Doing Business in Namibia

A Guide for UK Companies 2014

Cover photo: Rio Tinto's Rössing Uranium Mine
Photos and Graphics: Simon Wilkie (all except where otherwise indicated)
Layout: Haiko Bruns
Printing: John Meinert Printing (Pty) Ltd

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2014

Disclaimer

Foreword by the British High Commissioner in Windhoek


Photo: British High Commission

HE Marianne Young British High Commissioner to the Republic of Namibia

The UK Government remains committed to building Britain's prosperity by increasing exports and investment, opening markets, ensuring access to resources, and promoting sustainable global growth.

Trade and investment are absolutely fundamental to rebuilding and rebalancing our economy. The UK has a strong history as a trading and investing nation and continues to be one of the world's most attractive places to do business, nevertheless the world is changing and we cannot be complacent.

The UK and Namibia enjoy excellent bilateral relations. During his first visit to Namibia in 2013, the UK's Minister for Africa, Mark Simmonds said: "With its strong economic growth and political stability, Namibia presents many opportunities for UK investors, especially in the extractives, services and tourism sectors. My visit has demonstrated the strength and depth of UK-Namibian relations and I look forward to those relations being further strengthened in the future".

In line with our shared objective to boost healthy bilateral trade links, this guide is part of the Foreign and Commonwealth Office's local efforts to provide commercial tools for British businesses in Namibia. The British High Commission in Windhoek remains committed to assisting UK companies to increase trade and investment links with Namibia.

I hope you will find this guide a useful tool to help deliver UK trade and investment targets. It contains a helpful digest of key country background information to explain the investment climate in Namibia as well as practical information to help open the eyes of British companies to the opportunities and challenges of doing business here.

With a new Commercial team now based at the British High Commission in Windhoek, we will be focusing harder than ever on promoting trade, investment and the British Government's wider Prosperity Agenda in Namibia.

UK - Namibia bilateral trade in goods stood at £133 million in 2013, with imports of Namibian goods to the UK valued at £77 million and exports at £55 million.

To help support British commercial interests here, I set up a British Business Group in Namibia in 2011 to provide a forum for British businesses operating, or planning to operate, in Namibia to exchange information on economic and commercial issues, and to help facilitate regular dialogue with the Namibian Government about improving the local business environment. The Business Group has strong representation from across the main areas of UK business in Namibia, including the mining, oil and gas, marine services, infrastructure development, and tourism sectors. Contact information can be found in the reference section of this guide to find out more about the benefits of membership (which is free!).

I look forward to working with greater numbers of British companies in the coming years to attain our shared goal of increasing trade and investment with Namibia and building up our commercial links with this stunning land of opportunity.

HE Marianne Young

British High Commissioner to the Republic of Namibia

March 2014

UK Minister for Africa, Mark Simmonds, greets the Namibian Prime Minister, the Right Honourable Dr Hage Geingob, in the presence of the British High Commissioner.

Bank of Namibia Governor Ipumbu Shiimi, Finance Minister Saara Kuugongelwa-Amadhila, UK Minister for Africa Mark Simmonds, British High Commissioner Marianne Young, and British Business Group member Kaura Kaura

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UK Investor Perceptions

Mining

> “As a long-standing mining business in Namibia, Rio Tinto Rössing Uranium could say that we have been “Working for Namibia” through creating employment opportunities for the Namibian people, providing them with skills training, buying local goods and services, and paying wages and salaries and taxes to benefit the socio-economic development of the country. These have been made possible through the Government of Namibia’s leadership through growth-focused policies, enabling legislation, national development plans and specialised support, not only for the mining industry, but the Namibian economy at large.”
>
> *Werner Duvenhage*
> *Managing Director*
> *Rössing Uranium Limited*

> “Overall, as far as advising potential interested UK investors, I would reinforce the view that Namibia is safe and stable with good infrastructure and systems that generally work well, albeit sometimes slowly. Namibia has a Government strongly committed to job creation, skills enhancement, value addition, and local participation, and they are supportive of FDI to achieve these aims. Potential investors should not underestimate the impact that the reluctance to allow temporary skills importation can have, but if there is a genuine commitment by the investor to train and develop Namibians, you will get support. While corruption presumably exists, no one has ever even hinted at asking us for a bribe since I have been here, so it is far from pervasive.”
>
> *Craig Thomas*
> *Managing Director*
> *Weatherly Mining Namibia*

Tourism

"ATI Holidays has been operating successfully out of Windhoek for the past ten years and has enjoyed year-on-year organic growth since our establishment. Our decision to position here was based not only on the above factors, but a requirement for a good national infrastructure to facilitate tourism growth. Other important factors that were key included English being the official language, a reliable telecommunications network and internet connectivity, and direct intercontinental flights from our source market.

Quality of life, especially with a young family, has to be a consideration and Namibia, with the second lowest population density in the world, offers a sense of space and freedom rarely matched. Quality English schools in the capital, good shopping, the Atlantic Coast and numerous quality restaurants, retreats and lodges, all bathed in over 300 days sunshine per year make for a great country in which to live and invest.

There still lingers a sense of suspicion regarding European investors in some areas of Government and attaining work permits for specialised staff can prove difficult and take up to six months. Well-educated, skilled staff are at a premium, those that combine this with excellent spoken and written English skills are even fewer and further between. These requirements are a pre-requisite for my business, thus recruitment is one of the biggest challenges we face."

David J Cartwright
Managing Director
ATI Holidays

“I have been running a safari company in Namibia for the last 18 years and have seen huge changes in that time in terms of both volumes and client expectations. Fortunately, Namibia sells itself to visitors in many ways as it has tremendous resources in terms of scenery, wildlife and culture, as well as excellent infrastructure and a good road network. Accommodation was initially based on the use of informal guest farm type accommodation but there are now many more purpose built lodges, which allows the sale of a more professional product. However, there is still plenty of space for more development if done sensitively after taking into account the specific requirements of the unique Namibian tourism industry.

There are a number of challenges when setting up a business in Namibia, but one of the largest is the lack of capacity in terms of skills as well as a lack of experience concerning the requirements of an international standard of service. Most talented Namibians prefer to work in the public or parastatal sectors which also suffer from lack of capacity but have the resources to attract the best talent available through attractive salary packages with a number of allowances. This is not helped by the difficulty in obtaining work permits for skilled staff from outside the country who can come in to help train local staff during the set up period, but there is now a growing core of expertise and experience that can be built on when developing new ventures. Large international tourism companies tend to struggle with the small-scale nature of operations in Namibia as this does not always fit well with corporate structures, but this can be overcome if people coming in are prepared to fit in with the Namibian way of doing things rather than trying to impose their own.”

Martin Webb-Bowen
Managing Director
Ultimate Safaris

Oil and Gas

“From the first impressions at passport control to negotiating with Government, Namibia is a very pleasant country in which to do business, possibly the best in Africa. Dealing with Government can at times be frustrating but, on the other hand, the Government is often prepared to explain what the problems are and to work cooperatively to find solutions.”

Paul Ellis
former CEO of Serica Energy plc

Map of Republic of Namibia Namibia

Namibia at a Glance

Official Name	Republic of Namibia
Political System	Multi-party democracy
Head of State	President Hifikepunye Pohamba (directly elected)
Prime Minister	Prime Minister Dr Hage Geingob
Political Parties in Parliament (2009 Elections)	SWAPO Party (54 seats), Rally for Democracy and Progress (8 seats), Democratic Turnhalle Alliance (2 seats), National Unity Democratic Organisation (2 seats), United Democratic Front (2 seats), All People's Party (1 seat), Republican Party (1 seat), Congress of Democrats (1 seat), South West African National Union (1 seat)
Independence	21st March 1990
Presidential and Parliamentary Elections	1989 (Constituent Assembly), 1994, 1999, 2004, 2009, 2014
Surface Area	824,269 km^2
Coastline	1,572 km
Climate	Semi-arid and sub-tropical
Population	2.1 million
Official Language	English
Other Languages	Oshiwambo (various dialects), Nama-Damara, Afrikaans, Otjiherero, Rukavango, Lozi, German, Tswana and several Bushman (San) dialects
Political and Administrative Regions	Erongo, Hardap, Karas, Kavango, Khomas, Kunene, Ohangwena, Omaheke, Omusati, Oshana, Oshikoto, Otjozondjupa, Zambezi

Main Towns (2011)		
	Windhoek	325,858
	Walvis Bay	62,096
	Rundu	63,431
	Oshakati	28,255
	Swakopmund	44,725
	Katima Mulilo	28,362
	Otjiwarongo	28,249
	Keetmanshoop	19,447
	Tsumeb	19,275
	Gobabis	19,101
	Oshakati	36,541
	Mariental	12,478

Religions	Mainly Christian
Currency	Namibia Dollar (NAD) pegged 1:1 with the South African Rand (ZAR) which remains legal

	tender since introduction of the Namibia Dollar in 1993 – Namibia Dollars are not accepted in South Africa)
Income Status	Upper Middle Income Country (World Bank)
Fiscal Year	1 April – 31 March
Sovereign Credit Ratings	BBB- (Fitch), Baa3 (Moody's)
Memberships	The Commonwealth, United Nations (UN), African Union (AU), Southern African Development Community (SADC), Southern African Customs Union (SACU), Common Monetary Area (CMA), Non-Aligned Movement (NAM), World Bank, International Monetary Fund (IMF), World Trade Organisation (WTO)
International Rankings	
World Bank (2013)	Ease of Doing Business 98th (out of 189)
World Economic Forum (2013/14)	Global Competitiveness Index 90th (out of 148)
Heritage Foundation (2014)	Index of Economic Freedom 94th (out of 178)
Transparency International (2013)	Corruption Perceptions Index 57th (out of 177)
Fraser Institute (2012/13)	Policy Potential Index 30th (out of 96 jurisdictions)
Mo Ibrahim Foundation (2013)	Good Governance Index 6th (out of 52 in Africa)
Reporters Without Borders (2014)	Press Freedom Index 22nd (out of 180)
Measures	Metric
Plugs and Voltage	Three pin round 220v 50 Hertz (as in South Africa)
Road System	Drives on the left hand side
Time Zone	GMT+2
Public Holidays	1st January, 21st March (Independence Day), Good Friday, Easter Monday, 1st May (Workers' Day), 4th May (Cassinga Day), Ascension Day, 25th May (Africa Day), 26th August (Heroes' Day), 10th December (Human Rights Day), 25th and 26th December (Christmas Day and Family Day)

Abbreviations

ACC	Anti-Corruption Commission
AGOA	Africa Growth and Opportunity Act
AIM	Alternative Investment Market
APT	Additional Profits Tax
ASX	Australian Stock Exchange
BEE	Black Economic Empowerment
BRICS	Brazil Russia India China South Africa
CFC	Customer Foreign Currency
CIF	Construction Industry Federation
CMA	Common Monetary Area
CRAN	Communications Regulatory Authority of Namibia
ECB	Electricity Control Board
ECC	Environmental Clearance Certificate
ECF	Employees Compensation Fund
EDC	Erongo Desalination Company
EEC	Employment Equity Commission
EEZ	Exclusive Economic Zone
EPZ	Export Processing Zone
EPA	Economic Partnership Agreement
FAN	Farm Assured Namibia
FDI	Foreign Direct Investment
FENATA	Federation of Namibian Tourist Associations
FTA	Free Trade Area
GDP	Gross Domestic Product
GIPF	Government Institutions Pension Fund
IPBC	Indigenous People's Business Council
IPP	Independent Power Producer
JSC	Judicial Service Commission
LAC	Labour Advisory Council
LIBOR	London Interbank Offered Rate
MANWU	Metal and Allied Namibian Workers Union
MSD	Maternity, Sickness and Death
MTEF	Medium-Term Expenditure Framework
NAC	Namibia Airports Company
NaCC	Namibia Competition Commission
NamBIC	Namibian Business and Investment Climate Survey
NAMFISA	Namibian Financial Institutions Supervisory Authority
NBWPF	Namibia Building Workers Pension Fund
NCCI	Namibia Chamber of Commerce and Industry
NDP	National Development Plan
NDF	Namibia Defence Force
NEEEF	New Equitable Economic Empowerment Framework
NEF	Namibia Employers Federation

NHDI	Namibian Horticulture Development Initiative
NIC	Namibia Investment Centre
NLA	Namibia Logistics Association
NPC	National Planning Commission
NPTH	Namibia Post and Telecommunications Holdings
NRST	Non-Resident's Shareholders Tax
NSX	Namibian Stock Exchange
NTA	National Training Authority
NTB	Namibia Tourism Board
NWR	Namibia Wildlife Resorts
ODC	Offshore Development Company
OMEG	Otavi Minen und Eisenbahn Gesellschaft
PLAN	People's Liberation Army of Namibia
PPP	Public Private Partnership
RED	Regional Electricity Distributor
SAPP	Southern African Power Pool
SIPRI	Stockholm International Peace Research Institute
SOE	State-Owned Enterprise
SSC	Social Security Commission
SWAPO	South West Africa People's Organisation
SWATF	South-West Africa Territorial Force
TAC	Total Allowable Catch
TIPEEG	Targetted Intervention Programme for Employment and Economic Growth
TSX	Toronto Stock Exchange
WTO	World Trade Organisation
SACU	Southern African Customs Union
SADC	Southern African Development Community
TBN	Trinity Broadcasting Namibia
WBCG	Walvis Bay Corridor Group

Box 1: Investment Climate SWOT Analysis

Strengths
- Growing market economy
- Macroeconomic stability and sustainable levels of government debt
- Stable and pragmatic business-friendly government
- Openness to international trade and investment
- Clear property rights
- Independent courts and free press
- Mostly equal treatment of foreign investors
- Simple and competitive tax system
- Currency and trade links to South Africa
- Good infrastructure
- Long coastline
- Warm dry climate
- Unspoilt beautiful landscapes and wildlife
- Lack of industrial pollution
- Low population and traffic density

Weaknesses
- Shortage of skilled labour
- Low labour productivity
- Underperforming education and training system
- Occasional trade union militancy
- High levels of HIV/AIDS prevalence
- Government bureaucracy
- Lack of policy certainty in certain areas including empowerment and taxation
- Slow judicial system
- Land rights sensitive
- Uneven consultation with private sector
- Difficulty in obtaining work permits for foreign nationals

Opportunities
- Mineral (including oil and gas) potential
- Agricultural potential
- Tourist potential
- Infrastructure development
- Transport and logistics hub
- Potential regional base
- Proximity to South Africa and Angola
- Enhanced access to Chinese and BRICS markets

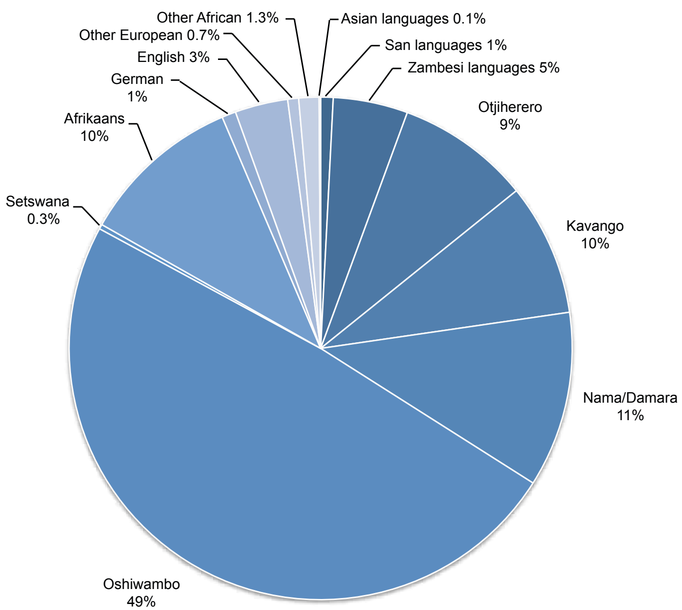
Threats
- Lack of progress on regional integration
- Continued lack of clarity on empowerment requirements
- Growing state intervention in economy
- Levels of taxation in danger of becoming uncompetitive
- Corruption widely perceived to be a problem
- Reduced access to EU market if EPA agreement not signed

Section 1: Background Information

1.1 Country and People

Located in the south-west corner of Africa, Namibia is bordered by South Africa in the south, Botswana in the east, and Angola in the north, with touch points to Zambia and Zimbabwe in the far north-east of the Zambezi Region. The last population census conducted in 2011 put the population at 2.1 million growing by 1.4% a year. With a land area of 824,264 square kilometres (compared to the UK's 243,610 square kilometres), Namibia is the world's 34th largest country by land area and has a population density of 2.6 persons per square kilometre, the lowest in the world after Mongolia. The population is concentrated in the capital Windhoek, on the coast at Walvis Bay and Swakopmund, and in the six northern regions of Zambezi, Kavango, Ohangwena, Omusati, Oshana, and Oshikoto where some 55% live. Women make up almost 52% of a youthful population of which some 37% are aged 14 years or below. The population is steadily becoming less rural with 57% now living in the rural areas, a figure which has been in long-term decline as a result of steady rural-to-urban migration.

Proportion of Households by Main Language Spoken at Home



Source: PHC 2011

Namibia's small population is remarkably heterogeneous with ten main language groups including Afrikaans, German and English. Oshiwambo is the main mother tongue spoken in almost half of Namibian households. Although English was adopted as a relatively neutral official language at Independence (and the language many of the exiled Namibian political leadership and other exiles were comfortable with), less than 4% of households speak it as their main home language. Many Namibians, especially in central and southern Namibia, speak several languages fluently. Afrikaans is proving remarkably resilient as the lingua franca of central and southern Namibia. Most ethnic German Namibians speak English and Afrikaans. White British nationals are as likely to be addressed in Afrikaans or German by newspaper sellers on the streets of Windhoek as in English. Namibia's ethnic heterogeneity and history mean people tend to be curious about other's ethnic and linguistic background and are generally quick to stick a particular ethnic label on others. Only 3% of the population are not Namibian citizens.

Since Independence, Namibia has opened up enormously to the outside world beyond South Africa, which has led to a much greater influx of foreigners from other parts of Africa, and increasingly Asia (including Australia), with their different cultures and patterns of behaviour. Historically heterogeneous Namibia has generally taken this in its stride. But it should not be forgotten that the greater part of Namibia, both urban and rural, consists of relatively small communities of people, including business communities, who have known each other for long periods of time. Even in Windhoek, the anonymity of the big city has very definite limits. Ensuring everyone is always properly greeted, remembering names and never losing one's cool pays far greater dividends than in the UK.

While Namibia is a secular state, the vast majority of Namibians would describe themselves as Christians. The traditional Lutheran, Anglican and Catholic churches are having to compete with the growing influence of all manner of newer evangelical churches. The most successful community-based TV and radio station is Trinity Broadcasting Namibia (TBN), which is funded entirely from membership contributions. Parliamentary sessions often start with a prayer and religious emails are a common feature of Namibia's virtual networks.

1.2 History and Government

Independent Namibia was born out of a protracted struggle for national self-determination from European colonial powers and apartheid South Africa. From the earliest colonial experiences with imperial Germany, Namibia has a proud history of active resistance against foreign domination. National independence on 21st March 1990 was achieved after forty years of struggle, including peaceful resistance, armed struggle and a protracted bush war, and a prolonged intensive diplomatic engagement with many of the world's major powers centering on the United Nations. Independence came at the tail end of the Cold War just prior to the collapse of the Soviet Union. The nature of this struggle forged a generation of pragmatic and often opportunistic politicians who could not afford the luxury of high-minded ideals to forward their nationalist aims. Although post-independence SWAPO Governments appear to have had little ideological difficulty in taking to globalised capitalism, the relations forged in the struggle with countries such as Cuba, North Korea, China, Russia (then the Soviet Union) and Zimbabwe helps explain many of today's strong allegiances and policy initiatives. Suspicion of the West, resulting in large part from policies pursued by the Reagan and Thatcher administrations in the 1980s, has not prevented Namibia from developing constructive trade and diplomatic relations with Europe and North America. There is a lingering sense of mistrust of foreign powers and foreign investors, and many Namibians

Box 2: Key Dates in Namibian History

27,000 BC	Oldest known rock paintings in Namibia
1486	Portuguese mariner Diego Cao lands at Cape Cross and erects a cross
1487	Portuguese Bartolomeu Dias visits Namibian coast near Lüderitz
1805	First missionaries arrive on behalf of London Missionary Society
1838	Orlam Afrikaners, led by Jonker Afrikaner, settle in Windhoek area
1870	The Basters settle at Rehoboth
1878	Britain annexes Walvis Bay on behalf of the Cape Colony
1884-90	Germany annexes the territory as German South West Africa and international boundaries are agreed through treaties with Portugal and Britain
1890	Zambezi Strip becomes part of German South West Africa
1891-94	Hendrik Witbooi leads armed resistance against German troops but is eventually defeated
1904	Hereros rise up against German occupiers but are defeated at Hamakari
1904	German General Lothar von Trotha issues extermination order against Herero. Namas under Hendrik Witbooi join uprising. By 1907, some 80% of the Herero population and 50% of the Nama population are estimated to have been killed.
1907	Resistance leader Jacob Marengo killed by Cape Colony police
1908	Diamonds discovered near Lüderitz and diamond area declared a prohibited zone
1915	German forces surrender to South African army during World War I and South Africa takes over territory
1920	League of Nations grants South Africa mandate to govern South West Africa
1922	The South Africans put down the Bondelswarts uprising in the south
1932	King Iipumbu ya Tshilongo of the Kwambi is forced into exile after South African planes bomb his residence
1946	United Nations refuses to allow South Africa to annex South West Africa
1947	South Africa refuses to place SWA under UN trusteeship
1959	Ovamboland People's Organisation (OPO) formed
1959	Twelve people killed in Old Location massacre in Windhoek
1960	OPO becomes SWAPO and its leader Sam Nujoma leaves for Tangenyika
1966	International Court of Justice rejects case for independence brought by Ethiopia and Liberia
1966	United Nations General Assembly formally revokes South Africa's mandate to rule the territory
1966	First clash of armed struggle takes place at Omugulu-gOmbashe
1967	United Nations General Assembly creates Council for South West Africa with aim of bringing independence to territory. Council renamed Council for Namibia in the following year.
1968	United Nations accepts "Namibia" as name of country
1971	International Court of Justice rules South African occupation is illegal
1973	United Nations General Assembly recognises SWAPO as "authentic" representative of Namibian people
1974	South African Defence Force assumes security role in border areas
1975	Internal parties, excluding SWAPO, attend Turnhalle constitutional conference in Windhoek
1976	SWAPO (exile) adopts new political programme
1976	United Nations General Assembly recognises SWAPO as "<u>sole</u> and authentic"
1977	Western Contact Group (Canada, France, West Germany, the UK and the US) enters talks with South Africa and SWAPO

1977	Turnhalle Conference adopts interim constitution and Democratic Turnhalle Alliance (DTA) formed
1977	South Africa appoints Administrator General to run Namibia
1978	South African troops attack SWAPO's Cassinga camp in Angola killing over 600 people
1978	United Nations Security Council passes Resolution 435 calling for a ceasefire and UN-supervised elections in Namibia
1978	Internal elections for "Constituent Assembly" won by DTA
1979	Constituent Assembly becomes "National Assembly"
1980	National Assembly abolished
1981	US administration promotes "linkage" between Namibian independence and Cuban withdrawal from Angola
1982	The Constitutional Principles, agreed by SWAPO and the Western Contact Group, create framework for Namibia's democratic constitution
1983	Nineteen internal parties, excluding SWAPO, meet for Multi-Party Conference (MPC) in Windhoek
1985	Transitional Government of National Unity (TGNU) formed out of MPC
1987	Battle of Cuito Cuenavale in southern Angola
1988	Peace plan for Namibia agreed and signed in New York
1989	About 300 SWAPO fighters die in clashes with South African forces as peace plan is supposed to start
1989	Over 40,000 refugees return to Namibia and SWAPO wins UN-supervised elections
1990	Constitution adopted
1990	Namibian independence takes place with Sam Nujoma sworn in as President
1992	First local and regional elections held
1994	Walvis Bay and 12 offshore islands returned to Namibia
1994	SWAPO wins National Assembly elections with two-thirds majority while Sam Nujoma wins first presidential elections
1998	Namibia sends troops to the Democratic Republic of Congo to support Laurent Kabila against rebels
1998	Constitution changed to allow only Nujoma to run for third term
1999	State of emergency is declared in the Zambezi regions following attacks by separatists
1999	SWAPO increases majority in National Assembly elections and Nujoma is re-elected with 77% of the vote
2004	Nujoma does not seek a fourth term. Hikfikepunye Pohamba is chosen as SWAPO presidential candidate
2004	SWAPO maintains two-thirds majority in National Assembly and Pohamba is elected president with 76% of the vote
2005	Hifikepunye Pohamba is sworn in as President
2009	SWAPO maintains three-quarter majority in National Assembly and Pohamba is re-elected with over 75% of the vote
2011	Prime Minister Nahas Angula tables New Equitable Economic Empowerment Framework (NEEEF) in Parliament
2012	SWAPO Extraordinary Congress chooses Dr Hage Geingob as the party's presidential candidate for the 2014 elections and President Pohamba appoints him Prime Minister

Adapted from the Guide to Namibian Politics 2006, IPPR

Namibia's National Assembly - The Tintenpalast

have a finely tuned sense of conspiracy theory. At the same time, many of the country's top politicians spent formative years in the West and have been deeply influenced by liberal democracy and the capitalist system.

