

AFRICA RISK CONSULTING

Country briefing – Namibia

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1 Summary

The National Assembly (NA) approves the constitutional amendments proposed by South West Africa People's Organisation (SWAPO) vice president and prime minister Hage Geingob virtually unchanged. A Namibian vice president will now be appointed in March 2015 for the first time. The SWAPO electoral college produces a major shake-up of the party's candidates for the November 2014 NA election with many senior figures either not standing again or failing to have a realistic chance of returning as MPs. GDP growth is strong in the first half of 2014, although still narrowly based, and buoyant global demand for diamond jewellery will underpin higher growth this year. Geingob lauds his party's creation of a black business sector, although in practice only a small number of politically well-connected individuals have been making fortunes in the oil exploration sector.

1.1 Constitutional changes are now a fact

The heat initially generated by the package of constitutional amendments proposed by **Hage Geingob**, the ruling **South West Africa People's Organisation (SWAPO)** vice president and its candidate for this year's presidential election, ended rather suddenly at the end of August. The National Assembly (NA) approved both the Third Constitutional Amendment Bill and the Electoral Bill – the latter providing for a revamped, independent electoral commission – almost unaltered on 27 August (see *ARC Namibia August 2014 Briefing*).¹ Although the 18 opposition MPs (representing six parties) mainly voted against both bills and called for them to be withdrawn until after the simultaneous presidential and NA elections in November, much of the hot air now appears to have gone out of the issue. While SWAPO's two-thirds majority in the NA of 54 MPs meant there was never any real doubt about the outcome, the withdrawal of one highly contentious government proposal before the constitutional amendment bill was tabled – providing for a 5% vote threshold before any

¹ New Era, 29 Aug 2014.

party could gain representation in the NA (which threatened to exclude minority interests from the assembly permanently) – undoubtedly helped reduce tensions.

SWAPO's willingness to drop a clause stipulating that the eight MPs to be nominated by the president in the new enlarged NA of 104 MPs would have full voting powers, was another factor. Its willingness also to take on board the Supreme Court's recommendation, that the existing electoral commission should be restructured to make it genuinely independent of the government and to improve transparency of the polling process, was also welcomed. In the end, the reassurances by Geingob and SWAPO MPs taking part in the NA debate on both bills that the opposition should not see a sinister purpose behind the measures, seem to have played a part.

All parties are now increasingly caught up in preparations for their respective election campaigns. SWAPO leadership is buoyed by evident grass-roots support for the changes among party members, while the opposition parties are hopeful of a voter backlash against the ruling party for tampering with the constitution. To top off a good month for Geingob, SWAPO formally confirmed him in mid-September as the party's presidential candidate. This had never really been in doubt, but it removed any remaining uncertainty of a possible move by internal party opponents to block his candidacy.

Controversy over the constitutional amendments largely overshadowed the electoral bill's provisions. However, the (now) electoral act could significantly improve the integrity of the voting process. Voting will now take place on one day only, and not over two days as before; electronic voting machines are being used for the first time and electoral tribunals and electoral courts with differentiated functions are to be established. An 'occurrence book' is also to be kept at every registration point, polling station and vote collation centre in which all voter complaints will be recorded.

There is so far no indication who Geingob intends to appoint as Namibia's first vice-president when, as is universally expected, he formally takes over as head of state from Namibia's outgoing president, **Hifikepunye Pohamba** (2005-present), in March 2015. SWAPO has made much of the change as providing an opportunity to promote inclusivity and national unity, while consolidating the country's ethnic diversity. This could indicate Geingob may be thinking of appointing a representative figure from outside SWAPO. A bold step would be to choose someone like the newly-appointed **Ovaherero Traditional Authority (OTA) Paramount Chief, Vekuui Rukoro**. He was elected at a meeting of traditional leaders in **Otjinene**, eastern Namibia, in late September to replace the former paramount chief, **Kuaima Rirurako** who died in June.² The Ovaherero have a special place in Namibian history: it was their leader, chief **Samuel Maharero**, who led his people in an uprising against the then **German**

² New Era, 5 Jun 2014.

colonial administration in 1904, widely regarded as Namibia's first national revolt. Once defeated, the Ovaherero, then Namibia's biggest ethnic group (a position now held by the northern **Oshivambo**), were then decimated under an extermination order issued by the German military commander, General **Lothar von Trotha**, in what is now recognised as one of the first modern-day genocides.

