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## NAMIBIA

Before addressing specific issues relating to Namibia and in particular the impact of the COVID crisis on the local business environment, it is important to say something about Namibia and to put the country in perspective as to size and population.

- Namibia is 104 % the size of California.
- Its population is 3.5 million – slightly more than San Diego county's population.
- Its geo-strategic position with borders with Angola and Zambia to the North, South Africa to the South and Botswana to the East is of critical importance. But more about this later on.

It will serve no useful purpose to explain what was before Covid-19 and how business could have been done. CV-19 has changed most if not all basic facts and figures and imperatives for economic progress and survival. All that has gone before will now have to be reconsidered and calibrated with the new imperatives. What has attracted business previously is no longer enough to address the new landscape CV-19 is leaving behind. That landscape has changed but some of the ills of the past have not disappeared. They still cloud the political and business scene. To rephrase an old cliché: it is no longer business as usual. The sad state of the economy worsen because of CV-19 and its steep decline in basically all sectors can be attributed to this pandemic.

Suffice it to make certain comments on a number of aspects that were present in the body politic of Namibia even before CV-19 arrived.  Namibians are still mindful and aware of systemic fraud and corruption. Every day more news is forthcoming about corruption, fraud, flagrant dishonesty, failure in the public service and criminal disqualification. A near punch-drunk population is slowly but surely making its collective voices known by venting their unhappiness that not much is being done to improve their living standards.

The lame state of government, however, has already manifest itself well before CV-19 hit the country. Political leadership is not effective. SWAPO and its leaders have lost their edge. It is a shadow of the party that came to power at Namibia's independence 30 years ago. Gone are the days that they can rely on their revered liberation claims. They have failed the population. Their once united stand on issues is fractured. They are challenged in public and in Parliament by new forces that represent those that are not afraid or shy to take on the government and the majority party. Old stall wards from the liberation struggle and even some who served in previous cabinets speak openly about the failures of the Government. These disgruntled party members together with a growing opposition movement are posing a real threat to President Geingob at next year's party congress that will select a new party leader. Disillusionment is rife. Those too close to the President are tarnished and may fall by the wayside. Two of his former Ministers (Fisheries and Justice) are still in custody for the enormous bribery scandal known as Fishrot. The fallout from this will be far and wide with indications that SWAPO will also suffer consequences for the funds that were allegedly channeled to the party.

When I discuss the impact of CV-19 on the Namibian economy its main pillars will become clear and the challenges each one of them now has to face under daunting circumstances.

Even before the advent of the CV-19 clampdown the Namibian economy was already facing major challenges and near insurmountable obstacles. Economic prospects have been weak for the past 12 months. Real GDP contracted in 2019 and was expected to turn positive during 2020 as the disaster of last year's drought faded and mining production picked up.

Now induced by the devastating impact of CV-19 the economy is expected to record the largest contraction in the country's history. It is expected to contract by nearly 7 percent and it will impact across most if not all sectors of the economy. In April 2020, the Minister of Finance launched an economic stimulus and relief package in order to mitigate the impact of CV-19 on the economy. The purpose of the package was to ensure that the core economic activities are supported through the lock down periods. The sectors expected to be most affected by travel restrictions include hotels and restaurants, mining and quarrying, beverages amongst others. Primary industries are expected to record a deeper contraction in 2020 — nearly 10 percent. This contraction is much deeper when compared to a growth of 2.6 percent forecasted in February 2020. Most secondary industries will contract at different levels — on an average of 5 percent. Thus the overall GDP is expected to record a large and substantial contraction in 2020.

Agriculture is expected to register a mild contraction in 2020. Mining output is expected to decline substantially in 2020 — a contraction of 14.5 percent is expected and that for the main contributor to the GDP.  The diamond mining sector is forecasted to decline by 14.9 percent — a downward revision from a growth of 5.3 percent projected during February 2020. Uranium mining is similarly projected to contract during 2020 — by more than 22 percent. This sector is first and foremost grappling existing factors that include insufficient supply of water required for their operations and persistently low uranium prices, viewed together with the reduction in long-term supply contracts. The volumes produced during the first six months of 2020 were 26.4 percent lower than the production for the corresponding months of 2019, making any prospects to catch up with 2019 production levels very unlikely. The only uranium mine operating more or less unhindered is the Chinese owned Husab mine — Swakop Uranium.

