

# Namibia QER Q1 2020

Namibia Quarterly Economic Review

January-March 2020

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## Quarter Summary

### Macroeconomic Situation – going into an unprecedented global crisis from a position of extreme weakness

The latest preliminary national accounts for 2019 confirm what everyone suspected – Namibia’s economy has experienced four of its worst years since Independence.

	2015	2016	2017	2018	2019
GDP growth	4.5%	-0.3%	-0.3%	0.7%	-1.1%

Recent pronouncements by local and international authorities that 2020 will see the resumption of modest growth have now been overtaken by events. The corona virus pandemic will, in the short to medium-term at least, severely affect economic performance and put significant strain on Namibia’s public finances which were already in poor shape. Efforts to get the economy through the immediate crisis will take precedence over efforts at reform. Namibia went into the global financial crisis in a relatively strong position from a fiscal and monetary point of view. This time is very different.

### New Cabinet Appointed

On 16 March President Geingob announced a new government structure and on 22 March announced his new Cabinet and related appointments. The two Cabinets and appointments are summarised below taking into account the resignations of Bernhard Esau and Sacky Shanghala over Fishrot and Katrina Hanse-Hamarwa over corruption in 2019.

Old Cabinet	New Cabinet
Office of the President	Office of the President

President - Hage Geingob Vice President - Nangolo Mbumba Deputy Minister in Vice President's office (disability) - Alexia Manombe-Ncube Deputy Minister in Vice President's office (marginalised communities) - Royal /Ui/o/oo Deputy Minister in the Vice President's office (veterans) - Hilma Nicanor	President – Hage Geingob Vice President – Nangolo Mbumba Minister in the Presidency - Christine /Hoebes  <b>Ministry of Gender Equality, Poverty Eradication and Social Welfare</b> Minister - Doreen Sioka Deputy Minister - Bernadette Jagger Deputy Minister - Alexia Manombe-Ncube (disability) Deputy Minister - Royal /Ui/o/oo (marginalised communities)
<b>Office of the Prime Minister</b>	<b>Office of the Prime Minister</b>
Prime Minister - Saara Kuugongelwa-Amadhila Deputy Prime Minister - Netumbo Nandi-Ndaitwah Deputy Minister - Chief Samuel Ankama	Prime Minister - Saara Kuugongelwa-Amadhila Deputy Prime Minister - Netumbo Nandi-Ndaitwah
<b>Ministry of International Relations and Cooperation</b>	
Minister - Netumbo Nandi-Ndaitwah Deputy Minister - Christine Hoebes	Minister - Netumbo Nandi-Ndaitwah Deputy Minister - Jennelly Matundu
<b>Ministry of Home Affairs and Immigration</b>	<b>Ministry of Home Affairs, Immigration, Safety and Security</b>
Minister- Frans Kapofi Deputy Minister - Maureen Hinda	Minister – Frans Kapofi Deputy Minister - Daniel Kashikola
<b>Ministry of Finance</b>	<b>Ministry of Finance</b>
Minister - Calle Schlettwein Deputy Minister - Natangwe Ithete	Minister - lipumbu Shiimi
<b>Ministry of Defence</b>	<b>Ministry of Defence and Veterans Affairs</b>
Minister - Penda Ya Ndakolo Deputy Minister - Billy Mwaningange	Minister - Rear Admiral Peter Hafeni Vilho Deputy Minister – Hilma Nicanor
<b>National Planning Commission Director-General and Ministry of Economic Planning</b>	<b>National Planning Commission</b>
Minister - Obeth Kandjoze Deputy Minister - Pieter van der Walt	Director General – Obeth Kandjoze (not MP)
<b>Ministry of Mines and Energy</b>	<b>Ministry of Mines and Energy</b>
Minister - Tom Alweendo Deputy Minister - Kornelia Shilunga	Minister - Tom Alweendo Deputy Minister - Kornelia Shilunga
<b>Ministry of Fisheries and Marine Resources</b>	<b>Ministry of Fisheries and Marine Resources</b>
Minister – Albert Kawana Deputy Minister - Sylvia Makgone	Minister – Albert Kawana Deputy Minister - Sylvia Makgone
<b>Ministry of Urban and Rural Development</b>	<b>Ministry of Urban and Rural Development</b>
Minister - Peya Mushelenga Deputy Minister - Derek Klazen	Minister – Erastus Utoni Deputy Minister – Derek Klazen
<b>Ministry of Education, Arts and Culture</b>	<b>Ministry of Education, Arts and Culture</b>
Minister – Martin Andjamba Deputy Minister - Anna Nghipondoka	Minister - Anna Nghipondoka Deputy Minister - Faustina Caley
<b>Ministry of Higher Education, Training and Innovation</b>	<b>Ministry of Higher Education, Training and Innovation</b>
Minister - Itah Kandjii-Murangi Deputy Minister – Becky Ndjoze-Ojo	Minister - Itah Kandjii-Murangi
<b>Ministry of Industrialisation, Trade and SME Development</b>	<b>Ministry of Industrialisation and Trade</b>
Minister - Tjekero Tweya	Minister - Lucia lipumbu

Deputy Minister - Lucia Ipumbu	Deputy Minister - Verna Sinimbo
<b>Ministry of Poverty Eradication and Social Welfare</b>	
Minister - Zephania Kameeta Deputy Minister - Aino Kapewangolo	
<b>Ministry of Health and Social Services</b>	<b>Ministry of Health and Social Services</b>
Minister – Kalumbi Shangula Deputy Minister - Juliet Kavetuna	Minister - Kalumbi Shangula Deputy Minister - Esther Utjiua Muinjangué
<b>Ministry of Public Enterprises</b>	<b>Ministry of Public Enterprises</b>
Minister - Leon Jooste Deputy Minister - Veikko Nekundi	Minister - Leon Jooste
<b>Ministry of Information and Communication Technology</b>	<b>Ministry of Information and Communication Technology</b>
Minister - Stanley Simataa Deputy Minister - Engel Nawatiseb	Minister - Peya Mushelenga Deputy Minister - Emma Theofelus
<b>Ministry of Works and Transport</b>	<b>Ministry of Works and Transport</b>
Minister - John Mutorwa Deputy Minister - Sankwasa James Sankwasa	Minister - John Mutorwa Deputy Minister - Veikko Nekundi
<b>Ministry of Safety and Security</b>	
Minister - Charles Namoloh Deputy Minister - Daniel Kashikola	
<b>Ministry of Agriculture, Water and Forestry</b>	<b>Ministry of Agriculture, Water, and Land Reform</b>
Minister - Alpheus Naruseb Deputy Minister - Anna Shiweda	Minister – Calle Schlettwein Deputy Minister - Anna Shiweda
<b>Ministry of Environment and Tourism</b>	<b>Ministry of Environment and Tourism</b>
Minister - Pohamba Shifeta Deputy Minister - Bernadette Jagger	Minister – Pohamba Shifeta
<b>Ministry of Land Reform</b>	
Minister - Uutoni Nujoma Deputy Minister - Priscilla Beukes	
<b>Ministry of Gender Equality and Child Welfare</b>	
Minister - Doreen Sioka Deputy Minister - Lucia Witbooi	
<b>Ministry of Justice</b>	<b>Ministry of Justice</b>
Minister – Frans Kapofi Deputy Minister - Lidwina Shapwa	Minister – Yvonne Dausab
<b>Ministry of Sport, Youth and National Service</b>	<b>Ministry of Sport, Youth and National Service</b>
Minister - Erastus Uutoni Deputy Minister - Agnes Tjongarero	Minister - Agnes Tjongarero Deputy Minister - Emma Kantema-Gaomas
<b>Ministry of Labour, Industrial Relations and Employment Creation</b>	<b>Ministry of Labour, Industrial Relations and Employment Creation</b>
Minister - Erkki Nghimtina Deputy Minister - Tommy Nambahu	Minister – Utoni Nujoma Deputy Minister - Hafeni Ndemula
<b>Attorney General</b>	<b>Attorney General</b>
Albert Kawana	Festus Mbandeka (not MP)
<b>Intelligence Service</b>	<b>Intelligence Service</b>
Director General – Philemon Malima	Director General - Benedictus Likando (not MP)

\* shaded cells denote ministries whose names have changed

At the beginning of the year, President Geingob announced his intention to downsize his Cabinet for his second term. As things turned out, the final result was somewhat less dramatic. Some ministries were reorganised, merged or renamed. Whereas the previous situation consisted of a President, Vice-President, Prime Minister, Deputy Prime Minister, 24 Ministers and 28 Deputy Ministers plus several constitutional appointments, the new structure consists of a President, Vice-President, Prime Minister, Deputy Prime Minister, 21 Ministers, 17 Deputy Ministers and the same number of constitutional appointments as before. The President declared this restructuring combined with the elimination of special advisors to Governors and the 4x4 allowance would save N\$80m a year. The rationale for most of these changes was always likely to be obscure to those outside the Presidency and ruling party. Why for example, is a deputy Minister required for the Ministry of Information and Communication Technology but not for a major ministry like Finance? It is hard to escape the conclusion that Cabinet appointments are primarily a game of musical chairs designed to keep party favourites employed rather than get things done.