The cornerstone of independent Namibia's system of government is the Namibian Constitution, agreed by consensus as a result of the multi-party Constituent Assembly in 1989. The document which emerged borrowed elements from many parts of the world, including the West and the UK's parliamentary system. It is remarkably liberal and modern, making provision for regular democratic elections, guaranteeing property rights, and welcoming foreign investment. Despite having the two-thirds majority required to change the Constitution since 1994, SWAPO-dominated parliaments have only ever made two changes: one in 1998 to allow Namibia's Founding Father Sam Nujoma to stand for a third term and another, in 2010, to tighten up on citizenship criteria. Despite occasional calls for change (for example, to introduce the death penalty), most people including the country's top politicians agree it has served the country well. Chapter 3 of the Constitution, which deals with Fundamental Human Rights and Freedoms, cannot be changed, even with a two-thirds majority of Parliament. Within Chapter 3, Article 16 enshrines the right to private property but allows the State the right to expropriate property in the public interest "subject to the payment of just compensation". In 2005, possibly influenced by the land invasions in Zimbabwe, Government resorted to expropriation of commercial farmland after growing frustrated with the slow pace of land reform under the "willing buyer willing seller" approach. However, it has always paid market rates of compensation determined by the courts. Perhaps unsurprisingly, the pace of land reform has hardly accelerated since. By the

Box 3: Key Articles from Namibia's Constitution

Chapter 3: Fundamental Human Rights and Freedoms

Article 16 Property

1) All persons shall have the right in any part of Namibia to acquire, own and dispose of all forms of immovable and movable property individually or in association with others and to bequeath their property to their heirs or legatees: provided that Parliament may by legislation prohibit or regulate as it deems expedient the right to acquire property by persons who are not Namibian citizens.

2) The State or a competent body or organ authorised by law may expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by Act of Parliament.

Chapter 11: Principles of State Policy

Article 98 Principles of Economic Order

The economic order of Namibia shall be based on the principles of a mixed economy with the objective of securing economic growth, prosperity and a life of human dignity for all Namibians.

The Namibian economy shall be based, ***inter alia***, on the following forms of ownership:

a. Public
b. Private
c. Joint public-private
d. Cooperative
e. Co-ownership
f. Small-scale family

Article 99 Foreign Investments

Foreign investments shall be encouraged within Namibia subject to the provisions of an Investment Code [see Box 5 on page 21] to be adopted by Parliament.

Article 100 Sovereign Ownership of Natural Resources

Land, water and natural resources below and above the surface of the land and in the continental shelf and within the territorial waters and the exclusive economic zone of Namibia shall belong to the State if they are not otherwise lawfully owned.

end of 2013, arguably only three farms had been appropriated. Importantly, the Constitution makes pragmatic provision for different types of economic activity and a "mixed economy" (Article 98), accepts the importance of foreign investment (Article 99) and enshrines the principle that the ownership of natural resources is vested in the Namibian State (Article 100).

Box 4: Mixing Business with Politics

SWAPO may have had some socialist tendencies throughout much of its history but it rarely shied away from getting involved in good old capitalist money making. Its main business arm, Kalahari Holdings, was established in 1989 which has been run by a board currently headed by a Permanent Secretary Dr Kalumbi Shangula since July 2002. The company owns a number of subsidiaries active in a wide range of sectors, including Namib Contract Haulage (transport), Namprint (printing), Kudu Investment (property), Klondike Properties (property-letting), New Dawn Video (film), Farm De Rust and the Ndilimani Cultural troupe. Kudu Investment owns and operates Pelican Square in Hochland Park which was developed using funding from the GIPF. The party also owns 51% of MultiChoice Namibia (satellite TV) and has stakes in MWeb Namibia, Namibia Protection Services (Springbok Patrols Namibia), Radio Energy (with Zebra Holdings), Kalisata Mining Enterprises and NamHealth (with Labour Investment Holdings, Nammic, Effort Investment and Lifecare Trust). It is unclear exactly what happens to income generated from these party businesses. Presumably it goes towards supplementing the State resources political parties receive to carry out their activities. There is, however, a clear conflict of interest when tendering for Government contracts, an issue which occasionally surfaces in relation to the printing of ballot papers for elections.

1.3 Political Practice

In accordance with the Constitution, Namibia has held Presidential and parliamentary elections every five years since the pre-Independence Constituent Assembly elections of 1989. The Constitution makes provision for a directly elected and enormously powerful presidency and also a Prime Minister whose job it is to run the Government. The 72 parliamentary seats in the National Assembly are contested on the basis of party lists, rather than UK-style "first past the post" constituencies, while another six are appointed by the President. The second chamber of parliament, the National Council, is made up of representatives from the 13 regions, elected in separate elections on the basis of "first past the post" in each Regional constituency. Legislation must pass through both houses of Parliament. The National Council, however, can only advise on bills and does not enjoy veto power. Partly as a result of the fact that SWAPO has never held fewer than 41 seats in the National Assembly and that most SWAPO MPs sit in Cabinet, no Bill has ever been rejected by a vote in the National Assembly although, very occasionally, bills have been modified as a result of the parliamentary process. It is clear that most of the substantive debate on legislation takes place at Cabinet level.

SWAPO has enjoyed a two-thirds majority in Parliament since 1994. International observers from outside Africa were present at the 1989 and 1994 elections and pronounced them free and fair. The emergence of two opposition parties – the Congress of Democrats in 1999 and the Rally for Democracy and Progress in 2007 (both headed by former SWAPO leaders) – served to challenge the ruling party. Opposition parties took complaints about electoral practice to court in 2004 and 2009, both times unsuccessfully. Although objective observers would probably argue that Namibia was still a "democracy in transition" with a "dominant party system", to use the jargon of the political scientist, there is little evidence that the election outcomes did not broadly reflect the will of the Namibian people. Political pundits note that Namibia is unlikely to see a change of governing party for some years to come.

1.4 Namibian Courts

Article 78 of Namibia's Constitution makes provision for an independent justice system consisting of the Supreme Court, the High Court and the Lower Courts. The appointment of the Chief Justice and all other judges is made by the President on the recommendation of the Judicial Service Commission. The Judicial Service Commission consists of the Chief Justice, the Attorney General and two members of the legal profession. All judges, except acting judges, hold office until the age of 65, although this can be extended by the President to 70. Judges can only be removed from office on the grounds of mental incapacity or gross misconduct. Namibia's judicial system has proven its independence since 1990, often ruling against the Government. The major criticism is the often agonising slowness of the judicial process which Government generally puts down to a lack of capacity and resources. One major outstanding judicial and human rights issue relates to the trial of 132 alleged Zambezi secessionists who, after years in custody, are still awaiting a final verdict on charges of high treason for their role in an unsuccessful armed rebellion in Zambezi in the late 1990s.

Despite the liberal constitution, a combination of a dominant party system and political patronage required for success in the large public sector, state-owned enterprises and even in the private sector, mean that Namibians tend to either parade their party credentials in public or keep quiet. Self-censorship remains prevalent. Nonetheless, Namibia has a vibrant press (one of the freest in Africa in 2014, according to Reporters Without Borders, and 22nd in the world) which is not afraid of exposing corruption or criticising the Government. The biggest-selling daily newspaper, *The Namibian*, was penalised in 2001 when Government withdrew advertising in protest at what it saw was unfair and anti-Government bias but this was eventually withdrawn in 2011. During that time, top ministers could be seen publicly reading the newspaper, a typically Namibian situation.

1.5 Economic Policy-Making

Economic policy-making is a fairly pragmatic, decentralised and sometimes chaotic process. Although the National Planning Commission in the Office of the President has a constitutional mandate to "plan the priorities and direction of national development", in practice line ministries are left to get on and develop policies, programmes and projects as they think fit in consultation with the rest of Government. Namibia's Ministry of Finance is much less powerful than the UK's Treasury, which tends to deeply involve itself in the policies of all major spending departments. Much depends on the approach and competence

Box 5: The Foreign Investment Act 1990

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 remains the cornerstone of Namibia's investor friendly investment environment. Under Section 3 of the Act, foreign nationals are 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 of 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 gives the Minister of Trade and Industry the power to prohibit foreigners becoming engaged in any business or category of business that can be provided adequately by Namibians while Section 3 (5) makes special provision to allow favourable treatment of Namibians in the exploitation of Namibia's natural resources.

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

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

Since the coming into force of the Foreign Investment Act in 1992 and its amendment in 1993, a total of 90 Certificates of Status Investment have been granted. The Minister of Trade and Industry has 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 have become far less important as Namibia's foreign exchange controls have steadily liberalised over the years. In 2006, the Investor Roadmap report commissioned by Government recommended the Act be thoroughly revised and updated. A new draft Foreign Investment Act is currently being drafted.

Section 2 of the Foreign Investment Act makes 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 will help investors with information and advice and will help with work visas. The NIC encourages all investors to avoid using agents and enlist the services of the NIC to help with work permits. Investors are required to provide a certain amount of documentation laid out in a checklist provided by the NIC. The NIC sits weekly to assess applications from investors. Once the NIC is convinced of the merits of the case, the Undersecretary will make representations to the Immigration Selection Board which sits every Tuesday.

Namibia Investment Centre
Ministry of Trade and Industry
Block B Brendan Simbwaye Square
Goethe Street
Private Bag 13340, Windhoek, Namibia
Tel: +264 61 283 7335 • Fax: +264 61 220 278
Website: www.mti.gov.na/nic.htm • Email: nic@mti.gov.na

Box 6: Shooting First Asking Questions Later - The Case of the 2011 Tax Proposals

In July 2011, the Minister of Finance announced a range of tax proposals, some of which had far-reaching implications for the mining sector. The proposals included raising the tax rate on mining companies from 37.5% to 44%, imposing an export levy of up to 5% on unprocessed mineral exports, and subjecting mineral exports to VAT. The Chamber of Mines of Namibia and diplomatic representatives immediately engaged with Government and forcefully put the case against a blanket export levy and VAT, arguing that these measures would effectively take 20% off the top lines of the country's mining companies and render them unprofitable. Government listened carefully to these arguments and on 17 August 2011 revised its tax proposals, indefinitely postponing the imposition of VAT, scaling back the 5% export levy to a case-specific levy capped at 2%, and also agreeing to negotiate further with the Chamber on the issue of mining corporate tax. The outcome represented a victory for engagement and dialogue and showed Government was prepared to change its mind.

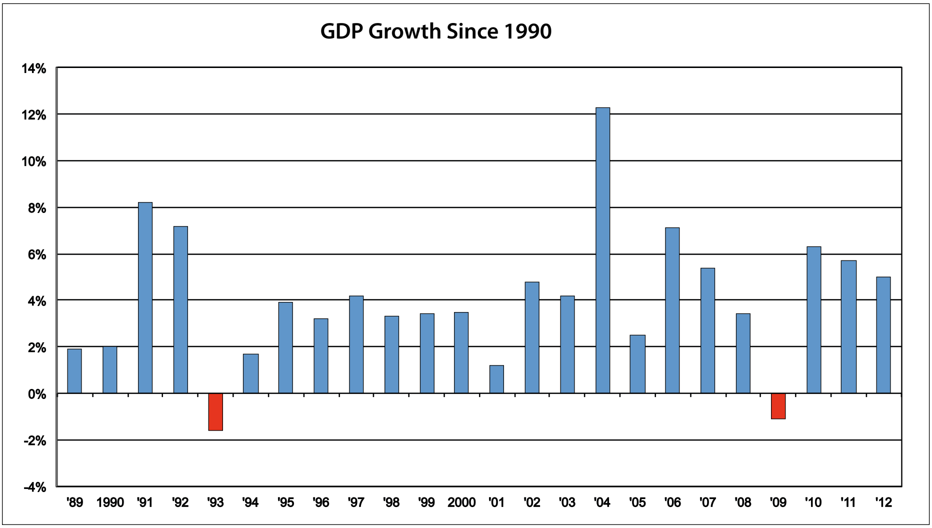
of individual ministers and senior civil servants. Some ministers and ministries believe in having published policies to guide their work. Others will attempt to carry out some research before acting but Government's research capacity is weak and bringing in external consultants tends to take place only when a generous donor stumps up the money. Sometimes consultation will take place with private business and other stakeholders, the effectiveness of which again comes down to individuals and the quality of the private sector organisations making the arguments. Frustration is regularly expressed by both Government and private business over the effectiveness of many of these engagements but, at the end of the day, the doors of most ministers and even the President and Prime Minister tend to be open to investors with serious concerns. That is, of course, another reason why investors sometimes choose to bring certain well-connected individuals on board. Although some would argue that a bit more central direction, prioritisation and coordination would be a good thing, the decentralised approach means it is unlikely that everything moves in the wrong direction at once!

Namibian workers in the open pit at Rössing Uranium Mine

Section 2: Economy

2.1 Economic Structure and Performance

Namibia is a small open economy closely tied in many ways to South Africa through continued membership of the Southern African Customs Union (SACU) and the Common Monetary Area (CMA). According to the World Bank, Gross Domestic Product in 2012 was US$13.1 billion and average incomes were US$5,640 (about the same as China), making it an upper middle income country and placing it in the same category as neighbouring South Africa and Botswana. However, income distribution remains highly skewed and levels of formal employment are low. Unemployment was last estimated at 27.4% in 2012, if discouraged job-seekers are included. Economic growth has been positive every year since 1990, with the exception of 1993 and 2009. In the last ten years Namibia has achieved average annual economic growth of 4.5%. Thanks to a period of fiscal prudence, sound banking regulation and appropriate monetary policy, Namibia escaped the world economic downturn relatively unscathed.

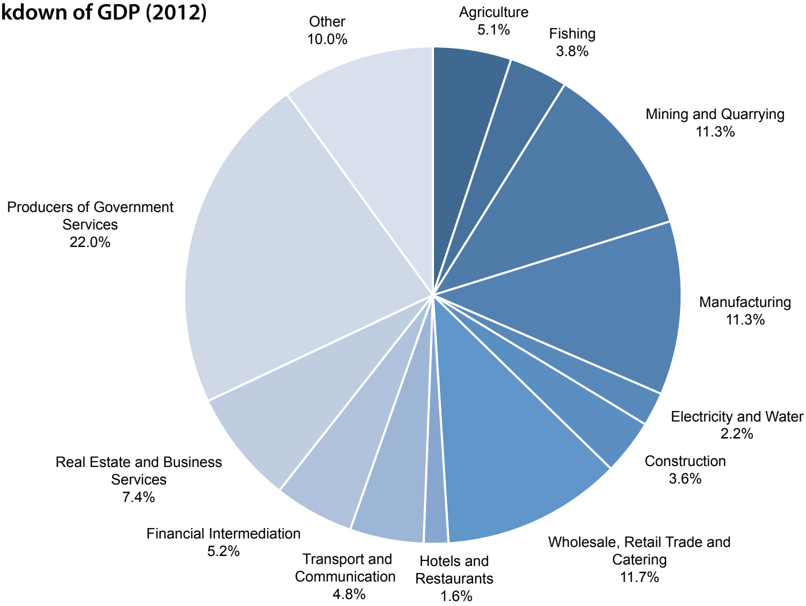


Source: NSA

Namibia's economy is relatively diversified with important primary, secondary and tertiary sectors. Services make up over half of GDP while government services – public administration, defence, education and health – account for one fifth of GDP. The state-owned enterprise sector includes important commercial monopolies in power, water, fixed-line telecoms, as well as rail, port and airport infrastructure.

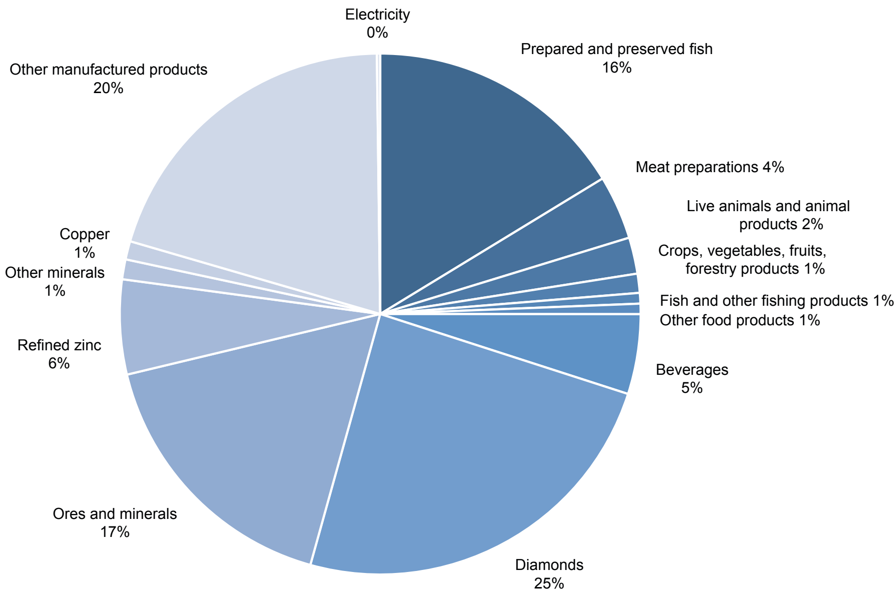
But it is the export sectors that really constitute the motor of economic growth. The economy is based on key export industries: livestock and meat, table grapes, a wide variety of fish

Breakdown of GDP (2012)



Source: NSA

Breakdown of Merchandise Exports (2012)

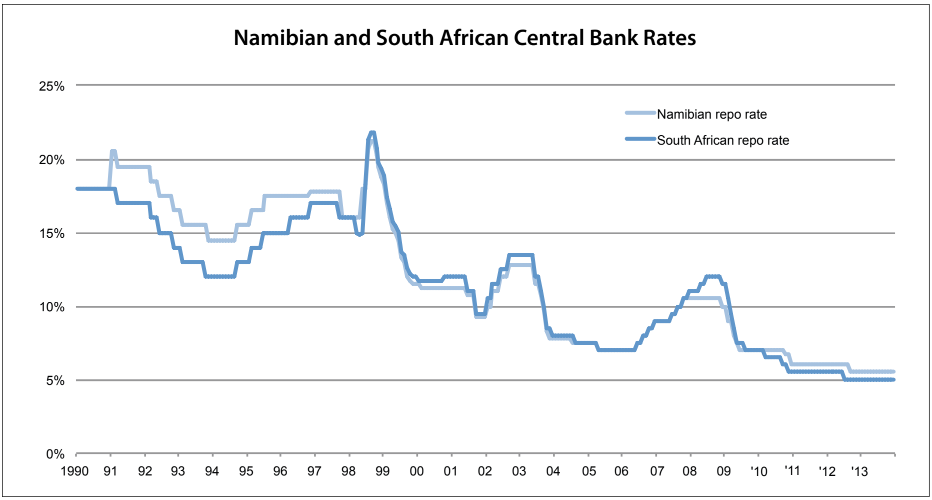


Source: NSA

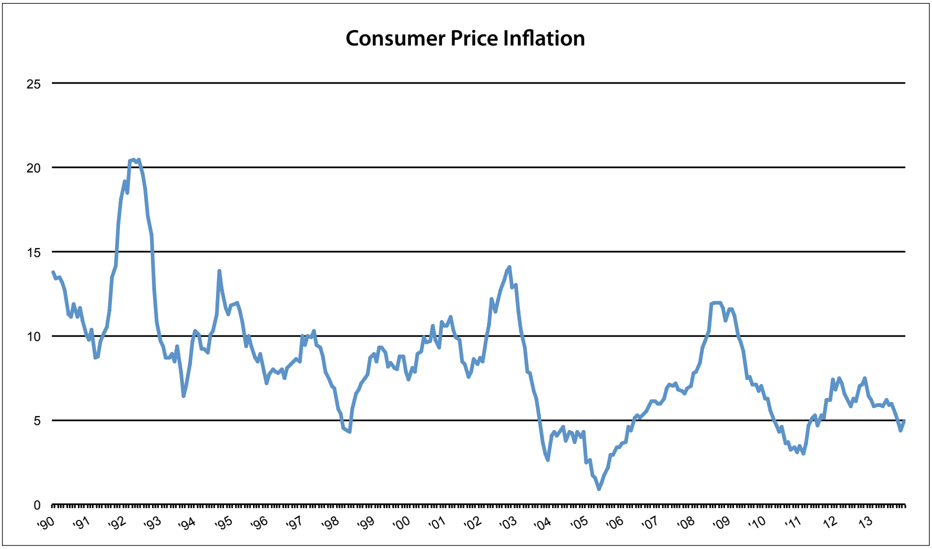
products, diamonds, uranium and other mineral products, beer, and tourism. In 2012 exports accounted for 42.5% of GDP. Mineral and mineral-related exports still make up the largest share of exports. Namibia has tried to diversify its export markets with some success, especially with China, but Europe and North America still account for the lion's share of exports. As a small economy, Namibia also imports a wide range of goods and services.

Trade between the UK and Namibia changed substantially between 2012 and 2013 due to the decision by diamond corporation De Beers to move its trading and sorting operations from London to Botswana's capital Gaborone. As a result, imports of Namibian goods to the UK dropped 72% from £273 million in 2012 to £77 million in 2013. Exports of goods from the UK to Namibia also fell – 62% from £143 million in 2012 to £55 million in 2013. The total value of trade in goods between the UK and Namibia stood at £132 million in 2013 compared to £417 million in 2012. Namibia still enjoys a positive balance of trade with the UK – with Namibia largely exporting minerals, beef, grapes, beer, and charcoal to the UK and importing mainly machinery and vehicles from the UK.

Monetarily, Namibia became a formal member of the Common Monetary Area (the "Rand Area") in 1991 but introduced its own currency, the Namibia Dollar, in September 1993. Since its introduction, the Dollar has been pegged one-for-one with the South African Rand, lending the Namibian currency credibility and stability. The Rand also continues to circulate as legal tender (Namibia Dollars are not legal tender in South Africa). Given the relatively free flow of capital that membership of the CMA involves and the fact that some 80% of Namibia's imports come from or though South Africa, Namibian inflation and interest rates tend to be similar to those of South Africa. South Africa adopted inflation targeting monetary policy in 2000, which has helped reduce inflation over the past decade. Namibian monetary policy decisions are made with the aim of supporting the peg to the Rand.

