Namibia QER Q2 2020

Namibia Quarterly Economic Review April-June 2020

Quarter Summary

Macroeconomic Situation – national lockdown after four years of weak economic performance

This extraordinary quarter saw Namibia start in a state of emergency and lockdown and then slowly emerge from the other side as lockdown was steadily relaxed. Preliminary national accounts published in Q1 showed just how weak economic performance had been during the four years prior to the pandemic.

The Bank of Namibia's latest economic forecast for 2020 published at the end of April 2020 predicted the economy would shrink by 6.9% in 2020 compared to the previous view prior to the pandemic that it would grow by the modest 1.5% forecast in February. The Bank sees the Namibian economy resuming growth in 2021 but by only 1.8%. These forecasts take into account the package of measures to support the economy through lockdown announced by the Minister of Finance on 1 April 2020 and contained in the National Budget 20/21 tabled on 27 May but are subject to even greater uncertainties than usual as the pandemic represents a unique challenge which Namibia, like so many other countries, has not had to deal with before. In the course of Q2, the Bank of Namibia continued to reduce the repo rate to successive historic lows to end the quarter at 4.00%. Fitch Ratings had already downgraded Namibia's sovereign credit rating to BB in October 2019 but at that stage assessed the outlook to be stable. This was downgraded to negative in June 2020 as a result of "the significant impact of the coronavirus pandemic on Namibia's economy and public finances" including lockdown and the fiscal measures needed to contend with it involving the tapping of sinking funds established to repay foreign currency bonds. A full IPPR analysis of the National Budget 20/21 "Giving the Can Another Kick Down the Road" can be found here.

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The quarter was dominated by the pandemic. President Geingob had declared a state of emergency on 17 March. On 28 March Khomas and Erongo regions went into full lockdown or Stage 1. On 14 April the lockdown was extended to 4 May and to all regions. From 5 May Namibia relaxed lockdown and moved to Stage 2 but on 28 May Walvis Bay was moved back to Stage 1 while the rest of the country relaxed further to Stage 3 on 2 June. On 8 June the lockdown in Walvis Bay was extended to the entire Erongo region which lasted until 23 June. On 30 June the entire country, except for the specified coastal areas of Walvis Bay, Swakopmund and Arandis, entered Stage 4. At the start of Q2 on 1 April, Namibia had registered 13 cases of Covid-19 and no deaths. By the end of Q2 on 30 June, a total of 205 cases had been registered and at that point no deaths.

News Highlights

Date	Highlight	Commentary
30 June	South African GDP declines by 2% in Q1 2020 (StatsSA)	South African GDP shrank by 2% quarter-on-quarter in Q1 2020 due to load-shedding and the onset of the Covid-19 global pandemic.
30 June	Trevali offers voluntary redundancy (The Namibian)	Vancouver-listed base metals miner Trevali announced it had offered its entire workforce of 429 employees at Rosh Pinah mine voluntary redundancy.
30 June	Namibia moves from Stage 3 to Stage 4	With the exception of Walvis Bay, Swakopmund and Arandis, Namibia moves from Stage 3 to Stage 4 with further relaxation of measures
27 June	Namibia plans Sovereign Wealth Fund (Xinhua)	Cabinet approved plans to establish a Sovereign Wealth Fund for Namibia.
24 June	Cabinet asks for costings for Air Namibia options (The Namibian)	The Cabinet Committee on overall policy and priorities chaired by President Geingob has asked for a detailed financial breakdown of maintaining or shutting down Air Namibia.
24 June	Labour regulations ruled unconstitutional and invalid (The Namibian)	Government’s ban on retrenchment, reduction of pay and use of compulsory leave was ruled unconstitutional and invalid by the High Court after the urgent application brought by employers.
22 June	President Geingob announces further relaxation of lockdown measures (Reuters)	President Geingob announced that 13 of Namibia’s 14 regions would move from Stage 3 to Stage 4 from 30 June.
22 June	Government withdraws appointment of Paulus Ngalangi as Fishcor CEO (Seafood Source)	Public Enterprises Minister Leon Jooste withdrew the nomination of Paulus Ngalangi as the new CEO of Fishcor as part of its restructuring in the wake of the Fishrot scandal.
22 June	Fitch downgrades Namibia to BB and outlook negative (Fitch Ratings)	Fitch Ratings downgraded the outlook for Namibia from stable to negative.
19 June	Pick n Pay announces it will retrench 500 workers (Xinhua)	Retailer Pick n Pay announced it would lay off more than 500 workers due to the prolonged economic downturn.