Interestingly, of the eight appointed non-voting MPs, four have been made Ministers (Dausab, Shangula, Shiimi, and Vilho) and three Deputy Ministers (Kantema-Gomas, Theofelus, and Nekundi). Two of these offices – Finance and Health - are critically important and perhaps a tacit recognition that the party is not an adequate mechanism for promoting ministerial talent.

One change of significance stands out, namely the move of Calle Schlettwein from Finance to Agriculture. Is this a tacit recognition that he leaves a legacy that four out of five years in office saw the economy register zero or negative growth? In his place comes Ipumbu Shiimi who has been moved from his position as Governor of the Bank of Namibia where he has been replaced by the former Deputy Governor Ebson Uanguta who takes over as Governor in an acting capacity. It is far from clear whether a more technocratic person rather than a heavyweight politician is best placed to steer the country through the enormous challenges of corona virus and back towards growth. Under Shiimi, the Bank of Namibia approved the ill-fated SME Bank, gave a licence to a questionable bank led by the now disgraced Isobel dos Santos and went along with economic policies across the economy which could only lead to stagnation. Namibia has spent the past five years undermining its reputation as a good place to invest and poor economic performance has been the result (see below). Evidence of further technocratic appointments is sparse. Leon Jooste at the Ministry of Public Enterprises lives to fight another day. However, in five years not a single state-owned enterprise has successfully been turned around or closed down. The High Level Panel has recommended the Ministry is phased out over 3-5 years and replaced by a holding company. It is not clear if any of Geingob's new appointees come to the job with a clear strategic vision or work programme on which they can be judged. Realistically everything is likely to be swamped by the immediate challenge of corona virus. A Government with a much-weakened popular mandate has put its faith in an untested soft-spoken technocrat appointed as one of the President's eight appointees to the National Assembly. One can only wish him well.

## News Highlights

Date	Highlight	Commentary
28 March	Mining operations discontinued (The Namibian)	Mines Minister Tom Alweendo announced that during the partial lockdown, all normal mining operations will be discontinued
27 March	Skorpion announces retrenchments (The Namibian)	Skorpion zinc mine announced that the mine will go into care and maintenance at the end of April and that about 1,500 workers would be affected.
27 March	National Budget postponed (The Namibian Sun)	Government has indefinitely postponed the National Budget for FY20/21 just days before the start of the new financial year on 1 April. The State Finance Act allows the Ministry of Finance to authorise expenditure for up to four months provided it does not exceed a third of the previous year's expenditure.
26 March	Flywestair suspends flights and retrenches staff (The Namibian)	Flywestair suspended all flights and retrenched 60 workers as a consequence of the corona virus.
26 March	Namibia's GDP contracts by 1.1% in 2019 (Reuters)	Preliminary national accounts produced by the Namibia Statistics Agency (NSA) estimated that Namibia's GDP contracted by 1.1% in 2019.
25 March	Air Namibia suspends all flights (Reuters)	Air Namibia suspended all flights until 20 April due to corona virus.
24 March	Cirrus publishes report on policy response to corona virus (Cirrus Capital)	Private company Cirrus Capital with the Economic Association of Namibia published a report making recommendations on what Government's economic response to the corona virus pandemic should be.
24 March	Namibia closes airports	Namibia closed airports and imposed a partial lockdown.
22 March	President Geingob announces new Cabinet	President Geingob announced a new Cabinet for his second term appointing 21 Ministers instead of 26 and dispensing with many deputy ministers. Finance Minister Calle Schlettwein was moved to Agriculture while Bank of Namibia Governor Ipumbu Shiimi was appointed Minister of Finance.
21 March	Namibia celebrates 30 years of independence	President Geingob was sworn in for a second term at State House rather than Independence Stadium in a ceremony attended by many African leaders.
20 March	Bank of Namibia cuts repo rate by 1% (Bank of Namibia)	The Bank of Namibia cut its repo rate by 1% to 5.25% after an urgent monetary policy meeting as a response to the corona virus.
20 March	Namibia reports third corona virus case (The Namibian)	Namibia reported its third case of corona virus after a 61-year-old German national tested positive for the virus.
17 March	Namibia declares national emergency (Bloomberg)	President Geingob declared a national emergency to combat the corona virus. International flights to Qatar, Ethiopia and Germany are suspended and all schools are closed. South Africa closed four border posts.

15 March	IPPR launches its first Commercial Public Enterprises rankings (IPPR)	The IPPR launched its first annual ranking of Namibia's Commercial Public Enterprises and placed NamPower at the top with almost full marks across ten criteria. The report can be found <a href="#">here</a> .
14 March	Namibia reports first corona virus cases (Reuters)	Namibia reported its first cases of corona virus when a Romanian couple based in Spain but visiting Namibia were tested positive and quarantined near Hosea Kutako Airport. It later turned out the couple were Romanian nationals.
13 March	Neckartal Dam inaugurated (The Namibian)	Vice President Nangolo Mbumba inaugurated the N\$5.6bn Neckartal Dam near Keetmanshoop, Namibia's largest dam.
13 March	High-Level Panel on the Namibian Economy delivers report	The High-Level Panel on the Namibian Economy appointed by President Geingob on 21 March 2019 delivered its report.
10 March	Ibaera granted permission for Berg Aukas mine (African Mining Intelligence)	The Namibian Competition Commission greenlit Ibaera Capital Fund's acquisition of the lead-zinc and vanadium Berg Aukas mine which was taken over by Weatherly International in 2018.
10 March	Survey results show fewer Namibians feel close to political party (Namibia Economist)	The latest Afrobarometer survey carried out in 2019 suggests that fewer Namibians than ever feel close to a political party with 41% saying they do not feel close to any political party.
6 March	Economic Policy Research Association publishes report on NEEEB (EPRA)	The non-governmental Economic Policy Research Association (EPRA) published a critical report on the newly-tabled National Equitable Economic Empowerment Framework Bill. EPRA has no website and seems to be a private initiative of legal practitioner Eben de Klerk.
5 March	Namibia takes up full quota of shares in AfDB	Cabinet announced Namibia would take up its full complement of shares in the African Development Bank.
3 March	South African GDP contracts in Q4 2019 by 1.4% (StatsSA)	South African GDP contracted by 1.4% in Q4 2019 taking growth for the calendar year 2019 to just 0.2% down from an already meagre 0.8% in 2018.
2 March	IMF forecasts positive growth for 2020 (IMF)	The International Monetary Fund (IMF) predicts modest growth in 2020 as drought recedes and mining output increases.
1 March	Air Namibia suspends three senior managers	Air Namibia has suspended three senior managers pending further investigation.
28 February	Otjikoto exceeds production target for 2019 (B2Gold)	B2Gold reported that its Otjikoto gold mine produced 58,422 ounces of gold in Q4 2019 and a total of 177,966 ounces for the year exceeding the upper limit of the revised annual guidance of 165,000-175,000 ounces for 2019.
21 February	Government publishes revised National Equitable Economic Empowerment Framework Bill	A revised National Equitable Economic Empowerment Framework Bill was published which dispenses with the requirement that 25% of all businesses must be ceded to previously disadvantaged Namibians.
20 February	Namibia exports red meat to US (Successful Farming)	Namibia became the first African country to export red meat to the US sending 25 tonnes of beef to