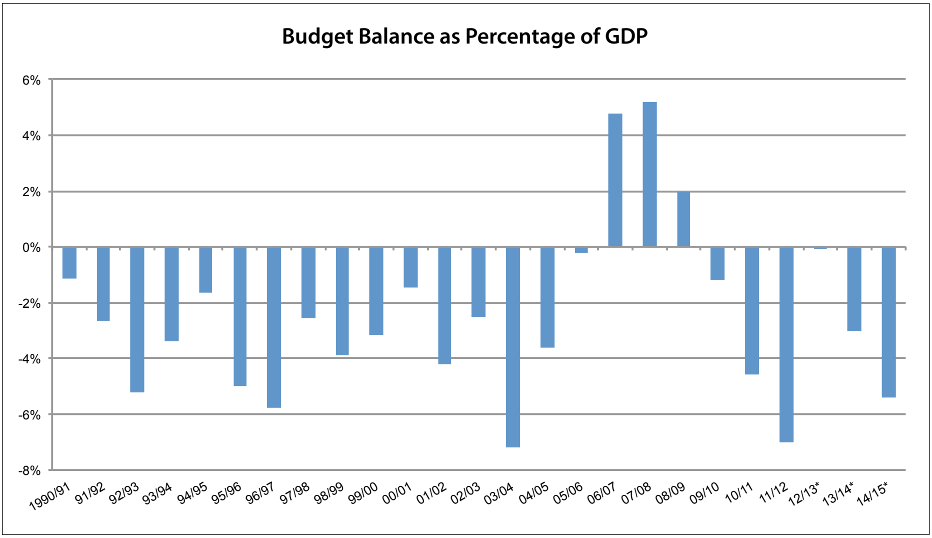


Source: BoN and SARB

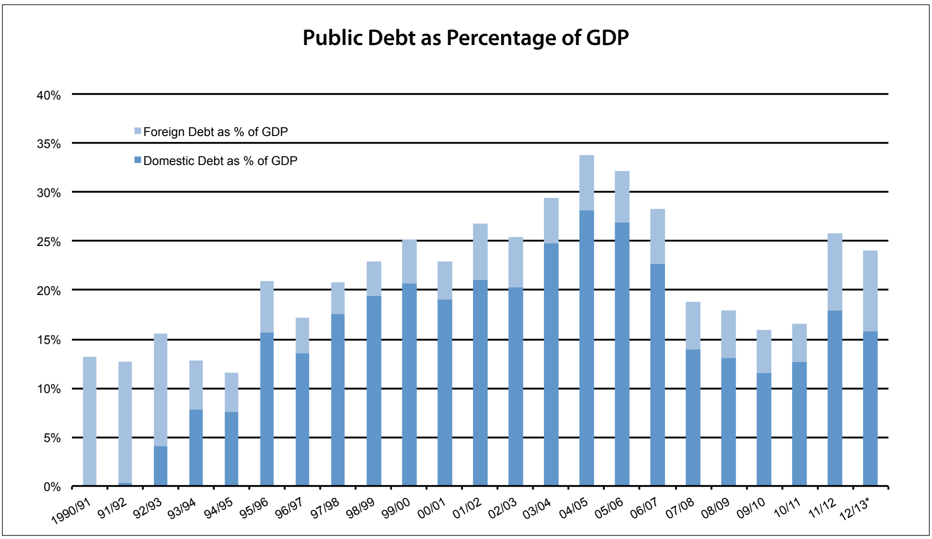


Source: NSA

Namibia's government sector is large, partly as a result of the post-Independence settlement and the (unwritten) policy of "national reconciliation" which meant that no existing civil servants were sacked after Independence but many new civil servants were appointed to create a more racially representative public service. The Government ran modest budget deficits for most of the period up to 2005 within the fiscal targets it set for itself but, recognising that public debt was becoming unsustainable, ran budget surpluses in the four years prior to the world economic crisis. The dramatic reduction in the debt-to-GDP ratio allowed Government to spend heavily during the downturn thus cushioning the impact of the global slowdown. Government asked Fitch Ratings for a first ever sovereign credit rating in 2005 and received an investment grade rating of BBB-. In the run-up to issuing the country's first ever US$500 million Eurobond in November 2011, Government asked Moody's for a second rating and received an investment grade rating of Baa3. On the strength of this, Government issued a debut Rand bond on the Johannesburg market in November 2012 raising R850 million by issuing 10-year debt at lower yields than it could obtain on the local bond market. Both sovereign credit ratings have subsequently been maintained.



Source: Ministry of Finance



Source: Ministry of Finance

2.2 Market Size and Access

Namibia's population is currently estimated at 2.1 million, a lot smaller than many other countries in Southern Africa, especially the regional giant South Africa. This small population is spread over a large landmass. Furthermore, only a relatively limited number of people are formally employed and income distribution remains highly skewed with the majority of the population still very poor. Given the limited internal market, it is the external market that is likely to be the main interest for foreign investors. Recognising this fact, Namibia has put significant effort into expanding its trading relations with as many parts of the world as possible. Namibia has been a member of the World Trade Organisation (WTO) since it was established in 1995.

Namibia belongs to the Southern African Customs Union (SACU), the oldest surviving customs union in the world whose Secretariat is located in Windhoek. As a customs union, SACU provides for duty-free access between member states and a common external tariff to the rest of the world. This gives Namibia duty-free access to the much larger South African market as well as Botswana, Lesotho and Swaziland. South Africa and Botswana are both

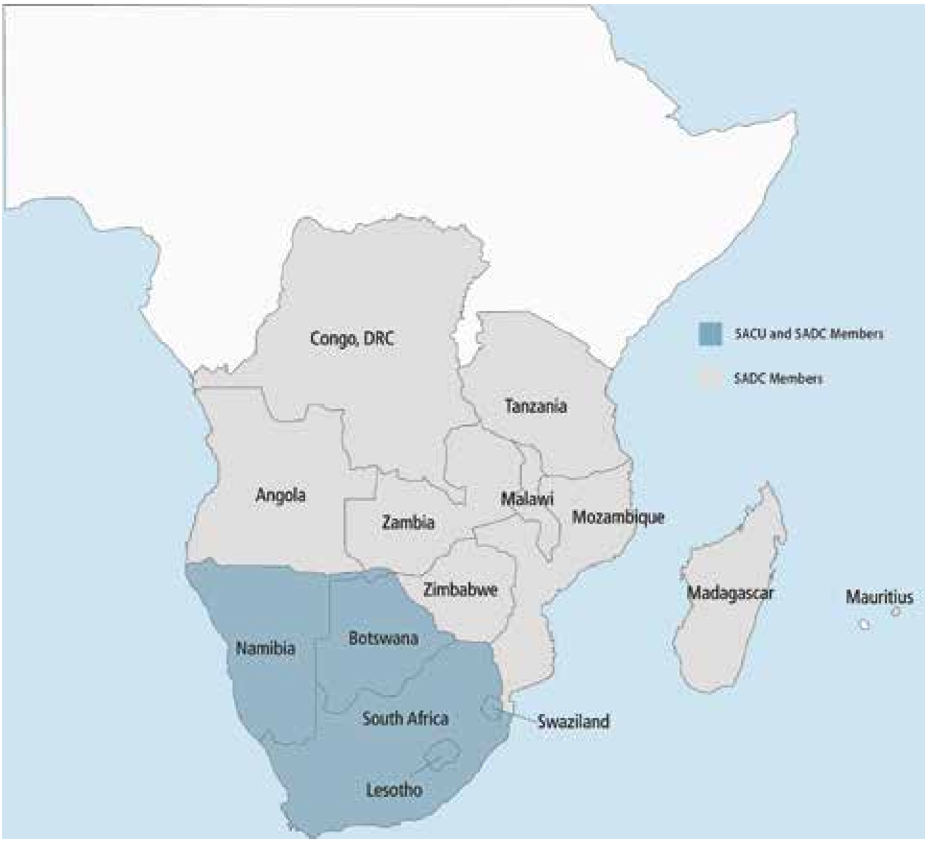


Table 1: SADC Population and GDP by Country (2012)

Country	Population (m)	GDP (US$bn)	GDP per capita (Atlas method)	Classification (Income)
Angola	20.8	114.2	4,580	Upper middle
Botswana	2.0	14.4	7,430	Upper middle
DRC	65.7	17.9	220	Low
Lesotho	2.0	2.5	1,380	Lower middle
Madagascar	22.3	10.0	430	Low
Malawi	15.9	4.3	320	Low
Mauritius	1.3	10.5	8,570	Upper middle
Mozambique	25.2	14.6	510	Low
Namibia	2.3	13.1	5,640	Upper middle
Seychelles	0.1	1.0	11,640	Upper middle
South Africa	51.2	384.3	7,610	Upper middle
Swaziland	1.2	3.7	2,860	Lower middle
Tanzania	47.8	28.2	570	Low
Zambia	14.1	20.7	1,350	Lower middle
Zimbabwe	13.7	10.8	680	Low
Total	285.6	650.2		

Source: World Bank

upper middle income countries. SACU has undergone significant reform since democratic elections in South Africa in 1994. The number of tariff lines has come down, average tariffs have halved and quantitative restrictions have all but disappeared as SACU has become progressively more WTO-compliant. SACU is governed by the 2002 SACU Agreement but discussions are on-going on further reforms to its revenue-sharing formula and a new industrial policy. Over the years SACU has had discussions with the US, India and Mercosur about establishing FTAs but nothing so far has come of them.

Like all other SACU members, Namibia is also a member of the Southern African Development Community (SADC). Since the signing of the 1996 Trade Protocol, SADC has been attempting to create a SADC Free Trade Area, which was finally launched in 2008 without Angola or the DRC. Namibia has viewed Angola as a potentially lucrative export market but practical difficulties have tested all but the most hardened of Namibian businesses. For example, Angola slapped an import ban on Namibian cement just months after Namibia's state-of-the-art Ohorongo Cement plant started production in February 2011. While trade between SACU members remains relatively unproblematic, trade within the wider SADC FTA continues to involve considerable bureaucratic and other hurdles.

Despite slow progress in creating a functioning FTA within SADC, in June 2011 a Tripartite Summit involving the Heads of State from SADC as well as those of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC), agreed to create a single 26 country 700 million population FTA "from Cape to Cairo" by merging the COMESA, EAC and SADC FTAs. The Summit also agreed to a roadmap involving a preparatory phase of 6-12 months and a phase of negotiations on the movement of goods and business persons lasting 24-60 months. Unsurprisingly, this is taking longer than expected to implement.

Namibia has had preferential access to the European Union through the Lomé and Cotonou Agreements since 1991. Negotiations are currently under way over a new Economic Partnership Agreement (EPA) but this has suffered from considerable high-profile wrangling and endless delays. The Namibian Government is keen to diversify Namibia's trading links away from Europe towards China and other emerging economies, especially African economies.

Thanks to its market-friendly policies and human rights record, Namibia qualified for the US Africa Growth and Opportunity Act (AGOA) which the Clinton Administration signed into law in May 2000 and which the Bush Administration extended to 2015. In December 2001, Namibia qualified for the "wearing apparel" provisions of AGOA despite not being a Least Developed Country. For a while Namibia benefitted from AGOA as Malaysian-owned Ramatex exported garments manufactured in Windhoek but the ending of the Multi-Fibre Agreement and the world quota regime for textiles and apparels in January 2005 greatly reduced the advantages of AGOA. Following considerable controversy, Ramatex closed its doors in February 2008. Namibia remains an AGOA certified country but does not currently take advantage of AGOA preferences since many of its current exports to the US enter virtually duty-free anyway. The major impediment to greater exports to the US remains Namibia's limited range of manufactured exports and its distance from the US market.

2.3 International Rankings

Since 2002, Namibia has been rated by the World Economic Forum (WEF), the Swiss-based membership organisation funded by 1,000 of the world's largest companies, as part of its influential World Competitiveness Report. Countries are rated according to the Global Competitiveness Index (GCI) based on a wide range of indicators. Namibia now finds itself ranked 90th out of 148 countries. In Sub-Saharan Africa, the WEF now ranks Namibia sixth below Mauritius (45th), South Africa (53rd), Rwanda (66th), Botswana (74th), and Seychelles (80th). This means Namibia's relative position has fallen since the rankings began. Unfortunately, for several years this poor performance did not seem to stir much of a reaction from policy-makers but in 2012 Namibia's Fourth National Development Plan (NDP4) declared that "By the year 2017, Namibia shall be the most competitive economy in the SADC region according to the standards of the World Economic Forum." This target implies that Namibia must move from 90th to 45th position within five years.

For more information on the Global Competitiveness Index go to: www.weforum.org

The World Bank now assesses Namibia as part of its annual Ease of Doing Business Survey. The last two occasions have seen Namibia ranked 81st and 87th out of 185 countries. In

World Economic Forum Global Competitiveness Index (GCI)

	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13
GCI Score	n/a	n/a	4.11	3.72	3.74	3.85	3.99	4.03	4.09	4.00	3.88	3.93
Number of Countries	80	101	104	117	125	131	134	133	139	142	144	148
Ranking	53	52	52	63	84	89	80	74	74	83	92	90
Ranking in Sub-Saharan Africa	4	4	4	5	4	4	4	4	3	5	6	6

Source: World Economic Forum

the latest ranking Namibia is ranked seventh in Africa. Namibia scores relatively well on construction permits, getting credit and enforcing contracts but poorly on starting a business and registering property.

For more information on Ease of Doing Business go to: www.doingbusiness.org

Transparency International also includes Namibia in its annual Corruption Perceptions Index (CPI). In 2013/14 Namibia was ranked 57th out of 177 countries. This corresponds with the results of the Mo Ibrahim Foundation's Ibrahim Index of African Governance (IIAG) where Namibia has consistently been ranked 6th on a continent of 52 countries.

Transparency International Corruption Perception Index (CPI)

	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13
CPI Score	5.4	5.7	4.7	4.1	4.3	4.1	4.5	4.5	4.5	4.4	4.4	48	48
Range	3.8 -6.7	3.6 -8.9	3.6 -6.6	3.5 -4.6	3.8 -4.9	3.6 -4.9	3.9 -5.2	3.8 -5.1	3.9-5.1	3.3-5.1	3.9-4.9	42-54	
Number of Countries	91	102	133	146	159	163	180	180	180	178	182	176	177
Ranking	30	28	41	54	47	55	57	61	56	56	57	58	57
Ranking in Sub-Saharan Africa	2	2	2	5	3	4	4	5	6	6	6	6	7

Source: Transparency International

For more information on the Corruption Perceptions Index go to: www.transparency.org

For more information on the Ibrahim Index of African Governance go to: www.moibrahimfoundation.org

2.4 Government Priorities

Since Independence, the Namibian Government's overarching priority has been to accelerate economic growth, increase employment, and reduce poverty and inequality. In 2004, the long-term policy goal to become an industrialised country by 2030 was formalised in the document Namibia Vision 2030.

Every five years the National Planning Commission within the Office of the President publishes a National Development Plan setting out the Government's policy and spending priorities for a five-year period. The ruling SWAPO Party has regularly published a detailed party manifesto on the eve of each election. The Ministry of Finance publishes a three-year macroeconomic framework and rolling budget called the Medium-Term Expenditure Framework (MTEF) when it tables the national budget in Parliament in February or March each year. Furthermore, the Government has over the years published a series of White Papers for various sectors of the economy. These policy documents can generally be obtained from the responsible line ministry.

Government and SWAPO Policy Documents

Year	Policy Document
1991	White Paper on Fisheries
1992	White Paper on Industrial Development White Paper on Transport Policy
1993	Transitional National Development Plan 1991/92-1993/94 Water and Sanitation Policy
1994	White Paper on Tourism SWAPO Manifesto "Equal Opportunities for All Namibians"
1995	White Paper on Agriculture First National Development Plan 1995/96-1999/00 White Paper on Fiscal Policy
1997	Namibia: Policy and Programme on Small Business Development
1998	White Paper on Energy National Land Policy Poverty Reduction Strategy
1999	White Paper on Labour-based Works Policy Telecommunications Policy and Regulatory Framework for Namibia 1999 SWAPO Manifesto "The Driving Force for Change"
2001	White Paper on Aquaculture National Resettlement Policy Second National Development Plan 2000/01-2004/05
2002	Poverty Reduction Strategy for Namibia
2003	Minerals Policy for Namibia
2004	Revised White Paper on Fisheries White Paper on Namibia's Foreign Policy and Diplomacy Management Vison 2030 SWAPO Manifesto "SWAPO's Plan of Action for Peace, Unity and Sustainable Development"
2005	Key Recommendations of the Cabinet Retreat Sovereign Debt Management Strategy for Namibia
2008	Third National Development Plan 2005/06-2009/10
2009	National Policy Framework on Tourism for Namibia SWAPO Manifesto "Striving for Economic Independence and Prosperity for All"
2011	Targetted Intervention Programme for Employment and Economic Growth (TIPEEG) New Equitable Economic Empowerment Framework (NEEEF)
2012	Namibia Financial Sector Strategy 2011 - 2021 Toward Achieving 2030 Fourth National Development Plan 2012/13-2016/17 Namibia's Industrial Policy

Section 3: Operating Environment

3.1 Infrastructure

Namibia is consistently ranked highly for its levels of physical infrastructure and utilities. In 2013/14, the World Economic Forum ranked Namibia 60th in terms of infrastructure out of 148 countries. Government has sought to improve the quality of infrastructure through a policy of commercialisation turning what were historically government departments into commercial state-owned enterprises(SOEs) with mixed results. Some SOEs are extremely professionally managed and deliver an excellent service while others appear to be endlessly mired in controversy and financial losses. Government enacted legislation in 2006 to improve the governance of SOEs but this seems to have had little effect on their performance. There is no intention to privatise any of these SOEs but, in some cases, SOEs have partnered up with private companies. Three SOEs, NamPower, Namport and Telecom Namibia have received credit ratings from Fitch Ratings.

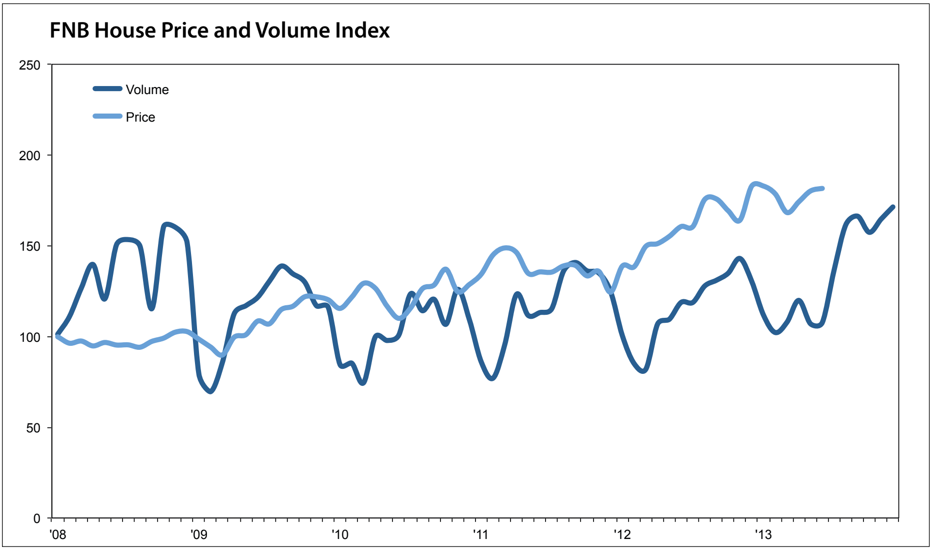
Company	Sector
Air Namibia	Airline
Local authorities	Sewerage
MTC (34% Portugal Telecom)	Mobile telephony
Namibia Airports Company	Airports
Namcor	Petroleum
Namport	Ports
Nampost	Post
NamPower	Electricity generation and transmission
NamWater	Bulk water supply
Regional Electricity Distributors (REDs)	Electricity distribution
Roads Authority, Roads Contractor Company	Roads
Telecom Namibia	Telecoms
TransNamib	Road and rail

3.2 Banking

Namibia's banking system is closely tied to that of South Africa. Three of the four main commercial banks – FNB Namibia, Nedbank and Standard Bank – have parent companies in South Africa. Until 2006, Bank Windhoek was 34.4% owned by ABSA bank in South Africa but this stake was sold following Barclay's purchase of ABSA in 2005. The banking sector provides most of the day-to-day financial needs of the business and retail sector, including current accounts and the provision of overdrafts, asset-based and trade finance. Each bank has an extensive network of ATMs throughout the country and all have electronic banking facilities. In some areas, the banking sector is facing increased competition from Namibia's four local stockbroking firms and specialised private wealth management and investment companies. In 2013/14, the World Economic Forum ranked Namibia's financial market development as 39th in the world. UK businesses, however, may find bank charges and fees somewhat on the high side. The central bank, which oversees the banking sector, has been granted powers to regulate bank fees and charges. In February 2013, the Bank of Namibia launched a Code of Banking Practice and Guidelines for Lodging Customer Complaints.

3.3 Property

Namibia has a well-developed property market for rentals and purchases with a wide selection of conveyancers, valuators and estate agents. There are currently no restrictions on the purchase of property within municipality areas by foreigners although, without permanent residence, there may be limits on raising local mortgage finance. Title to property is registered at the Deeds Office in Windhoek. Planning regulations vary from municipality to municipality. Namibian banks offer a limited range of mortgage products and are heavily exposed to the residential property market. Life insurance companies offer life cover. The residential property market has performed remarkably well since Independence. Namibian property owners have not known negative equity in the same way as many people in the UK.



Source: FNB Namibia

3.4 Human Resources

The 2011 Population and Housing Census revealed that Namibia had a population of 2.1 million people, with 57% of the population aged between 15 and 60. Article 15 of the Constitution on Children's Rights protects children under the age of 16 from being required to perform harmful work or work that interferes with their education, and children under the age of 14 from being employed in any factory or mine. Article 20 obliges the State to provide free primary education and children to remain in school until they have completed their primary education or reached the age of 16, whichever is sooner. All Namibian residents are entitled to claim a State social pension from the age of 60 funded from general taxation.

Given the Government's emphasis on primary education, primary school enrolment rates are high. At last count in 2011, only 13% of people aged between six and 16 were estimated never to have been to school. At the same time, the national self-reported literacy rate for those over 15 years of age was 89%, with only a slight difference between men and women but a slightly greater divide between urban and rural adult populations. Of the population aged 15 or more, 1.5% had no formal education, 23.7% had incomplete primary education, 48.5% had complete primary education, 20.5% had complete secondary education and 5.8% had complete tertiary education.

Since Independence, the Namibian Government has put enormous resources into the public education system, consistently allocating between a fifth and a quarter of the national budget towards education at all levels. As well as a national primary and secondary school system, a new University of Namibia and Polytechnic of Namibia with main campuses in Windhoek have been established along with six Vocational Training Centres and the Namibia College of Learning to help with post-secondary and adult education.

A perennial issue of concern to local and foreign investors continues to be that of work permits and visas for foreign nationals. Virtually every survey and private sector pronouncement on the country's investment climate highlights the lack of skilled labour and the difficulties associated with securing work permits and visas from the Ministry of Home Affairs, with even state-owned companies complaining. Government has put in place a fast-track system over which judgements vary (see Box 5 on page 21). Applications can be submitted to the Namibia Investment Centre (NIC) in the Ministry of Trade and Industry and the NIC makes representations to the Immigration Selection Board. Work visas are only granted for one year at a time. Home Affairs was rated the worst Government agency in a survey of Namibia's CEOs in 2009.

3.5 Trade Unions

Namibia has two main trade union federations: the National Union of Namibian Workers (NUNW) and the Trade Union Congress of Namibia (TUCNA). The NUNW is affiliated to the SWAPO ruling party and has seven affiliated unions: the Mineworkers Union of Namibia (MUN), the Namibia Food and Allied Workers Union (NAFAWU), the Namibia National Teachers Union (NANTU), the Metal and Allied Namibian Workers Union (MANWU), the Namibia Public Workers Union (NAPWU), the Namibia Farmworkers Union (NAFWU), the Namibia Transport and Allied Workers Union (NATAU) and the Namibia Financial Institutions Union (NAFINU). The TUCNA has eight affiliated unions: the Public Service Union of Namibia (PSUN), the Teachers Union of Namibia (TUN), the Namibia Telecommunications Union (NTU), the Local Authorities Union of Namibia (LAUN), the Namibia Seamen and Allied Workers Union (NASAWU), the Namibia Building Workers Union (NABWU), the Namibia Wholesale and Retail Workers Union (NWRWU) and the Bank Workers Union of Namibia (BAWON).

Trade unions vary in their degree of activism, the services they deliver and their degree of militancy. Trade unions affiliated to SWAPO played an active role in mobilising opposition to the pre-Independence dispensation and that liberation struggle spirit lives on in both rhetoric and practice. It is not clear how effective trade unions are at representing their members' interests and even basic membership numbers are hard to come by. Critics see the NUNW affiliated trade unions as little more than a way up the greasy pole to power and there are certainly examples that illustrate the point. There is also a suspicion that strike action often comes about for political reasons. However, Namibia's labour relations are reasonably good although strikes do occasionally flare up. General levels of education and standards of management are likely to remain low for some time yet. Namibia's public sector, despite being highly unionised, has not witnessed a Government-wide strike since 1990.

