

AFRICA RISK CONSULTING

Namibia Monthly Briefing July 2024

Namibia Summary 17 July 2024

The Electoral Commission of Namibia announces the deregistration of three political parties, on 27 June in the lead up to the November 2024 parliamentary and presidential elections. The International Monetary Fund (IMF) releases its High-Level Summary Technical Assistance Report on 21 June, reviewing the finance regime of Namibia's petroleum industry. National Petroleum Corporation of Namibia (NAMCOR) and its joint venture partner, Canadian-based Reconnaissance Energy Africa Ltd. (ReconAfrica) start exploration drilling of the Naingopo well on Petroleum Exploration Licence 73 (PEL73) on 7 July.

Electoral commission deregisters non-compliant parties

The **Electoral Commission of Namibia (ECN)** announced on 27 June the deregistration of three political parties, including the **Christian Democratic Voice Party (CDV)**, **Democratic Party of Namibia (DPN)**, and **Namibia Economic Freedom Fighters (NEFF)** due to non-compliance with the **Electoral Act 5 of 2014**. This action follows a detailed assessment revealing significant non-compliance with sections 140 and 158 of the act which pertain to financial record-keeping and auditing requirements.¹ The NEFF has held two seats in parliament and the CDV one since 2019, whilst the DPN holds no seats.²

The ECN stated that it has made continuous efforts since 2019 to engage political parties in understanding and fulfilling their compliance obligations.³ These efforts include the publication of regulations, multiple correspondences, workshops, and extended deadlines aimed at ensuring political parties submitted their audited financial statements and other required documentation. Despite these initiatives, several parties failed to comply.

The ECN detailed that the CDV failed to provide all required financial statements despite extended deadlines and the NEFF failed to submit audited financial statements in 2020, 2021, 2022 and 2023 by the set deadlines. The ECN's statement also emphasised that it had several engagements with the CDV and ECN on these matters. In the case of the DPN, the persistent non-compliance to provide financial statements and its lack of response to ECN communications resulted in the party's deregistration.

The CDV and the NEFF have openly responded to the ECN's decisions. NEFF deputy leader **Longinus Iipumba** told media on 2 July:

"We believe every Namibian has seen how unfair the NEFF was treated. We are heading to court as the decision by the ECN is undermining the democratic principles and processes in this country."⁴

The NEFF filed a motion against the ECN with the **Electoral Court** on 8 July, requesting an interdict on the ECN's decision. The matter will be heard on 23 July.⁵ In their motion, the NEFF

¹ Electoral Commission of Namibia, 27 Jun 2024

² IPU Parline, 2019

³ Electoral Commission of Namibia, 27 Jun 2024

⁴ The Namibian, 3 Jul 2024

⁵ The Namibian, 10 Jul 2024

claims that the ECN created the impression that the NEFF was compliant and that the deadline to submit financial statements is 30 June 2024.⁶ However, in its original statement where the deregistration was announced, the ECN made it clear that the deregistration is not based on financial statements that were due on 30 June 2024, but that there are outstanding financial statements for the 2022/23 financial year and the financial statements required for submission by 30 June 2024 pertains to 2023/24 financial year.⁷

On 24 June, the CDV's single parliamentarian, **Gotthard Kandume**, made a controversial statement in reaction to the deregistration:

*"We have been sworn in by a Supreme Court judge. [...] They [the ECN] have declared war on us but we will expose their mess."*⁸

He further added that this matter is minor and that it will be resolved.

The ECN emphasised its commitment to democracy, transparency, and fairness, urging all political parties to adhere to the legal requirements to maintain the integrity of Namibia's electoral system.⁹ As an independent electoral body, the ECN's decisions are in compliance with the Electoral Act. Furthermore, the measures related to submitting audited financial statements is a strong, yet vital, measure to uphold transparency and integrity in a party and can serve as a means to show the public how a party's internal budgets are managed.

Enabling transparency of political parties' financial records is an important resource that shows whether political parties are compliant with financial regulations. Furthermore, parties' financial records should be made transparent as it is useful information to observe how parties manage their own finances.¹⁰ In the run up to the November 2024 presidential and parliamentary elections, the ECN's bold and necessary decisions can build confidence from international observers and analysts on the strength of Namibia's political and electoral system.

The IMF evaluates the public finance regime of oil sector

The **International Monetary Fund (IMF)** released its **High-Level Summary Technical Assistance Report** on 21 June, reviewing the finance regime of Namibia's petroleum industry. The IMF indicated that the Namibian government requested the report due to "*a surge in petroleum exploration activities in Namibian offshore waters.*"¹¹ The report included findings and recommendations considered prudent for taxation and the fiscal management of large-scale petroleum investments.¹² The findings and recommendations were formulated after the IMF's fiscal affairs department visited Namibia between 28 November and 13 December 2023.