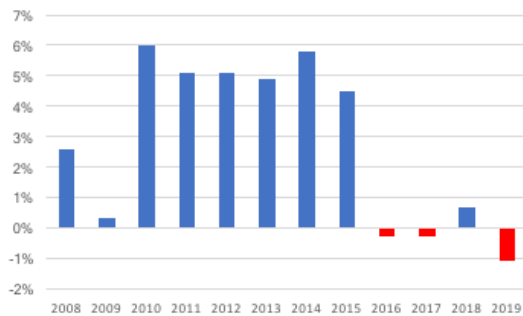
		Philadelphia following two decades of haggling over regulations and logistics.
19 February	Income Tax Amendment Bill introduced in Parliament (Deloitte)	Finance Minister Calle Schlettwein introduced the first Income Tax Amendment Bill of the year in Parliament. The Bill repeals the tax incentives available to registered manufacturers and EPZ companies. This also helps Namibia comply with EU tax requirements.
19 February	Bank of Namibia cuts repo rate by 25bp (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee (MPC) cut its repo rate by 25bp to 6.25% to support the weak domestic economy. The next meeting of the MPC will be held on 14 April.
11 February	Air Namibia's Acting CEO resigns (The Namibian)	Air Namibia's Acting CEO Xavier Masule resigned citing personal reasons and was replaced by Elia Erastus, the chief human resources officer, from 11 February.
5 February	Supreme Court upholds election result (The Namibian)	Namibia's Supreme Court upheld the results of the presidential election in a case brought by independent presidential candidate Itula and four other opposition leaders. They argued that the exclusive use of Electronic Voting Machines did not comply with election law which requires a verifiable paper trail and this was upheld by the Supreme Court.
4 February	Namibia suspends visas for Chinese nationals (New Era)	Namibia became the first country in SADC to suspend visas for Chinese nationals as a precautionary measure against the corona virus.
27 January	Namibia fresh grape exports grow in 2019 (New Era)	Namibia exported 33 million kg of fresh grapes in 2019 worth N\$839m according to the Namibia Statistics Agency.
24 January	Flywestair to increase regional and domestic flights (Xinhua)	Flywestair announced it would lay on two more weekly flights from Windhoek to Ondangwa, Oranjemund and Cape Town starting from 17 February.
23 January	Namdeb produces 456,000 carats in Q4 2019 (AA)	Anglo American reported that Namdeb Holdings produced 456,000 carats in Q4 2019 compared to 426,000 carats in Q3. In total Namdeb produced 1.7 million carats in 2019 compared to 2.0 million carats in 2018.
23 January	Three Chinese companies win railway tender (Xinhua)	Three Chinese companies, including China Gezhouba Group Company Limited, have been awarded tenders to upgrade the railway line between Walvis Bay and Kranzberg, according to Works and Transport Ministry Executive Director Willem Goeiemann.
22 January	Tourist arrivals increase in 2018 (The Namibian)	Launching the 2018 Tourist Statistics, Tourism Minister Pohamba Shifeta announced that tourist arrivals increased by 3.9% in 2018.
21 January	Fishcor allocated 25,000t bail-out quota (Undercurrent News)	Government has allocated an additional 25,000t horse mackerel quota to beleaguered state company Fishcor despite it being mired in the ongoing Fishrot scandal.
20 January	Peugeot assembly plant only produced 93 vehicles (The Namibian Sun)	The Peugeot-Opel assembly plant in Walvis Bay opened in December 2018 and designed to produce 5,000 vehicles a year has so far only produced 93 vehicles due to regulatory problems associated with exporting to the

		rest of Southern Africa which requires 60% local content.
20 January	Namibia reaffirms support for one-China policy (Southern Times)	Speaking at a Chinese Spring Festival Gala Dinner, Land Reform Minister Utoni Nujoma reaffirmed the Namibian government's support for the One China policy.
18 January	Samherji withdraws from Namibia (Reuters)	Icelandic fishing company Samherji, currently mired in a major corruption scandal, announced it would withdraw from Namibia.
16 January	August 26 Textile and Garment Factory announces lay-offs (The Namibian)	Government-owned August 26 Textile and Garment Factory plans to retrench more than half its workers on 28 February but the Ministry of Defence has dismissed reports it plans to close the plant but confirmed it would be merged with its shoe factory.
15 January	Namibia gets above average rainfall in December (The Namibian)	Most parts of Namibia received above-average rainfall in December 2019 according to the Meteorological Service.
10 January	Brexit will not disrupt trade with UK (The Namibian)	On his inaugural visit to Namibia, UK Minister for Africa Andrew Stephenson stated that Brexit would not disrupt trade between Namibia and the UK and committed N\$150m to increase direct trade between the UK and SADC member countries.
5 January	Ohorongo Cement bought by West China Cement (The Namibian)	Schwenk's majority 70% stake in Ohorongo Cement, Namibia's largest cement producer, was bought by West China Cement for USD104.4m after Namibian authorities gave the deal regulatory approval.
3 January	Director of IPPR publishes international article on Namibian elections (World Politics Review)	Director of the IPPR Graham Hopwood published an article about whether SWAPO can reverse its long-run decline and the future of Namibian politics <a href="#">here</a> .
1 January	President Geingob commits to downsizing Cabinet (The Namibian)	In his New Year's speech, President Geingob committed to downsizing his Cabinet and aiming for 50/50 representation without giving precise details of how these objectives would be achieved.



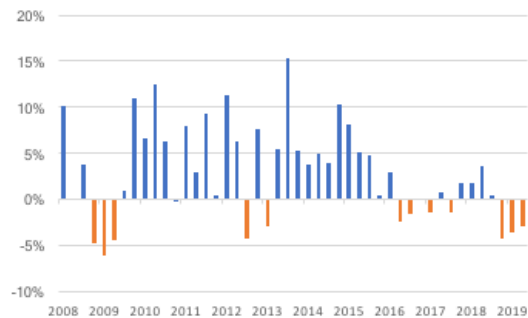
## Key Economic Variables

### GDP Growth (%)



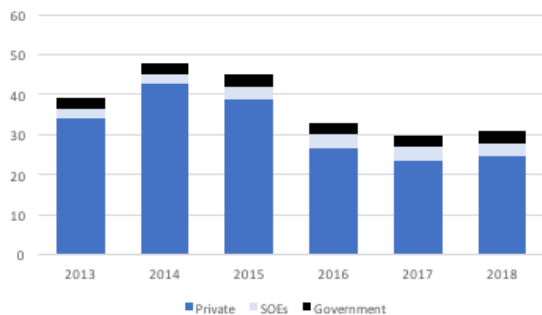
Preliminary national accounts have been released for 2019. The latest estimates show that the economic growth halted suddenly in 2016 and has not recovered since.

### GDP Quarterly Growth (%)



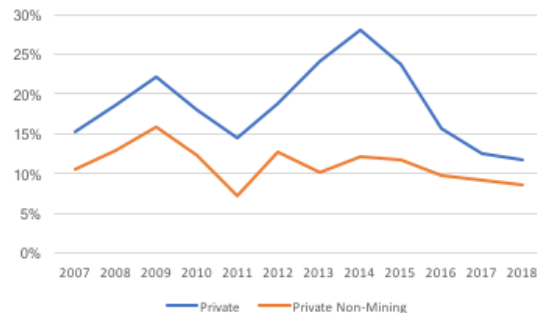
The last revisions showed GDP contracted sharply in the three quarters of 2019 for which estimates have been made: -3.6% in Q1, -2.9% in Q2 and -0.8% in Q3.

