

Namibia QER Q4 2018

Namibia Quarterly Economic Review

October-December 2018

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Quarter Summary

Namibia’s economic performance remained extremely weak. Data showed Q3 was the tenth quarter of negative growth in succession. Finance Minister Calle Schlettwein went on record stating that the economy would shrink by 0.2% in 2018 while the Employment Creation Minister presented numbers to Parliament suggesting unemployment was rising. In an interview with Bloomberg, Schlettwein asserted that he thought the economy was “bottoming out” but made the mistake of speculating in public that Namibia was entertaining the idea of breaking the one-to-one peg with the South African Rand, something that the Bank of Namibia immediately countered by issuing a clear statement saying the peg continued to be in the best interests of the country. The MPC maintained the repo rate at 6.75% throughout the quarter.

President Hage Geingob officially inaugurated a new Peugeot Opel car assembly plant in Walvis Bay driving the first car off the production line. The N\$190m plant is a joint-venture between the French car group and the National Development Corporation and springs from the “Growth at Home” strategy of former Trade & Industry Minister Calle Schlettwein. Initial misgivings expressed by South Africa’s NAAMSA appear to have been overcome. The plan is to produce 5,000 vehicles by 2020, a very small number. Mines Minister Tom Alweendo reversed the decision taken in 2015 obliging mining exploration companies to have 20% previously disadvantaged ownership and management. Rio Tinto announced the sale of Rössing Uranium to the China National Uranium Corporation, accentuating the Chinese presence in Namibia’s uranium sector. AfriTin moved a step further towards production of tin in Uis, decades after the tin mine there was last operational. Tunacor took delivery of a new N\$200m purpose-built fishing vessel. Russian billionaire Rashid Sardarov’s controversial

farm purchase was soon followed by an announcement that he was to partner hospitality management group Habitas in building the first Habitas hotel in Africa. Tourist arrivals data for 2017 and airport arrivals data for 2018 suggest that the tourism sector is remaining vibrant despite the wider national economic downturn. The European Union finally took Namibia off its list of non-cooperative tax jurisdictions while Moody's announced a slight improvement to its outlook for Namibia after its downgrading to junk status in August 2017. Namibia's position in a wide range of international rankings continued to drift downwards.

Public Enterprises Minister Leon Jooste finally tabled the Public Enterprises Governance Bill in Parliament, the latest in a long series of measures designed to improve the governance and performance of Namibia's commercial SOEs which began back in 2001. Despite fears to the contrary, the country's main airport was given a clean bill of health by international security regulators. During the quarter the CEO and three senior executives at Telecom Namibia were suspended suggesting parastatal boards are starting to become more assertive in their oversight functions. NamPower paid a significant dividend to government for the first time since 2005.

News Highlights

Date	Highlight	Commentary
21 December	Finance Minister says peg to rand being evaluated (Bloomberg)	Finance Minister Calle Schlettwein was quoted by Bloomberg as saying Namibia was evaluating its peg to the South African Rand although any change was not imminent. Shortly afterwards, the Bank of Namibia released a statement saying Namibia would not delink from the rand as the peg was the best arrangement for the country.
20 December	Tunacor takes delivery of new vessel (Undercurrent News)	Tunacor took delivery of Namibia's first ever new purpose-built fishing vessel. The N\$200m Oshiveli was built in Spain and is designed to catch hake, horse mackerel and monkfish.
14 December	Bank of Namibia holds repo rate at 6.75% (BoN)	The Monetary Policy Committee of the Bank of Namibia decided to hold the repo rate at 6.75% as the economy remained weak.
14 December	Economy contracts 0.8% in Q3 2018 (NSA)	Namibia Statistics Agency Statistician General Alex Shimwuaferi announced the latest quarterly growth figures for Namibia which showed that the economy contracted by 0.8% in Q3 2018, the tenth consecutive quarter it has declined.
13 December	Tourist arrivals strong in 2017 (MET)	Tourism Minister Pohamba Shifeta announced that tourist arrivals for 2017 remained strong at 1,499,142 compared to 1,469,258 in 2016.
9 December	347 corruption cases finalised in court since 2006 (New Era)	Anti-Corruption Commission Director General Paulus Noa stated that out of the 6,505 cases of corruption registered with the ACC since 2006, the vast majority have not been referred to the Prosecutor General for prosecution and only 347 had been finalised in court while 212 are still pending.