3.6 The Private Sector

Namibia's private sector encompasses everything from large multinational companies to small individually owned informal micro enterprises. There is an established local white German and Afrikaans business community and an up-and-coming black business community. Many black business people have moved from the public sector and Namibia's large public sector remains an important client for Namibian businesses. The private sector is organised into a large number of business organisations which mostly have a sectoral focus and operate with varying degrees of effectiveness. The Namibia Chamber of Commerce and Industry (NCCI) is the largest umbrella business organisation, which tries to represent the conflicting interests of foreign and local firms, large and small firms, as well as white and black business people. The Namibian Employers Federation (NEF) represents the interests of larger formal sector employers. The Indigenous People's Business Council (IPBC) continues to exist but appears inactive. After several attempts to create a formal forum where private sector organisations can engage with Government on policy issues, no formal forum now exists. However, Government ministers at all levels are generally open to representations from private sector organisations and individual companies. The British High Commissioner established the British Business Group at the end of 2011 and organises quarterly meetings where issues of interest and concern can be discussed and guest speakers are invited to address members.

3.7 Government Tenders and Public Private Partnerships

Government and the public sector dominate the Namibian economy and in many ways Government has slowly but surely extended its influence in the workings of the economy. Within the local economy it remains a significant source of demand and therefore a market for private sector players, both local and foreign. Over time it has become normal practice for ministries to seek tender board exemption for purchases and this has led to a feeling that the taxpayer is not getting value for money and that corruption has increased. As a result, Government has drafted a Public Procurement Bill which is currently being consulted on. In the meantime, the Tender Board Act is being strengthened. However, all tenderers are already required to have a local shareholding and to source their supplies locally.

Provision has also been made for tender reservations for local SMEs and companies owned by Namibian youth and women. Government has announced that it is setting up a database to facilitate the monitoring of compliance with these provisions.

In view of the need for significant investment in public infrastructure and the poor performance of much of the state-owned enterprise sector, the need has been recognised for public private partnerships (PPPs) given Government's reluctance to privatise certain key assets. However, progress on putting together a policy on the issue has been exceedingly slow. Cabinet adopted a PPP policy in 2013 and, in her 2014/15 budget speech, the Minister of Finance announced her officials had begun work on the enabling legislation and guidelines as well as establishing a unit within the Ministry of Finance to coordinate the implementation of the PPP system. The lack of a policy has not stopped the Namibian State from striking up good relations with private sector players as the examples of Namdeb (in mining), MTC (in mobile telephony), Namport (in floating docks), Namibia Wildlife Resorts (in tourism) all demonstrate.

3.8 Crime and Corruption

In a country where poverty and inequality are rife, crime is certainly an issue. Houses in rich and poor parts of Namibia's towns are barricaded by fences (electric ones where affordable), burglar bars, alarms, movement detectors and steel gates and there is no shortage of notices warning people to take care and watch out. People generally make sure not to leave valuables on display in their vehicles. However, although it is not possible to make a proper comparison of crime in Namibia with crime in other countries (crime statistics are not published although occasionally the Minister of Safety and Security may make mention of a few numbers in his budget speech) and Namibian newspapers are filled with crime stories, Namibia seems a lot less crime-ridden and more peaceful than neighbouring South Africa. White collar crime is clearly an issue but it is really only the Anti-Corruption Commission which publishes information on the number of corruption cases in its annual report.

For more information go to www.accnamibia.org

Namibia has participated in Transparency International's Corruption Perceptions Index since 2001 and has consistently been ranked in the best third of the international spectrum and as one of the seven least corrupt countries in Sub-Saharan Africa. Concern over the issue led Government to establish the Anti Corruption Commission (ACC) in 2006, whose role later became enshrined in the Constitution in 2010. The Anti-Corruption Act of 2003 was followed by further legislation, the Prevention of Organised Crime Act of 2004 and the Financial Intelligence Act of 2007. President Pohamba came to office in 2005 declaring that putting a stop to corruption would be a priority. Despite this, Namibia's free press is filled with stories about corruption and the widespread perception exists that the ACC has only really tackled small-scale corruption leaving the "big fish" alone. In 24 years of Independence, only one senior politician has ever stepped down as a result of financial misbehaviour. In 2005, following press revelations involving missing money from the

Social Security Commission, Deputy Minister of Works Paulus Kapia resigned. In 2011, a top general was retired early following investigation of arms deals. A survey of 60 top CEOs carried out in 2009 showed that 34 out of 54 respondents had directly experienced corruption once or more in the last year. There is no shortage of anecdotal evidence that corruption is on the increase. The situation is muddled by the absence of a clear Black Economic Empowerment policy, opaque public sector tendering processes, and public sector rules which seem to allow even very senior civil servants to simultaneously pursue private business interests. A mandatory annual register of interests for MPs in the National Assembly has only been published once in 2003. In addition, the ruling SWAPO party has an active business arm. Overall, petty corruption remains relatively limited and foreign visitors rarely experience low-level public servants such as police or border post officials asking for money. Most of the problems seem to be at the higher end of the spectrum and related one way or another to public tendering and licencing.

Section 4: Tax and Regulatory Environment
4.1 Types of Businesses and Business Registration

There are several types of business entities in Namibia:

1. Public company
2. Private company
3. Branch of a foreign company
4. Close corporation
5. Partnership
6. Sole proprietor
7. Business trust

Companies in Namibia are regulated under the Companies Act, which is similar to the South African Companies Act and is based on UK company law. The Act covers domestic companies and those incorporated outside Namibia but trading through a local branch. The liability of shareholders is limited to the issued share capital. Company registration is administered by the Registrar of Companies in the Ministry of Trade and Industry. The Registrar must approve the name of any company prior to incorporation. Each company has to pay an annual duty calculated as a percentage of issues share capital.

Public companies are characterised by the fact that the number of shareholders is unlimited, there are no restrictions on the transfer of their shares and they must file a copy of their annual financial statements with the Registrar of Companies. Public companies may offer their shares for sale to the public although they do not have to be listed on the Namibian Stock Exchange (NSX) nor is it necessary that the public hold shares.

Private companies are characterised by the fact that the number of shareholders is limited to 50, there are restrictions to the transfer of their shares, and they are not permitted to offer shares for sale to the public. Private companies are not required to file their annual financial statements with the Registrar and must include the word “proprietary” at the end of the registered name immediately before the word “limited” (hence Pty Ltd).

Both public and private companies are legally obliged to carry out an annual audit by a registered Namibian accountant and auditor. Companies that are incorporated in Namibia must have a registered office and must maintain certain statutory and accounting records in Namibia.

Directors and shareholders do not have to be resident in Namibia but many foreign holding companies appoint local directors to their local subsidiaries. Nominee shareholders are also permitted so that the identity of the beneficial ownership does not have to be disclosed.

No local equity requirements are laid down by the Companies Act although it may be required by other pieces of legislation depending on the sector.

A foreign company which establishes a place of business in Namibia is known as an "external company" and is required to register with the Registrar of Companies. It must appoint a locally registered accountant and auditor and maintain statutory documents.

A close corporation is a simplified and less expensive form of a limited liability company created by the Close Corporations Act. They are suitable for enterprises owned and run by up to ten people. Members are protected from any liabilities of the corporation. There is no statutory audit requirement but an accounting officer must be appointed to fulfil certain responsibilities. A close corporation cannot become the subsidiary of a company or another close corporation. Furthermore, close corporations have certain tax and foreign exchange disadvantages which make them unsuitable vehicles for foreign investment.

Partnerships and sole traders are not subject to any specific registration requirements or statutory reporting requirements except that each must produce financial statements in sufficient detail to accompany the annual return of income to the Receiver of Revenue to enable tax assessments to be made.

A business trust is a legal arrangement for the conduct of business or the holding of assets for the benefit of defined beneficiaries. Business trusts are subject to even few requirements than close corporations. Liability is limited to the magnitude of the trust's assets.

The Ministry of Finance Fiscus Building in Windhoek

4.2 Taxation

Namibia operates a modern system of taxation which is reasonably competitive by international standards and is modified and updated on a regular basis usually, but not always, following announcements in the national budget speech. The basic system has remained fairly simple but has been complicated somewhat through the introduction of several special and rather discretionary incentive schemes over the years. Tax administration is carried out primarily by the Directorates of Inland Revenue and Customs and Excise within the Ministry of Finance, which administer the Income Tax Act, Value Added Tax Act, Stamp Duty Act, Transfer Duty Act as well as parts of the Petroleum Taxation Act. Some mining taxes, however, are the responsibility of the Ministry of Mines and Energy under the Diamond Act and Minerals (Prospecting and Mining) Amendment Act. The Land Tax is administered by the Ministry of Lands. There are tax offices in Windhoek, Walvis Bay, Rundu, Otjiwarongo, Oshakati, and Keetmanshoop. Government has announced its intention to establish a "semi-autonomous Revenue Agency" to improve the efficiency of tax collection.

Box 7: Main Tax Legislation

Income Tax Act (No 24 of 1981 as amended)
Value Added Tax Act (No 10 of 2000 as amended)
Stamp Duties Act (No 13 of 1993 as amended)
Transfer Duty Act (No 14 of 1993 as amended)
Petroleum Taxation Act (No 3 of 1991)
Minerals (Prospecting and Mining) Amendment Act (No 8 of 2008)
Diamond Act (No 13 of 1999)
Export Processing Zone Act (No 9 of 1995)

Namibia has a well-developed accounting, auditing and tax advisory industry which includes both local and international companies including the big four: Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers. What follows is a general description of Namibia's tax system at the beginning of 2014. It is highly recommended that investors contact local tax specialists for the most detailed and up-to-date information on tax issues.

Corporate Taxation Headline Rates

Standard corporate tax rate	32%
Branches of foreign companies	32%
Registered manufacturing companies	18% for up to 10 years
Export Processing Zone companies	0%
Diamond mining corporate tax rate	50% + 10% surcharge (55% effective)
Diamond royalty tax	10% of gross sales
Other mining corporate tax rate	37.5%
Other mining royalty taxes	2-3% of gross sales
Oil and gas	35% + formula-based APT
Non Resident Shareholders Tax	10%-20%
Export levy	2% maximum

Corporate Taxation

Namibia's standard corporate tax rate has been reduced over the years from 42% at Independence to 35% where it stayed for many years until a further cut was announced in the 2012/13 Budget which reduced the rate further to 32% by 2014/15. Capital allowances for businesses differ between moveable assets, fixed assets and a variety of other assets.

Capital Allowances

Moveable assets used for trade purposes 33.3%
Buildings used for trade purposes 20% in year of purchase subsequently 4% for 20 years
Certain farming capital expenditure 100% (limited to farming taxable income)
Intellectual property (for period of use for a maximum of 25 years)
Lease premiums (for period of lease for a maximum of 25 years)
Leasehold improvements (for period of lease for a maximum of 25 years)

Since 2003, registered manufacturers have enjoyed a lower corporate tax rate of 18% for a maximum of 10 years. Registered manufacturers enjoy a range of other tax benefits. However, companies do not find it easy to access these benefits. While the Ministry of Trade and Industry is generally keener to grant them, the Ministry of Finance sees them as lost revenue believing these investments would go ahead anyway. A total of 102 companies presently enjoy registered manufacturing tax status. Auditors and accountants complain that Namibia's tax incentives are attractive but almost impossible to access.

Additional Tax Incentives for Registered Manufacturers and Exporters

Corporate tax rate of 18% for a maximum of 10 years
125% deduction for certain land-based transportation costs for 10 years
Deduction of 80% of taxable income derived from exports of goods excluding meat and fish products
125% deduction for training costs for employees directly involved in a manufacturing process
125% deduction for remuneration of employees directly involved in a manufacturing process
125% deduction for specific marketing costs related to exports
20% of the erection cost of buildings in the tax year in which the building is brought into use and 8% for the next 10 years

Export Processing Zone (EPZ) companies do not pay corporate tax and enjoy a range of open-ended tax benefits. Companies must obtain an EPZ certificate from the relevant EPZ Management Company or the Offshore Development Company (ODC) to be eligible for these benefits and must meet certain criteria, notably manufacturing and exporting the major share of their production outside the Southern African Customs Union (SACU). Furthermore, subject to certain conditions, the provisions of the Foreign Investment Act 1990 and the Labour Act 2007 do not apply to EPZ companies.

Tax Incentives for Export Processing Zone Companies

No VAT is payable
No customs and excise duties are payable on imports
No income tax is payable
No transfer duty is payable
No stamp duty is payable

Mining Taxation

Taxation for mining and quarrying as well as oil and gas companies is different to other companies. Diamond mining companies pay a 50% corporate profits tax, plus a 10% surcharge resulting in an effective 55% corporate tax rate. They also pay a 10% duty on the export of unpolished diamonds, according to the Diamond Act of 1999 administered by the Diamond Commission within the Ministry of Mines and Energy.

Other mining companies pay a 37.5% corporate profits tax and a 2-3% royalty on gross sales depending on the mineral, according to the Minerals (Prospecting and Mining) Amendment Act of 2008 and associated regulations administered by the Ministry of Mines and Energy. The Act also allows for the introduction of an additional windfall royalty in cases of extreme profitability. Since 2008, Rössing Uranium has paid double the royalty – 6% instead of 3% - of other uranium mining companies because it disputed the legality of the royalty when it was first introduced in 2004. Dimension stone carries a 5% royalty. Work on an export levy on raw materials is on-going but will be capped at 2%.

Mining companies enjoy accelerated depreciation of development expenses and can deduct one third of their development expenditures in the year of assessment in which the expenditure is incurred and one third in each of the following two years. All development expenditure incurred prior to the mine starting production is deemed to have been incurred in the year the mine starts production.

Any income generated by a petroleum oil and gas operation is taxed in terms of the Petroleum Taxation Act of 1991. The tax is assessed on the basis of the profitability of each licence area and each licence area is ring-fenced for tax purposes. The holder of a production licence pays a levy of either 12.5% or 5% depending on when the exploration licence was issued. In addition to the normal profits tax of 35%, the after-tax net cash flow generated from petroleum activities in each licence area is subject to an additional profits tax (APT). The APT is based on a formula levied in cases where a licence area earns an after-tax inflation adjusted rate of return of 15%, 20% and 25%. However, the rates of tax are negotiable and agreed rates are set out in each individual Petroleum Agreement signed between the Government and the investor.

Withholding Taxes

A non-residents shareholders tax (NRST) of 10% is imposed on any dividends declared by a company to shareholders who are not ordinarily resident in Namibia. For minority shareholders owning 25% or less, the NRST is 20%. The existence of double taxation agreements with certain countries including the UK may reduce the rate of NRST payable.

An interest withholding tax of 10% is imposed on interest accruing from a Namibian banking institution or a unit trust scheme registered in Namibia. A royalty withholding tax is determined by applying the tax rate applicable to the taxpayer to 30% of the royalty amount. A withholding tax on operators of ships and aircraft is determined by applying the tax rate applicable to the taxpayer to 1% of the gross transport charge.

Box 8: The New 25% Withholding Tax on Non-Resident Consultancy Services

Another particularly controversial tax measure included in the Minister of Finance's announcement of July 2011 was the proposal to introduce a new withholding tax on services. Payments to non-residents for management or consultancy services, directors' fees and entertainment fees, as defined, became subject to withholding tax at a rate of 25% on the gross amount of the services fees with effect from 30 December 2011. A Namibian resident, as defined, is obliged to deduct and pay over the tax withheld within 20 days following the end of the month during which the amount was deducted. Failure to do so exposes the Namibian resident to interest as well as penalties on the late and underpayment. The tax withheld constitutes a final tax. Relief may be available to non-residents in countries with which Namibia has concluded a double taxation agreement (DTA), provided that certain requirements are met. The likely consequence of the tax was that non-residents would simply gross up the fees they charge for services rendered to remain tax neutral in so far as Namibian taxes are concerned. This withholding tax has proved immensely unpopular with the mining and oil and gas industries, which rely heavily on a variety of non-resident consultants, especially during the exploration and development phases of their operations. The fear is that the Minister has introduced a new tax with the best of intentions – to discourage firms from minimizing their local tax liabilities by reducing profits through paying high management fees – but that this has ended up hitting the mining and oil and gas industries hard, the latter of which is a nascent industry conducting hundreds of millions of Dollars worth of costly exploration activity.

Double Taxation

The rates of Namibia's withholding taxes may be reduced in terms of a double taxation agreement. Namibia has double taxation agreements with 11 countries, including the UK. In the case of the UK, the lower rate applies where the recipient is a company which controls at least 50% of the entire voting power in the company paying the dividend. The higher rate applies in all other cases.

Double Taxation Agreements

Country	Dividends %	Interest %	Royalties %	Technical qualifying fees %
Botswana	10	10	10	10
France	5/15	10	10	n/a
Germany	10/15	0	10	10
India	10	10	10	n/a

Malaysia	5/10	10	5	5
Mauritius	5/10	10	5	n/a
Romania	15	15	15	n/a
Russia	5/10	10	5	n/a
South Africa	5/15	10	10	n/a
Sweden	5/15	10	5/15	n/a
UK	5/15	20	5	n/a

Source: Deloite & Touche

Transfer Pricing and Thin Capitalisation

Transfer pricing legislation requires that an arms-length market price be charged for cross border goods and services between related businesses. The Minister of Finance has the power to adjust the liability of a taxpayer if the Minister considers that a transaction has been entered into which has the effect of avoiding or postponing the payment of any tax imposed by the Income Tax Act.

Thin capitalisation legislation requires that foreign-held Namibian companies be adequately capitalised rather than financed through loans. The Minister of Finance has the power to disallow the deduction of interest if the Minister considers the value of financial assistance granted to a Namibian company is excessive in relation to the company's fixed capital.

Farmers

Farmers are taxed in the same manner as individuals or companies, except for certain provisions regarding capital expenditure. Some capital expenditure can be deducted in full in the year in which the expenditure is incurred, but limited to the faming taxable income for the year. Any excess farming capital expenditure can be carried forward to the next year of assessment. Expenditure on erecting or acquiring buildings for farm employees is allowed up to N$50,000.

Land Tax

Land tax is payable for every 12 month period ending 28/29 February. The tax has been designed to discourage non-resident ownership of farmland and multiple farm holdings. The current rates are applied to the unimproved value of the site according to the farm valuation roll.

Land Tax Rates

Namibian resident owner	0.75%
Non-resident owner	1.75%
On each additional farm owned	Rate increases by 0.25%

Customs and Excise Taxes

Namibia belongs to the Southern African Customs Union (SACU). Customs duties and certain excise duties are determined jointly with other members and collected at different ports of entry, mainly in South Africa. Revenues are distributed to member states through a Revenue Sharing Formula.

Value Added Tax
Namibia introduced value added tax (VAT) in 2000. VAT is imposed on the supply and import of most goods and services at a standard rate of 15% and is applicable to all businesses with a turnover of N$500,000 and more. Qualifying exports and certain other items are zero-rated including a range of basic foodstuffs.

Transfer Duty
Transfer duty is levied on the value of any property acquired by natural persons including mineral rights according to the schedule below.

Transfer Duties

Value	Rates of Duty
N$0-N$600,000	0%
N$600,001-N$1,000,000	N$0 + 1%
N$1,000,001-N$2,000,000	N$4,000 + 5%
Over N$2,000,000	N$54,000 + 8%

Agricultural land acquired by natural persons and financed by Agribank is subject to a different schedule. Any property, including mineral rights, acquired by persons other than natural persons including trusts are subject to a duty rate of 12%. The sale of shares or membership interest in property owning companies or close corporations are currently not subject to transfer duties.

Stamp Duty
Stamp duty is payable at 0.2% on the issue or transfer of shares. However, shares listed on the Namibian Stock Exchange are exempt. Stamp duty is also imposed on the acquisition of immovable property and a range of other items.

Individual Income Tax and PAYE
Namibia operates a source-based system of taxation whereby Namibian residents are only taxed on their Namibian income while foreign residents are taxed only on the income generated within Namibia. Individual tax rates are included in the table below. Pay-As-You-Earn (PAYE) must be deducted at source on a monthly basis by every employer.

Individual and Trust Income Tax Rates

Annual taxable income	Amount	Rates of Tax
N$0-N$50,000	N$0	Not taxable
N$50,001-N$100,000	N$0	18%
N$100,001-N$300,000	N$9,000	25%
N$300,001-N$500,000	N$59,000	28%
N$500,001-N$799,999	N$115,000	30%
N$800,000-N$1,500,000	N$205,000	32%
Over N$1,500,000	N$429,000	37%

Interest income from Government stock or securities, post office savings and investments in foreign securities are exempt from income tax. Local and foreign dividend income is exempt. Interest earned from unit trusts is subject to a final 10% withholding tax. Husbands and wives are taxed separately.

Social Security Contributions
Employers and employees must each make social security contributions to the Social Security Commission at the rate of 0.9% of the employee's basic salary up to a maximum of N$54 per month.

Donations Tax, Estate Duty and Capital Gains
Namibia currently does not impose any form of donations tax, estate duty or capital gains tax. However, certain capital gains are taxed as normal income and the Minister of Finance has announced her intention to investigate the idea of introducing Capital Gains Tax more widely.

4.3 Foreign Exchange Controls

Historically, Namibia used the South African Rand as its currency and shared the same foreign exchange control regulations as South Africa. After Independence, Namibia formally joined the Common Monetary Area (the CMA, which includes Lesotho and Swaziland as well as South Africa) but introduced its own currency, the Namibia Dollar in September 1993. Since its introduction, the Namibia Dollar has been pegged at par with the South African Rand and the Rand remains legal tender in Namibia. There are no plans to change this arrangement as most senior Namibian policymakers, as well as the majority of Namibia's business community, strongly believe it serves Namibia well.

Given this arrangement, Namibia's foreign exchange control regulations continue to be at least as strict as South Africa's foreign exchange controls although some minor differences have been introduced over the years. Since democratic elections in 1994, South Africa has pursued a long-term policy of exchange control liberalisation, which it has stuck to consistently despite occasional setbacks. South Africa and Namibia have attempted to ensure that foreign exchange control restrictions are as conducive to foreign investment as possible. The Rand and Namibia Dollar are still not fully convertible "hard currencies".

Although exchange control policy in Namibia is determined by the Ministry of Finance, all operational aspects are carried out by the Exchange Control Division of the central bank, the Bank of Namibia, ("Exchange Control") and "Authorised Dealers", any one of the country's four commercial banks. The Bank of Namibia maintains a technical handbook of exchange control rulings which are amended as required and supplemented by circulars. These rulings are applied by the Authorised Dealers. The following sections deal in general with some of the main regulations that affect non-resident investors in Namibia. More detailed advice can be sought from the Bank of Namibia (www.bon.com.na) or from Namibia's Authorised Dealers.

Foreign Direct Investment
Direct investment in Namibia by a foreign investor can be financed through equity or loans.

Namibia's central bank, the Bank of Namibia

Exchange control permission is required for loan funding but not for equity funding. Companies in which 75% or more of capital or earnings is controlled by non-residents can only borrow locally up to an agreed percentage of their total effective capital according to a formula.

Remittance of Profits and Dividends

Trading profits and dividends earned on investments in Namibia can be made freely to foreign beneficiaries after approval by Authorised Dealers without reference to Exchange Control. However, if the Namibian company is making use of local financial assistance, an application needs to be lodged with the Bank of Namibia accompanied by an auditor's certificate confirming that the payments arise from normal trading profits as opposed to the disposal of fixed assets. All applicable withholding taxes must be deducted before remittances are made.

Payment of Interest

The payment of interest on loan capital to non-residents is allowed provided the initial rate of interest has been cleared with the Bank of Namibia. Interest on foreign denominated loans is calculated at LIBOR (London Interbank Offered Rate) + 2%. Interest on Namibia Dollar denominated loans is calculated at the prime overdraft rate + 3%.

Directors' Fees

The annual transfer of fees to non-resident directors is allowed on production to the Authorised Dealer of a resolution by the company confirming that the fees are payable. Prior exchange control permission is generally required for the payment of royalties, technical and management fees, selling commissions to agents abroad and directors' fees.