### Fixed Investment (N\$bn in 2015 prices)

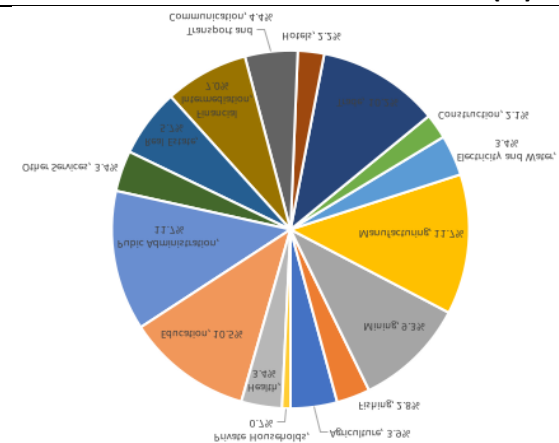


Investment, driven by strong private investment peaked in 2014 and has for the past three years stabilised at much lower levels. The full national accounts for 2019 will provide information for last year.

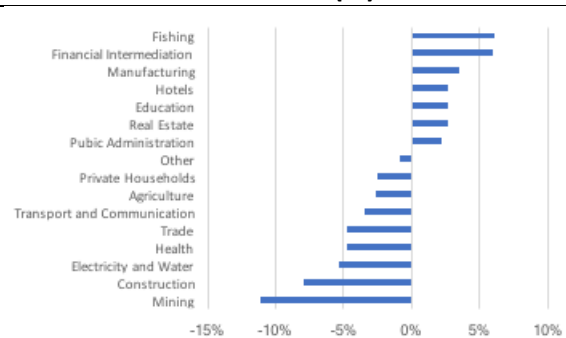
### Private Fixed Investment (% of GDP)



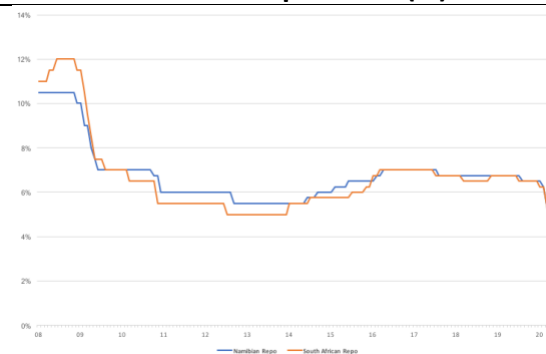
Since 2012 strong private investment has been driven by investment in mining but this has disguised weaker private investment outside the mining sector. At 8.5% of GDP, non-mining private investment in 2018 was at its second lowest level since 2007.

**Sectoral Breakdown of GDP in 2019 (%)**


The chart shows the contributions made to overall economic activity in 2019 by the different sectors of the economy. The NSA has provided a more disaggregated sectoral breakdown which is welcome. Service sectors contributed 58.5% while primary and secondary sectors contributed 16.0% and 17.2% respectively.

**Sectoral Growth in 2019 (%)**


While output from Fishing, Manufacturing and Hotels experienced positive growth in 2019, output again declined significantly across a wide range of sectors with Construction and Mining being particularly hard hit.

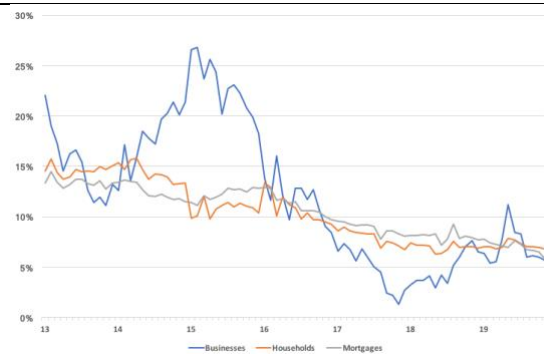
**Namibian and SA Repo Rates (%)**


In anticipation of the impact of Covid-19 on an already weak economy, the Bank of Namibia reduced the repo rate to 5.25% by the end of March. The next MPC meeting of 2020 is due on 15 April and then on 17 June.

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

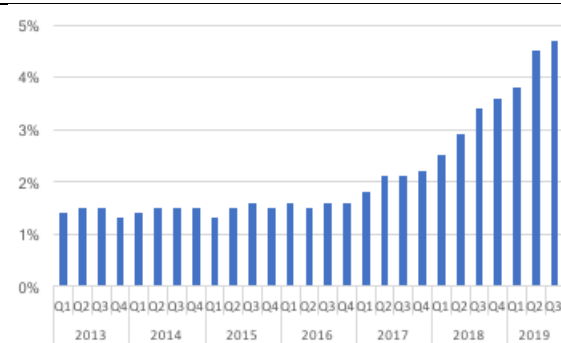

Namibian consumer inflation fell to a historical low of just 2.1% in January before climbing to and 2.5% in February, a reflection of the extremely weak state of the economy.

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



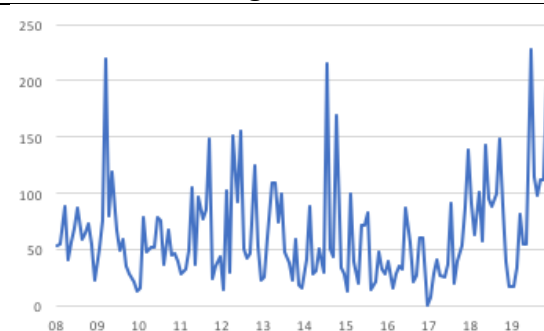
Credit growth to domestic businesses fell steadily from a peak in 2015 to a trough towards the end of 2017 but recovery has been unsteady. At the same time credit growth to households and residential mortgage lending has fallen steadily to year-on-year increases of just 6.8% and 5.8% respectively at the end of November 2019.

### Non-Performing Loans



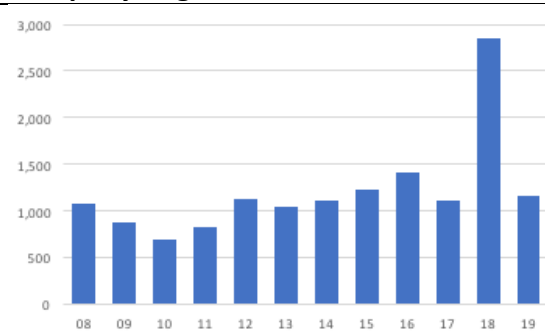
The ratio of Non-Performing Loans (NPLs) reported by the banks to the Bank of Namibia reached 4.7% in Q3, the highest level since the QER began tracking NPLs.

### Windhoek Building Plans



The value of building plans completed in Windhoek has risen in nominal terms since the beginning of 2017 and this rise continued throughout 2018 and resumed again in 2019 peaking sharply in June and November.

### 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. Registrations in 2019 have returned to roughly the level of 2017.