7 December	Moody's rating for Namibia is speculative (Moody's)	Moody's rating agency rated Namibia as speculative reflecting a slight improvement in the outlook for creditworthiness since the country's downgrade to junk status in August 2017.
5 December	AfriTin moves first ore to plant (Mining Weekly)	Tin mining company AfriTin moved the first ore to plant at its Uis tin mine setting the company on its way to reaching its goal of re-establishing the country as a major player in the tin mining industry.
5 December	President Hage Geingob opens Peugeot assembly plant (The Namibian)	President Hage Geingob officially opened a new car assembly plant in Walvis Bay. The N\$190m plant is a joint venture between France's Peugeot Opel and the National Development Corporation and aims to produce 5,000 cars a year by 2020 for the SACU market.
3 December	NamPower pays dividend to Government (The Namibian)	NamPower paid a N\$60.7m dividend to Government for FY2017/18, the first time it has paid a dividend since 2005.
29 November	Namibia ranked 38 th in visa openness index	Namibia has been ranked 38 th out of 54 countries in the Visa Openness Index compiled by the African Development Bank, the African Union Commission and the World Economic Forum, down two places from the year before.
28 November	Habitas announces it will build new hotel in Namibia (New Era)	Russian billionaire Rashid Sardarov has teamed up with hospitality management group Habitas to build the first Habitas hotel in Africa to be located on land owned by Sardarov's Comsar Properties an hour's drive from Hosea Kutako airport.
28 November	Namibia Airports Company passes international security assessment (The Namibian)	Public Enterprises Minister Leon Jooste announced that the Namibia Airports Company had passed a ten-day security assessment by the International Civil Aviation Organisation with "no significant security concerns identified".
26 November	Rio Tinto sells Rössing Uranium to China National Uranium Corporation	Rio Tinto has announced it will sell its entire 68.62% stake in Rössing Uranium to the China National Uranium Corporation for USD106.5m.
24 November	Telecom suspends CEO (The Namibian)	Telecom Namibia has suspended its CEO Theo Klein following a board investigation into an alleged fake N\$12m tender. This follows the suspension of three senior executives earlier in the month.
15 November	Inflation rises to 5.1% in October (NSA)	Namibia's CPI rose from 4.8% in September to 5.1% in October.
8 November	Tower Resources signs new Petroleum Agreement (Offshore Technology)	Tower Resources has signed a new Petroleum Agreement with the Government related to an 80% operated interest in three offshore blocks 1910A, 1911 and 1912B in the Walvis Basin and Dolphin Graben.
6 November	EU removes Namibia from tax blacklist (EU)	The European Council removed Namibia from the EU's list of non-cooperative tax jurisdictions.
5 November	Fuel prices to rise by 50c per litre (MME)	The Ministry of Mines and Energy announced that the price of all grades of petrol and diesel will rise by 50c from midnight on 7 November. 95 Octane unleaded petrol will cost N\$13.45 per litre, while diesel 500 ppm

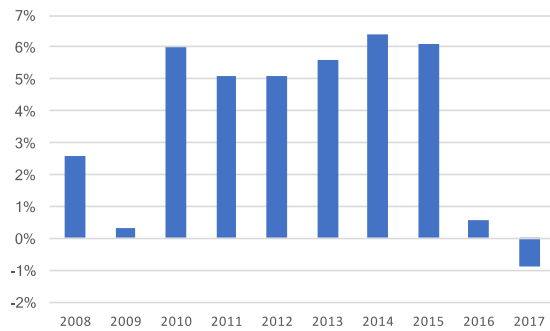
		will cost N\$13.78 per litre and diesel 50 ppm will cost N\$.83 per litre.
2 November	Namibia falls in Ease of Doing Business (World Bank)	Namibia fell from 106 th place to 107 th out of 190 countries in the World Bank's annual Ease of Doing Business rankings. For "starting a business" Namibia was ranked 172.
31 October	Deputy Minister says commercial SOEs should not receive subsidies (The Namibian)	At a training workshop for the new board members of seven SOEs, Public Enterprises Deputy Minister Veikko Nekundi stated that commercial SOEs should not receive government subsidies saying that "you cannot be commercial if you rely on bailouts".
29 October	Mining requirement removed (Mining Technology)	Mines Minister Tom Alweendo removed the requirement introduced in 2015 that companies seeking exploration licences be 20% owned and managed by previously disadvantaged Namibians.
25 October	Nearly 1,700 retrenchments in five months (New Era)	Employment Creation Minister Erkki Nghimtina informed the National Assembly that 1,616 employees had been retrenched between October 2017 and March 2018 as a result of the weak economy.
24 October	Namibian economy set to decline by 0.2% in 2018 (Reuters)	Finance Minister Calle Schlettwein stated that the Namibian economy was set to shrink by 0.2% in 2018 due to weak performance in the manufacturing and construction sectors, down from a forecast of 1% growth in July. He expects growth of 0.9% in 2019.
24 October	Bank of Namibia holds repo rate at 6.75% (BoN)	The Monetary Policy Committee of the Bank of Namibia decided to hold the repo rate at 6.75% as the economy remained weak.
23 October	Namdeb produces 460,000 carats in Q3 (AA)	Anglo American reported that Namdeb Holdings produced 460,000 carats of rough diamonds in Q3 compared to 515,000 carats in Q2 2018.
20 October	Air Namibia needs N\$3bn to become profitable (The Namibian)	At a parliamentary committee hearing, Air Namibia MD Mandi Samson argued that the state-owned airline needed an injection of N\$3bn to become profitable.
18 October	Russian billionaire buys four farms (The Namibian)	Russian billionaire Rashid Sardarov bought four farms covering 17,000 hectares in Namibia for N\$43m. As part of the deal he donated them to the State then leased them back for 99 years. This is in addition to the 28,000 hectares near Dordabis he bought in 2013. The deal was finalised shortly before the Second National Land Conference was held.
18 October	Namibia falls to 100th place in Global Competitiveness Rankings (World Economic Forum)	The World Economic Forum ranked Namibia 100 out of 140 countries with a score of 3.0 in its latest Global Competitiveness Index, down one place since 2017. Namibia comes sixth in Africa after Mauritius, South Africa, the Seychelles, Botswana and Kenya. The fall is partly due to methodological changes.
15 October	Namibia Airports Company go ahead with N\$95m upgrade (The Namibian)	The Ministry of Finance has given the Namibia Airports Company the green light not to advertise the N\$95m upgrade for Hosea Kutako International Airport on the grounds of urgency and fears that the airport could be downgraded by international regulators.