Management Fees and Technical Services

Authorised Dealers are permitted to transfer management and technical service fees only with prior reference to Exchange Control, provided they see suitable documentary evidence confirming the nature of the services rendered and the amounts involved. These fees, however, should not be based on a percentage of sales, turnover or profit of the local concern but must be based on a market price for the services rendered.

Air Fares for Overseas Visitors

In cases where a Namibian resident company employs the services of a foreign executive and is liable for the settlement of airfares, daily subsistence allowances and local travel, the payment of air tickets must be arranged locally in Namibia Dollars.

Repatriation of Capital

Proceeds from the sale of assets in Namibia owned by non-residents are freely remittable.

Current Payments

The general rule regarding payments outside the CMA is that Authorised Dealers are allowed to sell foreign currency only for permissible purposes and on such conditions as determined by the Treasury (the Ministry of Finance). Companies and individuals wishing to purchase foreign exchange from Authorised Dealers must state the purposes for which the foreign currency is required and supply them with further information regarding the transaction concerned. No foreign exchange commitments may be entered into by residents without prior approval.

Payment for Imports

Authorised Dealers must ensure that a valid import permit has been issued by the Ministry of Trade and Industry or that no import permit is required before establishing letters of credit, arranging payments or entering into forward contracts.

Advance payment of up to 50% of the ex-factory cost of capital goods imported may be allowed by Authorised Dealers. Any request for advance payment of more than 50% has to be referred to Exchange Control.

Authorised Dealers are allowed to remit transfers with prior approval for payments on a cash-with-order basis and advance payments for non-capital goods provided they view documentary evidence supplied by the overseas supplier showing that the order would otherwise be refused or that such payment is normal in the trade concerned.

Exports

All exports, except those which have been exempted administratively, must be supported by the prescribed declaration on Forms F178 and NEP irrespective of the country of destination of the goods. Form F178 is a declaration of goods exported for sale abroad and must be completed for all exports of goods for sale abroad to countries outside the CMA if the value exceeds N$50,000. Form NEP is to control the export of goods not for sale abroad, such as for exhibitions, temporary export or repair, and must be completed for consignments with an insurance value exceeding N$50,000.

Exporters are obliged to sell goods within three months from the date of shipment and to repatriate the proceeds in foreign currency or Namibia dollars from a non-resident account within three months. Foreign currency earnings must be offered for sale to an Authorised

Dealer within 90 days from the date on which funds were first credited to a Customer Foreign Currency (CFC) account. Exporters are obliged to report in writing any failure to sell the goods within six months or any non-receipt of foreign currency proceeds on the F178.

Forward Exchange Cover
Forward exchange cover can be obtained by both importers and exporters at prevailing market rates. Importers can obtain extended supplier credit for periods of up to 12 months without prior permission from Exchange Control. Exporters can obtain trade finance on a pre-shipment or post-shipment basis from local banks for periods not exceeding 12 months.

Export Processing Zone Enterprises
Export Processing Zone (EPZ) enterprises operate outside the normal foreign exchange control regime in Namibia. Two special types of bank account have been created for EPZ enterprises:

1. EPZ Customer Foreign Current Account – a foreign currency account held at a local bank to facilitate foreign disbursements by EPZ enterprises; and

2. EPZ Non-Resident Account – a Namibia Dollar account funded with foreign currency used for the normal operational requirements of EPZ enterprises, the balance on which is freely convertible.

Temporary Residents
Temporary residents are foreign nationals who are employed on contract in Namibia or who are seconded to a local firm for a limited period of time. Provided they give a written undertaking to an Authorised Dealer that they will not place their foreign assets at the disposal of any third party resident in the CMA, they can deal freely with their assets and are not required to remit to Namibia any income they may earn from them. They can also transfer a regular portion of their Namibian earnings to their home country and, on completion of their stay, can transfer any local savings they may have made. Any realised profit from the sale of a house is also considered to be savings.

Immigrants
Immigrants to Namibia who are not former residents of a CMA country are allowed to retain their foreign assets but must remit to Namibia any income derived from these assets. On taking up permanent residence in Namibia, immigrants should complete the prescribed MP335(a) together with a declaration of their foreign assets and liabilities. Authorised Dealers may then allow the immigrants concerned to dispose of or otherwise invest their foreign assets without interference from Exchange Control. Immigrants are also permitted, within five years of the date of their immigration, to retransfer abroad any assets introduced into Namibia during the period provided such transfers are not financed by local borrowing.

4.4 Labour Regulations

Employment in Namibia is regulated under the Labour Act of 2007, the aim of which was to amend and update the original Labour Act of 1992. The Act reaffirms constitutional provisions on fundamental rights and protection, including the prohibition of child labour, forced labour, discrimination (it outlaws discrimination against HIV positive people) and sexual harassment. The Act lays down basic conditions of employment and limits working hours generally to a nine-hour working day during a five-day working week with shifts limited to eight hours. Exceptions for continuous shifts, extended working hours and Sunday working are permitted under special circumstances. Employees are entitled to at least four consecutive weeks annual leave with full remuneration as well as five days compassionate leave. Women with six months' service are entitled to 12 weeks maternity leave. During maternity leave, employees are entitled to basic pay from the Social Security Commission (SSC) up to N$10,000 per month. Employers are required to provide adequate housing for employees living at the place of employment. The Act also lays out the process that must be followed to terminate employment, including notice periods, severance pay and procedures to be followed in cases of dismissal.

All workers have the right to belong to a trade union. Trade unions must be registered with the Labour Commissioner. A trade union that represents the majority of employees "in an appropriate bargaining unit" is entitled to recognition as the exclusive bargaining agent of the employees. Employers are obliged to deduct union membership fees. Workplace union representatives are provided for as is "reasonable time off" during working hours to perform union duties. Under certain conditions, collective agreements reached by unions and employers can be extended to non-parties and whole industries at the Minister of Labour's request. The Act lays down detailed procedures regulating strikes and lockouts and gives the Minister powers to appoint conciliators and arbitration tribunals in disputes although private arbitration is also permitted. Arbitration awards may be binding or advisory.

Institutionally, the Office of the Labour Commissioner in the Ministry of Labour and Social Welfare exists to oversee the implementation of the Labour Act, to act as conciliator and arbitrator, and to promote harmonious industrial relations. Labour standards are monitored and enforced by labour inspectors, civil servants employed by the Ministry of Labour and appointed by the Minister. A Labour Court exists with exclusive jurisdiction over appeals arising from decisions of the Labour Commissioner, arbitration tribunals and compliance orders as well as significant powers of review and the granting of urgent relief. A tripartite 13-member Labour Advisory Council advises the Minister on a wide range of employment issues. A Wages Commission can be established on an "as needs" basis to investigate issues of remuneration and employment and can make wage orders that are binding on employers. By the end of 2013, Wages Commissions had reported on agriculture and construction but the anticipated report on domestic workers had still not been finalised.

Top business leaders reacted negatively to the Labour Act of 2007 but the most contentious issue was the ban imposed on labour hire companies, the use of which smacked of apartheid labour practices to many people in the ruling party and their labour union supporters. The constitutionality of this measure was contested and in 2009, the Supreme Court ruled that Section 128 was indeed unconstitutional. In 2011, the Minister of Labour introduced the Labour

Amendment Bill in Parliament, which effectively made workers employed though labour hire companies employees of the companies they work for thus eliminating any advantage to using labour hire companies. The Bill enjoyed widespread parliamentary support and was passed in 2012.

In addition to the Labour Act, there exists a separate mechanism to ensure racial and other forms of discrimination in the workplace are eliminated. The Affirmative Action (Employment) Act of 1998 gave rise to the Employment Equity Commission (EEC). The EEC monitors employment patterns of all employers with 25 or more employees, which are expected to submit Affirmative Action reports every year. Penalties can be imposed on employers that do not comply with provisions of the Act but even the EEC admits that compliance is poor.

The Social Security Commission (SSC) was established under the Social Security Act of 1994. All employers and employees are obliged to register with the SSC and to pay monthly contributions of 0.9% of the employee's basic salary up to a maximum of N$54 per month to the Maternity leave, Sick leave and Death benefits (MSD) Fund of the SSC, which can then be drawn upon for these purposes. The SSC also runs the Employees Compensation Fund (ECF) established under the Employees Compensation Amendment Act of 1995. Claims can be made from the ECF in the event of disability or death caused by industrial accidents or diseases. Payments to the ECF are the responsibility of the employer and are made on the basis of assessments conducted by the SSC using information supplied by employers in an annual return. These assessments will differ from industry to industry and company to company according to levels of risk. Employers will generally make annual lump-sum payments. The SSC also runs a Development Fund, the purpose of which is to provide training and employment schemes to unemployed people and to grant financial assistance to students. Legislation and application forms can be downloaded from the SSC website.

For more information go to www.ssc.org.na

The Employment Service Act passed in 2011 is in the process of being made operational. The Act makes provision for designated employers to notify a newly created Employment Services Bureau of any vacancies and new positions and give consideration in good faith to candidates proposed by the Bureau. Employers must report to the Bureau whether it employed the proposed job-seeker or not.

To address the continued lack of skills, Government introduced a National Training Levy from 1 April 2014. Companies with payrolls of N$1,000,000 or more will pay a levy of 1.0% of their gross payrolls monthly in arrears to the National Training Authority (NTA), which they are then able to claim back to finance training initiatives approved by the NTA. Certain categories of employers are exempt.

4.5 Work Permits and Visas

Namibia's history of foreign domination and its sustained high level of unemployment means that, despite the fact that foreign investment is desperately needed and welcomed, the employment of foreigners is a controversial issue. The administration of work permits and visas is the responsibility of the Ministry of Home Affairs and Immigration (www.mha.gov.na).

While tourists from the UK can generally obtain a three month tourist visa upon arrival at the Namibian border control, work and business visas and employment permits are more complicated. Work and business visas are required when visiting Namibia on secondment or for a short period of up to six months. Visas must be obtained prior to arrival. It normally takes approximately 7-14 days to obtain approval from Home Affairs.

A work permit is required to take up permanent employment in Namibia and can be obtained for up to one year at a time. It normally takes approximately 3-6 months to obtain approval from Home Affairs and the same time for a renewal. Changing employment may take 3-6 months to obtain approval.

Namibian businesses wanting to employ foreigners must demonstrate to Home Affairs that they have made efforts to find suitably qualified Namibians. The Namibian Investment Centre operates a fast-track system for approving work permits [see Box 5 on page 21].

Permanent residence is granted to foreign nationals who have been on a valid permit in Namibia for a continuous period of five years. The permit must be renewed for the sixth year and the person should own property in Namibia. If the person is retired, they may qualify after five years on a valid temporary residence permit. Permanent residence may also be obtained if a person has invested N$2 million in a business, employed at least ten Namibians permanently and registered them with the Social Security Commission and has been on a valid work permit for a year which was renewed for the second year and owns property in Namibia. Approval may take six months or (much) more.

Citizenship may be granted when an individual is married to a Namibian citizen and has been present in Namibia for at least two years with a valid work permit, permanent residence or domicile. Approval may take six months or more.

If there is one common gripe contained in business surveys in Namibia, it is the lack of local skills and the difficulty of bringing in skilled expatriate labour. For example, the Namibian Business and Investment Climate Survey (NamBIC) 2009 found that for medium and large businesses, the scarcity of skilled labour was the greatest obstacle to growth while the process of obtaining work permits for foreign nationals was the most challenging regulation to deal with. The 2013 NamBIC Survey suggested things had improved but not by much.

4.6 Competition Policy

Competition policy in Namibia is based on the Competition Act of 2003. The aim of the Act is to "promote the efficiency, adaptability and development of the Namibian economy, provide consumers with competitive prices and product choices, promote employment and advance the social and economic welfare of Namibians, expand opportunities for Namibian participation in world markets while recognising the role of foreign competition in Namibia". It exists also "to ensure that small undertakings have an equitable opportunity to participate in the Namibian economy" and "promote a greater spread of ownership, in particular to increase ownership stakes of historically disadvantaged persons".

The Namibian Competition Commission (NaCC), which was formally launched in 2009, consists of a chair and between two and four commissioners, all of whom have expertise and are appointed by the Minister of Trade and Industry. It employs a (non-voting) Secretary to the Commission and additional staff. The NaCC rules on restrictive practices and abuses of dominant market position, and has significant powers to investigate and take evidence. The NaCC is also empowered to approve all mergers and acquisitions involving businesses with either turnover or assets valued at N$10 million or more and can set conditions which have to be fulfilled. Its decision whether to approve a merger can take into consideration a wide variety of factors including the impact on the industry and region as well as on employment, on small businesses owned by historically disadvantaged persons and on national industries.

Namibian Competition Commissioners
Mr Nghidinua Daniel
Mr Festus Hangula (Chair)
Dr Omu Kakujaha-Matundu
Ms Nelago Kasuto
Ms Malverene Theron
Secretary to the Commission Mr Mihe Gaomab II

Box 9: The Case of Walmart

In 2010, the world's largest retailer, US-based Walmart, announced it intended to purchase a majority stake in South Africa's Massmart in a deal worth R16.5 billion. Massmart has operations in 14 African countries outside of South Africa, of which five, including Namibia, have competition authorities. Massmart owned local retailers Game, Makro and Windhoek Cash & Carry in Namibia and had made a bid in 2010 to purchase Pupkewitz Magabuild, a hardware retailer with 16 outlets. The deal was abandoned after the Namibian Competition Commission (NaCC) imposed local ownership conditions. By the end of 2010, Malawi, Swaziland, Tanzania and Zambia granted approval to the Walmart deal while South Africa's Competition Tribunal approved the proposed deal with minimal conditions on 31 May 2011. Walmart informed the NaCC of its intentions to buy Massmart on 26 November 2010. On 9 February 2011, the NaCC approved the merger provided four conditions were met: 1) the merger should allow for local participation in order to increase ownership stakes of historically disadvantaged persons; 2) there should be no employment losses as a result of the merger; 3) the merger should not create harmful effects on competition that may give rise to the risk of the market becoming foreclosed to competitors, especially small and medium enterprises; and 4) the Minister of Trade and Industry is required to approve the transaction in terms of the Section 3(4) of the Foreign Investment Act 1990. Walmart launched an urgent High Court application in Windhoek challenging the conditions and on 28 April the High Court found in its favour declaring the NaCC's conditions "unlawful and invalid". In particular, the High Court found that the first condition was in conflict with Section 3 (3) of the Foreign Investment Act which provides that "no foreign national shall be required to provide for the participation of the Government or any Namibian as shareholder or as partner in such business or for the transfer of such business to the Government or any Namibian." However, on 16 September 2011, the NaCC filed an appeal with the Namibian Supreme Court which, on 4 November, ruled that the conditions imposed on the deal should be reinstated and giving the Minister of Trade and Industry four months to review the conditions. In December 2011, the NaCC held a public hearing at which testimonies were heard about likely negative impact on the economy of the deal. The Minister of Trade and Industry delivered his revised conditions on 5 March 2012 insisting that Walmart refrain from any retrenchments for a two year period, allow the Namibian Food and Allied Workers Union (NAFAU) to bargain on behalf of the workers during these two years, establish a programme to develop local suppliers with 12 months and prioritise small undertakings, in particular those owned or controlled by historically disadvantaged persons.

4.7 Black Economic Empowerment

At Independence, the new SWAPO Government was confronted with having to change a society and an economy that had been racially distorted as a result of more than a century of colonial rule and apartheid policies. Many senior SWAPO leaders had lived in exile in countries where they experienced at first hand a great variety of political and economic systems including policies aimed at Africanisation and indigenisation. SWAPO signed up to the Constitution including Article 16, which guaranteed private property rights and allowed expropriation in the public interest only if market-related compensation was paid. At the same time the world was changing as the process of globalisation gathered speed and the Soviet Union and Soviet-style communism collapsed. All this helped colour SWAPO's policies towards what would become known in South Africa after the first democratic elections in 1994 as Black Economic Empowerment or BEE which seeks to bring a measure of economic redress to historically disadvantaged citizens. The term became widely used in Namibia during the run-up to the publication of the report of the Black Economic Empowerment Commission in South Africa in 1999.

Despite implementing plenty of policies to help the disadvantaged black majority from the word go, the SWAPO Party and Government has struggled to come up with a coherent and acceptable policy to promote black business ownership. Work first stated 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. However, as time went on some leading personalities in SWAPO, and in particular the Prime Minister, were not convinced the South African example was the path to follow as it appeared to make billionaires out of the privileged few (the "black diamonds") often at the expense of the impoverished masses. 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 tabled a much simplified version called the New Equitable Economic Empowerment Framework (NEEEF) in Parliament.

The philosophy behind the NEEEF was that Government would use all legal forms of leverage at its disposal (such as public procurement and licencing) to encourage firms to bring previously disadvantaged Namibian shareholders on board, to train and promote them into senior management positions, to use procurement to stimulate more local business, and to promote the well-being of the communities in which they operate. Companies wanting to do business with Government or requiring licences from Government would have to be scored on each of NEEEF's five pillars, three of which are mandatory (Ownership, Management Control and Employment Equity, and Human Resources and Skills Development), and reach a minimum score of 50 points. Under-performance in any pillar can be compensated by over-performance in others.

The hope is that this will lead to broad-based benefits for employees, SMEs and communities as well as shareholders. Furthermore, the ownership pillar adopts the "once empowered always empowered principle" meaning that a company will continue to receive recognition for an empowerment shareholding even if its empowerment shareholders later sell out to shareholders who are not previously disadvantaged Namibians. Government retains the right to come in as an empowerment partner. There will be no financial penalty for failure to comply but companies failing to do so will be in a much weaker position to receive contracts or licences from Government and the public sector in general. The NEEEF will be in force for 25 years once its starting date has been determined.

The NEEEF document envisages the creation of a Commission for Equitable Economic Empowerment which will rate firms and report to Parliament on progress. However, if past experience is anything to go by, it could take several years for the envisaged legislation to pass through Parliament and several years more to set up the institutional framework to implement the NEEF. By way of comparison, Namibia's (far less contentious) Competition Act was passed in 2003 but the Competition Commission was only formally launched in December 2009. At the end of 2012, Nahas Angula was replaced as Prime Minister by Hage Geingob in the aftermath of SWAPO's Extraordinary Congress. While it probably gives a good indication of what many politicians would regard as the minimum requirement on ownership, a generation after Independence the NEEEF is unlikely to be the last word on empowerment policy in Namibia.

There is a strand of thought that believes certain powerful interests, who are happy to operate "under the radar screen", see no advantage in empowerment being carried out in the open like this. Many foreign investors would see something like the NEEEF as a welcome clarification of their responsibilities, saving them having to deal with ad hoc requirements

Box 10: Summarised NEEEF Scorecard

If introduced, companies tendering for Government and SOE contracts or applying for licences must receive NEEEF rating from the NEEEF Commission. This rating consists of a score out of 100. A total of 20 points are available for each of the five empowerment pillars listed below. Companies must score a minimum of 10 points in the three mandatory pillars of ownership, management and control, and skills development. Companies must score at least 50 points out of 100 to be considered empowered.

Summarised NEEEF Scorecard

Pillar	Minimum	Maximum
Ownership - mandatory A business will score a minimum of 10 points if it is 25% owned by previously disadvantaged Namibians. For every additional 7.5% owned by previously disadvantaged Namibians, a business will score 1 additional point up to a maximum of 100% giving a total of 20 points.	25% ownership	100% ownership
Management Control and Employment Equity – mandatory A business will score a minimum of 10 points if its combined board and top management structures are 50% filled by previously disadvantaged Namibians. For every additional 10%, a business will score 2 additional points up to a maximum of 100% giving a total of 20 points.	50% board and management	100% board and management
Human Resources and Skills Development– mandatory A business will score a minimum of 10 points for devoting the equivalent of 1.5% of its gross wages to training. For every additional 0.1% of gross wages spent on training, a business will score 2 additional points up to a maximum of 2% of gross wages giving a total of 20 points.	1.5% of gross wages	2% of gross wages
Entrepreneurship Development A business will score points in proportion to the value of its procurement spending allocated to businesses owned by previously disadvantaged Namibians up to a maximum of 50%. Additional points may be made available for other support given to businesses owned by previously disadvantaged Namibians including mentorship programmes, joint ventures, market access and other initiatives. The points awarded for such initiatives will be based on more detailed criteria laid down by the NEEEF Commission.	0% of procurement	50% of procurement
Community Investment A business will score a minimum of 10 points for devoting 1% of after-tax profits to community investment. For every additional 0.2% spent on community investment, a business will score 2 additional points up to a maximum of 2% of after-tax profits giving a total of 20 points. Businesses will be rewarded for establishing operations in depressed communities. More detailed criteria will be laid down by the NEEEF Commission.	1% of after-tax profits	2% of after-tax profits

not based on law or policy. However, competing interests inside and outside Government mean that investors may end up having to deal with Government, opportunistic individuals, workforces and communities on empowerment issues.

4.8 The Environment

Namibia's Constitution includes provisions designed to protect the country's precious natural environment. Under Article 95 Promotion of the Welfare of the People, the Namibian Constitution states the following:

"The State shall actively promote and maintain the welfare of the people by adopting, *inter alia*, policies aimed at the following:
(l) maintenance of ecosystems, essential ecological processes and biological diversity of Namibia and utilisation of living natural resources on a sustainable basis for the benefit of all Namibians, both present and future; in particular, the Government shall provide measures against the dumping or recycling of foreign nuclear and toxic waste on Namibian territory."

The Environmental Management Act of 2007 flowed from this Constitutional requirement and makes provision for the post of Environmental Commissioner. The Act requires that State projects deemed to have a significant environmental impact must have Environmental Plans in place and must receive Environmental Clearance Certificates (ECCs). The Act also gives the Minister the task of listing activities which may not be undertaken without and Environmental Clearance Certificate. The cost of producing the environmental assessment required for a Clearance Certificate falls on the applicant (Section 35 (1) (a) (i)). The role of the Environmental Commissioner is as follows:

1. advise organs of state on the preparation of environmental plans;
2. receive and record applications for environmental clearance certificates;
3. determine whether a listed activity requires an assessment;
4. determine the scope, procedure and methods of an assessment;
5. review the assessment report in accordance with this Act;
6. issue environmental clearance certificates in terms of this Act;
7. maintain a register of environmental assessments undertaken in terms of this Act;
8. maintain a register of environmental clearance certificates issued and environmental plans approved in terms of this Act;
9. conduct inspections for monitoring compliance with this Act; and
10. perform any other duty or function which the Minister may assign or prescribe.

The Environmental Commissioner is a non-voting ex officio member of the Sustainable Development Advisory Council which promotes coordination between governmental and non-governmental organisations and advises the Minister of Environment and Tourism on a range of environmental issues.

Section 5: Opportunities by Sector

5.1 Agriculture

- Large land mass
- World-class export-oriented commercial farming sector
- Thriving organic beef industry which meets EU and other international standards
- World-class table grape industry serving the EU market
- Government encouragement for domestic production, import substitution, agro-processing and value addition
- Infant Industry Protection available
- Land ownership by foreign investors tightly regulated

The two main factors which determine agricultural productivity in Namibia are climate and land tenure. Namibia covers an area of 824,000 square kilometres and is bounded by two major deserts, the Namib along the west coast and the Kalahari along the eastern border with Botswana. The only perennial rivers are found at the country's eastern borders: the Orange River on the southern border with South Africa, and the Kunene, Okavango, Kwando and Zambezi rivers on the northern borders with Angola, Zambia, Zimbabwe and Botswana. Namibia is the most arid country south of the Sahara Desert with low average and highly variable rainfall. Drought is always a possibility and the lack of water is an ever-present constraint in most parts of the country.

This climate means that the potential for arable agriculture is generally limited to the north of the country, where water is less scarce, and along the Orange River on its southern border. In the central regions, agricultural potential is confined to livestock farming while in the more arid south only extensive sheep and goat farming is possible without irrigation.