## Data Trends

	Unit	2014	2015	2016	2017	2018	2019
<b>Annual Economic Growth</b>							
GDP	%	5.8%	4.5%	-0.3%	-0.3%	0.7%	-1.1%
GDP current prices	N\$m	133,980	145,207	156,879	169,529	178,052	178,677
Change in Mining Value Added	%	-5.2%	-0.9%	-10.7%	14.2%	16.1%	-11.1%
Change in Manufacturing Value Added	%	2.7%	-3.1%	10.2%	-1.0%	1.0%	3.5%
<b>Fixed Investment</b>							
Fixed Investment	% of GDP	35.4%	31.0%	21.7%	17.7%	16.7%	16.2%
Change in Fixed Investment	%	22.4%	-5.6%	-26.8%	-10.6%	3.0%	-0.2%
Fixed Investment - Government	'000 N\$m	6,965	7,383	5,587	5,132	5,853	n/a
Fixed Investment - SOEs	'000 N\$m	2,852	3,361	4,003	4,077	3,842	n/a
Fixed Investment - Private	'000 N\$m	37,624	34,276	24,485	21,188	20,845	n/a
<b>Prices and Interest Rates</b>							
Average Inflation	%	5.4%	3.4%	6.7%	6.1%	4.3%	3.7%
Year End Prime Lending Rate	%	9.75%	10.25%	10.75%	10.50%	10.50%	10.25%
Year End Repo Rate	%	6.00%	6.50%	7.00%	6.75%	6.75%	6.50%
<b>Trade and Balance of Payments</b>							
Exports - total goods	N\$bn	42.9	41.6	48.0	49.8	55.6	64.0
Exports - total services	N\$bn	9.7	10.0	7.2	7.9	8.2	n/a
Imports - total goods	N\$bn	76.8	81.4	82.2	72.9	74.8	85.2
Imports - total services	N\$bn	9.6	8.7	11.4	9.1	9.0	n/a
Trade Balance	N\$bn	-33.8	-38.4	-38.5	-24.3	-19.9	-21.2
Balance of Payments	N\$bn	-14.4	-19.3	-24.0	-5.8	-3.5	
as % of GDP	%	-10.8%	-13.3%	-15.3%	-3.4%	-2.0%	
<b>Foreign Exchange</b>							
Year End Exchange Rate (N\$ to USD)	N\$	11.5616	15.5553	13.6240	12.3930	14.4116	14.0418
Year End Exchange Rate (N\$ to EUR)	N\$	14.0532	16.9997	14.3403	14.8063	16.4848	15.7437
Year End Exchange Rate (N\$ to GBP)	N\$	17.9932	23.0652	16.7264	16.6789	18.3424	18.4383
Foreign Exchange Reserves	N\$bn	13.5	23.6	24.7	30.2	31.0	28.9
Fitch credit rating (at year end)		BBB- (stable)	BBB-	BBB- (-ve)	BB+ (stable)	BB+ (stable)	BB
Moody's credit rating (at year end)		Baa3 (stable)	Baa3 (stable)	Baa3 (-ve)	Ba1 (-ve)	Ba1 (-ve)	Ba2 (stable)
<b>Financial Sector</b>							
Private Sector Credit Extension Growth	%	16.4%	13.5%	8.9%	5.1%	6.6%	6.8%
Non-Performing Loans	% of total loans	2.1%	2.2%	2.5%	2.9%	3.6%	4.7%
NSX Overall Index	Index	1,098	865	1,069	1,206	1,303	1,306
NSX Local Index	Index	389	498	547	591	621	614
New Local Listings		0	0	0	1	0	1
<b>Business Indicators</b>							
Namdeb Diamond Production	'000 carats	1,886	1,764	1,573	1,805	2,008	1,700
Uranium Production	tonnes	3,255	2,994	3,654	4,224	5,525	n/a
Gold Production	kg	2,140	6,009	6,604	7,272	6,171	n/a
Mining Licences Granted	number	3	0	1	2	3	0
Exploration Licences Granted	number	138	56	142	174	259	n/a
Number of Companies Formed	number	1,112	1,226	1,409	1,110	2,851	1,153
New Vehicle Sales	number	21,718	21,224	17,038	13,352	11,998	7,819
Tourist Arrivals	'000	1,320	1,388	1,469	1,499	1,557	n/a
- From Africa	'000	1,029	1,083	1,094	1,091	1,164	n/a
- From Europe	'000	222	234	295	312	306	n/a
- From RoW	'000	69	71	81	97	87	n/a
International Arrivals at HKIA	'000	125	128	143	213	247	215
Regional Arrivals at HKIA	'000	249	239	248	242	239	223

		2014	2015	2016	2017	2018	2019
<b>Employment</b>							
Government		95,873	n/a	88,421	n/a	86,587	n/a
Parastatals		32,983	n/a	25,558	n/a	30,654	n/a
Private Companies		245,437	n/a	235,877	n/a	214,693	n/a
Private Households		105,460	n/a	136,417	n/a	70,036	n/a
Total		479,753	n/a	486,273	n/a	401,970	n/a
<b>Government Finances</b>							
		<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>
Revenue	N\$bn	49.9	52.2	50.9	58.7	55.9	58.4
Expenditure	N\$bn	58.7	64.6	62.2	67.5	65.1	66.6
Balance	N\$bn	-8.8	-12.4	-11.4	-8.9	-9.2	-8.1
Public Debt	N\$bn	35.9	59.8	69.9	74.5	87.5	96.9
Interest Payments	N\$bn	2.1	2.6	4.3	5.4	6.3	7.0
Public Guarantees	N\$bn	6.4	6.5	6.4	11.0	10.9	11.1
Revenue	% of GDP	35.4%	34.6%	30.2%	32.0%	28.9%	31.5%
Expenditure	% of GDP	41.6%	42.8%	36.9%	36.8%	33.6%	33.6%
Balance	% of GDP	-6.2%	-8.2%	-6.7%	-4.8%	-4.4%	-4.1%
Public Debt	% of GDP	25.5%	39.6%	41.5%	40.6%	45.2%	49.0%
Interest Payments	% of GDP	4.1%	5.0%	8.5%	9.3%	11.3%	11.9%
Public Guarantees	% of GDP	4.5%	4.3%	3.8%	6.0%	5.6%	5.6%
<b>International Rankings</b>							
		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Global Competitiveness Index Ranking		88/144	85/140	84/135	99/135	100/140	94/141
Global Competitiveness Index		4.0	4.0	4.0	4.0	4.0	54.5
Ease of Doing Business Ranking		98/189	88/189	104/189	108/190	106/190	107/190
Ease of Doing Business Index		61.15	57.16	59.61	59.57	60.29	60.53
Corruption Perceptions Index Ranking			45/168		53/180	52/180	56/180
Corruption Perceptions Index		49	53	52	51	53	52
Ibrahim Index of African Governance		70.3	70.4	69.3	71.2	68.6	
Ibrahim Index of African Governance Ranking		6/52	5/54	5/54	5/54	4/54	
Investment Attractiveness Index		76.37	69.78	66.11	60.67	56.66	
Investment Attractiveness Index Ranking		21/122	33/109	53/104	54/91	60/83	
Open Budget Index (out of 100)		n/a	46	n/a	50	n/a	n/a
World Press Freedom Index - Ranking		22/180	17/180	17/180	24/180	26/180	23/180

Sources: Anglo American, Bank of Namibia, Business and Intellectual Property Authority, Chamber of Mines of Namibia, Fitch Ratings, Fraser Institute, International Budget Partnership, Ministry of Environment and Tourism, Ministry of Finance, Mo Ibrahim Foundation, Moody's Investor Services, Namibia Airports Company, Namibia Statistics Agency, Namibian Stock Exchange, Reporters Without Frontiers, Transparency International, World Bank, World Economic Forum, World Nuclear Association

## Foreign Direct Investment – When in a hole the first thing to do is stop digging

It was not for nothing that the framers of Namibia’s Constitution included Article 99:

### **Article 99 Foreign Investments**

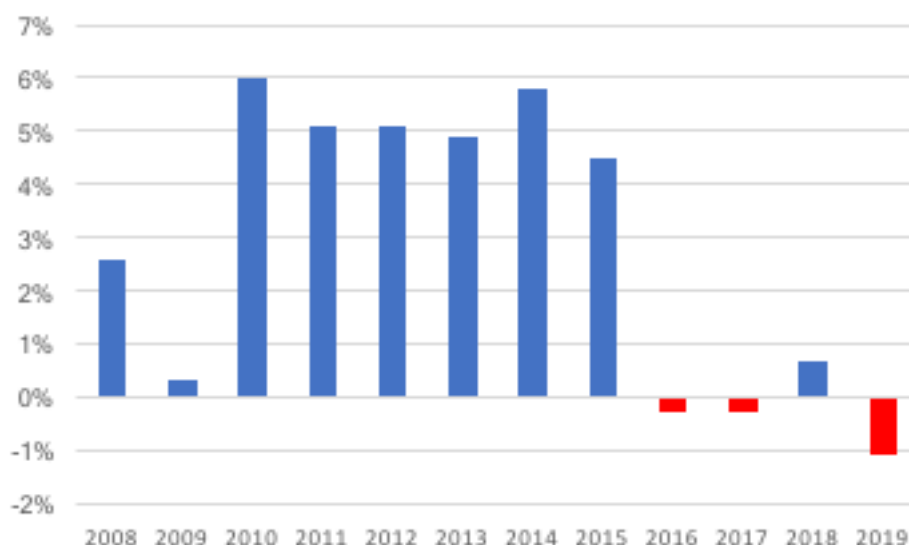
***Foreign investments shall be encouraged within Namibia subject to the provisions of an Investment Code to be adopted by Parliament.***

International research has shown time and again the importance of foreign investment – and Foreign Direct Investment or FDI – to all economies including the world’s largest, the US and China, but especially much smaller and poorer ones like Namibia. Namibia’s Constitution reflects this understanding.