15 October	Iberconsa up for sale (Undercurrent News)	Spanish fishing group Grupo Iberica de Congelados (Iberconsa), which has extensive operations in Namibia and Argentina and is 55% owned by private equity group Portobello Capital, is up for sale in a deal the sellers are valuing at €600m.
11 October	Otjikoto mine produces 42,403 ounces of gold (B2Gold)	B2Gold announced Otjikoto mine exceeded its production target for the quarter producing 42,403 ounces in Q3 and was on track toward producing 160,000-170,000 ounces for the year.
11 October	Chariot plugs Prospect S well (Oil & Gas Journal)	Chariot Oil & Gas announced it would plug its Prospect S well on the Central Blocks licence offshore Namibia after determining the target reservoir is water-bearing.
10 October	Public Enterprises Governance Bill tabled in National Assembly	Public Enterprises Minister Leon Jooste tabled the Public Enterprises Governance Bill 2018 in the National Assembly which will give the Ministry powers to create parastatals, appoint board members, monitor performance agreements and approve special investigations.
8 October	Second National Land Conference Resolutions published	The Ministry of Lands published the resolutions from the Second National Land Conference here .
6 October	Air Namibia plane impounded (The Namibian)	Air Namibia confirmed that one of the aircraft it was leasing from West Air was impounded in Harare as a result of a pending court case brought by four Zimbabwean nationals against Air Namibia leaving 38 passengers stranded. The plane was later released.
5 October	Namibia Plastics achieves milestone (Namibia Economist)	Six months after the start of factory construction, Namibia Plastics CEO and co-founder Johan Struwig and his team officially handed over the first batch of packaging to Namibia Breweries for its premium and world class beer brand, Windhoek Lager.
3 October	Fuel prices to rise by 50c per litre (MME)	The Ministry of Mines and Energy announced that the price of all grades of petrol and diesel will rise by 50c from midnight on 3 October. 95 Octane unleaded petrol will cost N\$13.45 per litre, while diesel 500 ppm will cost N\$13.78 per litre and diesel 50 ppm will cost N\$.83 per litre.
2 October	Second National Land Conference	At the opening of the Second National Land Conference in Windhoek, President Hage Geingob said "The willing-buyer, willing-seller principle has not delivered results. Careful consideration should be given to expropriation," He went on "We need to revisit constitutional provisions which allow for the expropriation of land with just compensation, as opposed to fair compensation, and look at foreign ownership of land, especially absentee landowners,".
20 September	Tax changes likely to damage economy (Cirrus Capital)	An analysis compiled in September by Rowland Brown of Cirrus Capital and Heinrich Jansen van Vuuren of Namibia Equity Brokers' (NEB) criticised government's new draft income tax bill, saying the proposals "defy

		basic economic principles and will, undoubtedly, do enormous harm to the already struggling economy”.
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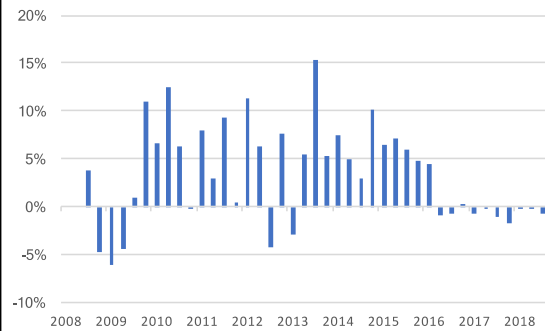
Key Economic Variables

GDP Growth (%)



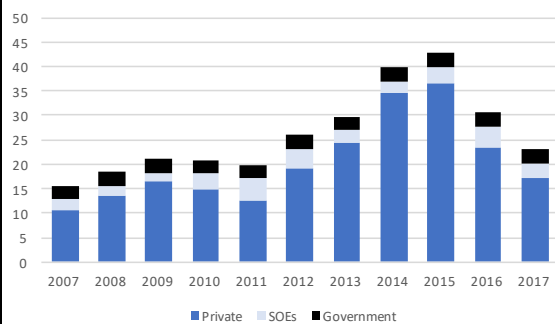
Following a strong recovery from the global economic crisis thanks partly to supportive monetary and fiscal policies, economic growth declined to just +0.6% in 2016 and then shrank by -0.9% in 2017.

GDP Quarterly Growth (%)



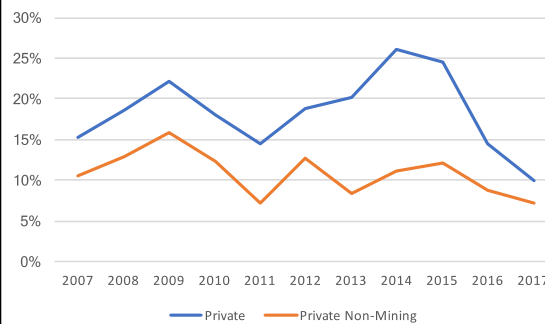
Quarterly growth tumbled in Q2 2016 and has not recovered since with the latest estimates showing a decline of 0.8% in Q3 2018.