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		It employs 1,931 people in shops in 22 towns in Namibia.
17 June	The Bank of Namibia cuts repo rate to 4.00% (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee reduced the repo rate by a further 25 basis points from 4.25% to 4.00%, another historic low. The next MPC meeting is due on 19 August.
16 June	Fitch downgrades Namibia to BB and outlook stable (Fitch Ratings)	Fitch Ratings downgraded Namibia's sovereign credit rating to BB with outlook stable.
13 June	Namibia Wildlife Resorts appoints Matthias Ngwangwama as MD (The Namibian)	Namibia Wildlife Resorts appointed company insider Matthias Ngwangwama as its new MD for five years from 1 April 2020. He had been acting MD since 23 April 2019.
12 June	Fishing quotas allocated (Seafood Source)	Fisheries Minister Albert Kawana confirmed that of the 5,176 companies that had applied for fishing quotas in 2018, 185 new companies had been allocated quotas of which 105 are new while 80 had already been granted rights. He confirmed the Fisheries and Marine Resources Act would have to be amended.
8 June	Fishcor quotas to be auctioned (The Namibian)	Fisheries Minister Albert Kawana announced that quotas set aside for Fishcor would be auctioned off to generate revenue for the Government. Between 2014 and 2019 Government allocated quotas of 360,000 tonnes of horse mackerel to Fishcor worth N$900m.
8 June	Lockdown extended to entire Erongo region (Xinhua)	Government extended the Stage 1 lockdown from Walvis Bay to the entire Erongo Region for 14 days.
5 June	Ministry of Health launches Covid-19 Situation Dashboard	Health Minister Kalumbi launched a Covid-19 Situation Dashboard with the Namibia Statistics Agency, the UNFPA and the WHO. The dashboard can be accessed here.
5 June	President Geingob raises prospect of liquidation of Air Namibia (The Namibian)	During the debate on his State of the Nation speech to Parliament, President Geingob raised the possibility of liquidating the national carrier Air Namibia.
3 June	Government blocks extension of Namdia middleman (The Namibian)	Mines Minister Tom Alweendo blocked the extension of the contract of Neil Haddock who had been acting as Namdia's middleman with Dubai.
2 June	Chamber of Mines cancels Mining Expo 2020 (Chamber of Mines)	The Chamber of Mines of Namibia announced it was cancelling its Mining Expo 2020 having initially postponed it until September due to Covid-19.
2 June	Namibia moves to Stage 3	Namibia moved to Stage 3 allowing a moderate reopening of the economy.
1 June	Namibia's first Covid-19 patients released from hospital (Xinhua)	Health Minister Kalumbi Shangula announced that the first two patients to be diagnosed with Covid-19 in Namibia had been cleared by health authorities after 79 days in hospital.
28 May	Lockdown re-imposed in Walvis Bay	Stage 1 lockdown was re-imposed in Walvis Bay after two residents were tested positive for Covid-19.

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29 May	Fisheries Minister promises to bring more openness to sector (Informante)	Fisheries Minister Albert Kawana admitted Namibia's fishing sector was in a sorry state and promised to bring more openness and accountability to the sector including publishing a register of shareholders of fishing companies. Kawana confirmed that Government had decided to suspend all fishing rights on 31 March and institute a reapplication process in order to combat corruption in the sector. Government had now completed processing these applications.
27 May	National Budget for FY20/21 tabled in Parliament	Newly-appointed Finance Minister Iipumbu Shiimi tabled the National Budget for FY20/21 in Parliament. The Budget had been delayed until Parliament could be reconvened. It contained the measures announced on 1 April and envisaged a record deficit of 12.5% of GDP. See IPPR budget analysis here.
25 May	Moodys changes Namibia outlook from stable to negative (Moody's)	Moody's changes the outlook for Namibia from stable to negative.
26 May	Parliament reopens (The Namibian)	Parliament reopened after it was suspended on 25 March as part of the national lockdown initially for 21 days.
18 May	Employers launch case against Government (The Namibian)	Two employers' organisations, the Namibian Employers' Federation and the Namibian Employers Association, plus several individual employers launched a case in the High Court to have the suspension of parts of the Labour Act 2007 declared unconstitutional. The suspensions prevent employers from retrenching their workers, forcing them to take unpaid leave or reducing their pay and obliges employers to reinstate workers who have been dismissed because of Covid-19.
15 May	Safari Hotel announces job and wage cuts (The Namibian)	The Safari Hotel announced it would retrench 177 of its 219 employees and that the remaining 42 staff members would have their salaries cut by 50%.
15 May	President announces cost-cutting measures (Reuters)	President Geingob announced a series of cost-cutting measures including the halting of purchases of new cars for ministers until 2025, scrapping the posts of special advisors for regional governors and trimming the size of cabinet. These measures are intended to save N$200m over five years.
14 May	Trevali defers expansion plans (Creamer Media)	Vancouver-listed base metals miner Trevali announced it would defer its expansion of Rosh Pinah mine which would have boosted production by 60-80% in order to conserve cash.
4 May	National lockdown ends	Namibia moves from Stage 1 to Stage 2 allowing some relaxation of measures.
28 April	Bank of Namibia forecasts GDP will decline by 6.9% in 2020 (Bank of Namibia)	The Bank of Namibia released its economic forecast which estimates GDP to decline by 6.9% in 2020 but grow by 1.8% in 2021.

