW non-firm contract if South Africa is undergoing load shedding.

State officials assured the public and consumers that they are unlikely to follow South Africa following the first round of blackouts. NamPower managing director **Simson Haolofu**

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<sup>1</sup> Twitter, 5 Oct 2022

<sup>2</sup> Twitter, 10 Oct 2022

<sup>3</sup> Engineering News, 18 Mar 2022;

<sup>4</sup> Reuters, 12 Sep 2022

<sup>5</sup> Observer24, 27 Jul 2022

addressed an electricity supply industry stakeholder meeting in **Oshakati** on 6 October, noting that Namibia will not experience load shedding:

*"We have never experienced prolonged power outages as well. However, I can't say that it will never happen because I don't know what the future holds but at the moment, I can assure the nation that we are likely not to experience any load-shedding anytime soon."*<sup>6</sup>

Haolofu said NamPower is expanding and rehabilitating Namibia's electricity infrastructure to ensure reliable power supply and that Namibia has good relations with power suppliers from South Africa.

Namibia purchases power from the **Southern African Power Pool (SAPP)**, a power grid accessed by a common market for electricity in the **Southern African Development Community (SADC)** region, when it is unable to access reliable electricity from South Africa.<sup>7</sup> However, Namibia is working towards becoming an independent supplier of electricity by diversifying its energy mix. The country's public and private sectors have been planning and implementing green hydrogen projects, aiming to make Namibia a world leader in green hydrogen (see *ARC Briefing Namibia June 2022*). **French** independent power producer **HDF Energy** expects Namibia's green hydrogen power plant in **Swakopmund**, the first of its kind in **Africa**, to start producing electricity by 2024, which will boost Namibia's local supply of electricity.<sup>8</sup>

### Mines and energy minister denies bribe involvement with controversial Xinfeng

Energy and mines minister **Tom Alweendo**, his technical adviser **Ralph Muyamba**, and mines commissioner **Erasmus Shivolo** have been accused on social media of accepting bribes from **China**-headquartered lithium-mining company **Xinfeng Investment (Pty)**, which conducts business along the coastal **Erongo** region.<sup>9</sup> The source of the allegations remains unknown.

Xinfeng has been in the process of obtaining permits to establish Namibia's first lithium mine since 2021.<sup>10</sup> The bribe was allegedly offered to stop the renewal of local private lithium mining company **Karlowa Mining Enterprise's** mining permit. Local media publication **The Namibian** published the message on 16 October, but it appears to have since been deleted from social media. The Namibian alleged that Xinfeng's managing director has a corrupt relationship with Shivolo:

*"When Mr Shivolo approached Xinfeng to buy the Karlowa EPL, they did not hesitate, and they immediately paid N\$50 million [\$3.4m] to **Orange River Pty Ltd** and related entities. This is how Mr Muyamba made a fortune. Mr Shivolo got N\$2 million [\$110,000] out of the deal. Part of N\$50 million was used for the settlement of the case."*<sup>11</sup>

Alweendo took to social media on 15 October to deny the allegations that he was involved in the N\$50m (\$3.4m) bribe, stating that he takes note of the allegations and considers them malicious slander.<sup>12</sup> Alweendo said he has worked to promote good governance and stop corruption during his career, noting that the matter is being investigated.

Xinfeng has been the centre of controversy in Namibia. A director of Namibian business authorities recently took the company to the **Windhoek High Court**, accusing it of obtaining its

<sup>6</sup> The Namibian, 6 Oct 2022

<sup>7</sup> Observer24, 27 Jul 2022

<sup>8</sup> Hydrogen Fuel News, 24 Sep 2022

<sup>9</sup> The Namibian, 16 Oct 2022

<sup>10</sup> [www.africaintelligence.com](http://www.africaintelligence.com), 10 Feb 2022

<sup>11</sup> The Namibian, 16 Oct 2022

<sup>12</sup> Twitter, 15 Oct 2022

lithium mining licences fraudulently.<sup>13</sup> Although the court ruled in favour of Xinfeng on 2 September, controversy remains.