Fixed Investment (N\$bn in 2010 prices)



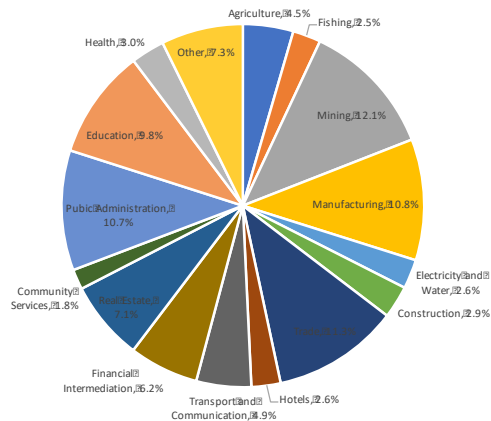
Investment, driven by strong private investment, rose significantly after 2011 but peaked in 2015 and has since returned to previous levels.

Private Fixed Investment (% of GDP)



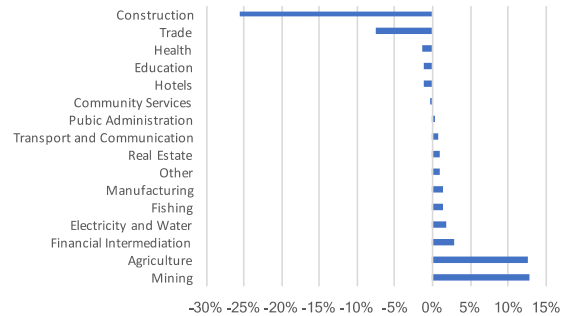
Private investment has been driven by investment in mining. Overall private investment peaked in 2014 and has since declined steeply. In 2017 non-mining private investment fell to its lowest level since 2011.

Sectoral Breakdown of GDP (%)



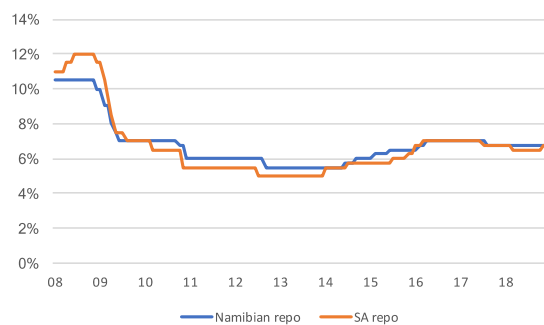
The chart shows the contributions made to overall economic activity in 2017 by the different sectors of the economy. Service sectors contributed 57.4% while primary and secondary sectors contributed 19.1% and 16.3% respectively.

Sectoral Growth (%)



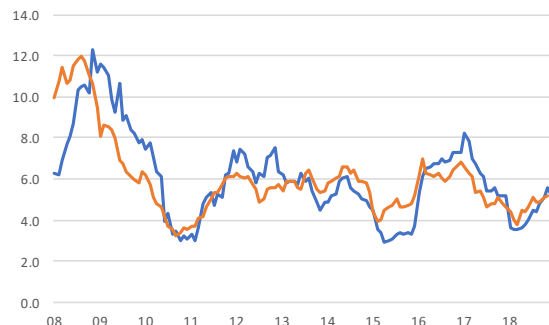
While output from mining and agriculture grew strongly in 2017, output declined significantly in the construction and trade sectors.

Namibian and SA Repo Rates (%)

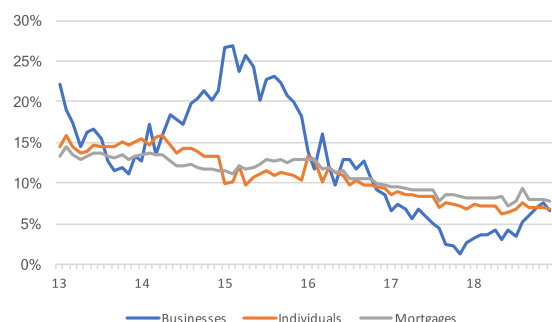


The Bank of Namibia's repo rate has been 6.75% since August 2017 and the latest Monetary Policy Committee (MPC) meeting on 14 December 2018 reaffirmed this rate. The next MPC meeting is due on 13 February 2019.

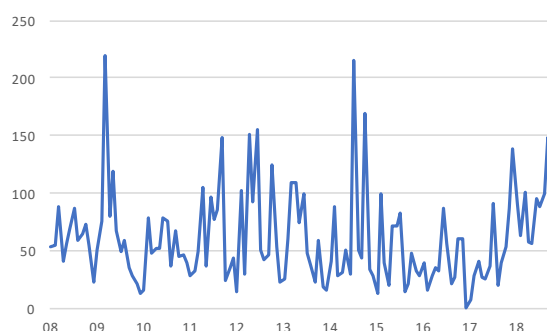
Namibian and SA Inflation (% y-o-y)



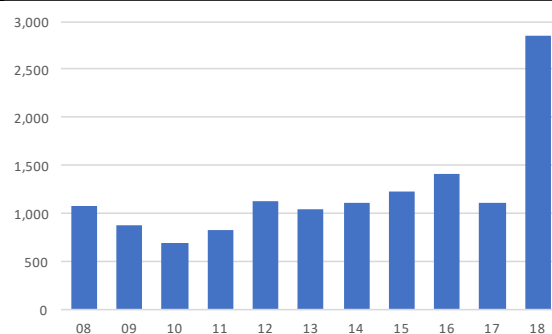
Namibian consumer inflation started to rise steadily from 3.6% at the beginning of 2018 to reach 5.6% in November but declined in the final month of the year to 5.1%.