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23 April	Namdeb produces 511,000 carats in Q1 2020 (AA)	Anglo American reported that Namdeb Holdings produced 511,000 carats in Q1 2020 compared to 456,000 carats in Q4 2019. Debmarine Namibia accounted for 417,000 carats of total production.
25 April	Namibia ranked first in Africa on press freedom (Reporters Without Frontiers)	Namibia was ranked 23rd in the world and first in Africa by Reporters Without Frontiers in its World Press Freedom Index 2020.
23 April	Namibian beef reaches US (The Namibian)	Namibia's first full 25-tonne container consignment of beef to the US sent on 20 February arrived on 17 April. Namibia is the first country in Africa to export beef to the US.
21 April	Johannes Gawaxab appointed Governor of Bank of Namibia (Reuters)	President Geingob appointed Johannes Gawaxab as the new Governor of the Bank of Namibia from 1 June 2020. Gawaxab will serve the remaining 18 months of Iipumbu Shiimi's term of office after he was appointed Minister of Finance on 22 March.
20 April	Namibia and Angola to go ahead with Baynes Dam (The Namibian)	Responding to questions, Namibia's Executive Director of Energy Simeon Negumbo and co-chairman of the Permanent Joint Technical Commission on the Cunene River Basin (PJTC) confirmed that Namibia and Angola planned to press ahead with the 600MW Baynes dam at a cost of USD1.2bn. Construction would commence towards the end of 2022 and commissioning would take place by the first quarter of 2029.
20 April	Labour Directives issued (Ministry of Labour)	Minister of Labour issued Labour Directives Relating to Covid-19: State of Emergency Covid-19 preventing employers from retrenching workers or forcing them to take unpaid leave.
15 April	The Bank of Namibia cuts repo rate to 4.25% (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee reduced the repo rate by a further 100 basis points from 5.25% to 4.25%.
14 April	Government extends lockdown until 4 May	President Geingob announced the Government had decided to extend the lockdown in Khomas and Erongo regions which was due to end on 17 April by a further 18 days until midnight on 4 May and would apply nationally. The offshore fishing sector was allowed to continue to operate throughout the lockdown.
10 April	National Employment and Salary Protection Scheme launched	The National Employment and Salary Protection Scheme for Covid-19 was launched in collaboration with the Social Security Commission to provide wage subsidies for sectors severely affected by the national lockdown.
9 April	Otjikoto mine produced 41,749 ounces of gold in Q1 2020 (B2Gold)	B2Gold reported that its Otjikoto mine produced 41,749 ounces of gold in Q1 2020. Its annual forecast is 165,000-175,000 ounces for 2020, the same as 2019.
3 April	Lufthansa flies more than 1,500 stranded tourists back to Europe (The Namibian)	German airline Lufthansa announced it had flown more than 1,500 stranded tourists home to Germany and Europe on six repatriation flights.
3 April	An estimated 12 elephants and 45 rhinos were	The Ministry of Environment and Tourism published its annual report on wildlife crime estimating that 12

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	poached during 2019 (MET)	elephants and 45 rhinos were poached during 2019. The Ministry seized 116 elephant tusks and 8 rhino horns.
3 April	Study on Namibian timber industry published (TRAFFIC)	International NGO and wildlife trade specialists TRAFFIC published a study entitled "A Critical Assessment of the Economic and Environmental Sustainability of the Namibian Indigenous Forest/Timber Industry" which can be downloaded here.
3 April	Namibian GDP declined by 1.1% in 2019 (NSA)	The Namibia Statistics Agency (NSA) released preliminary GDP estimates for 2019 suggesting GDP had declined by 1.1% in 2019.
1 April	Minister of Finance announces N$8.1bn economic stimulus and relief package (Ministry of Finance)	Newly-appointed Finance Minister Iipumbu Shiimi announced a package of measures to deal with the impact of Covid-19 and the subsequent lockdown on the economy including a once-off N$750 Emergency Income Grant as well as wage subsidies in the tourism and construction sectors.

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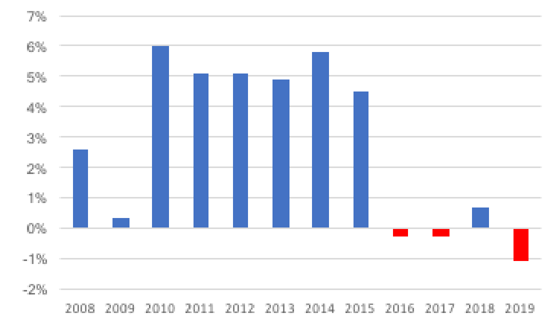
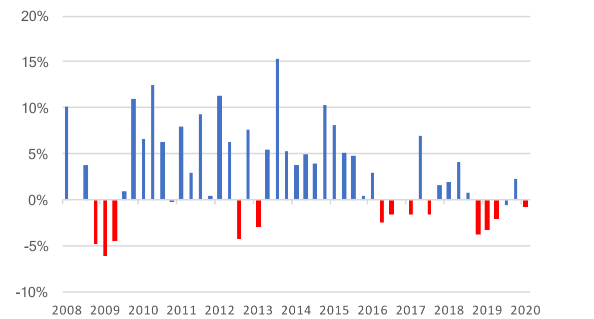
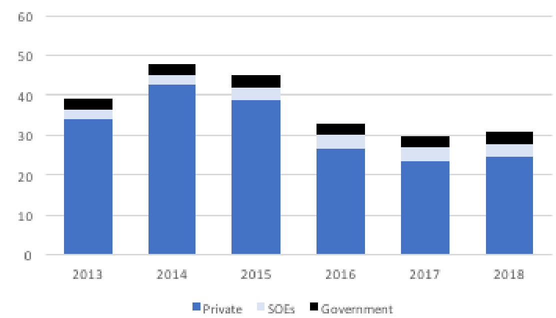
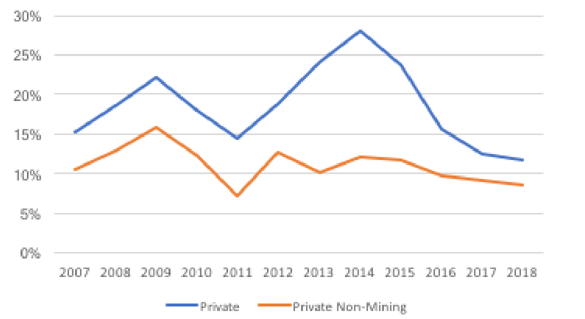
Key Economic Variables

GDP Growth (%)	GDP Quarterly 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 contracted by 0.8% in Q1 2020 after positive growth in Q4 2019 of 2.3%. A sizeable contraction is expected for Q2 2020 due to the national lockdown which halted most economic activity.