Since 2021, Namibia has witnessed interest in oil drilling. Companies such as **QatarEnergy**, **France**-based **TotalEnergies**, **United Kingdom**-based **Shell**, **Portuguese**-based **Galp** and other oil companies have been drilling off the coast of the **Orange River Basin** and/or the **Okavango Delta** (see *ARC Briefing Namibia Jun 2024*). The IMF previously indicated that Namibia's economic growth in 2022 (4.6%) and 2023 (3.2%) was largely driven by the mining sector, but also attributable to increasing oil and gas explorations.¹³

The report's findings indicated that despite the appraisal of these exploration deals being promising, none have been declared commercially viable yet.¹⁴ Further, the IMF finds it prudent

⁶ The Namibian, 10 Jul 2024

⁷ Electoral Commission of Namibia, 27 Jun 2024

⁸ The Namibian, 24 Jun 2024

⁹ Electoral Commission of Namibia, 27 Jun 2024

¹⁰ ARC Briefing Analyst, 13 Jul 2024

¹¹ International Monetary Fund (IMF), 21 Jun 2024

¹² International Monetary Fund (IMF), 21 Jun 2024

¹³ International Monetary Fund (IMF), April 2024

¹⁴ International Monetary Fund (IMF), 21 Jun 2024

that potential revenues from the investments are yet to be incorporated into its medium-term fiscal planning. The IMF regards the government's approach as cautious and acknowledged the fact that petroleum revenue would merely be included in the macroeconomic framework once the government finalised the **Final Investment Decision (FID)** and a Field Development Plan.¹⁵ The IMF also indicated that despite the fact that oil explorations have not yet been declared fiscally viable, it remains necessary to ensure that the petroleum fiscal regime is fit for purpose and that potential oil revenue can enhance revenue collection.

The IMF made various recommendations. Firstly, the IMF recommended that petroleum tax policy and legislation should provide clarity and simplicity for taxpayers while simultaneously safeguarding revenue collection.¹⁶ This would entail capping interest deductibility, providing guidance with regards to Additional Profits Tax (APT), and limiting tax loss carry-forward. Other tax recommendations included ensuring certainty in the taxation of capital gains. With regards to the state, the IMF recommended that government decision-makers must commit to their financial obligations, including the obligations on **National Petroleum Corporation of Namibia (NAMCOR)** to meet the development costs. At the same time, the government needs to balance its investment into the oil sector with its obligations to scale up social and public spending.¹⁷

With regards to governance and corruption, the IMF indicated that Namibia needs to adhere to high transparency and governance standards. In order to do this, the IMF recommended that all petroleum agreements be made publicly available and accessible.¹⁸

To ensure effective policy coordination, the IMF recommended that an inter-ministerial committee be setup to oversee the policy design of the petroleum sector and the implementation thereof.¹⁹ Further, the IMF recommended that an inter-agency be set up with the purpose of establishing a model for data and information sharing on the oil sector in Namibia.

Mines and energy minister **Tom Alweendo** welcomed the IMF's recommendation to make contracts between the contracts between oil companies and the government public.²⁰ Alweendo added that the transparency will eliminate the common perception that oil contracts are established through corrupt practices:

*"It is only through transparency that we eliminate persistent concerns of dishonesty that is often associated with oil contracts."*²¹

The government's request for the IMF to conduct the research to accumulate the report bodes well for transparency and accountability but it remains to be seen how the Namibian government will adopt the recommendations.

ReconAfrica starts new drilling efforts in the Damara Fold

NAMCOR and its joint venture partner, Canada-based **Reconnaissance Energy Africa Ltd. (ReconAfrica)**, started exploration drilling of the **Naingopo** well on **Petroleum Exploration Licence 73 (PEL73)** on 7 July. PEL73 is located in the **Damara Fold Belt** in the northeast region of Namibia.²² The well is planned to reach a depth of around 3,800 meters and is anticipated to encounter multiple reservoir intervals targeting both natural gas and oil.

¹⁵ International Monetary Fund (IMF), 21 Jun 2024

¹⁶ International Monetary Fund (IMF), 21 Jun 2024

¹⁷ International Monetary Fund (IMF), 21 Jun 2024

¹⁸ International Monetary Fund (IMF), 21 Jun 2024

¹⁹ International Monetary Fund (IMF), 21 Jun 2024

²⁰ The Namibian, 26 Jun 2024

²¹ The Namibian, 26 Jun 2024

²² Africa Energy Chamber, 9 Jul 2024;

Prospective oil finds is targeted at 163 million barrels and 843 billion cubic feet of prospective natural gas resources. Reinsborough noted that drilling efforts will amount to around 90 days.