Private Sector Credit Extension (% y-o-y)


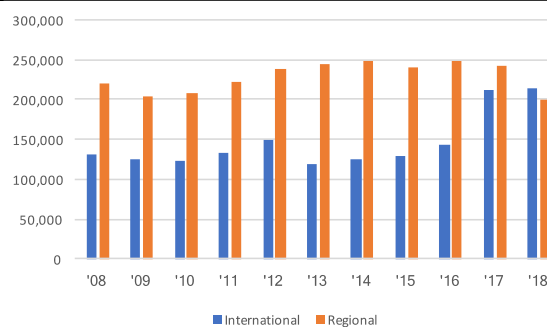
Credit growth to domestic businesses fell steadily from a peak in 2015 to a trough towards the end of 2017 reaching 6.5% in the final month of 2018. At the same time credit growth to households, including residential mortgages, has fallen steadily to 6.9% and 7.7% at the end of 2018.

Building Plans Completed (N\$m)


The value of building plans completed in Windhoek has risen in nominal terms since the beginning of 2017 and this rise continued throughout 2018.

Company Registrations


Registrations of Pty (Ltd) companies dipped in 2017 as the economy weakened but spiked in 2018, primarily due to the registration of new companies in advance of fishing rights being allocated.

Arrivals at HKIA


International arrivals to Hosea Kutako International Airport (HKIA) in 2018 stood at 213,689 to October – higher than the 183,473 for the year to October in 2017. Regional arrivals reached 199,961 for the same period compared to 206,224 in 2017.

Special Feature
Trading Water - Reforming Namibia's Commercial State-Owned Enterprises
Timeline

- 2001 – Report on Governance Policy Framework for SOEs published
- 2003 – Central Governance Agency created

- 2006 – SOEs Governance Act passed by Parliament
- 2007 – SOE Governance Council established to replace Central Governance Agency
- 2008 – SOEs Governance Council Amendment Act passed by Parliament
- 2010 – Cabinet approves guidelines for SOE senior management
- 2015 – Leon Jooste appointed first ever Minister of Public Enterprises and Public Enterprises Governance Amendment Act passed by Parliament
- 2018 – Public Enterprises Governance Bill tabled in Parliament

By the end of the first decade of Independence, it had already become clear that many state-owned enterprises were running into problems and this was reflected in poor financial performance as well as abrupt changes in senior management for incompetence or corruption. Following a report by Deloitte & Touche, Government created a Central Governance Agency and passed the SOEs Governance Act in 2006. The Act employed a broad definition of SOE and Schedule 1 contained a list of 52 organisations deemed to be SOEs, a number that was to grow as more were created. The CGA was replaced by the SOE Governance Council, a Cabinet committee serviced by the SOE Governance Council Secretariat based in the Office of the Prime Minister.

By 2014 it was hard to see what difference all this had made to how SOEs were managed leading then Prime Minister Hage Geingob to promote the idea of a separate Ministry of Public Enterprises which he established on being appointed as President of the Republic of Namibia in 2015. His choice of Minister was Leon Jooste, a former Deputy Minister of the Environment and Tourism, not known for being a heavy hitter within Government. Parliament passed the Public Enterprises Governance Amendment Act which did away with the SOE Governance Council. The new Ministry for Public Enterprises was to “align, integrate and oversee the functions and responsibilities of 98 parastatals”. Moreover, the Ministry was to take overall responsibility for 22 supposedly commercial SOEs listed in the table below where information is taken from the latest annual report available online.

Table 1: Commercial SOEs - Recent Financial Performance

Commercial SOE	Latest AR	FY16	FY17	FY18
Air Namibia	n/a	n/a	n/a	n/a
Epangelo Mining Company	n/a	n/a	n/a	n/a
Henties Bay Waterfront	n/a	n/a	n/a	n/a
Luderitz Waterfront Company	n/a	n/a	n/a	n/a
Meat Corporation of Namibia	2017/18	13.1	19.3	(43.0)
Mobile Telecommunications	2016/17	579.4	711.4	n/a
Namibia Airports Company	2015/16	(67.1)	n/a	n/a
Namibia Development Corporation	n/a	n/a	n/a	n/a
Namibia Institute of Pathology	2016/17	44.8	120.8	n/a
Namibia Post	2016/17	2.1	22.4	n/a
Namibia Power Corporation*	2017/18	(296.4)	1,087.8	1,226.4

Namibia Wildlife Resorts	n/a	n/a	n/a	n/a
Namibian Ports Authority*	2016/17	47.4	49.9	n/a
National Fishing Corporation	2016/17	40.7	67.9	n/a
National Petroleum Corporation	2016/17	140.0	42.7	n/a
Offshore Development Company	n/a	n/a	n/a	n/a
Roads Authority	2016/17	0.6	(44.4)	n/a
Roads Contractor Company	n/a	n/a	n/a	n/a
Telecom Namibia*	2016/17	(26.2)	247.3	n/a
TransNamib Holdings	2012/13	n/a	n/a	n/a
Namdia	2017/18	n/a	62.0	139.4
Zambezi Waterfront	n/a	n/a	n/a	n/a