Fixed Investment (N$bn in 2015 prices)	Private Fixed Investment (% of GDP)
	
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.	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.

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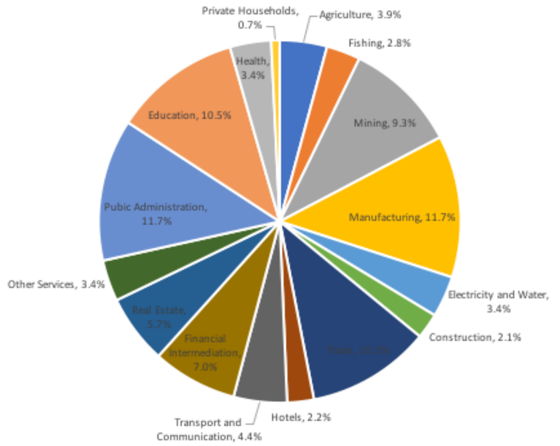
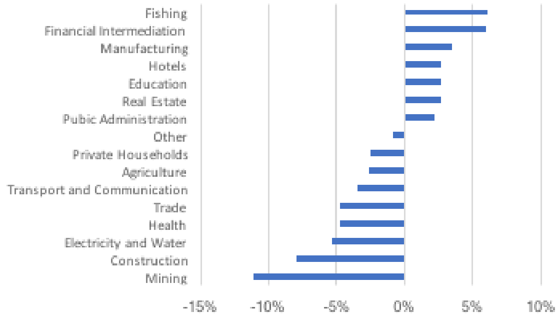
Sectoral Breakdown of GDP in 2019 (%)



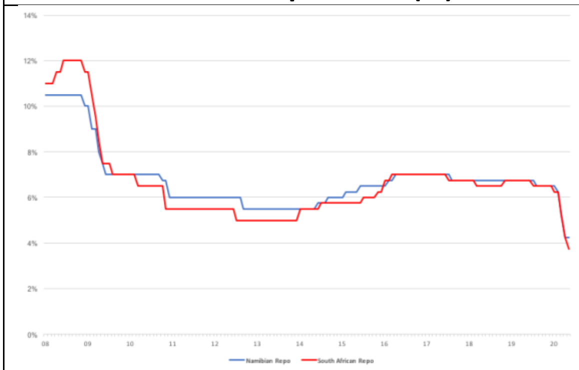
The chart shows the contributions made to overall economic activity in 2019 by the different sectors of the economy. The NSA has provided a more disaggregated sectoral breakdown which is welcome. Service sectors contributed 58.5% while primary and secondary sectors contributed 16.0% and 17.2% respectively.

Sectoral Growth in 2019 (%)



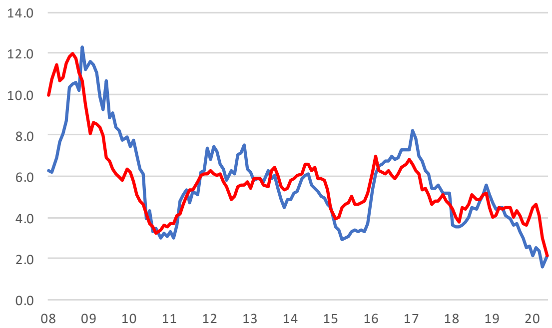
While output from Fishing, Manufacturing and Hotels experienced positive growth in 2019, output again declined significantly across a wide range of sectors with Construction and Mining being particularly hard hit.

Namibian and SA Repo Rates (%)



In response to the impact of the national lockdown on an already weak economy, the Bank of Namibia continued to cut the repo rate throughout Q2 so that it ended at the historic low of 4.00% by the end of June. The next MPC meeting of 2020 is due on 19 August.

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



Namibian consumer inflation fell to a historical low of just 1.6% in April before climbing to 2.1% in May, converging with the equivalent rate in South Africa.

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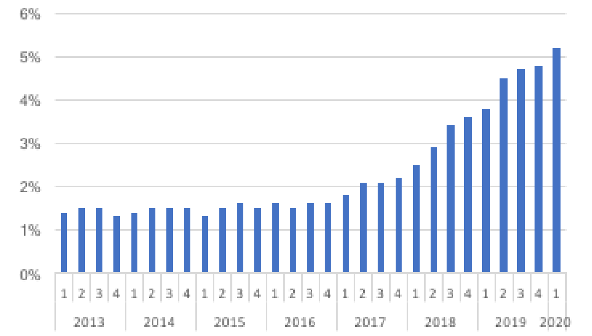
Private Sector Credit Extension (% y-o-y)

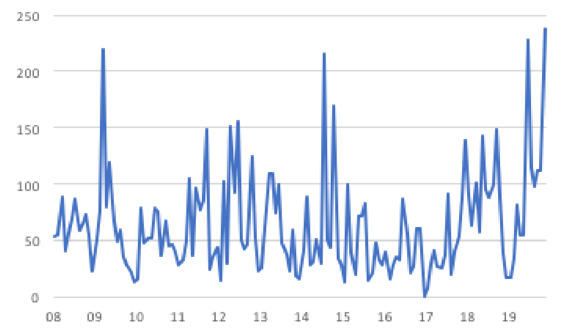
Credit growth to domestic businesses had been starting to show signs of recovery but this has fallen back dramatically since January. At the same time credit growth to households and residential mortgage lending has plunged since the start of the year, unsurprising given the national lockdown imposed in March.

