



## Budget Motivation Speech

By

Hon. Obeth Kandjoze, MP  
Minister of Mines and Energy

**Vote: 15**

**29 April 2015**

**National Assembly**

***Honourable Chairperson of the Whole house Committee,  
Honourable Members***

It is my distinct pleasure and honour to present to the National Assembly the motivation for the budgetary allocation of vote 15, Ministry of Mines and Energy, for the 2015/16 Financial year. I would also like to congratulate the minister of Finance and his team and all other stakeholder institutions for a well-crafted budget

The Ministry of Mines and Energy was established to take custody of Namibia's rich endowment of mineral and energy resources and to create an environment in which the mineral, energy, and geological resources contribute to the country's socio-economic development.

The Ministry regulates monitors and controls the mining and energy sectors through the relevant pieces of legislation and administers these legislations in order to ensure that our resources are protected.

**Honourable Chairperson of the whole house committee,  
Honourable members**

It is my pleasure to present our Ministry's budget in accordance with the activities outlined in the Medium Term Expenditure Framework (MTEF).

## **1. PROMOTION OF LOCAL AND FOREIGN INVESTMENT IN EXPLORATION AND MINING (N\$59,756,000)**

The mining industry continues to be a strong pillar of Namibia's economy, the industry contributed **Twenty Three Billion Namibian Dollars (N\$23 Billion)** export earnings and **One Billion Four Hundred Million Namibian Dollars (N\$1.4 billion)** was collected for royalties for the benefit of the State Revenue Fund during 2014. This is expected to increase with projected contributions from new mines that are coming on stream.

I am pleased to inform the House that the 2014 **Report by Fraser Institute**, a Canadian survey Institute, revealed that Namibia emerged in 2014 as the most attractive investment destination in Africa, followed by Botswana and ranked 25<sup>th</sup> position globally, out of the 122 jurisdictions that were surveyed. 30 African Countries participated. This is no mean achievement and it is a clear testimony that the Ministry's efforts in conjunction

with other Government organisations and private sector to ensure that Namibia becomes the desired investment destination, have paid off. The Ministry will not become lethargic but will continue to work hard in conjunction with the Chamber of Mines and all stakeholders to maintain this prestigious World recognition and market Namibia through various national, regional and international fora's such as the Mining Indaba (Cape Town), Africa Down Under (Perth), Prospectors and Developers Association of Canada (Toronto) and many similar promotion and conference platforms.

I am pleased to inform this August House that the Ministry has been reviewing the Minerals (Prospecting and Mining) Act. No 33 of 1992 to make it more responsive to current conditions and developments in the sector. The Minerals Bill including the Regulations will be finalized very soon with technical assistance from the Common Wealth Secretariat to create an enabling environment that would benefit both the industry and the country. I fully agree that transparency and stakeholder consultation is a requirement for successful policy formulation and

therefore we will continue to engage all stakeholders for their inputs.

In spite of the challenges during 2014, the mining industry is experiencing unprecedented growth with three new mines, Husab Uranium Mine, Otjikoto Gold Mine and Tshcudi Copper Mine, currently being developed, two of which have started production. The Husab Uranium mine is expected to come into production in 2016 and is billed to become the second largest uranium mine in the World. The Otjikoto gold mine is the second gold mine in Namibia and went in production in December 2014. The new Tschudi copper mine is expected to come into production this year. This is indeed growing the cake with job creation and broadening of the tax base for the fiscus. The mine safety performance improved immensely with zero mine fatalities recorded during 2014 while the industry managed to lessen their lost time injuries. The Ministry will make efforts to maintain that momentum to ensure that the enlarged industry is adequately regulated to uphold the safety record. The indispensable technology calls for adequate resources to efficiently regulate the sector. In this regard, the Ministry

needs to urgently, fill all vacant positions to ensure that regular inspections are conducted timely on advanced exploration projects as well as mining operations. This will ensure that licence holders operate in full compliance with the Minerals (Prospecting and Mining) Act, 33 of 1992 and the Safety Regulations.