The issue of land ownership and land tenure is particularly sensitive given Namibia's history of colonial land dispossession in the central and southern parts of the country. Historically, Namibia's agriculture sector has been divided according to land tenure systems. Approximately 41% of Namibia's land area, mainly in the north, consists of communal tenure farms operated by family units on land to which they have user rights but no title. Another 44% of the total land area is made up of commercial farms operated by individuals who hold title to the land, mainly in the centre and south. A veterinary cordon fence, necessary for livestock disease control but at the same time symbolic of colonial rule, divides the northern communal regions from the rest of Namibia north of Tsumeb. The Agricultural (Commercial) Land Reform Act of 1995 provides the legal framework for commercial farmland. Part VI of the Act deals with ownership of land by foreign nationals. Foreign nationals are prohibited from owning commercial farmland without special permission from the Minister of Lands.

To address the issue of skewed land ownership arising from colonial policies in the pre-Independence period, the Government has pursued a two-pronged land reform strategy. It has introduced a subsidised loan scheme through the state-owned Agribank to help black

Namibians buy commercial farmland and it has bought commercial farmland itself for redistribution to landless Namibians where resettled families obtain a 99-year lease for specified sections of individual commercial farms.

The mainstay of the country's agricultural industry has long been a thriving livestock industry based on extensive ranching and centred on the country's 4,000 or so commercial farms. Cattle, sheep and goats are slaughtered in Namibia and also exported "on the hoof" to South Africa and elsewhere. The main slaughtering operation is Meatco, a cooperative organisation established in 1982 whose ownership status has been the subject of much discussion and controversy in recent years. Meatco operates five abattoirs, two of which (in Windhoek and Okahandja) meet EU standards and form the basis for the lucrative export of beef to the EU under a preferential quota system. In the past, the UK has been a major destination for Namibian beef. Namibia's meat regulator, the Meat Board of Namibia, has tried to market Namibian beef under its Farm Assured Namibia (FAN) arrangement which emphasises the organic nature of Namibian meat cuts. A number of other privately owned abattoirs have sprung up in recent years, including Brukarros Meat Processors in Mariental, Farmers Meat Market in Mariental, Nature Namibian Meat Producers in Aranos and Witvlei Meat in Witvlei. Since 2004, the Government has tried to discourage the export of live animals by introducing an export levy on cattle, sheep and goats but this has met with considerable resistance from farmers. Beef exports to the EU totalled N$300 million in 2011. The production of ostrich meat boomed in the late 1990s before fizzling out while the production of game, such as kudu, oryx and springbok, has increased as many farmers move away from traditional livestock farming to a more diversified portfolio of tourism-related activities.

Since the mid-1990s, the production of table grapes has become a significant addition to Namibia's traditional export-oriented livestock industry, led by foreign investors from South Africa and Holland. Thanks to very specific climatic conditions, table grapes grown on the banks of the Orange River enjoy a premium in European markets because of their availability in early November, a month ahead of any southern hemisphere competition. Eight companies operate under the Grape Valley Management Company. Namibian grape exporters enjoy a rebate of between 17.5% and 19% on grape exports to the EU although this may be put in jeopardy in the absence of an Economic Partnership Agreement (EPA), which will hamper duty and quota free access to the EU after October 2014. Namibian grapes have been approved by the US. Grape exports to the EU totalled N$300 million in 2013. Namibia's growers currently supply Tesco, Sainsbury's, and Marks & Spencer.

Small quantities of maize and wheat have been grown in Namibia on a commercial basis, mainly in the "maize triangle" near Tsumeb, Otavi and Grootfontein, adding to the maize and millet grown for own consumption that are the staples of small-holder farmers in the communal areas. Namibia has long been a net importer of staple grains, sourcing not only from South Africa but much further afield once domestic supply has been exhausted and import restrictions have been lifted. This is regulated by the Namibian Agronomic Board.

Historically, retailers in Namibia have imported the overwhelming portion of fresh fruit and vegetables from South Africa. This led the Government to introduce the National

Horticulture Development Initiative (NHDI) in 2004 designed to stimulate the development of a sustainable horticulture sector in Namibia. The NHDI seems to have succeeded in increasing the availability of domestically produced fruit and vegetables without imposing undue costs on Namibian consumers.

In 2003, the Government embarked on an initiative to promote large-scale irrigation to boost the production of staple grains as well as fruit and vegetables called the Green Scheme. The idea was to partner up small producers with larger commercial farmers and foreign investors as well as to bring large tracts of communal land into production. Several state-owned farms have participated in the initiative, some with private sector partners. However, progress was limited and the Green Scheme policy was revised in 2009. The aim remains to attract commercial producers and foreign investors.

Since the 1920s, Namibia has been one of the few countries in the world with a karakul sheep industry (the other main producing country being Afghanistan). Specially bred karakul sheep are slaughtered at birth and their pelts sold at auctions, mainly in Europe. Namibia's karakul industry, which was the largest in the world, went into steep decline in the years immediately after Independence as international demand for natural skins all but collapsed and lower cost producers took Namibian market share. However, the industry has experienced something of a resurgence during the past decade, defying pressure from animal rights campaigners.

Several other developments in Namibia's agriculture sector are worthy of note. In 2009, Ohlthaver & List, a local conglomerate and owner of the country's largest dairy producer Namibia Dairies, established the N$80 million !Aimab "super farm" near Mariental. The farm uses the latest technology and dairy techniques to produce milk for domestic consumption, including the production of UHT milk (which enjoys infant industry protection until 2014) and a variety of other dairy products.

In 2011, Namibia Poultry Industries, a subsidiary of Namib Mills International, started construction of a N$500 million chicken broiler designed to produce fresh, frozen, and value-added chicken products for the domestic market. Historically, Namibia has imported most of the chicken it consumes from South Africa and South America but average consumption appears low compared to neighbouring countries.

Namibia has also experimented with a range of non-traditional products. One example is the Al Dahra Agricultural Company from the United Arab Emirates which joined forces with the Namibia Development Corporation in 2008 to promote a N$140 million project to produce dates on a commercial scale at Naute Farm 40 kilometres south of Keetmanshoop.

Key Policies and Legislation

Agricultural (Commercial) Land Reform Act 1995

Communal Land Reform Act 2002

Green Scheme Policy 2009

Hangana's state-of-the-art onshore fish processing facility in Walvis Bay

5.2 Fisheries

- Internationally acclaimed system of fisheries management
- Encouragement of onshore processing and value addition
- Encouragement of market diversification

Namibia's N$6.5 billion sea fishing industry is based mainly on its 1,500km coastline which has exceptionally high biological productivity thanks to the upwelling of nutrients arising from the Benguela Current. The Territorial Sea and Exclusive Economic Zone of Namibia Act, which established Namibia's 200 nautical mile Exclusive Economic Zone (EEZ) in accordance with international law, was one of the first pieces of legislation passed by Namibia's new Parliament in 1990. The fishing industry is centred on the coastal towns of Walvis Bay and Lüderitz. This was followed by the Sea Fisheries Act, which was replaced in 2000 by the Marine Resources Act. Inland fisheries are governed by the Inland Fisheries Resources Act while Namibia's aquaculture industry is governed by the Aquaculture Act.

Namibia's fishing policy and legislation makes provision for the allocation of rights by the Minister of Fisheries and Marine Resources to qualifying companies and individuals for the following range of marine species:

Small and large pelagic fish – primarily pilchard, tuna and tuna-like species albacore
Midwater fish – primarily horse mackerel and juvenile hake
Demersal fish – primarily hake and monkfish
Deep sea fish – primarily orange roughy
Crustaceans – primarily rock lobster and deep-sea red crab
Other marine resources – primarily mullets, cape fur seals, guano, oysters and seaweed

Fishing rights are allocated for periods of seven, ten, 15 and 20 years, preference being given to those applicants that meet key criteria on Namibianisation, employment creation

Total Allowable Catches 2008-2012

Species	2008	2009	2010	2011	2012
Pilchard	15,000	17,000	25,000	25,000	31,000
Hake	130,000	135,500	140,000	180,000	170,000
Horse mackerel	230,000	230,000	247,000	310,000	320,000
Crab	2,500	2,700	2,700	2,850	3,100
Rock lobster	350	350	350	275	350
Orange roughy*	900	0	0	0	0
Monk	9,500	8,500	9,000	13,000	14,000

** three year moratorium*
Source: Ministry of Fisheries and Marine Resources

and value addition. Quotas are then allocated to right holders every year following the setting of an annual Total Allowable Catch (TAC) for each regulated species by the Minister through the Marine Resources Advisory Council. This is based on the Ministry's scientists' best estimate of available biomass combined with data on catches from the fishing fleet. Namibian Fisheries Ministers have a proud track record of basing decisions on scientific evidence and resisting pressure from industry to take popular decisions, which may not be best in the long-term. Catches are regulated by on-board and on-shore fisheries inspectors as well as the Ministry's two patrol vessels and fixed wing aircraft. The Ministry completed the process of allocating new ten-year fishing rights at the end of 2011. Government has been particularly keen to encourage value addition to create jobs onshore and to ensure the fishing industry supports development in Lüderitz, and not only in more diversified and developed Walvis Bay.

Foreign investors play a critical role in Namibia's fishing industry. Spanish investors are particularly important in the hake industry because Spain is such a significant consumer of hake. Government also plays a direct role in the industry through the state-owned company Fishcor and its subsidiaries Seaflower Lobster and Seaflower White Fish. Since the Namibian population is small and (despite Government's best efforts to encourage the eating of fish) mostly carnivorous, the fishing industry is focussed almost entirely on export markets mainly in Europe (where Namibian fish enjoys preferential access) but also in South Africa, West Africa (the destination for much of the horse mackerel) and Japan and the Far East (for crustaceans and seaweed). Some major players in the industry are not in fact right holders themselves but fish or process on behalf of right holders.

Key Policies and Legislation
- White Paper on the Responsible Management of the Inland Fisheries of Namibia 1995
- Marine Resources Act 2000
- Aquaculture Policy 2001
- Aquaculture Act 2002
- Inland Fisheries Resources Act 2003
- Namibia's Marine Resources Policy: Towards Responsible Development and Management of the Marine Resources Sector 2004

5.3 Mining

- World-class deposits
- Presence of world-class mining companies from all over the world
- Thriving exploration environment
- Professional Geological Survey
- Stable and tested investment climate
- Attractive tax regime
- Active and powerful Chamber of Mines
- Uncertainty over environmental regulations, BEE and state intervention

Mining has historically formed the backbone of the Namibian economy. The oldest written accounts of Namibia's mineral resources can be found in the diaries of Hendrik Hop who travelled to southern Namibia in 1761. The Walvisch Bay Mining Company established a copper mining operation at Matchless Mine, west of Windhoek in 1856. However, Namibia only really established itself on the world's mining scene following the commencement of copper mining in the Otavi mountainland by the Otavi Minen und Eisenbahn Gesellschaft (OMEG) in 1906. This was followed by the spectacular discovery of diamonds at Kolmanskop near Lüderitz on the southern coast in 1908.

Today, Namibia's mining industry is based on world-class deposits of diamonds and uranium, and hosts world-class companies from all over the world, including the UK. Namdeb, a 50:50 joint venture formed in 1994 between the Namibian Government and De Beers, forms the mainstay of the diamond mining industry. In 2012, Namibia was the world's sixth largest producer of rough diamonds by value with the highest value per carat of all major producers. Namibia is currently the fifth largest producer of uranium oxide after Kazakhstan, Canada, Australia and Niger accounting for about seven percent of the world's production of primary produced uranium oxide. Rössing Uranium, majority owned by London-listed Rio Tinto, which has operated Rössing mine since the mid-1970s, produced 4% of the world's uranium oxide production in 2012. Skorpion Zinc, acquired by London-listed Vedanta from Anglo-American, is the world's tenth largest zinc mine. London-listed Weatherly Mining has recently reactivated Otjihase and Matchless copper mines in Namibia and is building a new open-cast mine at Tschudi, near Tsumeb.

Rössing Uranium Mine

The industry is regulated by the Minerals

(Prospecting and Mining) Act of 1992 through the Office of the Mining Commissioner in the Ministry of Mines and Energy. A professional Geological Survey of Namibia exists to promote exploration and provide high-quality survey data to mining companies. A Minerals Development Fund of Namibia was established in 1996 using funds provided by Europe's Sysmin arrangement and is regulated by the Minerals Development Fund of Namibia Act of 1996. The Diamond Act was passed by Parliament in 1999 to cover the diamond mining sector and foster a diamond cutting and polishing industry. Mining taxation changed from being formula-based to a flat 37.5% rate in 2000, a change which did not apply to diamonds. The Minerals Act was amended in 2008 to make provision for the introduction of mining royalties of up to 5% of gross sales. Namibia was overwhelmed by the rush for new uranium exploration licences and declared a moratorium on the issuing of new licences in February 2007, which by the beginning of 2014 had not been lifted.

Government established a state-owned mining company Epangelo in 2009. In 2011, Cabinet decided to declare diamonds, uranium, gold, copper, coal, and rare earth minerals "strategic minerals" and stipulated that henceforth, new exploration licences for these minerals would be issued exclusively to Epangelo (meaning "government" in Oshiwambo) which would be encouraged to team up with private investors.

A number of important tax amendments were introduced in the second half of 2011 but only two appear to have ended up being implemented: a levy on unprocessed mineral exports capped at 2% and a 25% withholding tax on services. A further range of new environmental taxes are also being introduced. These are not specific to the mining industry but are likely to be particularly important in an energy and vehicle intensive industry.

Foreign investors play a critical role in Namibia's mining industry, bringing the capital and expertise necessary to search for, build and operate operations that are almost exclusively geared to supplying international commodity markets. Mining in Namibia generally consists of sophisticated operations employing world-class technology and working to the highest of safety standards. Mining investors are increasingly expected to put up much of the infrastructure they require and act as good corporate citizens. Most of the larger mines belong to the Chamber of Mines of Namibia, which represents them in discussions with Government. The Chamber has played a leading role in promoting mine safety and developing common environmental and mine closure standards within the industry. Through

Box 11: Mining taxation

Mining profits tax	37.5%
Mining royalty tax	2-3%
Dimension stone royalty tax	5%
Diamond profits tax	50% (+10% surcharge)
Diamond royalty tax	10%
Export levy	up to 2% for unprocessed minerals
Withholding tax	25% on non-resident consulting

Exploration expenses can be written off in the year expensed
Investment expenses can be depreciated over three years

the establishment of the Uranium Stewardship Committee, the Chamber is also leading an initiative to promote a Namibian uranium "brand".

In recent years Namibia has attracted significant interest from exploration companies listed on Canada's Toronto Stock Exchange (TSX), Sydney's Australian Stock Exchange (ASX), and London's Alternative Investment Market (AIM) and has generally received favourable ratings from Canada's Fraser Institute (see box). Government has responded to pressure for more "resource nationalism" in a pragmatic way, eschewing outright nationalisation but introducing royalty taxes and creating Epangelo, encouraging joint ventures such as Namdeb, and bringing on board local partners such as Evi Mining in the case of the Otjikoto Gold project. Several foreign companies have chosen to dual list on the Namibian Stock Exchange (NSX). The last few years have seen a good deal of change in the industry ranging from the dramatic halving of employee numbers by Namdeb to the purchase of Skorpion and Rosh Pinah by UK-listed Vedanta and Glencore respectively. AngloGold Ashanti's Navachab mine is due to be sold to QKR, a privately held company based in the UK. A number of new operations are likely to commence production in the coming years following the granting of mining licences to Swakop Uranium (Husab uranium mine), AuryxGold (Otjikoto gold mine), Deep Yellow (Shiyela iron ore mine), Zhonghe Resources (uranium), LL Namibia Phosphates (offshore) and Namibian Marine Phosphate (offshore).

Box 12: Namibia's Mining Policy Environment

The first ten years or so following Independence saw Namibia establish a competitive and stable investment environment in a global economy where commodity prices were generally low. Over the next decade, which saw significant rises in commodity prices, Government introduced a wide range of changes – on taxation, on strategic minerals, on state ownership, on BEE – in a rather ill-considered way that at one point threatened to tarnish Namibia's good reputation. Failure to deliver on new power and water supply projects has also contributed to Namibia's poor mining investment climate. The drop in Namibia's position in the Fraser Institute Rankings on Policy Potential Index from 30th in 2010/11 to 45th in 2011/12 suggested that investors had reacted badly to all the uncertainty created by sudden changes in Government policy. However, Namibia's ranking rose again the following year to 30th out of 96 jurisdictions suggesting the period of policy uncertainty involving strategic minerals and taxation had not caused lasting damage.

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Policy Potential							
Namibia	n/a	33	34	37	30	45	30
South Africa	53	50	49	61	67	54	64
Botswana	38	11	18	21	14	17	17
Mineral Potential							
Namibia	n/a	12	40	24	29	44	35
South Africa	57	45	44	45	66	62	77
Botswana	32	14	17	7	7	1	16
Jurisdictions	65	68	71	72	79	93	96

Key Policies and Legislation
Minerals (Prospecting and Mining) Act 1992
Minerals Development Fund of Namibia Act 1996
Diamond Act 1999
Minerals Policy 2003
Environmental Management Act 2007
Minerals (Prospecting and Mining) Amendment Act 2008

Key Websites

Chamber of Mines of Namibia	www.chamberofmines.org.na
Ministry of Mines and Energy	www.mme.gov.na

Operation	Minerals	Company	Country
Trekkopje*	Uranium oxide	AREVA Resources	France
Atlantic 1 (on behalf of Namdeb)	Rough diamonds	Debmarine Namibia	Namibia-UK
Langer Heinrich	Uranium oxide	Paladin Energy	Australia
Husab	Uranium oxide	China General Nuclear Power Company	China
Mining Area 1 Elizabeth Bay Daberas Orange River	Rough diamonds	Namdeb	Namibia-UK
Navachab**	Gold	AngloGold Ashanti	South Africa
Okorusu Fluorspar	Acid grade fluorspar	Solvay	Belgium
Rosh Pinah	Zinc and lead	Glencore	UK
Rössing Uranium	Uranium oxide	Rio Tinto	UK
Sakawe Mining Corporation	Phosphate	Lev Leviev	Israel
Salt & Chemicals	Salt products	NCP	South Africa
Skorpion Zinc	SHG zinc	Vedanta	India (UK-listed)
Salt Company	Salt products	Salt Company	Namibia
Otjihase and Matchless	Copper concentrate	Weatherly International	UK

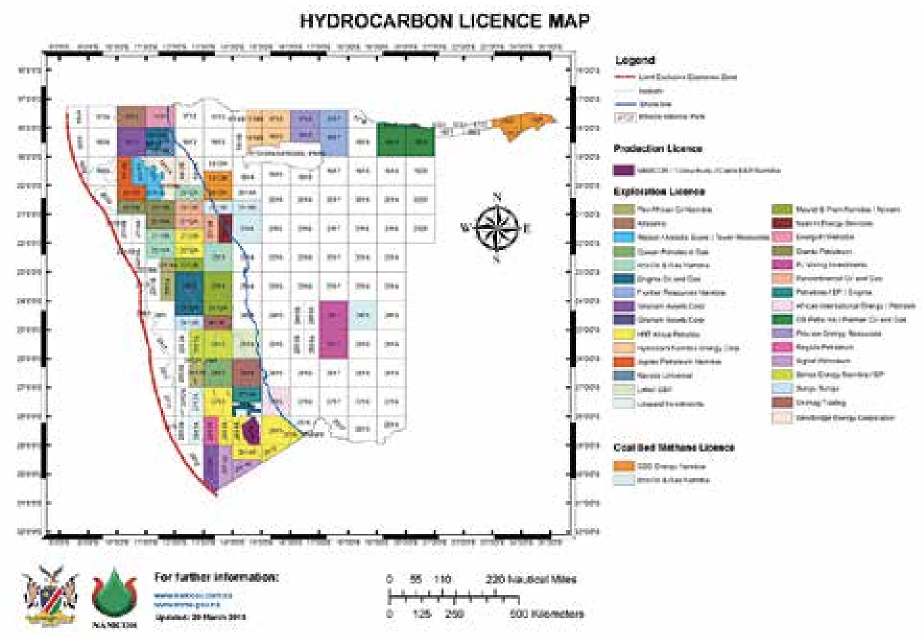
*mothballed
** being sold to QKR

5.4 Oil and Gas

- Gas resources identified
- Largely unexplored offshore resources
- Oil majors showing interest
- Stable investment climate
- Increasing amounts of exploration data available

Gas was first discovered off the Namibian coast in 1974 by Chevron. The Kudu gas field has been the object of significant exploration work ever since. Post-independence, Shell took the lead but sold the project in 1997 to Energy Africa, later bought by UK-listed Tullow Oil. Seven wells have been drilled confirming a resource of 1.3 trillion cubic feet of gas. The gas resource is currently being developed by a consortium including Tullow Oil, Namcor and Nampower as the Kudu gas-to-power project which will see the gas piped to Oranjemund where it will drive a planned 800MW combined cycle gas turbine to generate electricity for markets in Namibia and the Southern African region.

The Petroleum (Exploration and Production) Act was passed in 1991 paving the way for exploration licences to be granted. Namibia adopted a system of licencing rounds and the first two in 1991 and 1995 attracted several big players including Norsk Hydro, Ranger, Sasol, Chevron and Shell/Texaco. However, following the drilling of six wells interest waned and no bids were received in the third licencing round in 1999. Government then moved to an open round system allowing interested parties to bid for licence blocks at any time. In recent years,



An enlarged version of this map is on page 96

Namibia has succeeded in attracting a range of smaller newer exploration companies which have expanded the amount of data available by conducting seismic surveys, including 3-D surveys, where the technology is also rapidly improving and becoming more affordable. This, added to the less conventional method of looking at oil seepages, has allowed companies to home in on more prospective licence areas. The increasing presence of bigger and more credible players, both as direct licence holders such as HRT or through farm-out agreements such as Chariot's with Petrobras, PGS and BP, hints at the fact that, as in the mining industry, juniors are starting to play an increasingly important role in attracting back the oil majors. By the end of 2011, all offshore exploration blocks had been allocated to a range of exploration companies from many parts of the world, including the UK.

Oil and Gas Licence Holders

Licence holder	Listing
Chariot Oil & Gas	AIM
Eco Oil & Gas	NSX
EnerGulf Resources	TSX
HRT	Sao Paolo
Hydrocarb	None
Pancontinental Oil & Gas	ASX
Serica Energy	AIM
Tower Resources	AIM
Tullow Oil	LSE

Key Websites

Chamber of Mines of Namibia	www.chamberofmines.org.na
Ministry of Mines and Energy	www.mme.gov.na
NAMCOR	www.namcor.com.na

5.5 Manufacturing

- Advantageous location between South Africa and Angola
- Attractive tax incentives
- Growing market access within Southern Africa
- Infant Industry Protection available
- New SACU industrial policy to be implemented

The Namibian Government has long placed special emphasis on the manufacturing sector believing it has a crucial role to play in achieving Vision 2030 and the objective of becoming an industrialised economy. However, because it was believed Namibia possessed few inherent advantages in manufacturing and was doubly disadvantaged by membership of the Southern African Customs Union (SACU) and its location far from major markets, Government has over the years offered a variety of mostly tax-based incentives in order to "level the playing field".

Since their introduction, Namibia's tax incentives have undergone several changes over the years culminating in fundamental reform and simplification in 2003 when the corporate tax rate for registered manufacturers was reduced to 18% for ten years, half that for other companies. The table summarises the tax incentives for manufacturers, exporters of manufactured goods and EPZ enterprises following those changes.