The following five charts should therefore be of immense concern to Namibian policymakers.

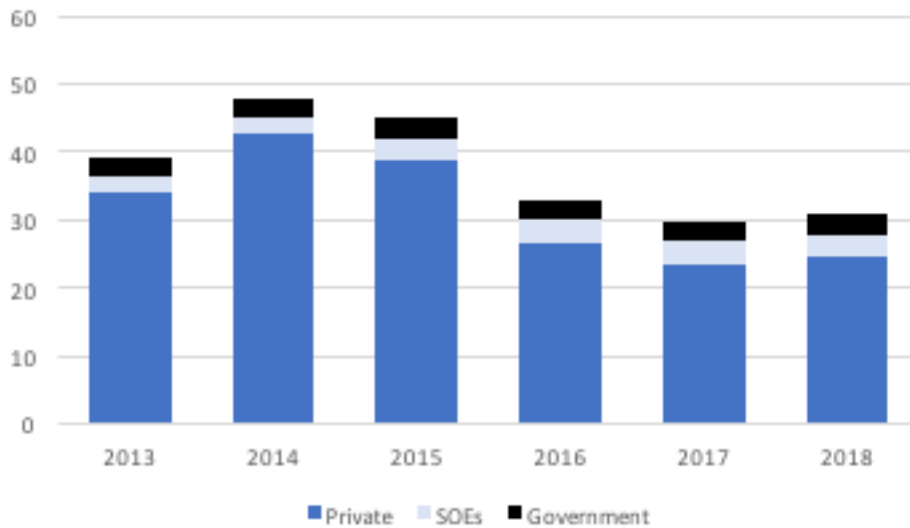
The first (from the Namibia Statistics Agency) shows that the economy has stagnated for the past four years. Namibia is not growing nearly fast enough to create jobs and incomes for the mass of its population and is seriously off track regarding the achievement of Vision 2030.

**Chart 1: GDP growth 2008-2019**



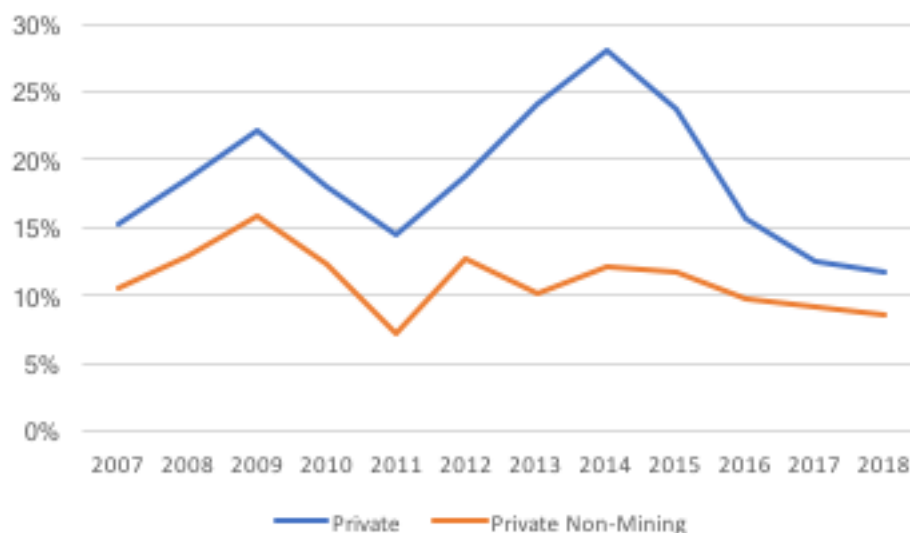
The second (also from the NSA) shows that private investment, which accounts for the lion’s share of investment in the economy, has stagnated during the same period.

**Chart 2: Fixed Investment in 2015 prices 2013-2018**



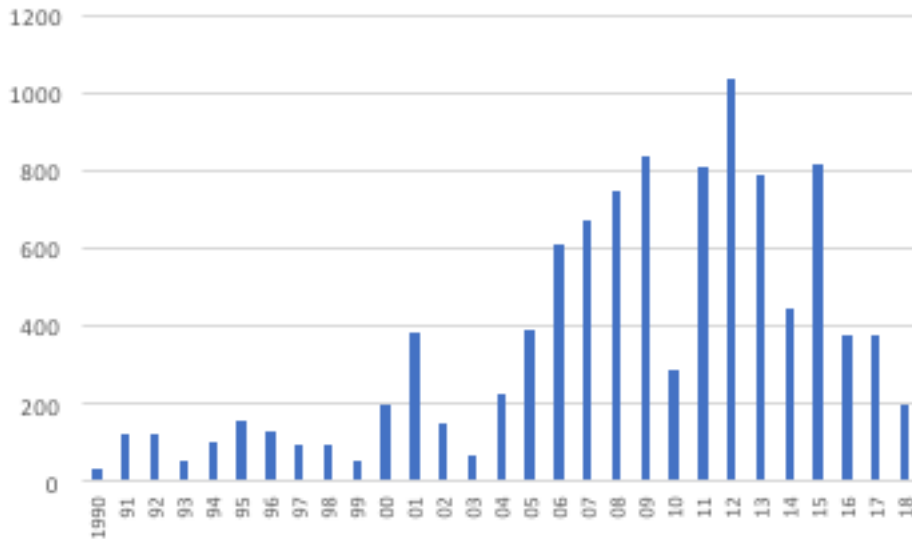
The third (also from the NSA) shows that Namibia’s strong investment performance following the Global Financial Crisis was largely the result of investment in mining and not in other sectors where private investment has stagnated.

**Chart 3: Private and Private Non-Mining Investment as % of GDP 2007-2018**



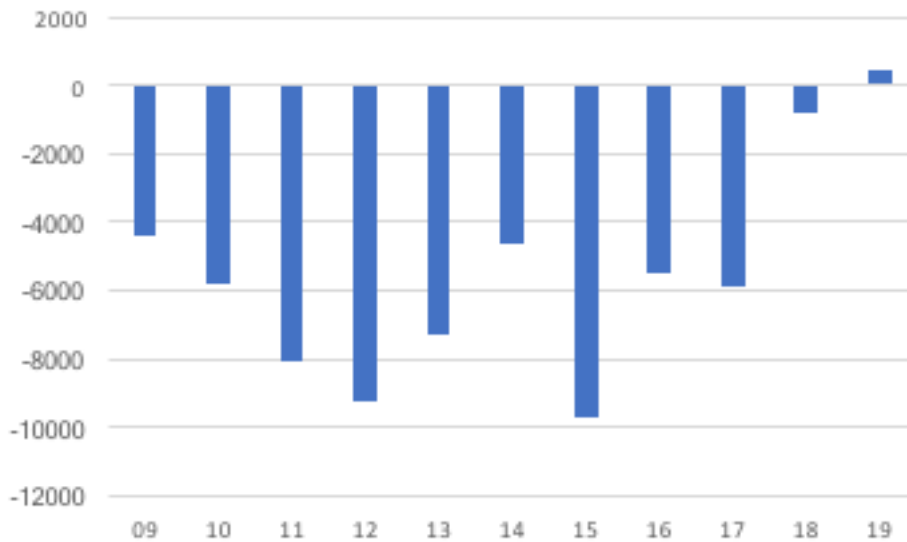
The fourth (from the IMF) shows that Namibia’s success in attracting Foreign Direct Investment has declined to historically low levels.

**Chart 4: Foreign Direct Investment Net Inflows 1990-2018 (USDm)**



The fifth (from the Bank of Namibia) shows that flows of Net Direct Investment reversed in 2019 according to provisional estimates meaning outflows actually exceeded inflows in 2019.