* Have credit rating from external credit rating agency

The table presents the latest publicly available information on these commercial SOEs based on the annual reports that these companies made available online at the end of Q4 2018. The table illustrates a number of trends:

1. Only three of the 22 commercial SOEs provide up-to-date annual reports (Meatco, NamPower and Namdia) while many have not produced an annual report for many years or even at all. It is therefore not possible to come to any conclusion about their general or financial performance.
2. In purely financial terms (in terms of profit or loss), the commercial SOE picture is not entirely bleak. In fact, commercial SOE performance ranges from good to bad. If some (albeit the minority) can perform so well, this only begs the question why others (the majority) perform so poorly.
3. Those commercial SOEs that do not publish an annual report or only do so irregularly tend to be those whose financial performance has tended to be poor and these form the majority.
4. Those commercial SOEs that have performed poorly over many years or even decades (Air Namibia, Namibia Airports Company, Namibia Wildlife Resorts, Roads Contractor Company and TransNamib) continue to perform poorly.

Minister Jooste finally tabled a new Public Enterprises Governance Bill in Parliament on 10 October 2018 and this takes the place of the 2006, 2008 and 2015 Acts. The new Bill (available [here](#)):

1. provides a mechanism to allow the Minister of Public Enterprises to declare any SOE to be a public enterprise or, further, to be a commercial public enterprise capable of making “a sustained profit” in Section 2 (2) (a).

2. allows the Minister to lay down generally accepted common principles of corporate governance, develop common policy frameworks, determine criteria for performance measurement and evaluation.
3. allows for the laying down of directives relating to governance and performance agreements, and remuneration of boards and senior management as well as advising Ministers on the appointment and removal of board members
4. ensures that any restructuring plans approved by the Minister are submitted for approval to Cabinet
5. gives the Minister the power to represent the Government as shareholder of commercial enterprises
6. limits appointments on boards of Public Enterprises
7. lays down procedures for appointments to boards of commercial Public Enterprises
8. obliges relevant Ministers to agree governance agreements with boards and individual board members within ninety days of boards being appointed
9. obliges Public Enterprises to develop “integrated strategic business plans” for five year periods
10. obliges every Public Enterprises to submit an annual business and financial plan for approval within 90 days of the start of the new financial year which will include budgets and borrowings and this limits what they can do unless they receive special permission to do deviate from the plan
11. obliges SOE boards to enter into performance contracts with CEOs and senior staff
12. ensures SOE board remuneration is approved by relevant Ministers
13. obliges SOEs to notify the Minister when performance is likely to deviate from the agreed business plan
14. places a duty on SOE CEOs to provide information to the Minister
15. places a duty on SOEs to submit an annual proposal on the distribution of profits
16. places a duty on SOEs to submit an annual report to Ministers no later than six months after the end of the financial year and to present them to the National Assembly within 30 days of receipt
17. obliges SOEs to obtain approval from Ministers for their investment policies
18. provides the Minister with powers to conduct special investigations and appoint a special investigator
19. gives powers to the Minister to identify SOEs for restructuring and to come up with restructuring plans and that this can include privatisation and liquidation and ensures that consultation takes place

Documents from the National Budget provide a certain amount of information on income derived by the State from SOEs as well as expenditures made on SOEs. From 2014/15 to 2016/17 the Estimates of Revenue, Income and Expenditure included a table at the beginning of the document entitled “Summary of Allocations to SOEs” containing information on allocations to all SOEs, both commercial and non-commercial. This represented a worthy attempt by Government to extract and present information on how much of the Budget was being allocated to SOEs. From 2017/18 this information was moved to Annex 1 at the end of the document. Since 2014/15 detailed information on dividend income from commercial SOEs has not been provided. Table 2 below presents information

on the same commercial SOEs as in Table 1 with information on transfers and subsidies taken from these budget documents. It should be noted that there are significant differences and inconsistencies in the information provided from year to year.

Table 2: Commercial SOEs – Recent Budget Transfers

Commercial SOE	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
Air Namibia	472.2	579.8	0.0	0.0	740.0
Epangelo Mining Company	11.8	0.0	0.0	10.0	12.0
Henties Bay Waterfront					
Luderitz Waterfront Company		6.8			
Meat Corporation of Namibia					
Mobile Telecommunications					
Namibia Airports Company	456.0	240.5	0.0	0.0	0.0
Namibia Development Corporation					
Namibia Institute of Pathology					
Namibia Post					
Namibia Power Corporation		500.0			
Namibia Wildlife Resorts	20.0	20.0	16.0	0.0	0.0
Namibian Ports Authority	100.0	50.0	63.0	38.2	0.0
National Fishing Corporation					
National Petroleum Corporation					
Offshore Development Company					
Roads Authority		2.0	0.0	2.1	2.1
Roads Contractor Company		20.0	19.7	21.0	21.0
Telecom Namibia					
TransNamib Holdings	181.0	300.8	331.5	220.2	0.0
Namdia					
Zambezi Waterfront	30.0	20.0	5.1	3.0	0.1
Total	1271.0	1,740.0	435.3	294.5	775.2

From the information provided, it is clear that transfers and subsidies in the last five years have been made mostly to the usual suspects – Air Namibia, Namibia Airports Company, the Roads Contractor Company and TransNamib – which account for the lion’s share of budget support to commercial SOEs. To these costs should be added the additional costs of overseeing these SOEs. From 2015/16 the new Ministry of Public Enterprises received money under Vote 34.