Rukoro, an advocate by profession, fits the bill as a potential vice president in several ways. He was one of only two non-SWAPO MPs appointed as deputy ministers at independence in 1990, formally joining SWAPO in 1995 when he was appointed attorney-general. But he left the government in 2000 to pursue a business career, and has been **Namibia Chamber of Commerce and Industry (NCCI)** chairperson since 2002. At his official enthronement on 28 September, Rukoro said: *"I am ready to work hand-in-hand with government in maintaining peace and development in this country."*³

1.2 Many new faces on the SWAPO election list

Barely had the dust settled on the constitutional amendments, than SWAPO experienced a seismic shift in its internal order at its 30-31 August electoral college to select candidates for the National Assembly elections 'party list'. This marked a surprising reverse for Geingob, as not all of the slate of candidates chosen by his 'A-Team' were successful in gaining a place on the list, including some senior SWAPO **Politburo** members.⁴ In the build-up, outgoing SWAPO president and party leader Hifikepunye Pohamba had suggested on the eve of the electoral college that older SWAPO veterans might like to consider making way for younger party members. A number did so, leaving Geingob, aged 73, as virtually the last of SWAPO's 'big beasts' still active in politics.

Pohamba's call for voluntary retirements was accompanied by meetings of the 'A-Team' and other factions, including the radical **SWAPO Youth League (SYL)**, to decide slates of candidates for their supporters to vote for. The party list's 'pecking order' – candidates are ranked in descending order according to the votes cast by delegates – is more than symbolic or a popularity poll. To be sure of returning to the NA, or becoming new MPs, candidates needed to secure a placing within the top two-thirds of those chosen for the list, in line with SWAPO's current representation in the NA. With the NA's elected seats having been expanded to 96, anyone coming in below 72 in the SWAPO list would be unlikely to make it into the next parliament. An additional complicating factor making the outcome even more unpredictable was the adoption of the 50:50 gender equality principle by SWAPO earlier this year. This meant that male and female candidates had to be elected in alternate order, guaranteeing there would be a high proportion of new (female) faces in the party's line up for the NA election.

³ New Era, 29 Sep 2014.

⁴ New Era, 1 Sep 2014.

Among SWAPO's veteran figures deciding not to stand for re-election as MPs, notable names included the defence minister and Geingob's predecessor as prime minister, **Nahas Angula**, and the deputy prime minister, **Marco Hausiku**. Pohamba's intervention reportedly caused a split within the 'A-Team', with some reneging on promises to support the approved slate, ensuring that some candidates under-performed.⁵ The main shockwaves were caused by those elected near the top of the list - which included a number of high-profile female SWAPO members - and those who failed to make the cut entirely. **Windhoek** mayor **Agnes Kafula** topped the list, followed by former SYL leader **Lucia Iipumbu**. Local government deputy minister **Priscilla Beukes** came in third place followed by MP **Lucia Witbooi**. Not one of the four women has participated at that level before. Witbooi and Beukes are currently part of Pohamba's six appointed non-voting members of the National Assembly. The top two places on the list went to some of the ten people nominated by Pohamba, including the secretary general, **Nangolo Mbumba**, and **Khomas** regional governor, **Laura Mcleod-Katjirua**. Kafula came fourth and Iipumbu sixth.