**Chart 5: Net Direct Investment 2009-2019 (N\$m)**



While in the coming quarter, it is a question of all hands to the tiller while Government focuses on countering the immediate challenge posed by the corona virus, at some stage in the not too distant future Government is going to have to turn its attention to the chronic condition the economy found itself in prior to the global pandemic. It is no accident that the last four years have seen investment trends weaken. Building on previous steps which had already diminished Namibia's attractiveness as an investment destination, the past five years have seen Government take a series of steps and missteps that have turned Namibia



from a neutral destination for FDI to a far less attractive one. The major changes in Namibia's investment environment in the last five years are summarised in the table below where changes we regard as negative have been highlighted in red.

**Table 1: Major Changes to Namibia's Foreign Investment Environment**

Date	Action
February 2016	Government circulates a draft NEEEF Bill which fundamentally undermines business property rights
June 2016	Parliament passes Export Levy Act which adds to taxes on turnover rather than profit
August 2016	Parliament passes the Namibia Investment Promotion Act which promotes far more political interference and discretion in investment decisions
April 2017	President Geingob states that businesses will have to cede 25% of their ownership to previously disadvantaged Namibians
March 2018	Minister of Finance announces EPZ Act will be repealed and replaced with Special Economic Zones
April 2018	President Geingob states that the 25% ownership clause in the NEEEF Bill has been removed
August 2018	Minister of Finance announces proposal to eliminate the tax-deductibility of mineral royalties
October 2018	Minister of Mines and Energy removes Namibianisation requirement
December 2018	Minister of Finance is quoted by Bloomberg as saying the Rand peg is being evaluated undermining the foundation of Namibia's monetary system
March 2019	President Geingob commits to the Rand peg "unless something very drastic happens" which fails to dispel the doubts created by the comments of the Minister of Finance three months earlier
May 2019	Minister of Mines and Energy lifts a 10-year moratorium on uranium exploration
August 2019	High Level Panel recommends further investigation into mining royalties
September 2019	Namibia launches visa on arrival for 47 countries
November 2019	President Geingob announces 5-year visas for South African business people
February 2020	Minister of Finance introduces Income Tax Amendment Bill which repeals the tax incentives available to registered manufacturers and EPZ companies
February 2020	Government publishes a revised draft National Equitable Empowerment Framework Bill
March 2020	President Geingob announces the creation of a Namibia Investment Promotion and Development Board within the Presidency to take the place of the Namibia Investment Centre

These steps have been taken over a period of time during which Namibia's international sovereign credit rating has been steadily downgraded by Fitch Ratings and Moody's. This reduced attractiveness is reflected in a steady downward trend in international rankings including the World Economic Forum's Global Competitiveness Index, the World Bank's Ease of Doing Business Index, Transparency International's Corruptions Perceptions Index (even prior to Fishrot), and the Fraser Institute's Investment Attractiveness Index.

### **The two main culprits – NIPA and NEEEF**

To give concrete and detailed legal expression to Article 99 of the Constitution, one of the first major pieces of legislation passed by Namibia's new Parliament was the Foreign Investment Act of 1990. The Act remained the cornerstone of Namibia's investor friendly investment environment until 2016. Under Section 3 of the Act, foreign nationals were allowed to "invest and engage in any business activity in Namibia which any Namibian may undertake" and "shall be in no different position than any Namibian, except as may be otherwise provided by this Act". Furthermore, "no foreign national shall be required to provide for the participation of the Government or any Namibian shareholder or as partner in such business or for the transfer of such business to the Government or any Namibian." However, Section 3 (4) also gave the Minister of Trade and Industry the power to prohibit foreigners becoming engaged in any business or category of business that could be provided adequately by Namibians while Section 3 (5) made special provision to allow favourable treatment of Namibians in the exploitation of Namibia's natural resources.

The Act made provision for the awarding of a Certificate of Status Investment, provided a foreign investment met certain criteria in terms of size and economic impact. A Certificate of Status Investment granted favourable and unrestricted access to foreign currency for the payment of loans, royalties, profits and dividends.

Section 11 of the Act reiterated the commitment to market compensation in the case of expropriation in terms of Article 16 of the Constitution. Holders of Status Investment had to be compensated in foreign currency and could opt for international arbitration if any disputes arose.

The Minister of Trade and Industry only once invoked the power of Section 3 (4). In 2010, regulations were published in the Government Gazette prohibiting foreigners from becoming engaged in a range of small businesses including retail businesses, taxi and shuttle services, and hairdressing and beauty treatment (Notice 75). The foreign currency advantages contained in the Act became far less important as Namibia's foreign exchange controls were steadily liberalised over the years. In 2006, the Investor Roadmap report commissioned by Government recommended the Act be thoroughly revised and updated.

Section 2 of the Foreign Investment Act made provision for the Namibia Investment Centre (NIC) in the Ministry of Trade and Industry to assist the Minister in the administration of the Act. While not quite a "one stop shop", the NIC was to help investors with information and

advice and also with work visas. The NIC encouraged all investors to avoid using agents and enlist the services of the NIC to help with work permits. Investors were required to provide a certain amount of documentation laid out in a checklist provided by the NIC. The NIC sat weekly to assess applications from investors. Once the NIC was convinced of the merits of the case, the Undersecretary made representations to the Immigration Selection Board which sat every Tuesday.

Government had for some time trailed the idea of replacing the Foreign Investment Act 1990 and in 2016 Parliament passed the Namibia Investment Promotion Act (NIPA). The NIPA replaces the FIA 1990 and the FIA Amendment Act 1993 which were repealed and differs from the FIA in a number of important respects.

The NIPA provides explicit powers to the Minister of Trade and Industry to approve or reject foreign investment proposals and lays down that approval will depend on certain criteria being met such as Namibian ownership, Namibian employment and value addition to Namibian natural resources. The Minister is empowered to set monetary thresholds for investments in different economic sectors and to set different thresholds for local and foreign investors. Investment incentives may be introduced in consultation with the Minister of Finance. The Act allows the Minister to enter into binding performance agreements with foreign investors. The Act firms up the institutional location and role of the Namibia Investment Centre (NIC) and specifies it must set up an “Integrated Client Service Facility” to assist investors with licences, permits and approvals.

Critically, the NIPA allows the Minister to reserve certain economic sectors or business activities for the State and for Namibian citizens or companies owned by Namibian citizens but this will not apply to foreign investors who have already invested legally into Namibia before the Act came into force. The Act empowers the Minister to approve sales of investments or transfers of licences or approvals by foreign investors to other foreign investors. A foreign investor may not invest in Namibia or acquire any licence, permit, authorisation or concession without the Minister’s approval. All investments above the set threshold must be registered. Investments that start below the threshold but grow above it must be registered. The NIPA clarifies issues of compensation in freely convertible currency at market rates in cases of expropriation by the State. The Act allows investors to utilise foreign workers in particular highly skilled jobs but places an obligation on investors to use Namibian labour, invest in local human capacity and transfer skills but also places an obligation on Government to provide the necessary visas within a reasonable period of time. The Act also provides for the settlement of disputes exclusively through the courts of Namibia and contains provisions laying out what and how penalties for non-compliance with the Act are to be imposed. NIPA makes explicit reference to the Namibia Investment Centre rather than the newly-established Namibia Investment Promotion and Development Board. The final report of the High Level Panel on the Namibian Economy makes the following recommendation on page 13:

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***It is imperative that the current Namibia Investment Centre is re-invigorated, refreshed and re-energised into an Export Promotion Centre with a mandate focused on export promotion and the promotion of investments focused on the export markets.***

The report does not mention NIPA. Taken as a whole, the NIPA signals a significant move away from openness to foreign investment and equal treatment between foreign and local investors and a move towards greater Government involvement in investment decisions by foreign investors and far greater Government discretion. Four years after being passed by Parliament, the NIPA is not currently in force and a revised version had been promised before March 2020.