Xinfeng has also attracted negative attention for starting the first lithium mine in Namibia and conducting mining activities before it received the required permits. Shivolo requested that Xinfeng stop conducting illegal mining activities on a government farm between **Omaruru** and **Uis** in March. Shivolo accused the company of rushing into mining activities, whilst ignoring mining, environmental protection and water laws.<sup>14</sup> Shivolo demanded that Xinfeng stop its activities until it received an Environmental Clearance Certificate (ECC). Xinfeng denied wrongdoing, with spokesperson, **Zhou Kilore** claiming that the company had completed “*all the right paperwork*”. Although Shivolo permitted Xinfeng to undertake exploration on condition that it first obtained the ECC, he said the company went beyond what is permitted and caused a disturbance on the farm after conducting dredging and drilling activities.<sup>15</sup>

Xinfeng said it would continue exploration activities in anticipation of obtaining an ECC.<sup>16</sup> An executive director of the agriculture ministry granted access to start exploration on 17 February, on condition that Xinfeng comply with the law, including obtaining an ECC. Xinfeng fenced off the area for exploration and set up equipment, which according to Shivolo, violated the **Environmental Management Act**.<sup>17</sup> Shivolo said that penalties on Xinfeng could only be imposed by the environment and tourism ministry, the overseeing authority of the **Environmental Management Act**.

No substantial evidence has accompanied the social media allegations against Alweendo, raising suspicion that they may have been part of a smear campaign.<sup>18</sup> Alweendo unsuccessfully contested for nomination as the vice-presidential candidate of Namibia’s ruling party, the **South West Africa People’s Organisation (SWAPO)** in September (see *ARC Briefing Namibia Sep 2022*).<sup>19</sup>

### IMF signals Namibian economic recovery

The **International Monetary Fund (IMF)** announced its completion of the 2022 Article IV Mission to Namibia on 5 October, producing preliminary findings after the IMF staff’s virtual meeting from 20 September to 5 October.<sup>20</sup> The IMF’s press statement highlighted preliminary findings underpinning the status of Namibia’s economy and made key suggestions.

The IMF reported that Namibia’s economy is under recovery after a sharp contraction due to the **Covid-19** pandemic, with real gross domestic product (GDP) growth reaching 2.7% in 2021 as mining activity rebounded and tertiary sectors recovered. Real GDP growth is expected to reach 3% in 2022 and 3.2% in 2023 due to anticipated robust diamond, gold, and uranium production as well as rebounding tourism. Economic recovery strengthened in the first half of 2022, on the back of sustained mining growth and stronger manufacturing activity.

Average inflation is projected to rise to 6.4% in 2022, a reflection of the higher international oil and food prices resulting from the ongoing war in **Ukraine**. Inflation reached 5.6% year-on-year in August, but the IMF expects it will peak soon before moderating in 2023.<sup>21</sup>

<sup>13</sup> [www.africaintelligence.com](http://www.africaintelligence.com), 4 Oct 2022

<sup>14</sup> The Namibian, 3 May 2022

<sup>15</sup> The Namibian, 3 May 2022

<sup>16</sup> The Namibian, 3 May 2022

<sup>17</sup> The Namibian, 3 May 2022

<sup>18</sup> ARC Namibia Analyst

<sup>19</sup> The Namibian, 8 Sep 2022

<sup>20</sup> [www.img.org](http://www.img.org), 5 Oct 2022

<sup>21</sup> [www.img.org](http://www.img.org), 5 Oct 2022

Namibia's current account deficit remains large but is expected to narrow due to strengthened tax revenues and fiscal consolidation measures. Local media publication **Economist Namibia** says inflationary pressures could result in continuing rises in the cost of living. This will further constrain credit to Namibian consumers and households. However, investors could be open to buying shares as prices “dip” against the backdrop of a recession.<sup>22</sup>

### Trustco takes Bank of Namibia to court

**Trustco Group Holdings (Trustco)** filed a case at the Windhoek High Court against the **Bank of Namibia (BoN)** (central bank) on 23 September, accusing the central bank of unconstitutional directives by denying Trustco the opportunity to enter full commercial banking operations.<sup>23</sup> **Trustco Bank**, a 100% Trustco Group subsidiary, jointly filed the court matter against the central bank. Trustco is further arguing that provisions of the **Banking Institutions Act of 1998** (the act) are unconstitutional and violate the constitutional prohibition of unfair discrimination and the right for Trustco to conduct its business.

Trustco managing director **Quinton van Rooyen** says article 101 of the Constitution forced parliament to consider economic growth when the act was enacted, implying that in its current form, the act fails to do so.<sup>24</sup> Trustco is therefore asking the court to order parliament to review the central bank's directives.