Non-Performing Loans



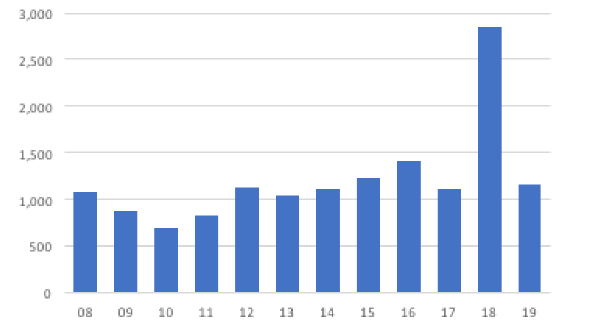
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia reached 5.2% at the end of Q1 2020, the highest level since the QER began tracking NPLs.

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.

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Data Trends

	Unit	2014	2015	2016	2017	2018	2019
Annual Economic Growth							
GDP	%	5.8%	4.5%	-0.3%	-0.3%	0.7%	-1.1%
GDP current prices	N$m	133,980	145,207	156,879	169,529	178,052	178,677
Change in Mining Value Added	%	-5.2%	-0.9%	-10.7%	14.2%	16.1%	-11.1%
Change in Manufacturing Value Added	%	2.7%	-3.1%	10.2%	-1.0%	1.0%	3.5%
Fixed Investment							
Fixed Investment	% of GDP	35.4%	31.0%	21.7%	17.7%	16.7%	16.2%
Change in Fixed Investment	%	22.4%	-5.6%	-26.8%	-10.6%	3.0%	-0.2%
Fixed Investment - Government	'000 N$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
Prices and Interest Rates							
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%
Trade and Balance of Payments							
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%	
Foreign Exchange							
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)
Financial Sector							
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%	4.8%
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
Business Indicators							
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	5,476
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	10,379
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

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		2014	2015	2016	2017	2018	2019	
Employment								
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	
Government Finances		**FY 14/15**	**FY 15/16**	**FY 16/17**	**FY 17/18**	**FY 18/19**	**FY 19/20**	**FY 20/21**
Revenue	N$bn	49.9	52.2	50.9	58.7	55.9	58.6	51.4
Expenditure	N$bn	58.7	64.6	62.2	67.5	65.1	66.6	72.8
Balance	N$bn	-8.8	-12.4	-11.4	-8.9	-9.2	-8.1	-21.4
Public Debt	N$bn	35.9	59.8	69.9	74.5	87.5	96.9	119.1
Interest Payments	N$bn	2.1	2.6	4.3	5.4	6.3	7.0	7.7
Public Guarantees	N$bn	6.4	6.5	6.4	11.0	10.9	11.1	11.1
Revenue	% of GDP	35.4%	34.6%	30.2%	34.2%	31.4%	31.5%	30.0%
Expenditure	% of GDP	41.6%	42.8%	36.9%	39.3%	36.5%	37.7%	42.5%
Balance	% of GDP	-6.2%	-8.2%	-6.7%	-5.2%	-5.2%	-4.5%	-12.5%
Public Debt	% of GDP	25.5%	39.6%	41.5%	43.4%	49.1%	54.8%	69.6%
Interest Payments	% of revenue	4.1%	5.0%	8.5%	9.3%	11.3%	11.9%	15.1%
Public Guarantees	% of GDP	4.5%	4.3%	3.8%	6.4%	6.1%	6.3%	6.5%
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
International Rankings								
Global Competitiveness Index Ranking		88/144	85/140	84/135	99/135	100/140	94/141	n/a
Global Competitiveness Index		4.0	4.0	4.0	4.0	4.0	54.5	n/a
Ease of Doing Business Ranking		98/189	88/189	104/189	108/190	106/190	107/190	104/190
Ease of Doing Business Index		61.15	57.16	59.61	59.57	60.29	60.53	61.4
Corruption Perceptions Index Ranking			45/168		53/180	52/180	56/180	n/a
Corruption Perceptions Index		49	53	52	51	53	52	n/a
Ibrahim Index of African Governance		70.3	70.4	69.3	71.2	68.6	n/a	n/a
Ibrahim Index of African Governance Ranking		6/52	5/54	5/54	5/54	4/54	n/a	n/a
Investment Attractiveness Index		76.37	69.78	66.11	60.67	56.66	58.22	n/a
Investment Attractiveness Index Ranking		21/122	33/109	53/104	54/91	60/83	55/76	n/a
Open Budget Index (out of 100)		n/a	46	n/a	50	n/a	n/a	51
World Press Freedom Index - Ranking		22/180	17/180	17/180	24/180	26/180	23/180	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

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Special Feature

The High-Level Panel on the Namibian Economy – Elephants in the Room

On 21 March 2019 President Geingob inaugurated a High-Level Panel on the Namibian Economy (HLPNE) to advise him for one year until the end of his first term in office. This announcement came shortly after his Economic Advisor Dr John Steytler had resigned after serving since 1 July 2015 citing personal reasons. The Panel was to consist of 22 people from inside and outside Government as well as three international experts and would be chaired by the former head of Old Mutual Namibia, Johannes Gawaxab. These members were unpaid.