The latest draft of the National Equitable Economic Empowerment Framework (NEEEF) has emerged after almost two decades of proposals and false-starts. Work first started under Namibia's first Prime Minister Hage Geingob before he was replaced in 2002 by long-standing Foreign Minister Theo-Ben Gurirab. Namibia's third Prime Minister Nahas Angula took up the baton after being appointed by President Pohamba in 2005. In 2007, Angula put out a consultation document which he called the Transformation Economic and Social Empowerment Framework (TESEF). However, in the process of consultation and discussion that followed, it became clear that this document was overly complex and would be hard to implement. In November 2011, Angula published a much-simplified version called the New Equitable Economic Empowerment Framework (NEEEF). Following the election of Hage Geingob as President in 2014 and the appointment of a new Prime Minister and Cabinet in March 2015, the new Prime Minister Saara Kuugongelwa-Amadhila published a new Namibian Equitable Economic Empowerment Framework Bill in February 2016. This document gave every impression of being drafted without any consideration of the previous 14 years of work. A central element of the draft Bill was that all businesses should cede 25% of their ownership to previously disadvantaged Namibians. This came as a bombshell to large parts of the business community and especially foreign investors. The provision was clarified a year later by President Geingob who reaffirmed the 25% requirement. However, after further prolonged consultation (during which the economy had started to slow significantly) the President made a U-turn and in April 2018 announced that the 25% requirement had been removed, an action that was reaffirmed a year later after the Growth Summit in August 2019. As promised following the Summit, a revised version of the Bill was published in February 2020.

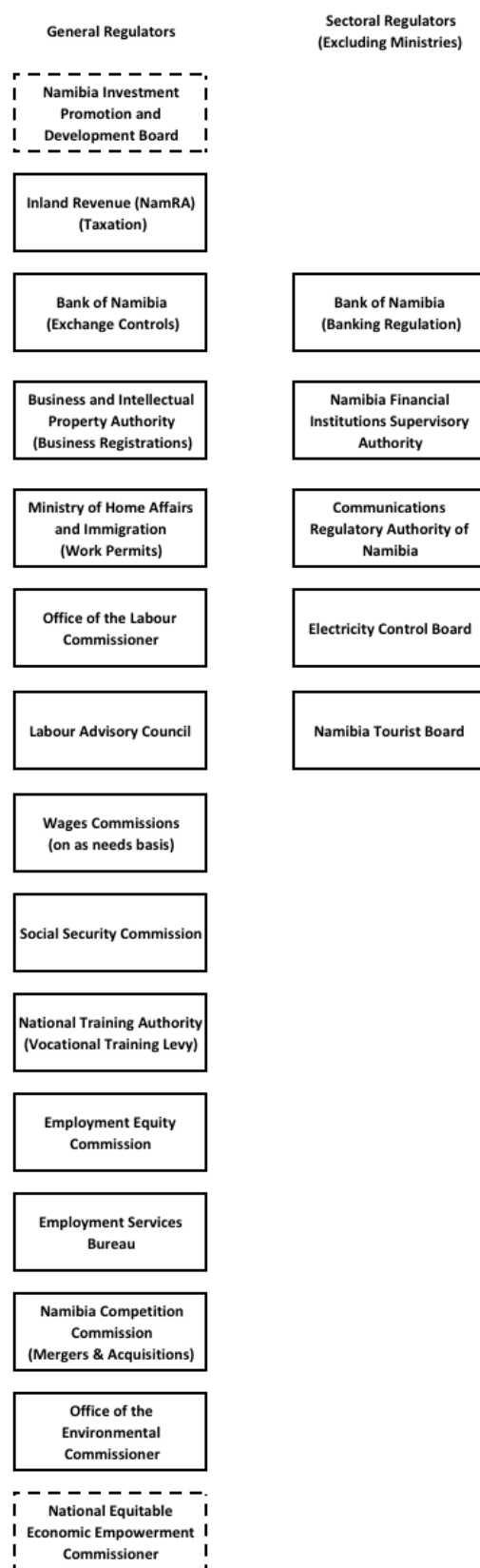
The new draft National Equitable Economic Empowerment Framework makes provision for the appointment of a Commissioner of Equitable Economic Empowerment, defines eight empowerment pillars in the following areas:

1. Ownership
2. Management control and employment equity
3. Human resources and skills development
4. Entrepreneurial development
5. Procurement
6. Corporate Social Responsibility

7. Value addition
8. Empowerment financing

Provides for the Minister to set standards for equitable economic empowerment, and also makes provision for sector transformation charters. It gives tremendous discretionary powers to an as yet unspecified Minister. It includes heavy penalties for fronting and allows the Commissioner to carry out extensive investigations. All in all, although it drops the earlier 25% equity requirement, the Bill is drafted in such a way that such a requirement could be brought in again through the Ownership pillar. Furthermore, even if this Bill were passed immediately, given the length of time similar pieces of legislation tend to take to fully flesh out with associated institutions, appointments and regulations, there is little chance any investor (foreign or local) would know what regulatory hurdles they would face for at least another five years. However, the impact of such uncertainty would cast a huge cloud of doubt over the Namibian investment environment and therefore do real damage during that period.

While the status of two key pieces of legislation - NIPA and NEEEF - are currently so uncertain, Namibia has effectively hung out a sign to foreign investors saying “No entry: please come back in five years”. Furthermore, manufacturing and EPZ incentives have been scrapped without putting anything in their place. All this comes in addition to the already formidable array of regulatory hurdles Government has erected piece-meal over the years which is captured in the diagram below. Namibia is quite possibly getting to the stage where only very large foreign companies can negotiate their way through the thicket of regulation to invest in the country. It seems no one in Government is keeping an eye on the whole investment picture and how it compares to other countries in the region and elsewhere, the most successful of which are moving towards greater simplicity and less discretion.

**Chart 6: Overview of Namibia's Regulatory Environment**


## Conclusion – Stop Digging Now!

As a small economy with a tiny internal market and an unskilled population, Namibia has to work far harder to attract FDI. Yet – given the state of the public finances and high levels of debt and the pressure Namibian households have been under, FDI has a crucial role to play in re-energising Namibia’s economy in the coming years. To many outside observers, it is almost as if Namibia has stopped caring about how it is perceived as an investment destination. It is no coincidence that Namibia’s severe economic downturn took place at the same time as damaging pieces of legislation were being published and even passed by Parliament without it seems any degree of critical scrutiny. Who can trust Government when it has flip-flopped so much over the past five years on an issue as fundamental as business ownership? The latest draft NEEEF does not put these fears to rest and kicking the can down the road will not produce the certainty that investors require.

President Geingob’s recent action to create a Namibia Investment Promotion and Development Board within the Presidency to take the place of the Namibia Investment Centre is a welcome move but will really only make a difference if the head of the Board is a competent senior person who has the power to look across the investment landscape and take real action. Put at its most simple, Namibia must decide on which of the following investment environments it wants to create:

A highly uncertain, constantly changing, discretionary environment where investors have to negotiate deals on an ongoing basis with a variety of politicians, regulators and other players before they know what obligations they have to meet and where they are expected to play major social roles rather than focussing on running successful businesses;

Or

A clear, simple, rules-based environment where everyone knows in advance what obligations they are expected to fulfil and where everyone understands that the best way of boosting incomes and employment is by nurturing sustainable and profitable businesses which pay their taxes and meet other statutory obligations.

Whilst choosing the first may benefit a select few who have privileged access to deals, it almost goes without saying that the latter will attract a better class of investors and lead to higher sustainable growth and employment creation. Namibia’s Fishrot scandal is a clear example of what the first can lead to. If Namibia wants to attract investors into sectors that fall outside sectors where it has some clear advantages, a clear rules-based investment environment becomes even more important.

If it is decided that local shareholders are always required, foreign investors should be given as much freedom as possible to select the investors they think are most appropriate. Policy-makers should understand that if local shareholders are a legal necessity but are not obliged

to provide capital, then the threshold rate of return required by foreign investors will rise thus limiting investment to only the most lucrative ones.

What is going to pull Namibia's economy out of the longest slump it has experienced since Independence? The answer must lie in attracting FDI. The charts at the beginning of this feature show Namibia is in a very deep hole. And when in a hole the first step is to stop digging – in this case by dropping NIPA and NEEF altogether.