Trustco further claims that the BoN gave insufficient reasoning for its failure to provide N\$1 billion (\$67m) to Trustco to start its bank. Van Rooyen argues the refusal of such funding has been witnessed across the banking sector in Namibia since independence in 1990, resulting in large-scale foreign ownership of Namibian banks:

*“This results in a significant barrier to entry for a 100 percent Namibian-owned start-up bank like Trustco Bank, to successfully enter the banking industry. Such a barrier to entry results in a loss of control for Namibia over its economy.”<sup>25</sup>*

BoN spokesperson **Kazembire Zemburuka** said the central bank would defend its regulatory actions:

*“The financial system remains stable and sound due to the effective regulatory and supervisory framework in place which fosters a world-class financial system.”<sup>26</sup>*

This is the second legal battle in which the company is embroiled this year.<sup>27</sup> In August, Trustco heard the verdict of a matter it filed in the **High Court of Johannesburg** (South Africa) against the **Johannesburg Stock Exchange (JSE)**, which sought to suspend Trustco shares listed on the JSE after accusing Trustco of failing to comply with **International Financial Reporting Standards (IFRS)** accounting standards. Trustco refuted the JSE's accusations, and the Johannesburg High Court ruled in favour of Trustco. Trustco's shares increased by N\$0.3556 (\$0.02) per share to N\$0.61 (\$0.04) per share after its court victory.<sup>28</sup>

<sup>22</sup> Economist Namibia, 14 Oct 2022

<sup>23</sup> Economist Namibia, 27 Sep 2022

<sup>24</sup> Economist Namibia, 27 Sep 2022

<sup>25</sup> IOL, 3 Oct 2022.

<sup>26</sup> Economist Namibia, 27 Sep 2022

<sup>27</sup> IOL, 3 Oct 2022

<sup>28</sup> IOL, 10 Aug 2022

## Planner

19 Oct 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;  
 7 Dec 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;  
 2024 **(Namibia)** General elections;

## Chronology

15 Oct 2022 **Windhoek (Namibia) The Namibian**. Mines and energy minister **Tom Alweendo** describes allegations on social media that he accepted bribes from **China**-headquartered lithium-mining company **Xinfeng Investments (Pty)** as malicious slander;

14 Oct 2022 **Windhoek (Namibia) The Namibian**. Four former national assembly employees appear in the **Windhoek Magistrates Court** on 13 charges of fraud, corruption and other crimes alleged to have been committed at the national assembly;

14 Oct 2022 **Windhoek (Namibia) The Namibian**. **Namibian Ports Authority (Namport)** approves **Switzerland**-based container terminal conglomerate **Terminal Investment Limited (TIL)** as the bidder to operate the new N\$4 billion (\$221m) container terminal;

13 Oct 2022 **Windhoek (Namibia) The Namibian**. President **Hage Geingob** delivers a speech at the opening of the **Namibia Public Workers Union's (Napwu)** congress at **Swakopmund** saying that wage negotiations between government and government worker unions **Napwu** and the **Namibia National Teachers Union (Nantu)** resulting in a 3% increase in basic salaries averted an economic disaster in August;

10-14 Oct 2022 **Windhoek (Namibia) The Namibian**. The **Namibian Statistics Agency (NSA)** launches a housing agency to measure housing development efforts;

10 Oct 2022 **Windhoek (Namibia) The Namibian**. **Namibia Power Corporation (NamPower)** releases a statement apologising for power outages, attributing the cuts to a partial-system collapse of the 400kV **Kokerboom-Auas** line;

10 Oct 2022 **Windhoek (Namibia) Business Day**. **Zimbabwe**-based **RioZim** acquires **Sperrgebiet Diamond Mine** in Namibia as the group seeks to expand across **Africa**;

9-10 Oct 2022 **Windhoek (Namibia) The Namibian**. **Kavango West** and **Kavango East** regions experience power outages;

6 Oct 2022 **Swakopmund (Namibia) Namib Times**. **Namibia** and **Zambia** sign an MoU to build an oil and gas pipeline connecting the two countries;

5 Oct 2022 **Windhoek (Namibia) The Namibian**. Power outages occur in central, northern and coastal regions of Namibia;

5 Oct 2022 **Windhoek (Namibia) IMF**. **International Monetary Fund** staff complete the 2022 Article IV Mission to **Namibia**, concluding that the Namibian economy has started to recover from the **Covid-19** pandemic with real GDP growth expected at 3% in 2022 and 3.2% in 2023;

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