Table 3: Budget Allocations to Ministry of Public Enterprises 2014-18

N\$m	14/15	15/16	16/17	17/18	18/19
Vote 34	0	21.4	39.9	57.7	42.3

Conclusions

It is coming up to 20 years since Government first attempted to tackle the issue of SOE governance in a systematic way. The establishment of the SOE Governance Council and the Ministry of Public Enterprises seems to have made very little difference to the public availability of financial and other information about SOEs, let alone the timeliness. The (relatively) few SOEs that currently publish detailed and timely annual reports are the same ones that did so a decade or two decades ago. While there are some good performers among them, at least half of these SOEs publish no annual report that is available to the public and several more publish annual reports with such a delay as to make them worthless.

As far as one can tell, only a handful of commercial SOEs make a profit on a regular basis (Meatco, MTC, Nampost, NamPower, Namport and Namdia). Those SOEs that were causing major financial problems a decade or two decades ago (Air Namibia, Namibia Airports Company, Namibia Wildlife Resorts, Roads Contractor Company, TransNamib), continue to exhibit poor financial performance.

The causes of poor performance are well known and include the following:

1. Some commercial SOEs are statutory or natural monopolies which are not exposed to competition in the market place and do not have private shareholders demanding they make a profit. They therefore have little incentive to improve performance.
2. Board and senior management appointments are often not made on merit but on political or personal grounds. Furthermore, the link between financial performance and remuneration is weak.
3. Most SOEs produce little or no timely public information. It is therefore hard to know how they are performing. Disappointingly, the Ministry's own website is worse than many SOEs.
4. The State has not yet allowed a commercial SOE to fail (although the SME Bank regulated by the Bank of Namibia has been liquidated) and has always come to the rescue with additional funding from the National Budget creating a "too big to fail" set of incentives.
5. Cabinet has not been united in its desire to tackle poor SOE governance and poor performance (as demonstrated by the case of the Roads Contractor Company) and Cabinet members are invariably subject to intense lobbying when anything significant is at stake.

The mystery remains, however, why some SOEs perform relatively well while others – the same ones year after year - perform so badly. Good performance has not depended on the

existence of a Ministry of Public Enterprises. Can the lessons and approaches of the more successful SOEs not be applied to the rest?

The Ministry of Public Enterprises has taken almost four years to table a Bill giving itself the powers to tackle SOE governance issues. The suspicion is that Government has used the process of establishing a new Ministry and providing new powers as an excuse for real action rather than grasping the nettle of reform.

The new Bill attempts to give the Minister wide-ranging new powers. The implicit assumption is that the Minister (and Cabinet) have the knowledge and the technical capacity to do the right thing in a timely fashion. However, democratically elected politicians are generally subject to different incentives to commercial entities and there is a danger that by giving politicians more power over SOEs things will become more not less politicised. This also runs counter to creating commercial SOEs in the first place.

The Bill is not yet an Act of Parliament. The key question is whether these new powers will lead to real action? For some commercial SOEs the answer lies either in selling them off so that they compete in the market like any other commercial firm or closing them down altogether where there is no public good or natural monopoly argument for keeping them. Given sufficient political will, it is hard to believe action could not already have been taken on the most egregious examples of poor governance. Action is hard enough when the economy is doing well. It becomes all the harder when the economy is faltering. In an environment where formal sector jobs are not being created on any significant scale, shedding jobs in the SOE sector is politically fraught. Twenty years down the line, very little seems to have changed in Namibia's SOE landscape. It would be disappointing if the same old problems in the same old SOEs were still waiting to be addressed in 2040.