This exploration effort will be the first multi-well exploration in the PEL73.²³ ReconAfrica's CEO, **Brian Reinsborough**, expressed enthusiasm about the multi-well licence:

*"This is a significant play – opening well which may unlock a total potential resource of over 31 billion barrels of oil or 18 trillion cubic feet of natural gas based on the most recent prospective resource report."*²⁴

After the drilling campaign on PEL 73, ReconAfrica plans to drill a second well towards the end of 2024 on the Damara Fold Belt under the license, **Prospect P**. The second well aims to acquire 278 million barrels of oil and 1.5 trillion cubic feet of natural gas resources.²⁵

ReconAfrica already has been in the spotlight after it was accused of misleading the public about its shareholding and drilling boreholes in the Okavango. Namibia's parliamentary standing committee on natural resources presented a parliamentary report in October 2023 that recommended the monitoring of ReconAfrica (*see ARC Briefing Namibia Oct 2023*). The parliamentary report came after civil society organisations applied consistent pressure on ReconAfrica to halt its drilling efforts in the Okavango, a region popularly known for holding one of the most pristine rivers and ecosystems in Africa. Despite any findings, ReconAfrica has been able to continue its drilling operations in the Okavango.²⁶ With the increasing interest and oil exploration activities, environmental activists are likely to increasingly apply pressure on oil companies to halt drilling efforts.

Planner

Nov 2024 **(Namibia)** General elections

Chronology

15 Jul 2024 **Windhoek (Namibia)** *The Namibian*. Namibia has spent N\$380m (\$20.84m) on consultancy services, feasibility studies and subsistence and travel (S&T) allowances towards projects for green hydrogen development in **Namibia**;

14 Jul 2024 **Windhoek (Namibia)** *Namibia Economist*. Namibia and **South Africa** release a press statement to mark the beginning of an ambitious green hydrogen deal after a memorandum of understanding (MoU) was signed at the **World Hydrogen Summit 2024**;

14 Jul 2024 **Windhoek (Namibia)** *The Namibian*. Judiciary and justice ministry say that they need more than N\$2 billion (\$109.7m) to renovate and maintain their infrastructure;

15 Jul 2024 **Windhoek (Namibia)** *The Namibian*. Environment and tourism minister **Pohamba Shifeta** announces that tourism numbers increasing from 461 027 in 2022 to 863 872 in 2023;

13 Jul 2024 **Windhoek (Namibia)** *The Namibian*. **National Unity Democratic Organisation (Nudo)** president **Esther Muinjangue** says that the elective conference which was due to take place between 12-14 July is postponed. The party has yet to hold an elective conference for candidates to participate in the 2024 parliamentary and presidential elections;

²³ Africa Energy Chamber, 9 Jul 2024; World Oil, 8 Jul 2024

²⁴ Energy Capital & Power, 15 Jul 2024

²⁵ Energy Capital & Power, 15 Jul 2024

²⁶ Voice of America, 30 Sep 2023

13 Jul 2024 **Windhoek (Namibia)** *The Namibian*. The **Electoral Commission of Namibia (ECN)** says it has recorded 823,761 voters for the November elections;

10 Jul 2024 **Windhoek (Namibia)** *The Namibian*. The **Bank of Namibia (BoN)** holds its first Macro-Prudential Oversight Committee (MOC) of the year to assess potential risks and vulnerabilities in the financial system, sharing that the financial sector sustained adequate capital and liquidity buffers to withstand potential losses;

7 Jul 2024 **Swakopmund (Namibia)** The fifth session of the **Namibia-Ghana Permanent Joint Commission for Cooperation** is held to discuss commitment across sectors;

9 Jul 2024 **Johannesburg (South Africa)** *News24*. **United Kingdom**-headquartered **Shell** confirms plans to explore the **Northern Cape Ultra Deep** licence block, on the maritime border between South Africa and **Namibia**;

4 Jul 2024 **Gaborone (Botswana)** *Anadolu Agency*. President **Mokgweetsi Masisi** says faster progress needs to be made on the **Trans-Kalahari Railway** project that will connect Botswana to **Namibia**, which has been on the cards for ten years;

3 July 2023 **Windhoek (Namibia)** *The Namibian*. Petrol prices decrease by 80 cents (\$0.04) per litre. Diesel 50ppm and diesel 10ppm prices respectively drop by 60 cents (\$0.03) and 70 cents per litre (\$0.038);

2 Jul 2024 **Windhoek (Namibia)** *Reuters*. More than 12 oil companies have reportedly expressed interest in buying a 40% stake in **Portugal**-headquartered **Galp Energia's** oil discovery offshore Namibia;

27 Jun 2024 **Windhoek (Namibia)** *News24*. Agriculture, water and land reform minister **Calle Schlettwein** says approval for a second desalination plant has been granted and construction will start in January 2025;

24 Jun 2024 **Windhoek (Namibia)** *Mining Weekly*. **Australia's Gibb River Diamonds** acquires two uranium projects in Namibia, comprising six prospecting licences;

19 Jun 2024 **Windhoek (Namibia)** *Reuters*. **Bank of Namibia** (central bank) keeps its main interest rate unchanged at 7.75% despite annual inflation increasing slightly from 4.8% in April to 4.9% in May;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistle-blower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)

Africa Risk Consulting (ARC) Pty Ltd expressly forbids the collection of information and content from ARC Briefing as data to train generative artificial intelligence models.

© Africa Risk Consulting (ARC)