Among those surprisingly not elected were the current NA speaker and former prime minister, **Theo-Ben Gurirab** (who was foreign affairs minister in the first post-independence government), the presidential affairs minister, **Albert Kawana** (one of the architects of the constitutional changes), and the health and social services minister, **Richard Kamwi**, whose wife, **Inge Zaamwani-Kamwi**, is chief executive of the 50:50 government/**De Beers**-owned **Namdeb Diamond Corp.** (see *ARC Namibia August 2014 Briefing*). Several current ministers, among them home affairs minister **Pendukeni Iivula-Ithana** and mines and energy minister **Isak Katali**, came too near the bottom of the list to have much hope of returning as MPs. However, some Geingob supporters such as trade and industry minister **Calle Schlettwein** and local and regional government minister **Charles Namoloh**, were elected high enough up the list (at 23rd and 11th respectively) to be safe.

In contrast, the SYL and its allies within the party succeeded in getting six candidates elected in the top half of the list, who will all become MPs. The SYL can also count on some of the new younger candidates to support its calls for faster land redistribution and restrictions on foreign ownership of mining firms. However, its former leader, **Paulus Kapia**, a defendant in the **Social Security Commission (SSC)/Avid Investment Corp.** fraud trial, now postponed until next year, did not stand for the party list. It was reported in the previous (August 2014) ARC briefing that he was still a SWAPO MP. This was incorrect; although he was re-instated as a party member after the first legal proceedings on the SSC/Avid finished five years ago, he did not resume his seat in the NA.

⁵ The Namibian, 1 Sep 2014

The electoral college outcome has left Geingob with a tricky task in forming the next government, although it is likely that he will use the eight MPs he can appoint to the NA to ensure some outgoing ministers on the list remain in the cabinet. It is mandatory under the constitution (and this has not altered) for a minister or a deputy minister to be an MP. Disappointed candidates like Kawana demanded an inquiry on the grounds there had been a deliberate effort to 'de-campaign' them. The party secretary-general, **Nangolo Mbumba**, confirmed that the SWAPO Politburo had approved a probe into the allegations, endorsed by Pohamba in late September. However, he specified it would cover events on the eve of the electoral college but not the elections to the party list which "were not in question". He also said the outcome of the probe would not affect the electoral college results and that any issues from the probe would be dealt with internally.⁶ SWAPO sources reported that both Pohamba and Mbumba were now conducting "a damage control" exercise behind the scenes, by asking some candidates elected onto the list to agree not to become MPs in exchange for other government positions. This would in theory provide space for some party veterans at the bottom of the list to move up and stand a chance of returning to the NA next year.

1.3 GDP growth strong but narrowly-based

The latest GDP growth figures published by the **Namibia Statistics Agency (NSA)** confirm the economy has performed strongly so far this year, although they also underline the economy's continued narrow base.⁷ Growth during the first two quarters of 2014 averaged 3.7% y/y, up from only 0.6% in the first half of 2013. But positive growth was mainly limited to four sectors: mining (diamonds), construction (new mine developments plus public infrastructure projects), transport and communication, and government services. In contrast, the manufacturing sector, on which the government is pinning much of its hopes for achieving economic diversification and employment growth, continued to perform poorly. The sector contracted by an average 9% during the first half of 2014, compared to fractional growth of 0.9% a year earlier. Agriculture is still recovering from the severe drought during 2013/14 while growth in both the financial and real estate sectors has slowed since last year. Q2 real GDP growth was 3% year-on-year (y/y). Although this was below the 4.4% Q1 growth rate, the latter had been revised up from only 1.6% previously, and the Q2 rate is also likely to be revised up, judging by recent NSA practice.

In Q2 2014, construction's real value-added grew strongly for a second successive quarter at 32% (34% in Q1), while government output expanded by 12%, reflecting higher spending on public infrastructure, as provided for under the 2014/15 (1 April to 31 March) expansionary national budget. Mining output rose by 6%, having contracted by 1.9% in Q1 and by 6.6% in Q4 2013, due

⁶ New Era, 22 Sep 2014.