Data Trends

	Unit	2013	2014	2015	2016	2017	2018
Annual Economic Growth							
GDP	%	5.6%	6.4%	6.1%	0.6%	-0.9%	n/a
GDP current prices	N\$m	122,792	138,763	150,083	165,934	176,445	n/a
Change in Mining Value Added	%	1.7%	-0.6%	-4.9%	-5.8%	12.8%	n/a
Change in Manufacturing Value Added	%	4.4%	-0.1%	-4.3%	5.6%	1.3%	n/a
Fixed Investment							
Fixed Investment	% of GDP	26.5%	33.4%	33.3%	22.4%	16.0%	n/a
Change in Fixed Investment	%	13.5%	33.7%	7.9%	-28.6%	-24.4%	n/a
Fixed Investment - Government	'000 N\$m	4,926	7,411	9,473	8,233	6,380	n/a
Fixed Investment - SOEs	'000 N\$m	2,955	2,852	3,867	5,142	4,316	n/a
Fixed Investment - Private	'000 N\$m	24,684	36,107	36,692	23,824	17,600	n/a
Prices and Interest Rates							
Average Inflation	%	5.6%	5.4%	3.4%	6.7%	6.2%	4.3%
Year End Prime Lending Rate	%	9.25%	9.75%	10.25%	10.75%	10.50%	10.50%
Year End Repo Rate	%	5.50%	6.00%	6.50%	7.00%	6.75%	6.75%
Trade and Balance of Payments							
Exports - total goods	N\$bn	44.8	46.7	50.7	61.7	60.8	n/a
Exports - total services	N\$bn	5.8	7.0	7.0	6.5	3.9	n/a
Imports - total goods	N\$bn	66.9	81.4	96.8	97.6	79.8	n/a
Imports - total services	N\$bn	4.4	6.6	6.3	5.6	4.0	n/a
Trade Balance	N\$bn	-20.7	-34.3	-45.5	-35.0	-19.1	n/a
Balance of Payments	N\$bn	-6.3	-15.8	-27.2	-22.1	-3.5	n/a
as % of GDP	%	-4.1%	-10.3%	-17.0%	-12.1%	-1.0%	n/a
Foreign Exchange							
Year End Exchange Rate (N\$ to USD)	N\$	10.4499	11.5616	15.5553	13.6240	12.3930	14.4116
Year End Exchange Rate (N\$ to EUR)	N\$	14.4208	14.0532	16.9997	14.3403	14.8063	16.4848
Year End Exchange Rate (N\$ to GBP)	N\$	17.2366	17.9932	23.0652	16.7264	16.6789	18.3424
Foreign Exchange Reserves	N\$bn	15.7	13.5	23.6	24.7	30.2	n/a
Financial Sector							
Private Sector Credit Extension Growth	%	14.3%	16.4%	13.5%	8.9%	5.1%	6.6%
NSX Overall Index	Index	997	1,098	865	1,069	1,206	1,303
NSX Local Index	Index	332	389	498	547	591	621
New Local Listings		1	0	0	0	1	0
Business Indicators							
Namdeb Diamond Production	'000 carats	n/a	1,886	1,764	1,573	1,805	2,008
Uranium Production	tonnes	4,327	3,255	2,994	3,654	4,224	n/a
Gold Production	kg	1,795	2,140	6,009	6,604	7,272	n/a
Mining Licences Granted	number	0	3	0	1	2	n/a
Exploration Licences Granted	number	395	138	56	142	174	n/a
Number of Companies Formed	number	1,043	1,112	1,226	1,409	1,110	2,851
Tourist Arrivals	'000	1176	1320	1388	1469	1499	n/a
- From Africa	'000	913	1029	1083	1094	1091	n/a
- From Europe	'000	200	222	234	295	312	n/a
- From RoW	'000	64	69	71	81	97	n/a
International Arrivals at HKIA	'000	118	125	128	143	213	214
Regional Arrivals at HKIA	'000	245	249	239	248	242	200

		2013	2014	2015	2016	2017	2018
Employment							
Government		82,844	95,873	n/a	88,421	n/a	n/a
Parastatals		30,253	32,983	n/a	25,558	n/a	n/a
Private Companies		231,703	245,437	n/a	235,877	n/a	n/a
Private Households		92,555	105,460	n/a	136,417	n/a	n/a
Total		437,355	479,753	n/a	486,273	n/a	n/a
Government Finances							
		FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Revenue	N\$bn	41.9	49.9	52.2	50.9	56.8	56.7
Expenditure	N\$bn	46.7	58.7	64.6	62.3	66.1	65.0
Balance	N\$bn	-4.8	-8.8	-12.4	-11.4	-9.2	-8.3
Public Debt	N\$bn	30.9	35.9	59.8	69.9	74.5	83.7
Interest Payments	N\$bn	1.8	2.1	2.6	4.3	5.0	6.5
Public Guarantees	N\$bn	7.4	6.4	6.5	6.4	12.8	14.8
Revenue	% of GDP	33.0%	35.4%	34.6%	31.0%	33.1%	30.7%
Expenditure	% of GDP	36.8%	41.6%	42.8%	37.9%	38.4%	35.2%
Balance	% of GDP	-3.8%	-6.2%	-8.2%	-6.9%	-5.4%	-4.5%
Public Debt	% of GDP	24.3%	25.5%	39.6%	42.6%	43.3%	45.3%
Interest Payments	% of GDP	4.3%	4.1%	5.0%	8.5%	8.8%	11.5%
Public Guarantees	% of GDP	5.8%	4.5%	4.3%	3.9%	7.5%	8.0%
International Rankings							
		2013	2014	2015	2016	2017	2018
Global Competitiveness Index Ranking		90/148	88/144	85/140	84/135	99/135	100/140
Global Competitiveness Index		3.9	4.0	4.0	4.0	4.0	
Ease of Doing Business Ranking		87/185	98/189	88/189	104/189	108/190	106/190
Ease of Doing Business Index		n/a	61.15	57.16	59.61	59.57	60.29
Corruption Perceptions Index Ranking				45/168		53/180	52/180
Corruption Perceptions Index		48	49	53	52	51	53
Ibrahim Index of African Governance		69.5	70.3	70.4	69.3	71.2	68.6
Ibrahim Index of African Governance Ranking		6/52	6/52	5/54	5/54	5/54	4/54
Policy Perception Index		27/112	19/122	29/109	38/104	39/91	n/a
Open Budget Index (out of 100)		55*	n/a	46	n/a	50	n/a
World Press Freedom Index - Ranking		19/180	22/180	17/180	17/180	24/180	26/180
*2012							

Sources: Anglo American, Bank of Namibia, Chamber of Mines of Namibia, Fraser Institute, International Budget Partnership, Ministry of Environment and Tourism, Ministry of Finance, Mo Ibrahim Foundation, Namibia Airports Company, Namibia Statistics Agency, Namibian Stock Exchange, Reporters Without Frontiers, Transparency International, World Bank, World Economic Forum, World Nuclear Association