In its heyday, construction employed about 60,000 persons in the formal and informal sector. The sector contributed about 7.9 percent to Namibia's GDP. Due to the prolonged recession this figure dwindled to about 2.9 percent by the end of 2019 and employment has been halved to about 30,000. These already scary numbers were before the ongoing impact of COVID-l9. The industry has seen tremendous losses, which has led to large-scale downsizing of companies, voluntary closures, as well as bankruptcies. This of course had also led to large-scale retrenchments and therefore an increasing dependency on the state. This situation can only be described as very dangerous as it can lead to a serious loss in capacity within the industry and migration of skills.

The contraction in the construction sector is expected to deepen during the whole of 2020. This sector is expected to contract by 16.3 percent in 2020. This deep contraction is based on expectations that some major projects, which were expected to commence in 2020 are likely to be delayed. This assertion is supported by the recent directive by the Minister of Finance to suspend capital projects until further notice. It is in this sector that the involvement of China is a great concern, not that its tentacles in so many other parts of the Namibian house are not already causing great concerns. Suffice it to mention construction and its vital component, cement.

China has gained a significant foothold in the construction business. Last year the Chinese completed the massive extension of Walvis Bay harbour with its huge container port. Now it has been awarded a multi-billion N$ contract for the upgrading of Windhoek's International Airport. The contract for the upgrading of the dual carriage way between the city and that airport is due to go to a Chinese group as well. Even smaller construction projects are awarded to Chinese to the exclusion of well qualified and reputable local firms. West China Cement, a leading cement manufacturer and distributor in West China and listed on the Hong Kong Stock Exchange, attempted to obtain a significant stake in Namibia's Ohorongo Cement. With their China counterparts who own Cheetah Cement, it would have various negative effects on the Namibian market. The Competition Board has eventually disallowed the transaction.

Hotels and restaurants are expected to contract by 58 percent in 2020 and to make a gradual movement towards recovery from 2021 onwards. The hotels and restaurants sector deal mostly with visitors from outside the country. The tourism sector is faced with cancellations for advance bookings and most establishments have to remain closed if the current global epidemic conditions remain in place for longer. Even after the COVID-19 pandemic ends, the recovery in the tourism sector is expected to be slow as travelers need to recover financially and to build confidence regarding their safety when travelling.

The transport and storage sector is projected to contract by 12.7 percent in 2020 and represents a major downward adjustment from a growth rate of 3.4 percent in earlier projections. The transport sector is affected directly through imposition of travel restrictions and lockdowns and also indirectly as some mines announced plans to curtail operations. Risks to domestic growth are dominated by ongoing travel restrictions and lockdowns in many countries that are restricting business activities. Other risks to the outlook include the volatile and low international prices of some of Namibia's export commodities.

The Government Wage Index registered 134.5 at the end of March 2020, implying an increase of 34.5 percent compared to 2015. The taxpayer paid about 41 percent more for the gross wages of public administration servants and defense members in the first quarter of 2020 than five years ago. The Government's total wage bill, with benefits included, for 2020/21 is still abnormally high .

Namibia desperately needs faster, sustained economic growth to make a dent in the critical socio-economic challenges of poverty and high unemployment, particularly among the youth and less-skilled individuals. The economy needs to be transformed and become competitive. This area will have to be the preoccupation of the government now and for the foreseeable future. However, the presidency fails to inspire and lead the direction to rescue the Namibian economy from total collapse. The message to the tourism industry is entirely negative and is unlikely to get fully started again this year. The small business sector is close to being in free fall. In July 2020 the Namibian stock market had dangerously steep drop — the worst ever. The fishing industry is in chaos. The disaster recorded in these three sectors is devastating. Ministers trying to manage the many faceted tragedy are slandered. Stealing city and town councils are cheating hand over hand in anticipation of the upcoming regional councils and municipal elections. With a projection that the economy would produce 6.9 percent less in output for 2020 the socio-economic challenges are daunting.