⁷ Namibia Statistics Agency, Gross Domestic Product Second Quarter 2014.

mainly to higher diamond recoveries. Diamond value-added rose by 21%, compared to an 8.1% contraction a year earlier, while other mineral output rose by 9.8%. This more than offset a 30% decrease in uranium output, caused by lower production at the **Rössing** mine. The smaller **Langer Heinrich mine** has continued to produce at capacity due to a lower unit cost base. **China National Nuclear Corp. (CNNC)** now has a 25% equity interest in Langer. The operator, **Australia-based Paladin Energy**, continues to hold 75% for now, although it has hinted it might divest another 10%-15% equity interest to CNNC. De Beers reported that rough diamond output by Namdeb rose by 10% to just over 0.9m carats in the first six months of 2014 and analysts expect annual output to increase by about 8% to 1.95m carats, from 1.8m carats in 2013.

Namibia is set to benefit from continued strong demand for high-quality gemstones. In 2013 the average value of Namibian diamonds at US\$805/carats was the highest of any global producer according to **Kimberley Process** statistics.⁸ In a recently published market report, De Beers forecast that continued growth in global demand for jewellery – the main end-use for rough diamonds – will continue to grow over the long-term.⁹ De Beers owns 50% of Namibia’s sole diamond producer **Namdeb Diamond Corp.** and is itself 85% owned by **London-listed Anglo-American Corp.** and 15% by the **Botswana** government. It reported that global jewellery sales hit a record US\$79 billion in 2013, and that demand will be driven by on-going recovery in the US (the world’s largest diamond jewellery market) and continued growth in the domestic jewellery markets of both **China** and **India**.¹⁰ The latter grew by a 12% compound annual growth rate between 2008 and 2013. The report also anticipates that a forecast reduction in supply from existing diamond sources will likely not be matched by new production coming on-stream in the coming years, adding further likely upward pressure to prices.¹¹

Strong economic growth in Namibia should continue during the second half of 2014, although construction work on new mines – **Husab** (uranium), **Otjikoto** (gold) and **Tschudi** (copper) – will tail off from next year. But a further boost would be provided by development of the planned US\$2.5-3.0 billion **Kudu** gas-to-power project. **Ireland-based Tullow Oil**, the operator for Kudu’s upstream acreage, expects to make a final investment decision by end-2014 on offshore gas production facilities, while negotiations on a gas sale agreement with the Namibian government are well advanced. **Nampower**, which is in charge of the downstream power station component of the project,

⁸ Kimberley Process Certification Scheme, Annual Global Summary, 2-13 Production, imports, exports and KPC Counts.

⁹ De Beers Group of Companies, The Diamond Insight Report 2014.

¹⁰ De Beers Group of Companies, The Diamond Insight Report 2014.

¹¹ De Beers Group of Companies, The Diamond Insight Report 2014.



has just named a consortium of China's **Shanghai Electric** and **Germany's Siemens** as preferred bidder for the US\$1.3 billion, 800MW combined-cycle gas turbine (CCGT) plant at **Oranjemund**.¹²

Kudu and potential future commercial offshore oil finds would help diversify the economy, although the government says it wants this to happen faster. Trade and industry minister Calle Schlettwein told delegates at an international oil and gas conference in Windhoek at the end of September that the economy had to be transformed from one that relies on trading in raw materials only, *"to a diversified economy that produces value-added and finished goods"*.¹³ Schlettwein, a close colleague of Geingob, added that the oil and gas sector had great potential for developing value chains, eg a rubber industry, plastics, fertilisers and organic chemicals.