Namibia's Export Processing Zone scheme was introduced with the passing of the Export Processing Zone Act in 1995. The scheme applies to companies exporting 70% or more outside SACU and is not limited to particular locations. The Act also created the Offshore Development Company (ODC), the aim of which was to provide dedicated industrial parks for EPZ companies. By the end of 2013, there were some 20 EPZ companies in operation, most of which are closely linked to minerals beneficiation, including Namzinc (which produces Special High Grade zinc at Skorpion zinc mine), Namibia Custom Smelters (which

Summary of Special Incentives*

Type of incentive	Registered manufacturers	Registered exporters	EPZ enterprises
Corporate tax	Set at a rate of 18% for a period of 10 years, thereafter the prevailing general rate	80% allowance on income derived from qualified exports	Exempt
VAT	Exemption on purchase and import of manufacturing machinery and equipment	Normal treatment	Exempt
Stamp and transfer duty	Normal treatment	Normal treatment	Exempt
Creation of tax package	Negotiable rates and terms by special tax package	Not eligible	Not eligible
Special building allowance	Factory buildings written off at 20% in first year and balance at 8% for 10 years	Not eligible	No applicable
Transport allowance	Allowance for land-based transportation by road or rail of 25% deduction from total cost	Not eligible	Not applicable
Export promotion allowance	Additional deduction from taxable income of 25%	Not eligible	Not applicable
Incentive for training	Additional deduction from taxable income of between 25% and 75%	Not eligible	Not applicable
Industrial studies	Available at 50% of cost	Not eligible	Not eligible
Cash grants	50% of direct cost of approved export promotion activities	Not eligible	Not eligible

**taken from the Namibia Investor Roadmap, The Services Group, January 2006*

Production of special high-grade zinc ingots at Skorpion Zinc Mine

produces blister copper from imported copper concentrates) and a variety of diamond cutting and polishing operations (which cut and polish locally and internationally sources rough diamonds). EPZ incentives have been criticised as being too generous (there is no time limit on the non-payment of corporate profits tax for instance) and the Minister of Finance has announced her intention to reform them.

Although tax incentives have been justified partly to compensate for locational disadvantages, Namibia's location (between Southern Africa's major markets of South Africa and Angola) and access to the sea are steadily becoming viewed as significant advantages. Government's long-term strategy has been to improve port, road and rail access to the wider Southern African region and negotiate improved market access internationally.

Namibia's manufacturing sector is focussed on meat and fish processing (based on its livestock, dairy and fishing industries), adding value to mineral products, and its internationally recognised beers and drinks produced by Namibia Breweries, jointly owned by the local Ohlthaver & List group, UK-listed Diageo and Heineken. The success of Namibia Breweries finally provoked long-time rival, international behemoth SABMiller, to announce it was to invest N$250 million in a new brewery in 2009. Construction, however, has been delayed by planning issues. Foreign investors play a critical role in the manufacturing sector. In February 2011, Germany's Schwenk group inaugurated a state-of-the-art 700,000 tonne a year cement plant designed to supply both the domestic market and southern Angola and parts of Zambia, Botswana and DRC with cement.

Key Policies and Legislation
Export Processing Zone Act 1995
Namibia's Industrial Policy 2012

The Van Eck coal-fired power station in Windhoek

5.6 Electricity

- Massive investment required to address import dependence
- Investment in generating and transmission capacity needed
- Integral part of the Southern African Power Pool
- Potential for renewable energy
- Sound regulatory environment

Namibia's electricity sector has historically been dominated by the state-owned power utility NamPower which was responsible for power generation, transmission and distribution. Following the 1998 White Paper on Energy and the passing of the Electricity Act in 2000, an Electricity Control Board (ECB) operating at arms length from the Ministry of Mines and Energy was established in 2000 to regulate supply and pricing in the industry. Five Regional Electricity Distributors (REDs) were created to take a large part of the country's distribution system out of the hands of NamPower and local authorities. In line with international trends, the new framework regulated by the ECB envisaged a situation where multiple generators, including Independent Power Producers (IPPs), competed to supply power to the national grid for distribution in urban areas to REDs. At the same time, Namibia has been a leading player in a bid to further integrate the Southern African region's electricity supply network through the Southern African Power Pool (SAPP).

Installed Generating Capacity

Power station	Type	Capacity
Ruacana	Hydroelectric	332MW
Van Eck	Coal-fired	120MW
Paratus	Diesel?HFO	12MW
Anixas	Diesel	23MW
Tsumkwe	Solar PV diesel hybrid	200kW

Source: NamPower

New Generating Projects

Project	Size (MW)	Capacity Factor	Earliest Implementation
Short-term Critical Supply	400MW approx.	Various combinations	Mid-2012
Kudu gas-to-power	800MW	Base load	2017/18
Baynes hydro power station	300MW	Mid merit (base load in rainy season)	2020/21

Source: NamPower

So far the desired creation of new generating capacity to meet Namibia's 75% domestic electricity generation target has failed to materialise. It had long been known that the power purchasing agreement with South Africa would end by 2007. However, the situation in South Africa itself has changed dramatically. From a situation of overcapacity, thanks to huge investment in coal-fired power stations under apartheid, faster than expected growth and an uncertain investment framework means South Africa itself is starting to face power shortages. NamPower's solution has been to invest in new generating and transmission capacity and to buy power from Zimbabwe's underused and old Hwange power station. However, so far this has yielded only limited results. Transmission capacity from South Africa was beefed up in the late 1990s and a new interconnector was completed in 2010 to link Namibia to Zambia and Zimbabwe. The new Anixas diesel power peaking plant was commissioned in March 2011 and a fourth turbine at the Ruacana hydroelectric power station has been installed. By the beginning of 2014, Namibia continued to face a dire shortage of electricity. According to NamPower MD Paulinus Shilamba, excess demand for electricity is expected to rise to 300MW by 2015 which he says will require N$14 billion in new investment to address. NamPower has received an investment grade credit rating by Fitch Ratings since 2006.

Having explored several options and prevaricated for years, NamPower's current plans involve investing in Kudu gas-to-power and the Baynes hydroelectric plant with Angola. Namibia has significant renewable energy resources, especially wind and solar resources, but so far these have not been exploited although the Electricity Control Board has issued conditional generating licences to three companies: UK-based Electrowind, Norway-based Innowind, and a Namibian company Diaz.

Key Policies and Legislation
White Paper on Energy 1998
Electricity Act 2000

Key Websites:

Electricity Control Board	www.ecb.org.na
Eskom	www.eskom.co.za
Ministry of Mines and Energy	www.mme.gov.na
NamPower	www.nampower.com.na
Southern African Power Pool	www.sapp.co.zw

A water pipeline to Paladin Energy's Langer Heinrich Uranium Mine

5.7 Water

- Politically sensitive issue
- Massive investment in desalination, dams and reticulation required
- Huge demand from growing mining sector
- Desire to see PPPs with state-owned NamWater
- Water pricing tightly regulated

Bulk water supply is dominated by state-owned utility NamWater, created in 1998 as a result of the Namibia Water Corporation Act of 1997. Prior to that, bulk water supply had been the responsibility of the Department of Water Affairs, which to this day remains in charge of rural water supply. The creation of a new parastatal company with a mandate to charge prices to cover costs was a radical step forward in a country where water is scarce and always a political hot potato. NamWater owns and operates 15 dams, 14 water supply networks and 16 water treatment plants. An inability to make profits (or even bring in the revenue due to it from its existing pricing structure) means NamWater's balance sheet has remained weak. NamWater is forced to look to central government and investment partners to carry out the investment required to fulfil its mandate.

From the beginning, NamWater was acutely aware of the need for more investment in water supply and reticulation. This was especially important at the coast given the dependence of Walvis Bay and Swakopmund on alluvial aquifers which were reaching their limits. NamWater opted to build a water desalination plant to solve the supply problem but the tender, which was awarded to Scottish firm Weir Westgarth, ran into problems. With the uranium boom and the need to provide vastly increased quantities of water in the Erongo Region for water intensive uranium operations, NamWater once again investigated water desalination as an option. A National Water Desalination Task Force was created in 2008 to speed up the effort but events were overtaken by French nuclear giant AREVA's need to supply water to its nearby Trekkopje uranium mine. AREVA went ahead and built a 20 million cubic metre per annum water desalination plant at Wlotzkasbaken, north of Swakopmund housed in a separate company – the Erongo Desalination Company (EDC) – which was inaugurated in March 2010. Trekkopje mine has been mothballed due to low uranium prices and the EDC was built in a way which allowed capacity to be increased to 40 million cubic metres per year. The obvious way forward would involve NamWater and the EDC acting together in some sort of Public Private Partnership (PPP). Although negotiations have been on-going, no agreement has yet been reached. A second major initiative is the construction of the country's first new dam since independence. In November 2011, Government awarded the tender to construct the N$2.8 billion Neckartal dam in the south of Namibia to an Italian company, Salini SpA. Construction started at the beginning of 2014. Namibia hosted its first Namibia Water Investment Conference in September 2012 to raise international public and private sector interest in investing in Namibia's water sector.

Key Websites:

NamWater	www.namwater.com.na

Construction workers busy working on site

5.8 Construction

- Massive public and private infrastructure requirements
- Well-developed construction industry
- Good building regulations
- Increasing amount of local building materials available
- Industry minimum wage

Namibia's construction industry has grown rapidly in the past decade as investment in buildings and other construction works has increased in real terms. Namibia's residential property sector has witnessed sustained growth since Independence. Construction accounted for 3.6% of GDP in 2012, compared to 2% in 2000, supported partly by the Government's ambitious Targetted Intervention Programme for Economic and Employment Growth (TIPEEG) launched in March 2011, the boom in uranium and other mining, and the possibility of the discovery of oil offshore.

As in many other sectors, the construction sector was traditionally the preserve of large South African construction companies. As in many other parts of Africa, the boom of the last decade has witnessed the entry of several state-owned Chinese construction companies successfully bidding not only for public but private construction contracts. Many local businesses complain of unfair competition, claiming Chinese companies do not adhere to labour laws.

Two arrangements not found in other sectors of the economy make Namibia's construction sector unusual. There is a sector-wide pension fund called the Namibia Building Workers

Box 13: Transparency International's Bribe Payers' Index

UK companies will be competing for trade and investment opportunities in Namibia with companies from all over the world. Since 1999, Transparency International has been compiling a Bribe Payers Index (BPI). The latest edition published in 2011 was based on a survey of over 3,000 senior business executives from companies in 28 developed and developing countries, chosen according to the volume of their imports and inflows of foreign direct investment. Of the 28 leading international and regional exporting countries selected, the Netherlands and Switzerland share first place while India, Mexico, China and Russia come last, the same as in 2008. Of these only Mexico, as an OECD country, has signed up to the OECD Anti-Bribery Convention. The latest survey also shows companies in public works contracts and construction, real estate and property development, oil and gas, heavy manufacturing and mining were seen to bribe officials most frequently.

Territory	2011 Score	2008 Score
Netherlands	8.8	8.7
Switzerland	8.8	8.7
Belgium	8.7	8.8
Germany	8.6	8.6
Japan	8.6	8.6
Australia	8.5	8.5
Canada	8.5	8.8
Singapore	8.3	8.1
United Kingdom	8.3	8.6
United States	8.1	8.1
France	8.0	8.1
Spain	8.0	7.9
South Korea	7.9	7.5
Brazil	7.7	7.4
Hong Kong	7.6	7.6
Italy	7.6	7.4
Malaysia	7.6	n/a
South Africa	7.6	7.5
Taiwan	7.5	7.5
India	7.5	6.8
Turkey	7.5	n/a
Saudi Arabia	7.4	n/a
Argentina	7.3	n/a
United Arab Emirates	7.3	n/a
Indonesia	7.1	n/a
Mexico	7.0	6.6
China	6.5	6.5
Russia	6.1	5.9

For more information see www.transparency.org

Pension Fund (NBWPF) designed to enable low-income construction workers to save for a pension. The construction sector is also one of only three industries in Namibia to be covered by minimum wage legislation. The latest wage rates, negotiated between the well-organised Construction Industry Federation (CIF), which represents most of the local industry, and the Metal and Allied Namibian Workers Union (MANWU), which applies across the industry, were gazetted in December 2013.

Key Websites

Construction Industry Federation www.cifnamibia.com

5.9 Retail Trade

- Booming retail industry
- Foreign visitors add to local demand
- Potential for new retail space
- Regulations on foreign participation in sector
- Encouragement to stock local products

Given its proximity and historical links to South Africa, it is no surprise that the larger end of Namibia's retail sector is dominated by major South African retailers selling everything from groceries to clothing and footwear. A walk through a Namibian shopping mall (of which there is a growing number) is a very similar experience to South Africa but offers more choice and better prices than in similarly sized towns in many African countries. Several local retail franchises can be found, such as Pupkewitz in DIY and car retailing, Woerman Brock and Model Pick n Pay in groceries, Weylandts in home furnishings, and Cymot in outdoor and camping gear. US retail giant WalMart has entered the sector through its acquisition of South Africa's Massmart which proved contentious [see Box 9 on page 56]. Locally-owned retail outlets are generally confined to small corner shops, liquor stores, hairdressers and shebeens. As elsewhere in Africa, relatively small Chinese retail outlets have sprung up all over the country (including the remotest of villages) selling cheap consumer goods.

Local unhappiness with foreign ownership of even some of the smallest retail operations led the Government to gazette regulations in 2010 limiting foreign ownership of certain reserved sectors such as small-scale retailing, hairdressing and beauty treatment, as well as taxi and shuttle services. Although people and politicians will often complain about foreign domination of the retail sector, most people would probably agree it provides consumers with what they want. Namibians appear to be at least as brand conscious as anyone else.

The purchasing power of Namibia's relatively small population has been supplemented in recent years by large numbers of Angolans who come to Namibia to shop, buy property, do business, visit health facilities and educate their children. This has proven to be a tremendous boon for Namibia's retail sector and shows no sign of slowing down. In 2010, Angolans formed the largest number of foreigners visiting Namibia for more than one night. Many retailers now advertise in Portuguese.

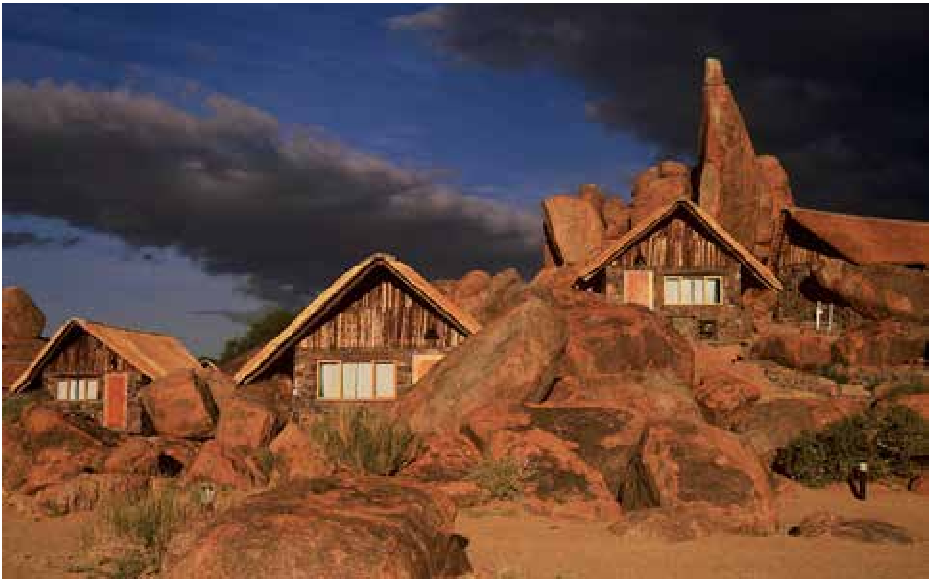


Photo by Gondwana Collection

Gondwana's Cañon Lodge near the Fish River Canyon

5.10 Tourism

- Stunning landscapes and wildlife
- Low volume high value tourism industry
- Need to diversify tourism market
- Enormous potential for growth
- Strong industry organisations

Namibia's tourist industry has enjoyed considerable growth since 1990. Tourist arrivals have risen from just over 200,000 a year in 1991 to just over one million in 2011. Pure leisure tourists now number some 300,000 people a year with UK the second largest European country of origin after Germany accounting for around 30,000 tourists each year. The principle attractions are Namibia's extraordinarily beautiful, varied and unpopulated landscapes, including deserts, the haunting Skeleton coast, the Etosha Pan and plentiful wildlife including the "big five", and the world's largest cheetah population. These attract specific types of tourist from backpackers, to self-drive, organised tours and hunters.

The industry consists mostly of relatively small, individually or family-owned private sector operators, a selection of international tour operators, and some international hotel chains. UK investors have been active participants in Namibia's tourism industry. Communal conservancies have been a major innovation that have allowed residents of parts of Namibia's communal areas to work together with private investors to derive benefits from tourism. Since 1996, 81 such conservancies have been created. A further initiative has been the establishment of Trans-Frontier parks and conservation areas including the Ai-Ais

Richtersveld Park and the Kavango-Kwando-Zambezi Park involving considerable regional cooperation. The Skeleton Coast National Park is now the largest in Africa. Government plays a direct role in providing tourist services through the state-owned Namibia Wildlife Resorts (NWR), which enjoys exclusive rights to key locations such as Etosha and Sossusvlei but which operates public private partnerships in a number of its locations such as Daan Viljoen and Von Bach Dam. Direct flights from Frankfurt are operated by the state-owned airline Air Namibia. Tourism policy is set by the Ministry of Environment and Tourism but the industry is regulated by the arms length Namibia Tourism Board (NTB) financed by a combination of a tourism levy on the industry and central government.

Namibia's private sector tourist industry is well organised and is in regular engagement with Government on policy issues. Most of Namibia's tourism associations are organised under the umbrella organisation the Federation of Namibian Tourist Associations (FENATA).

Key Policies and Legislation
Namibia Wildlife Resorts Company Act 1998
Namibia Tourism Board Act 2000
National Policy Framework on Tourism for Namibia 2009

Key Websites

Federation of Namibian Tourism Associations	www.fenata.org
Hospitality Association of Namibia	www.hannamibia.com
Namibia Tourism Board	www.namibiatourism.com.na
Millennium Challenge Account Namibia	www.mca.gov.na
World Tourism and Travel Council	www.wttc.org

5.11 Transport and Storage

- Strategic location in Southern Africa
- Encouragement of manufacturing and trade hub
- Need for massive investment in transport infrastructure
- Need to improve regional links to Angola, Zambia and Zimbabwe
- Struggling state-owned companies looking for partners

Namibia's location on the coast of south-west Africa between South Africa and Angola, combined with its ports of Walvis Bay and Lüderitz, offer the prospect of becoming a strategic transport hub linking landlocked and other Southern African countries to the rest of the world. It also provides a strategic location from which to offer offshore services to shipping and the oil and gas industry on the west coast of Africa. Government policy recognised this potential early on and has pursued a multi-pronged strategy to exploit this strategic location by investing in port and airport capacity as well as road connections.

Namibia has one of the best road networks in Africa, which has been consistently expanded and improved since 1990. The national trunk, main and district road network outside municipal areas is planned, designed, and managed by the Roads Authority (RA), funded partly by road user charges collected by the Road Fund Administration (RFA) and partly

One of TransNamib's GE locomotives

from the national budget. Most road building and maintenance is carried out by private contractors but the state-owned Roads Construction Company (RCC) is allocated a certain portion of this work.

Namibia's National Road Network (km)

	1990	2007
Surfaced	4,581	5,810
Gravel surfaced	25,421	24,274
Earth	8,658	11,967
Gypsum/Salt	226	209
Total	38,886	42,260

Source: Roads Authority Annual Report, Transitional National Development Plan

Namibia's two ports, Walvis Bay and Lüderitz, are owned and managed by state-owned Namport, one of Namibia's first commercial state-owned enterprises, which has invested heavily in expanding capacity. Namport has taken a major stride towards expanding its container terminal by signing a N$3 billion contract with China Harbour Engineering in 2013. Meanwhile, a private company Gecko is investigating the feasibility of constructing an industrial park with a jetty north of Swakopmund, which would add to transport capacity via the Namibian coast.

A series of transport corridors are being developed from Walvis Bay to other countries in the region. The Trans-Kalahari, Trans-Zambezi, Trans-Kunene and Trans-Oranje corridors will facilitate access to and from Walvis Bay between Botswana, Zambia, Angola and South Africa respectively. A public private partnership, the Walvis Bay Corridor Group (WBCG), was established in 2000 to spearhead the development of the corridor networks and facilitate their use.

The growing importance of Namibia as a gateway to Southern Africa and the important role Government plays in the transport sector led to the creation of the Namibia Logistics Association (NLA) in June 2009 as a forum through which the private logistics industry can negotiate with Government. The NLA has a useful website and publishes a quarterly newsletter.

Namibia's rail network belongs to the State but is run exclusively by transport parastatal TransNamib, which also runs a road haulage operation. Investment in the existing rail network and rolling stock has been inadequate to keep pace with the demands of a growing mining and industrial sector. Government is investing to extend the network north to Ondangwa and eventually on to Angola, and is investigating further extensions to Zambia and Botswana. The idea of a dedicated coal line from Botswana is under active consideration.

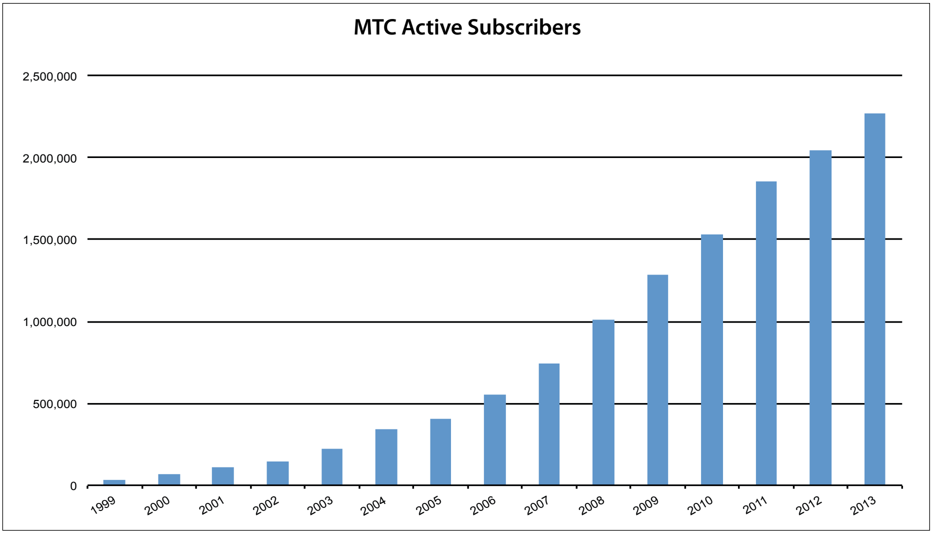
The state-owned Namibia Airports Company (NAC) owns and manages the country's eight airports: Hosea Kutako International and Eros Airports in Windhoek, Katima Mulilo, Keetmanshoop, Lüderitz, Ondangwa, Rundu and Walvis Bay International Airport. Air Namibia offers a direct flight to Frankfurt six days a week. Air Namibia, South African Airways and British Airways (through Comair) offer daily flights to Johannesburg and Cape Town, while Air Namibia offers direct flights to Harare (Zimbabwe), Luanda (Angola), Lusaka (Zambia), Maun (Botswana) and Accra (Ghana). Air Namibia operates a comprehensive domestic flight schedule as do a number of smaller private operators. Loss-making Air Namibia has taken delivery of a new fleet of aircraft to serve its domestic, regional and international routes.

5.12 Post and Telecoms

- Rapidly improving regulatory environment in telecoms sector
- Need for new players to enhance competition
- Roll-out of 4G mobile network and investment in new broadband infrastructure
- Among the lowest mobile charges in Africa

The Namibian telecoms market is served by one state-owned fixed line operator Telecom Namibia and two mobile operators: MTC and TN Mobile. A state-owned holding company, Namibia Post and Telecommunications Holdings (NPTH), holds 100% of Telecom Namibia and 66% of MTC, 34% of which is owned by Portugal Telecom. NPTH also holds 100% of Nampost. Until 2011, Leo was 100% owned by Egypt's Orascom but was taken over by its creditor banks Nedbank Capital and Investec before being sold to Telecom Namibia. Both mobile operators are therefore now majority-owned by the State.

After a prolonged period of policy development, the Communications Act was passed by Parliament in 2009, paving the way for a new arms-length telecoms regulator – the Communications Regulatory Authority of Namibia (CRAN) – which formally came into existence in May 2011. It took the place of the previous Namibia Communications



Source: MTC Annual Reports

Commission, which was part of the Ministry of Information and Communications Technology. CRAN is steadily developing into a fully-fledged telecoms regulator.

As in the rest of Africa, mobile telephony has taken Namibia by storm. MTC was established in 1995 with the assistance of Sweden's Telia and Swedfund. These sold out in 2004 but Government, recognising the value of a strategic partner, quickly brought in Portugal Telecom. By the time a second licence was awarded in 2006, penetration rates had already risen dramatically. The advent of competition, albeit in an imperfectly regulated environment which vastly favoured the incumbent and protected Telecom Namibia, drove prices down further so that Namibia moved from being one of the highest cost countries to one of the lowest in Africa. Penetration rates continued to rise so that by 2013, MTC could claim to have over two million active subscribers. Telecom and MTC have together invested N$250 million in the West Africa Cable System (WACS), which should see bandwidth increase dramatically.

