

PRESS STATEMENT

7 August 2019

Namibia Economic Summit for Growth 2019

When we look at the detail of the recently held economic summit in Windhoek, the PDM becomes convinced that it was nothing but an ingenious electioneering gimmick, devised to mislead the Namibian population into believing that we will see a whole lot of benefits like job creation in the near future and some even before the end of this year.

The PDM maintains that this will not be the case, and if similar summits are conducted overseas, as has been touted by government officials, the money to pay for those summits will probably be siphoned from the money pledged at this summit.

Why is the PDM being so negative and sceptical about what is being touted as a success by the suspiciously low key comment that has so far been heard regarding this investment summit?

When the chairman of the High Level Panel on the Namibian Economy, Mr Johannes /Gawaxab announced the upcoming economic summit, he stated that this will not be another talk show and that tangible results can be expected.

Against that background, it sounds wonderful when we are told that about N\$47 billion in financing pledges was garnered. But please note the word ‘pledges’ – thus nothing is in a Namibian bank account as yet. However, this amount far exceeds the US\$1 billion (N\$15 billion) initially set as an investment target for the summit. It also exceeds the combined value of all the projects presented at the 2017 investment conference which to date has produced zero investment in the Namibian economy.

So, where is the Money?

Of the N\$47 billion in pledges, only about 10%, around N\$4 billion comes from the private sector. At the summit it was announced that roughly N\$20 billion has been validated as real investment commitments, which reveals that the panel and the government have had their sights set on this amount since long before the summit, and that it has now been conveniently added to the total pledges.

However, what concerns the PDM most is that the biggest part of this allocation is institutional and that it will be a case of money passing from one government or quasi-government entity to another. What has not been explained to non-technical, ordinary Namibians is that the total debt burden of public entities continues to grow and that these investments are unlikely to support income-generating projects.

By the PDM’s reckoning, at least N\$14 million of these pledges are only public confirmations of project financing which has been ongoing for several years.

Take for instance the Ongos Valley Development at the end of Monte Christo Road in Windhoek, which was presented in the project catalogue as the number one project with a value of N\$4.3 billion. This project is primarily funded by the GIPF and the project value will form part of the N\$5.5

billion pledge of the GIPF at the summit. The proof that this project has been added to the summit project list simply as a pretence, lies in the fact that its ground-breaking ceremony takes place a week from now on 14 August 2019. If this project was only conceived for the purposes of the summit, its lead financing arranger, a highly reputable bank like Nedbank, would not have attached its name to it.

The lead time for Ongos Valley from conceptualisation to feasibility to due diligence to financing is a two-year process at the minimum. It had nothing to do with the summit but was conveniently added to create the perception that it was only offered to investors for the first time at the summit.

In the PDM's opinion, the summit was a smoke screen to create the impression of massive amounts of new investments that will be made into the economy in an attempt to convey the false notion that the economy's current depressed state will be relieved in a short time due to government intervention. Remember, there will be an election on 27 November!

The PDM's biggest concern is the source of the funding. If the bulk of the funds is merely a shifting of funding from one government institution to another or to a state-owned enterprise, it indicates that the debt burden will increase commensurately, either for the government directly or for the SOE and that the ultimate financing will be in the form of additional government debt, directly, or as government guarantees, indirectly.

Ultimately, it implies that the Namibian taxpayer will in the long run bear the burden of having to service the debt payments on the growing government debt and liabilities.

And that brings us to the key question: Where are the Projects?

The impressive project catalogue released at the summit confirms the PDM's view that all the listed projects fall into either one of only two categories.

The first group of projects has been in the pipeline for a very long time and has only now come to the point where they are bankable. This means that the preparatory work has been done over several years and the projects are now ready for arrangers to establish the link between funding and implementation - thus nothing that the summit can claim for itself.

These projects are all driven by their respective promoters and while the summit provided an ideal opportunity to showcase them to the public, the summit played absolutely no role in securing financing for them. These types of transactions are highly specialised, done by large institutions that specialise in setting up this type of deal.

The second group is the projects that are still only at the conceptualisation stage. Going by the information included in the catalogue itself, these projects have to go through many phases before they become bankable projects.

The fact that they have been included in the catalogue will not expedite their development and refinement. All these projects will still be subject to the normal time frame for taking multi-million dollar projects from the idea stage, when the utility value is observed, through to scoping, pre-feasibility, feasibility, due diligence, and finally financing and implementation (and the crucial job creation Namibia desperately needs).

As stated in the catalogue, these projects take several years to mature before financing becomes a consideration. That brings the project only to the construction stage and it takes another year or two before commissioning, and finally, operation, will begin.

The PDM believes these projects belong in the ambit of the Investment Centre and if this institution has failed to make any meaningful progress with any of the projects listed in the catalogue, it raises serious doubts over the role and the ability of the Investment Centre. It can then just as well be shut down.

When the PDM analysed the proposed projects in more detail, it became obvious that they too have been included in the project catalogue for convenience only and also to create the impression that there is new momentum and private sector interest to invest in very large infrastructure, housing or manufacturing projects.

When we look at the project detail, we are concerned to note that items such as an international convention centre for Windhoek is on the cards. This reeks of another white elephant and there is no economic substantiation for this type of investment, especially not given the current state of the economy at large, and in particular, the dire financial situation of the government.

We also note that projects such as the Grootfontein Container Terminal are listed while it is widely known that various experts to date do not agree on the feasibility of this undertaking. Furthermore, it is listed as a private sector project, which is highly misleading as it will in all probability be promoted by the Walvis Bay Corridor Group, which is a quasi-government organisation, dependent for its own funding on government and donor money.

So, when will the economy and Namibians reap the Benefits?

Considering the scope of the projects, the shunting of public money from one entity to another, and the very long lead times on most of the projects, it is clear that the Namibian public will be in for a big surprise after the elections when it

transpires that only a very small number of these projects will actually materialise, and that in the meantime, public debt and liabilities have increased just so that the government can maintain the appearance of stimulating the economy. The biggest sin is that the government does this to a gullible and unsuspecting public under false pretences only to try and stem the growing tide of angry Namibians and persuade them to vote Swapo back into power for another five years.

Not this year and not in the next three to five years, will Namibians see any direct benefit from the summit. Trying to convince the voting public otherwise flaunts the very principles on which large projects are developed and financed.

Private investors do not give money away free of charge. Feasible projects have to generate incomes, and have to be sustainable for the entire period over which amortisation runs. It also has to be sustainable for the long term in order not to become another burden on government finances which are already stretched out to the maximum.

In the light of the above analysis of the much vaunted investment summit the PDM is certain that the whole exercise must be seen by Namibians for what it was – an elaborate and expensive exercise to ensure the re-election of President Hage Geingob and to trick the voting public into opting for another five years of financial ruin and unemployment for our country.

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