*"When relying on exports of raw materials, we remain price takers for our export commodities; as well as for our imported finished consumer goods."*¹⁴

Schlettwein suggested that solutions to the country's *"persistent and perpetual problems of high unemployment, unequal income distribution and poverty"* may be found in innovative strategies that make the most of *"our comparative and competitive advantages"*.¹⁵

1.4 Oil millionaires dominate black business elite

SWAPO presidential candidate Hage Geingob has made the government's success in fostering the development of a black, indigenous sector a key issue in the elections, pledging to continue policies that promote *"economic emancipation"*. He told a SWAPO election rally in *Walvis Bay* on 27 September:

*"Today a lot of black people are running successful businesses. This is because Swapo liberated the country and opened doors for everyone, so please give us a chance to continue addressing development issues."*¹⁶

Company registrations by black business people have soared to new highs and indigenous Namibians now hold senior positions in the management of many established businesses, especially in the financial sector. Geingob made no mention of reviving a general **Black Economic Empowerment (BEE)** bill that was shelved in 2010 after local black business chiefs criticised it for focussing too much on transferring equity stakes in existing firms to *"historically-disadvantaged Namibians"* (HDNs) at the expense of promoting entrepreneurial values and reducing red tape.

¹² The Namibian, 23 Sep 2014.

¹³ New Era, 22 Sep 2014.

¹⁴ New Era, 22 Sep 2014.

¹⁵ New Era, 22 Sep 2014.

¹⁶ New Era, 29 Sep 2014.

Geingob has been critical of Namibians who are allocated mineral exploration licences selling these on, at a handsome profit, to foreign firms. This is one reason why the government focus on expanding Namibian participation in the mineral sector has switched from backing BEE to promoting the role of the state-owned **Epangelo Mining Co.** This has first rights to new exploration licences for so-called ‘strategic minerals’ including gold, diamonds and rare earth elements (REEs), and since it has insufficient funds and expertise to conduct the risky business of exploration on its own account, it is prepared to establish public/private sector partnerships with foreign mineral exploration firms (see *ARC Namibia July 2014 Briefing*).

But SWAPO has no plans to curb the resale of local shares in oil exploration licences which has made millionaires of a small group of politically well-connected Namibians before a drop of oil has actually been commercially produced. The extent to which this has become routine within the oil exploration sector has been exposed in an investigative report published in the local press under the headline “*Oil Fields for Friends*”.¹⁷ The report states that

*“The enrichment of Namibia's tiny elite of politically connected middlemen is set to continue, as government applauds multimillion-dollar deals that have made a handful of individuals fabulously wealthy through the sale of petroleum licences.”*¹⁸

Licences for oil in Namibia are acquired by well-placed individuals for a fee of between N\$15 000-N\$30 000 (US\$1,350-2,700) and later sold for millions of dollars to international companies. According to the report, calculations showed that a cartel involving not more than 20 middlemen and politicians have benefited in the past six years from fewer than ten transactions involving cash or shares in exchange for their exploration licences. Public disclosure of these transactions “*would almost certainly reveal crony enrichment on a far larger scale*”.¹⁹ More seriously for empowerment claims, it also means that despite the government policy of favouring locals when issuing licences, international firms now hold 90% of the (mainly offshore) oil block licences.

The report cited a number of examples. **Anglo-Dutch** group **Shell** acquired a 90% stake in two blocks owned by **Signet Petroleum**, a company owned by a **Malaysian** firm **Mettiz Capital** through London-listed **Polo Resources**. Shell did not divulge the amount it had paid for the block, saying it was a confidential transaction. However, the investor watch website proactiveinvestors.co.uk quoted Mettiz owner **Michael Tang** as stating that the deal was worth R220 million (US\$19.8 million). Apart from the initial licence fee of N\$30 000, the Namibian government received nothing from the transaction, as a proposed transfer tax has never been introduced. The state-owned **National Petroleum Corp. of Namibia (NAMCOR)** reportedly brings pressure to bear on foreign companies to make

¹⁷ The Namibian, 15 Aug 2014, by Shinovene Immanuel, an intern at The Mail & Guardian's investigative arm, *amaBhugane*.

¹⁸ The Namibian, 15 Aug 2014 by Shinovene Immanuel, an intern at The Mail & Guardian's investigative arm, *amaBhugane*.