1. Johannes Gawaxab – CEO of Eos Capital (now Governor of the Bank of Namibia)
2. Nangula Uaandja – Assurance Partner, PwC Namibia
3. Florette Nakusera – Director of Research & Financial Stability, Bank of Namibia
4. Estelle Tjipuka – Forensic accountant
5. Ester Simon – Student leader, Nanso
6. Kauna Ndilula – MD, BFS Group of Companies
7. Martin Shipanga – Executive Chairman, Shipanga Holdings
8. Jason Kasuto – Managing Partner, Monasa Advisory & Associates
9. Sven Thieme – Executive Chairman, Ohlthaver & List Group
10. Junias Mungunda – Chief Executive, Standard Bank Namibia
11. James Mnyupe – MD, Allan Grey Namibia
12. Kenneth Matengu – Vice Chancellor, University of Namibia
13. Michael Iyambo – Owner, Oshikoto Fresh Fruit and Vegetables
14. Evangelina Nailenge – GM, NAMFISA (now with Hangala Prescient)
15. Gitta Paetzhold – CEO, Hospitality Association of Namibia
16. Justine Braby – Director of Progress Namibia, sustainable development NGO
17. Immanuel Kadhila – Head of Treasury, Government Institutes Pension Fund
18. Klaus Schade – Independent economist
19. Banda Shilimela – Businessman, security services
20. Carlos Lopes – Economist, Honorary Professor at University of Cape Town
21. Joseph Okpaku – Nigerian academic
22. Vuyo Jack – Owner of Empowerdex, South African BEE rating agency

The mandate of the HLPNE was to analyse the state of the economy and provide evidence-based recommendations that would result in its revival. It was also given the task of organising an Economic Growth Summit (EGS) which ended up taking place on 31 July and 1 August 2019. It submitted a first report containing 15 recommendations to the President in June 2019 and a comprehensive EGS Report following the Summit in October 2019. As a mark of how seriously Government was taking the exercise, the HLPNE stated it was invited to two Cabinet sessions for discussion and clarification. It submitted a final comprehensive report in February 2020 which brings together all previous work. The purpose of this feature is to briefly survey the recommendations of this final report excluding the detailed tax

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recommendations and environmental policies. It does not attempt to track the progress of pledges made at the EGS. The final report was published on 25 February 2020, just a few weeks before a state of emergency was declared and Namibia went into lockdown. On 21 April the President appointed Gawaxab as Governor of the Bank of Namibia from 1 June 2020 until the end of his predecessor's term of office. Between the inauguration of the HLPNE and the submission of its final report, the Namibian economy recorded another year of weak performance with GDP shrinking by 1.1% in calendar year 2019.

Section 2: Diagnostic Findings

Section 2 of the report is entitled "Diagnostic Findings" and contains a description and diagnosis of Namibia's economic problems clearly written by someone with an economics background. While it does not examine in detail the challenges faced within individual sectors of the economy, its high-level description and analysis is broadly correct. The boom in the tradable minerals sector seen after 2000 led to a massive and unsustainable expansion in public sector employment and its associated wage bill while poorly performing State-Owned Enterprises and unproductive infrastructure spending failed to contribute to the productive capacity of the economy. The very limited export diversification during the boom years (the report does not identify what the 11 new products added to Namibia's export basket were) consisted primarily of mineral exports while inflowing Foreign Direct Investment was also concentrated in this sector (although the report highlights extraction but puzzlingly also electricity and manufacturing). The report contains little appreciation for Government's handling of the Global Financial Crisis of 2008 which necessarily involved monetary and fiscal stimulus but at a time when Namibia was in a strong position to provide both in a way which did not jeopardise future growth. There is little concrete to disagree with but the report somewhat pulls its punches on SOEs, public infrastructure and government borrowing and does not go far enough to emphasise the extreme fiscal precariousness of the position Namibia currently finds itself in as well as policymakers' appalling track record on creating an investment environment that fosters job creation.

But it is spot on when it says "growth must come from exports and investment activities that promotes exports", that "export structure hasn't changed much", that "Namibia needs to increase the complexity of its product space" and that formal sector employment growth can only be achieved by targetting industries that lead to export diversification. Employment will come primarily from non-tradable sectors but will depend upon private sector export diversification. The report is probably right when it says, "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 as well as the local market." The Namibia Investment Centre certainly needs re-invigoration and attracting particular kinds of investment would give it more of a focus. It is on more questionable ground when it says this diversification will come about by Government making "strategic bets and choosing sectors". Furthermore, "a key factor to be considered within the attractiveness of potential industrial opportunities shall be their potential to insert themselves within global value

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chains where Namibia has and or will have a comparative advantage. Such value chains can ultimately brand Namibia as the hub for certain products."

Given this approach, it sensibly goes on to recommend that "ultimately, policymakers should use an iterative and dynamic process to target investment promotion and export diversification efforts, and should interact with many stakeholders – especially with the private sector – to incorporate a variety of perspectives and to implement shared strategies." The report fails to recognise that a bloated and overpaid public sector draws resources and talent away from the rest of the economy and does not compare the resources devoted to keeping ailing established SOEs alive (such as the billions squandered on keeping Air Namibia flying) to those targeted at new industries. It then somewhat passes the buck, rather surprisingly to the National Planning Commission which since Independence has hardly demonstrated an ability to conduct sophisticated policy of making "strategic bets and choosing sectors" (i.e. what economists call "picking winners" and cynics call "picking losers"). Thus, "Given the complexities of the issues outline herein, and the need for a co-ordinated, well founded and research-based policy response, it is recommended that Namibia's National Planning Commission consults and works with external experts such as the Harvard University's Growth Lab during the review of NDP 5 and development of the next development plan, NDP 6."