Despite what has happened in mobile telephony, the Communications Act does appear to favour a much more liberal and competitive environment for telecoms and IT in general. CRAN will grant service neutral licences, guarantees number portability and will regulate interconnection charges. Improvements in bandwidth will have important consequences for the country's IT companies. Namibia is host to a range of South African and local IT companies offering a wide range of corporate and retail services.

Namibia's state-owned postal service Nampost is also 100% owned by NPTH. Nampost provides a country-wide postal service through 120 post offices and offers attractive savings vehicles for small investors. In many areas, Nampost has to compete with international courier companies such as DHL, Fedex, the UK's Parcelforce and a host of smaller regional and local companies.

Key Policies and Legislation
Communications Act 2009

Key Websites

Communications Regulatory Authority of Namibia	www.cran.na
MTC	www.mtc.com.na
Telecom	www.telecom.na

The head office of Bank Windhoek in Windhoek

5.13 Financial Services

- High cost and uncompetitive banking sector
- Need for more innovative financial institutions
- New regulatory environment for banking fees
- New regulations on local ownership
- Well-developed asset management industry
- Large pool of local contractual savings

By international standards, Namibia has a diverse and relatively sophisticated financial services sector. The banking sector, which is regulated by the central bank the Bank of Namibia, is dominated by four privately owned commercial banks: Namibian-owned Bank

Windhoek, First National Bank of Namibia (55% owned by South Africa's FirstRand Group), Nedbank Namibia (fully owned by South Africa's Nedbank Group) and Standard Bank (part of South Africa's Standard Bank Group).

In 2011, a banking licence was granted to Namibia's first microfinance bank, Swiss-based FIDES, which focuses its operations in the north of the country. Until 2006, South Africa's ABSA bank was a shareholder in Bank Windhoek but sold out after being taken over by the UK's Barclays after being unable to obtain a majority shareholding. In 2010, ABSA tried to buy back into Bank Windhoek but was turned down by the central bank, the Bank of Namibia, Namibia's banking regulator. This was primarily because the Bank of Namibia had started to pursue a new Financial Sector Development Strategy, one component of which involved ensuring Namibia's banks were at least 49% Namibian owned by 2018. The Strategy was launched in August 2012. The Banking Institutions Amendment Act was passed in 2011 and gave the Bank of Namibia greater powers to regulate bank fees and charges. Namibian banks are tightly regulated and generally conservative but highly profitable with high rates of return on assets and equity. They offer a wide range of retail and corporate banking services, including mortgage finance, asset-based finance and trade finance, and have links to investment banking arms in South Africa. Nedbank Namibia has an investment banking arm called NedCapital Namibia. Due to Namibia's boom in infrastructure and the need for project finance, RMB Namibia, part of FNB Holdings, was launched in September 2011.

Commercial Bank Financial Performance Indicators

N$m	Advances	Net interest income	Non interest income	Pre-tax profits	RoE	RoA	Date
FNB	16,002.5	889.9	739.6	820.8	24.7%	2.9%	30 Jun 12
Bank Windhoek	15,696.0	783.1	463.3	570.0	23.3%	2.3%	30 Jun 12
Standard Bank	12,250.9	603.3	489.3	374.0	19.3%	1.5%	31 Dec 12
Nedbank	6,889.0	380.9	243.1	219.1	15.2%	2.0%	31 Dec 12

Source: Company Annual Reports

Namibia's non-banking financial services sector, regulated by the Namibian Financial Institutions Authority (NAMFISA), is fairly diverse. Namibia has its own stock exchange, the Namibian Stock Exchange (NSX), established in 1992. By the beginning of 2014, 26 companies were listed on the main board of the NSX, 15 of which were dual-listings of companies with primary listings on the Johannesburg Stock Exchange and only six of which were local primary listings. In terms of market capitalisation, the NSX likes to claim it is the second largest stock exchange in Africa but this is due to the presence of dual-listed companies, especially Anglo American. Three local companies, FNB Namibia Holdings, Namibia Breweries and Bidvest Namibia have consistently performed well. Shares are trading at all time highs but are scarce to buy. The NSX also has a Development Board where companies with little or no profit histories are listed. At the beginning of 2014, six companies were listed on the Development Board, all mining or oil and gas exploration companies.

Companies Listed on NSX

Company	Primary Listing	Sector
Afrox	JSE	Chemicals
Anglo American	LSE	Basic Materials
B2Gold Corporation	TSX	Mining
Bank Windhoek Holdings	NSX	Banking
Barloworld	JSE	Industrials
Bidvest Namibia	NSX	Food Processors
FirstRand	JSE	Banking
FNB Namibia Holdings	NSX	Banking
Investec	JSE	Financial
MMI Holdings	JSE	Life Insurance
Namibia Asset Management	NSX	General Financial
Namibia Breweries	NSX	Beverages
Nedbank Group	JSE	Banking
Nictus	JSE	General Retailers
Oceana Group	JSE	Food Producer
Old Mutual	LSE	Life insurance
Oryx Properties	NSX	Real estate
Paladin Energy	ASX	Mining
Sanlam	JSE	Life Insurance
Santam	JSE	Non Life Insurance
Shoprite Holdings	JSE	Food and Drug Retailers
Standard Bank Group	JSE	Banking
Stimulus Investments	NSX	General Financial
Trustco	JSE	General Financial
Truworths	JSE	General Retailers
Vukile Property	JSE	Real Estate
Development Board (DevX)		
Bannerman Resources	ASX	Mining
Deep Yellow	ASX	Mining
Eco Oil & Gas	TSX	Oil & Gas
Forsys Metals Corp	TSX	Mining
Marenica Energy	ASX	Mining
Minemakers	ASX	Mining

Source: NSX

Linked to the NSX is Namibia's stockbroking industry consisting of four stockbrokers: Investment House Namibia, IJG Securities, Namibia Equity Brokers, and Simonis Storm Securities. Most trading is done on the NSX or JSE on behalf of asset management companies but all offer retail trading to individuals too as well as a variety of other financial services to corporates and others not linked to the NSX. All have links to South African and international broking houses and investment banks.

The main clients of Namibia's stockbrokers are the asset management companies. Namibia's asset management industry is based on the country's considerable pool of contractual savings, mainly pension and life insurance savings. The Government Institutions Pension Fund (GIPF) is by far the largest pension fund with assets of approximately N$58.8 billion out of total pension assets of N$85.7 billion, adding to life insurance assets of a further N$31.6 billion. NAMFISA estimated it regulated a non-banking industry with assets of N$149.7 billion at the end of December 2012. London-listed Old Mutual and South Africa's Sanlam and Metropolitan life insurance companies are the main participants in the pension and life insurance industries. South Africa's asset management companies form the majority of the asset management industry but the UK's Prudential is also present.

The financial sector also comprises a growing range of state-owned financial institutions. Agribank provides specialised finance for commercial and communal farmers. The National Housing Enterprise assists medium income households to purchase housing. The Development Bank of Namibia is the country's development bank run on commercial lines. A new majority state-owned SME Bank was granted a banking licence in November 2012 and capitalised with N$100 million from the State budget.

Over the years, Government has attempted to encourage a greater share of the pool of the nation's savings to be invested locally rather than being allowed to flow to South Africa. The development of a Government bond market has helped it tap into the pool of local savings. A number of regulations have been introduced to oblige asset management companies to invest a proportion of their funds in Namibian assets, which has supported the growth of the NSX. New regulations should see this strengthened as well as encourage investment in riskier unlisted entities.

5.14 Environment and Waste

Article 95 of Namibia's Constitution makes special provision for the protection of the environment. There is widespread recognition that Namibia's generally pristine environment is one of its greatest assets responsible for generating huge amounts of income from tourism. There is also widespread awareness of the importance of sustainable resource management which has been put into practice in a variety of areas including livestock farming, forestry, and fisheries. Water use is an ever-present issue in water scarce Namibia. Windhoek and Swakopmund municipalities have taken the lead in using grey water to water public spaces. In 2011, Windhoek Municipality, the country's largest, commenced an ambitious household waste recycling scheme based on household waste separation and a private sector operated Multi Recycling Facility (MRF). The Municipality is investigating the possibly of a waste-to-heat plant. Namibia Breweries is engaged in a zero emissions initiative with the University of Namibia. Yet at the same time Namibia relies heavily on the mining sector and the issue of mine environmental management and rehabilitation is still largely left to the mines themselves to deal with. The country also has the ambition to become an industrialised country by 2030, which if successful, will mean Namibia will have to deal with the environmental consequences of greater industrial production.

5.15 Defence and Security

Namibia's Ministry of Defence oversees the operations of the Namibian Defence Force (NDF) created out of SWAPO's armed wing, the People's Liberation Army of Namibia (PLAN), and the South West Africa Territorial Force (SWATF). The NDF now consists of the army (including the elite 21st Brigade), the air force and the navy. Namibia also has a paramilitary unit, the Special Field Force which falls under the Police. The UK and Namibia enjoy strong defence links and the NDF benefits from on-going training support from the British military. A British Military Advisory Training Team (BMATT) provided assistance to help form the Namibian Defence Force (NDF) between 1990 and 1995 following Independence. A Defence White Paper was published in 1992 which set out Namibia's defence aims but it has never been updated. The August 26 Holding Company is the commercial arm of the Ministry of Defence. Following the default on a government-guaranteed loan, the NDF took over Windhoek Maschinenfabrik in 1998, the maker of Wolf and Werewolf mine-protected armoured cars which have been sold to the NDF, the United Nations as well as few humanitarian agencies.

Public spending on defence has climbed steadily since Independence and now regularly receives around 8% of the national budget. Namibia has participated in several UN peacekeeping missions abroad, including Cambodia in 1993 and Liberia in 2004. Namibian troops were also sent to the DRC in 1998. The 2014/15 national budget saw defence spending rise by a massive 66%, put the total number of posts in defence at 23,525, and allotted N$377 million for "R&D", the term used for military procurement. In 2011, the Stockholm International Peace Research Institute (SIPRI) ranked Namibia as the fourth largest importer of defence equipment in Sub-Saharan Africa (excluding South Africa) between 2006 and 2010. In terms of hardware, Namibia took delivery of 12 Chinese F7 fighter jets in 2006 and 2008 as well as 3 Cheetah helicopters from India in 2011 for N$71.5 million. The Namibian navy has taken delivery of a ship and two patrol boats from Brazil from 2009, including the 46.5m Brendan Simbwaye in a deal worth N$250 million. Brazil has provided training to the fledgling service since its beginnings. SIPRI estimated that military spending in Namibia amounted to 3.9% of GDP in 2012, the second highest in Sub-Saharan Africa after South Sudan.

Section 6: UK Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally.

Bribery has no place in British business, at home or abroad. This new robust law reflects the UK's role in the fight against bribery and paves the way for competitive but fair practice. Over time it will have a positive impact on the prospects of UK businesses through enhanced reputation for ethical standards, reduced costs and an international level-playing field.

The Bribery Act 2010 attracted strong cross party support in Parliament and received Royal Assent on 8 April 2010. Section 9 of the Act requires the Government to publish guidance on procedures that commercial organisations can put in place to prevent bribery on their behalf. Foreign bribery has been illegal for many years, with a number of individuals and companies having been convicted under the current law. The UK is contributing through the OECD Working Group on Bribery International Business Transactions and the UN Convention Against Corruption to increasing global awareness, enforcement and investigation of foreign bribery.

Regulation in practice: mode and scope

The Bribery Act creates the following offences:

1. Active bribery – promising or giving a fi nancial or other advantage.
2. Passive bribery – agreeing to receive or accepting a financial or other advantage.
3. Bribery of foreign public officials.
4. The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

Penalty

Under the current law imprisonment for up to seven years with unlimited fine will increase under the Bribery Act to a maximum of 10 years imprisonment.

Jurisdiction

The scope of the law is extra-territorial. Under the Bribery Act, a relevant person or company can be prosecuted for the above crimes if the crimes are committed abroad.

Application

The Bribery Act applies to UK citizens, residents and companies established under UK law. In addition, non-UK companies can be held liable for a failure to prevent bribery if they do business in the UK.

Liability

Companies can be liable for bribery committed for their benefit by their employees or other associated persons.

Culpability
A company or corporate entity is culpable for board-level complicity in bribery, including bribery through intermediaries. There is also personal liability for senior company officers that turn a blind eye to such board-level bribery.
In addition, a company or corporate entity is culpable for bribes given to a third party with the intention of obtaining or retaining business for the organisation or obtaining or retaining an advantage useful to the conduct of the business by their employees and associated persons, even if they had no knowledge of those actions. The company can invoke in its defence that it "had in place adequate procedures designed to prevent persons associated [with the company] from undertaking such conduct".

Investors should refer to the Overseas Business Risk site

www.ukti.gov.uk/overseasbusinessrisk
which provides detailed guidance on the UK Bribery Act and OECD guidelines.

Section 7. UK Trade & Investment White Paper and Actions to Support UK Trade

The UK Government published a new Trade & Investment White Paper in February 2011, which set out its plans to encourage UK exports and inward investment into the UK, and to strengthen international trading systems.

Commenting on progress in 2012, former Minister for Trade and Investment Lord Green said:
"We're now one year on from the launch of the White Paper. I am pleased to report that we have laid much of the necessary groundwork and made some real progress. However, we are taking a long-term approach and our strategy cannot be secured in just one year; this is a marathon, not a sprint.
Encouraging businesses to export more is at the very heart of our approach. We need to ensure business, especially our small businesses, have all the tools they need to flourish, that we strengthen and improve our relationship with trade partners around the world, that we fight protectionism and ensure poor countries can benefit fully from free and fair trade."

In the past year, Government has:
- Supported businesses to secure more than £800 million of high value opportunities overseas
- Helped more than 20,000 small and medium-sized enterprises to export and break into new high growth markets like India, China, Brazil and Turkey
- Launched new export finance products, to support smaller businesses to sell their products abroad
- Introduced Strategic Relationship Management for large UK exporting firms and key inward investors
- Worked with the World Trade Organisation to agree Russia's accession, after 18

years of negotiations; and

- Helped to secure a revision to the Government Procurement Agreement at the WTO Ministerial meeting in December 2011.

The Government's commitment to open trade and investment is ambitious and long-term.

For further information on action to support UK exporters, encourage investment in the UK and strengthen open global trade please access:

Trade and Investment for Growth - one year on: http://www.bis.gov.uk/policies/trade-policy-unit/trade-white-paper/white-paper-one-year-on

White Paper: Trade and Investment for Growth: http://www.bis.gov.uk/assets/biscore/international-trade-investment-and-development/docs/t/11-717-trade-investment-for-growth.pdf

Commercial diplomacy:
http://www.fco.gov.uk/en/global-issues/economy/commercial-diplomacy/

Section 8. List of Ministers and Ministries (March 2014)

In terms of Article 35 of the Constitution, Namibia's Cabinet consists of the President, the Prime Minister and "such other ministers as the President may appoint from the members of the National Assembly" including the 72 elected members and six members appointed by the President. There are presently 44 ministers and deputy ministers including the Prime Minister. In addition, the Director General of the National Planning Commission is appointed by the President and attends Cabinet at the request of the President. Thus, most of the 54 SWAPO MPs in the National Assembly are members of Cabinet and the Executive.

Prime Minister: Dr Hage Geingob
Deputy Prime Minister: Marco Hausiku
Minister of Presidential Affairs and Attorney General: Dr Albert Kawana
Home Affairs and Immigration: Pendukeni Iivula-Ithana and Elia Kaiyamo
Safety and Security (includes Prisons and Correctional Services): Immanuel Ngatjizeko and Erastus Uutoni
Foreign Affairs: Netumbo Nandi Ndaitwah and Peya Mushelenga
Defence: Nahas Angula and Petrus Iilonga
Finance: Saara Kuugongelwa-Amadhila (no Deputy)
Education: David Namwandi and Silvia Makgone
Gender Equality and Child Welfare: Rosalia Nghidinwa and Angelika Muharukua
Health and Social Services: Dr Richard Kamwi and Petrina Haingura
Labour and Social Welfare: Doreen Sioka and Alpheus Muheua
Mines and Energy: Isak Katali and Willem Isaacks
Justice: Utoni Nujoma and Tommy Nambahu

Regional and Local Government, Housing and Rural Development: Charles Namoloh and Priscilla Beukes
Environment and Tourism: Uahekua Herunga and Pohamba Shifeta
Trade and Industry: Calle Schlettwein and Tjekero Tweya
Agriculture, Water and Forestry: John Mutorwa and Lempy Lucas
Fisheries and Marine Resources: Bernard Esau and Samuel Ankama
Works and Transport: Erkki Nghimtina and Kilus Nguvauva
Lands and Resettlement: Alpheus !Naruseb and Theo Diergaardt
Youth, National Service, Sport and Culture: Jerry Ekandjo and Juliet Kavetuna
Information and Communication Technology: Joel Kaapanda and Stanley Simataa
Veteran Affairs: Dr Nickey Iyambo and Hilma Nicanor

National Planning Commission:	Tom Alweendo
Anti-Corruption Commission:	Paulus Noa
Auditor General:	Junias Kandjeke
Attorney General:	Dr Albert Kawana
Governor of the Central Bank:	Ipumbu Shiimi
Ombudsman:	John Walters
Environment Commissioner:	Teo Nghitila

SWAPO Hierarchy

President:	Hifikepunye Pohamba
Vice President:	Dr Hage Geingob
Secretary General:	Nangolo Mbumba
Deputy Secretary General:	Laura McLeod-Katjirua
Youth League (SPYL):	Dr Elijah Ngurare
Women's Council:	Petrina Haingura
Elders Council:	Vacant

9. Useful Resources

For information about the Government of Namibia:
www.grnnet.gov.na

Bank of Namibia for economic data:
www.bon.com.na

Chamber of Mines of Namibia for information about the mining sector:
www.chamberofmines.org.na

United Kingdom Trade and Investment
http://www.ukti.gov.uk

Institute for Public Policy Research for independent research on politics and economics as well as the annual Namibian Business and Investment Climate Survey:
www.ippr.org.na

Legal Assistance Centre for all legislation passed since 1990:
www.lac.org.na/laws

Namibia Statistics Agency for statistics on the Namibian economy and society:
www.nsa.org.na

Namibia Investment Centre for investor information:
www.mti.gov.na/nic

Namibia Chamber of Commerce and Industry:
www.ncci.org.na

To contact the British Business Group in Namibia, contact:

Katherine Newaka
British High Commission
Windhoek, Namibia
Tel: +264 61 274825
Fax: +264 61 228895
Email: katherine.newaka@fco.gov.uk
Website: www.gov.uk/world/namibia
Website: www.fco.gov.uk

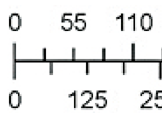
HYDROCARBON

NAMCOR

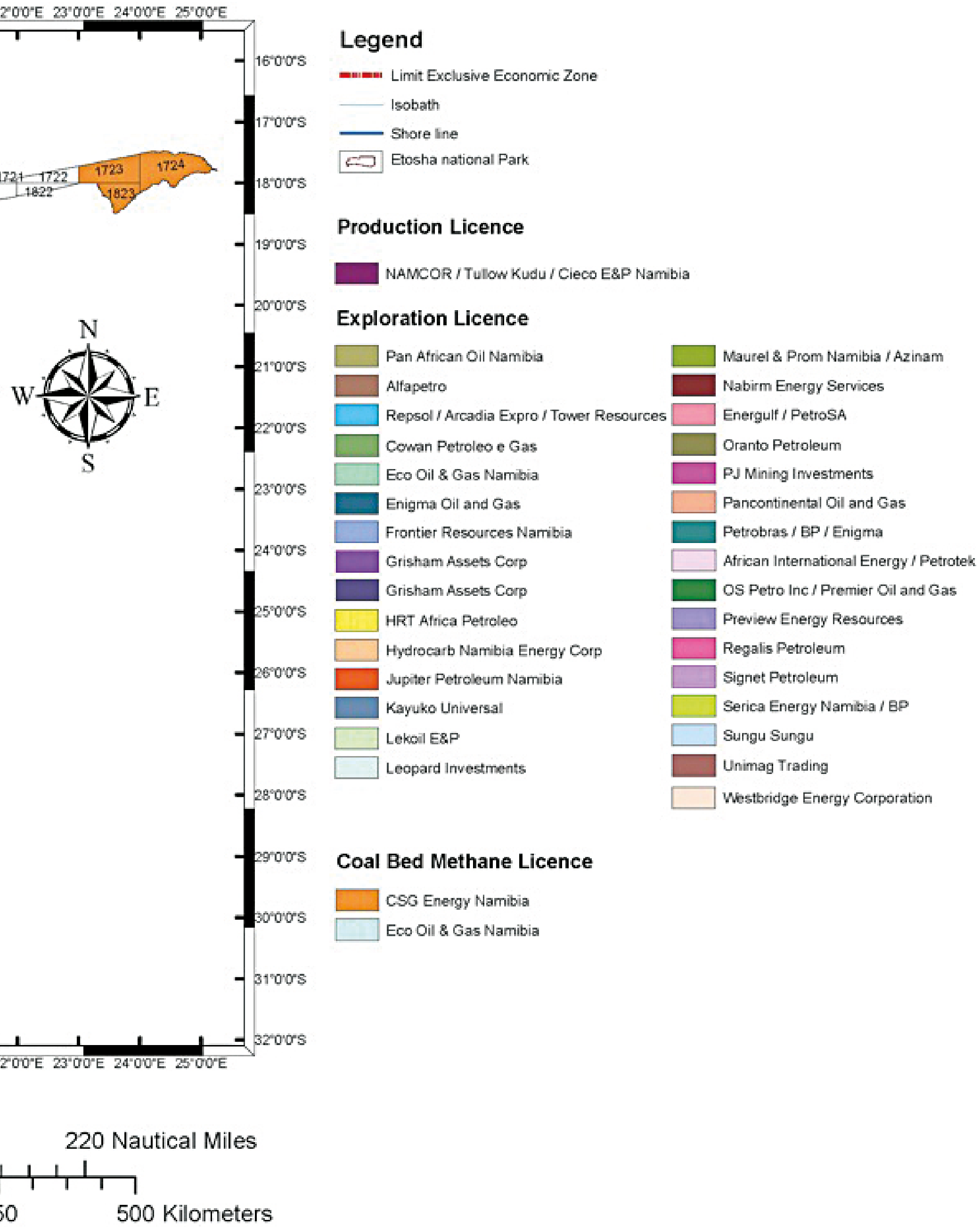
For further information:

www.namcor.com.na
www.mme.gov.na

Updated: 20 March 2013



LICENCE MAP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Isobath
Shore line
Etosha national Park
Production Licence
NAMCOR / Tullow Kudu / Cieco E&P Namibia
Exploration Licence
Pan African Oil Namibia
Alfapetro
Repsol / Arcadia Expro / Tower Resources
Cowan Petroleo e Gas
Eco Oil & Gas Namibia
Enigma Oil and Gas
Frontier Resources Namibia
Grisham Assets Corp
Grisham Assets Corp
HRT Africa Petroleo
Hydrocarb Namibia Energy Corp
Jupiter Petroleum Namibia
Kayuko Universal
Lekoil E&P
Leopard Investments
Maurel & Prom Namibia / Azinam
Nabirm Energy Services
Energulf / PetroSA
Oranto Petroleum
PJ Mining Investments
Pancontinental Oil and Gas
Petrobras / BP / Enigma
African International Energy / Petrotek
OS Petro Inc / Premier Oil and Gas
Preview Energy Resources
Regalis Petroleum
Signet Petroleum
Serica Energy Namibia / BP
Sungu Sungu
Unimag Trading
Westbridge Energy Corporation
Coal Bed Methane Licence
CSG Energy Namibia
Eco Oil & Gas Namibia
2°0'0"E 23°0'0"E 24°0'0"E 25°0'0"E
220 Nautical Miles
50
500 Kilometers

British
High Commission
Windhoek