¹⁹ The Namibian, 15 Aug 2014 by Shinovene Immanuel, an intern at The Mail & Guardian's investigative arm, *amaBhugane*.

empowerment deals with local entities that appear to be little more than "briefcase firms" representing one or two favoured individuals. The problem is compounded by a lack of guidelines to avoid conflicts of interest on the part of politicians or an up-to-date public assets register. It has escalated since NAMCOR began to issue licences on a first-come, first-served basis in 2006; until then this was done through petroleum licensing rounds held every four to five years.

A list of principle beneficiaries shows most have close links with the government or SWAPO.

Businessman **Knowledge Katti**, a friend of Geingob, headed up two Namibian BEE firms, **Cumoxi Investments** and **Knowledge Resources**, working through **Namibian Industrial Development Group (NIDG)**, which acquired 30% of several licences allocated in 2006. Katti also brought the then home affairs minister, **Pendukeni Iivula-Ithana** as a director into another of his firms, **Kunene Energy**, which received licences for three offshore blocks covering over 10,000 square kilometres. Katti sold Kunene to Canadian-listed **UNX Energy Corp.** in 2008. UNX described him as "*well positioned to assemble strategic interests in high-profile African oil and gas projects*".²⁰ The deal consisted of cash and shares in UNX, which also bought Katti's 30% of NIDG for US\$1.5-million in cash. Then in 2011, **Brazilian** oil company **HRT**, now Namibia's second-biggest offshore licence holder, bought UNX for a US\$781m shares-only deal. Katti and his partners, Iivula-Ithana, are believed to have owned about 12% of UNX at the time, giving them a paper windfall of around US\$90m. Other examples given in the report are **Desmond Amunyela** and **Lazarus Jacobs**, both friends of Geingob, and co-owners of **Paragon Investment Holdings**. Two year after acquiring a licence covering 17,295 square kilometres in the Walvis sedimentary basin, the firm sold most of its interest to **Pancontinental Oil & Gas** for US\$4m. Amunyela told the report author that there is nothing wrong with Namibians selling their licences, as oil is a natural resource that belongs to them.

2 Implications

It seems certain that Hage Geingob will be Namibia's next president, and judging by the vigour with which he is conducting the SWAPO election campaign, an activist one. He will have more powers than his predecessors in the sense that the appointment of Namibia's first vice president will be in his gift. But it would appear that overall the controversial constitutional amendments approved at the end of August, will not significantly expand the executive powers of the presidency as the opposition parties and numerous other critics had alleged when the proposed changes first surface in July. However, Geingob is undoubtedly an advocate of the 'Big Man' form of leadership common to many African countries, whether multi-party democracies or not. Unless the opposition parties can manage – which at present does not look likely – to raise their representation in the next parliament, SWAPO's existing

²⁰ Undated UNX Market release

dominance of the political scene will reach new heights under Geingob. One question that has yet to be posed is whether, given his age on assuming office, Geingob will last for two full five-year terms. His choice of vice president could be significant as the holder of the post could be expected to stake a claim if Geingob stood down after one term in office.

More immediately, the transformation of the party's representation in parliament, following the much greater proportion of younger candidates elected on to the SWAPO party list for the National Assembly election, is of greater consequence. Although much has been made of the difficulties Geingob will face in putting together a new ministerial team after March next year, analysts do not see this as destabilising.²¹ Those current ministers and MPs who came in too low down the list to be sure of returning as MPs or failed to be elected at all, will no doubt be accommodated by being among the eight (previously six) non-elected MPs that Geingob can nominate. A wider issue is whether the next set of SWAPO MPs will be more independent. At present because the government is so large (24 ministers plus deputies), office holders outnumber SWAPO backbench MPs. With 22 more elected MPs in the next parliament, the balance would be less lopsided.