But apart from putting forward Harvard University's Growth Lab, the report has little to offer other than more committees. "Following that guidance, we recommend the creation of public-private taskforces – productivity taskforces – an institutional device for exploring interventions that increase the productivity of sectors with export potential of already existing sectors." While it cannot be wrong to say "it is essential that the government establishes and maintains a broader permanent public-private dialogue forum, incorporating senior government officials and representatives of the private sector", it fails to make the point that in so many cases, Government action has been premature and misconceived and does an enormous about of damage.

Section 3.1 Employment Creation

The recommendations on employment creation are weak. The section starts by correctly asserting, "Creating economic policy certainty and removing bottlenecks will result in an improved economic and investment climate, which is paramount for job creation" but this is not followed up by pinpointing policy uncertainties or bottlenecks or indeed any real analysis of the incentives or disincentives to employ labour (especially unskilled labour) nor is there any comparison with or lesson learning from countries that have been more successful in achieving high rates of employment. The recommendations focus on tertiary and higher education (Industry 4.0 Workers) and industry-university collaboration and internships, national programmes for innovation ecosystems, and a country strategy for the fourth industrial revolution IR 4.0. These are initiatives which, even if things go well, will take years or possibly decades to bear fruit. The more pressing need for the economy to absorb large numbers of unskilled workers currently unemployed or underemployed in the informal sector is left to an export-promotion strategy for grapes, meat processing and

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charcoal manufacturing. Certainly, grapes and charcoal manufacturing are industries which have already enjoyed a certain amount of growth and may have further potential but the report does not make clear what policy can do to accelerate this and it is all rather vague.

Section 3.2 Allocation of Natural Resources Utilisation

The section on allocation of natural resources utilisation correctly identifies the opaque and bureaucratic nature of much of Namibia's licensing regime in fishing, mining, and tourism. It makes an important statement which contradicts generally held assumptions by stating the following:

"Therefore, successful countries do not ask themselves the question 'How do we add value to our current raw materials' but rather 'Where do we have or could develop the competitive advantage to design, process or add value to materials which may even be imported and then re-exported."

In fishing, the report correctly states that "allocating fishing rights and quotas for free to a few individuals without vessels and who just sell it off is highly questionable. Benefits from these rights and quotas should be distributed for the good of all Namibians." It estimates that awarding licences to companies that have the capacity to fish through an open competitive bidding process could net N$1bn a year.

It goes on to argue for more open, transparent and competitive bidding processes in fishing, mining and tourism and argues against the current monopoly enjoyed by Namibia Wildlife Resorts in national parks and for private operators to be allowed in.

The report supports the idea of a water infrastructure investment plan similar to that which exists for the road and telecommunication network. This will provide the water resources needed to expand and diversify agriculture. As many other studies and reports have done, it supports moving the current veterinary cordon fence further north to the border with Angola which "should be prioritised and implemented with urgency albeit in phases in order to continue to protect the disease-free status of the country's national herd".

Finally, in light of the expected revenue gains to Government from the reform of bidding and licensing regimes (as well as the listing of certain public enterprises), the report recommends establishing a Sovereign Wealth Fund including a National Reserve (to be used when economic times are tough) and a Welfare Fund (to support social upliftment).

Section 3.3 Provision of Housing

The main recommendation on housing involves allocating land to all those in informal settlements in urban areas for free but under certain conditions provided these plots can be demarcated. This will be offered to low-income households who have settled prior to 31 December 2019 and plots will not be able to be sold for the first ten years to avoid speculation. These households will then be assisted to build houses on these plots by the

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National Housing Enterprise (NHE) whose mandate will be changed. The NHE will be recapitalised and will build multi-storey flats for low-income households. The National Housing Policy "which has failed us" should be withdrawn and recrafted. Local authorities will generate revenue from rates and taxes paid by the new property owners rather than by auctioning off plots. This seems to be a case of wishful thinking – how much in rates and taxes could poor, informally-employed people pay on top of repayments to the NHE?

Section 3.4 Public Enterprise Reform

The report makes interesting recommendations on public enterprise reform – dividing public enterprises into five different categories with each category being reformed in different ways. However, not all 22 are covered and nothing is said about Epangelo Mining, Henties Bay Waterfront, Namdia, and the Namibia Industrial Development Agency which are classified as commercial public enterprises.