The main pillars of the Namibian economy and contributors to the GDP are:

- Mining – Uranium, Diamonds, Chinese
- Fisheries - Scandal
- Agriculture – Great growth potential – drought. Food security is vital.
- Tourism – hardest hit by CV-19

Let us look at Namibia’s trade. Exports: China 40 %; then South Africa 18 %.

Imports: South Africa remains the largest supplier of items to Namibia.

In July 2020 exports dropped 20% from the previous month. Accordingly it recorded a trade deficit equivalent to nearly 25% of its total imports and exports for that month. When Namibia’s economic and financial situation is considered one must keep in mind that it is still linked with South Africa though a Customs Union and being part of the Rand Monetary Union with South Africa. Thus when the South African Rand weakens the Namibian Dollars weakens with the same percentage. Consequently, because the dire South African economic outlook impacts on Namibia, it must be noted in this regard that South Africa has had a shock second-quarter collapse in GDP. Uncertainty about the economic rebound as lockdown restrictions are eased suggests the economic outlook for South Africa for the year may be even bleaker than the latest forecasts from the Treasury and the Reserve Bank. While these two institutions have forecasted a 7% contraction, some economists are predicting an even worse outcome with a GDP reduction in double digits.

What compounds Namibia’s bleak economic picture is that it has dropped in economic freedom rankings. It reported decreases, although marginal in some cases, in nearly all the components of economic freedoms, such as size of government; legal system; property rights; freedom to trade internationally; regulation of credit, labour and business.

It is not necessary to dwell on the dangers that is enmeshed in the jobless figures. Before CV-19 they were already frightening. Now they are reaching the time-bomb ticking stage. Coupled with this the endless hunger of ordinary people and in particular the growing number of shack-dwellers are posing demands that stretch the resources and patience of the government to unbearable limits.

One important point that has to be made about Namibia is its geo-strategic position and then in particular Walvis Bay its only deep water port which is of crucial importance not only for Namibia but also for the region.

- Cargo volumes along the Trans-Kalahari Corridor for the Botswana and South Africa.
- Other corridors. Let’s focus on one.  The growth in cargo volumes was also driven by the Walvis Bay-Ndola-Lubumbashi Development Corridor (WBNLDC), particularly the Democratic Republic of Congo (DRC).
- Walvis Bay Harbour. It also proves dry dock facilities for landlocked Botswana and Zimbabwe.

The multi-billion-dollar port expansion contract between a Chinese company and the Namibian Port Authority for the building of the container depot at Walvis Bay was completed last year. The role China will play in the enlargement of the harbour and the whole port of Walvis Bay will have to be watched, especially in light of the possibility of China establishing a naval base here. China already operates a space tracking and command station near Swakopmund. It is used for the Chinese manned space programme. The station, which opened in 2001, tracks the re-entry of Chinese manned space vehicles. It is not necessary to discuss all the sectors of the economy to know that over the past two decades the Chinese have firmly entrenched themselves in the body-politic of Namibia and its socio-economic activities.

President Geingob is on record saying that there is need to engage with China in developing the economy going forward because they also contributed to Namibia’s independence. The challenge, however, is that most of the Chinese investments are more at a Government-to-Government level and have very little benefits to the Namibian entrepreneur since the Chinese bring a whole entourage of professionals and mechanisations without few engaging any local business people. China’s investments in Namibia bring very little, if any, skill and technology transfers, neither do such investments play a significant role in developing the country’s value addition and manufacturing base. A report on Chinese Investments in Namibia has laid bare Chinese investments and more importantly Government’s ineptitude to set strategic priorities on which to negotiate foreign direct investment based on enhancing a real value-addition and manufacturing economy, as often preached.

China has ambitious nuclear-electrification programmes extending for decades into the future. Obtaining direct access to sufficient global uranium supply is an essential element for China to be able to safeguard and grow this strategically important sector.

Conclusion:

The challenges on all fronts are daunting. Room for complacency is no more. Politicians will have to lead by example and with conviction. The population will have to accept that the end to making sacrifices is not yet there.