The SWAPO Youth League (SYL) was euphoric over its success in gaining more favourably-placed candidates on the party list, and will seek to form alliances with the new, younger and mainly female, uncommitted MPs on its policy priorities of pushing for faster land redistribution and greater controls over foreign ownership of mining firms. However, empirical evidence shows the main issue limiting fairer ownership of and wider distribution of the benefits is the preponderant influence of a small group of politically well-connected Namibians. At this stage it is difficult to gauge whether the SYL will cause Geingob real difficulty in continuing broadly pro-investment, pro-foreign business policies. Certainly, nothing will be done to curb Chinese enthusiasm for investing in the mineral sector, which Geingob strongly supports. Provided he can shape the cabinet in his image, the SYL will remain mainly an irritant to the SWAPO leadership and lacks a mass base to campaign effectively on its chosen issues.

The political crises in the **Middle East** and eastern **Ukraine** have not significantly disrupted the global economy and oil prices have not spiked upwards as some had expected. The diminished risk of renewed external shocks means Namibia's economy is set to continue its current growth path during the rest of 2014 and into 2015 when expanded mining output will start to kick in, boosting GDP and exports. Projected annual GDP growth is 5.3% this year, rising to 6% in 2015. Provided an investment decision on development of the Kudu gas-to-power project is taken by the end of 2014 or early in 2015, this will provide another major boost to the construction sector, just as work on the new mines

²¹ Source, political analyst, London

currently being built starts to wind down. But, growth is narrowly-based and ongoing mining and infrastructure projects will only make a minor inroad into the 29% unemployment rate.

Geingob and trade minister Calle Schlettwein are convinced advocates of transforming the economy by developing value-added industries to produce and export finished goods, rather than mainly raw or semi-processed minerals and other products as at present. This would undoubtedly reduce Namibia's vulnerability to external shocks and commodity price fluctuations. However, as Namibia remains a small market, these sectors are not likely to attract significant foreign direct investment (FDI) inflows. This would become more practical if the government is able to meet the current, fourth national development plan (NDP4) objectives of expanding logistics/transport infrastructure sufficiently to make Namibia a regional trading hub. The expansion of Walvis Bay harbour already underway, and a proposed new port just to the north to handle planned large-volume coal exports from Botswana, will contribute to this but capacity constraints (physical and human resources) will be a key obstacle to overcome.

The revelations over the extent of the influence obtained in the oil exploration sector by network of mainly politically well-connected individuals while disturbing are not a new phenomenon. A similar process took place in the 1990s when the government implemented a 'Namibianisation' programme in the sea fisheries sector. This involved a restructuring of the then largely **South African/Spanish** owned fishing companies by making the formation of partnerships with local firms and commitment to a greater degree of onshore processing a condition of being granted long-term fishing rights. Similarly, catch quotas with the permitted total allowable catches for each species – hake, mackerel etc – were allocated on the basis of favouring new Namibian entrants. Just as with the oil exploration sector today, a small number of Namibians were able to benefit disproportionately by selling on fishing rights and quotas to mainly foreign-owned firms and consortia although there are now some Namibian-owned firms operating in the sector with commercial success. However, the allocation of quotas, decided annually by the Ministry of Fisheries and Marine Resources remains untransparent.

Since Namibia only has a small pool of actual and potential entrepreneurs it is not that surprising that the benefits have gone to those best-placed to exploit their political connections to attract the interest of foreign companies. It is certainly true that the Namibian partners have insufficient capital and expertise to conduct oil exploration work without teaming up with qualified foreign firms. They have mainly taken advantage of the lax regulatory controls and absence of any requirement to publish the financial details of partnership deals. From the perspective of foreign oil firms, they have little option but to do business deals with Namibians allocated licences on a preferential basis to gain access to offshore oil exploration acreage. The real scandal is the missed opportunity by the government to levy any form of tax or transfer duties on the profits made by Namibian citizens on the resale of their



licence rights. The approach has been as long as Namibians become involved in the sector that is all to the good, irrespective of whether those concerned have any long-term interest in developing viable businesses as opposed to just turning a quick profit.