Group	Public Enterprises
Group 1 Listing on NSX	MTC
Group 2 Joint Ventures and Partnerships	Nampost, Namibia Institute for Pathology, Telecom Namibia, Meatco, Namibia Wildlife Resorts, Namport
Group 3 Divestiture	Windhoek Country Club, Luderitz Waterfront, Zambezi Waterfront, Roads Contractor Company
Group 4 Mergers	Roads Authority and Road Fund Administration Regional and Domestic Air Namibia and Namibia Airports Company (Air Namibia needs to exit international routes)
Group 5 Retain	Namwater, NamPower, Namcor

These are interesting ideas but presented with little justification and clearly not fully thought through. Listing a (de facto) public monopoly (MTC) should not be contemplated before either there is real competition in mobile telephony or there is effective price regulation, preferably both. Competition can be achieved by attracting major foreign players, possibly taking over Telecom Namibia's mobile licence. It is not clear what joint ventures and partnerships can bring to Group 2. Namibia Wildlife Resorts should be sold off through an open and transparent bidding process of the type the report recommends. The tourism market is competitive and there is no real rationale for Government owning a company directly involved in service delivery. Group 3 can include Henties Bay Waterfront but it is easy to say divest. These companies were formed precisely to encourage investment in locations private investors would not be interested in. Within Group 4 combining two badly performing companies - Namibia Airports Company and Air Namibia - into one is not the solution and rather a gimmick although the reforms recommended for

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Air Namibia are important. Nampost, Namibia Airports Company, and Namport can be retained in Group 5 as natural monopolies.

Section 3.5 Public Sector Reforms

This section is particularly weak - making fine-sounding recommendations such as "strengthen accountability and transparency", "right-sizing the public sector" and "optimise the use of fiscal policy to support the domestic economy and address inequality and poverty". While there is nothing wrong in these statements, they are rather general. What is the right size for Namibia's public sector? Usefully, the report contends that the "prioritisation of public spending should be supported by an estimation of the social and economic returns of programmes and projects" yet it does not go far enough and say how this should be done and how it should fit into the way Government runs itself.

The HLPNE accepts Government's assertion that transfer pricing is a major source of revenue leakage but this is not subjected to any analytical treatment and no case studies are presented. The main recommendation is that Namibia adopts the OECD guidelines on Base Erosion and Profit-Shifting and empowers the Bank of Namibia to investigate remittances abroad by companies that are majority foreign-owned.

Section 3.6 Effectiveness and Efficiency of Public Procurement

The report recognises that there are "serious and critical capacity challenges identified in both the Procurement Policy Unit (PPU) and the Central Procurement Board (CPB)" and makes a large number of detailed recommendations on how things can be improved including exempting key SOEs with their own procurement capacity, embedding members of the procurement board in SOE procurement committees, splitting Chair and Accounting Officer functions, adjusting the requirement to price in local currencies, developing capacity in procurement entities, preferential treatment for local producers, sourcing multilateral funding from Development Finance Institutions to deepen capacity, simplifying bidding documentation, conducting performance audits, making requirements less prescriptive, and introducing systems to track the progress of bids. All of these seem sensible and almost obvious.

Section 3.7 Leveraging Public Assets

The HLPNE believes that the Government owns assets – immovable and moveable property, natural resources, public enterprises, social infrastructure – which are not optimally utilised. Interestingly, it also states some Government acquisitions had major structural flaws (and provides Neckartal Dam as an example). It suggests Government needs to have a policy towards these assets and draw up an asset register. Government can package properties and sell and lease back to raise funds and leverage private sector investment into social infrastructure through Public-Private Partnerships (PPPs). It can auction redundant assets and outsource the management of other assets to private sector operators and encourage

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private and public operators to coexist, for example by opening up Etosha National Park to high-end private tourist operators.

At the end of the report, recognising that the President was likely to select a new Cabinet for his second term in office, the HLPNE proposed that the President convene a retreat for the new Cabinet to discuss any of the Panel's recommendations that have been agreed upon and adopted.

Conclusions – A Positive Contribution Then Along Came Coronavirus

The HLPNE represents a welcome injection of new thinking into Namibia's policy-making environment. Despite a plethora of National Development Plans, Swapo manifestos and a Harambee Prosperity Plan, four years of abysmal economic performance means the time is ripe for some fresh thinking across the whole economy. There was always going to be a limit on what could be achieved in a year by part-time unpaid members who were not all acquainted with the details of Namibia's economy but the end result is generally positive. Mercifully, the report contains few if any really damaging ideas which is always a danger when interest groups come together to recommend ideas to governments. Although many of the ideas have been around for a while, the report contains some very useful analysis and some good policy recommendations, especially on how natural resource rights should be awarded and how public enterprises should be reformed.

Yet although the report implicitly recognises the need to attract FDI and identifies policy uncertainty as a major barrier, it shrinks from making the link with the greatest barriers of all. We highlighted the National Equitable Economic Empowerment Bill and the Namibia Investment Promotion Act as the key impediments to FDI in the IPPR QER of Q1 2020. Surprisingly, despite their centrality to the investment environment in Namibia, they are not mentioned once. This is a clear dereliction of duty for anyone whose duty it is to present an honest view of the challenges facing policymakers. It is rather like a doctor not mentioning smoking to a patient with lung cancer. The report ducks this politically-sensitive issue completely and glaringly ignores the fact that there will be significant costs in reforming the economy to create a private sector export-led economy that creates jobs for the masses.

The HLPNE tries to end on an upbeat note by asserting that "the economy can be turned around in the next 18 months". Unfortunately, many of its own recommendations will take years to implement at best. Furthermore, Namibia's economic problems are deep-rooted and its entire structure is based on natural resource extraction feeding a bloated public sector which dispenses largesse to favoured groups and individuals while keeping the private sector pliant. Public sector reform has been talked about for three decades and public enterprise reform for two decades while it is clear that real reform will be painful and possibly politically impossible. Is a second term President with a diminished majority likely to take on the challenge of real reform? The harsh reality is that Namibia was already moving fast towards a serious crisis in March 2019, something which is completely underplayed by the HLPNE. And then along came the coronavirus.

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