The Ministry has been tasked with implementing the **Joint Value Addition** responsibility under NDP4 as well as and conducting an in-depth analysis on the beneficiation possibilities for Namibia's key mineral commodities and identify opportunities for local value addition and further beneficiation of minerals, I am pleased to inform this august house that the process is progressing well. The Ministry is required to conclude the process and develop a **Mineral Beneficiation Strategy** for Namibia during the 2015/2016 financial year. Resources will be required to visit various manufacturing plants in selected countries to investigate policy options that Namibia needs to adopt in order to achieve the desired industrialisation through **Joint Value Addition** and beneficiation in line with NDP4 goals and Vision 2030.

The Ministry is setting up a dimension stone and semi-precious stone processing facility in Khorixas, Kunene Region for the benefit of small scale miners. Approximately 15 miners will be employed at the facility once completed. The construction of the facility is in its final phase.

In 2014 the Ministry adopted the FlexiCadastre system, a mineral titles management system adopted by leading mining companies and governments worldwide. The Flexi Cadastre system is critical for our day to day activities in order to manage mineral rights efficiently and thus contribute to transparency and effective regulation of the mining industry.

An amount of **Fifty Nine Million Seven Hundred Fifty Six Thousand (N\$59,756,000)** has been budgeted to promote local and foreign investment in exploration ensuring that Mineral production benefits the nation.

**Honourable Chairperson of the Whole House Committee,  
Honourable Members**

## **2. CREATION OF KNOWLEDGE OF NAMIBIA'S GEOLOGICAL RESOURCES (N\$46,642,000)**

The Geological Survey of Namibia is our National Institution entrusted with management and research of Namibia's geology. The institution has once again continued to enhance geoscientific knowledge and awareness of Namibia's geological resources. Through dissemination of quality research and development activities the Geological Survey of Namibia facilitates the search for mineral resources, geological engineering, land use planning and sustainable development with due regard to the environment. The institution has a high international status, its director continued to serve as president of the Organisation of African Geological Surveys, and many staff members are represented in national and international bodies.

Geology underlies everything! As one of its core functions, the Geological Survey of Namibia therefore provides updated detailed geological map data to its stakeholders. During the current financial year, another five 1:50 000 scale geological maps and maps on the

Cenozoic and Kimberlite geology of the Warmbad area will be completed in the //Karas Region.

Furthermore, the aggressive National Airborne Geophysical Surveys programme added an additional **19,500 line-kilometres of electromagnetic data** to the national airborne geophysical data base to improve the knowledge and understanding of the Sub-surface Namibian geology below the Kalahari sand cover as well as making Namibia even more attractive to local and international exploration companies.

The minerals database is also constantly growing and is used by many potential investors. **No wonder Namibia was named the top-ranking mining investment destination in Africa by the Canadian Frazer Institute's 2014 global survey, singling out the Geological Survey of Namibia as one of the best and most cooperative geological surveys in the world!**

The regional geochemical sampling programme continues as well and is set to provide valuable information for environmental management and exploration. The report for the assessment of the environmental risk potential work of **16 abandoned mine sites** in the Erongo region was finalized.

In addition, environmental risk assessment and monitoring work at the mines in particular B2Gold, Kombat, Scorpion and Rosh Pinah Zinc was undertaken to assess any potential possible pollution by such activities from these mines. The **Strategic Environmental Management Plan (SEMP)** of the Namibian Uranium Province continued to provide guidance with regard to sustainable development of Namibia's uranium resources.

The Geological Survey's National Earth Science Museum continues to educate the Namibian public, especially young learners, about the importance of geosciences. Every year the museum participates in open days like the National Heritage Week, which fosters interest in geosciences. In addition several collaborative projects with international institutions have resulted in the discovery of new fossil sites, which have put Namibia on the palaeontological map of the world.

We have set aside an amount of **Forty-Six Million Six Hundred Forty-Two Thousand Namibian Dollars (N\$46,642,000)** to enhance the understanding of Namibia's geo-environment including its geological

resources and minimise the negative impact of mineral resource exploitation on the environment.

**Honourable Chairperson of the Whole House Committee,  
Honourable Members,**

### **3. PROTECTION OF NAMIBIA'S DIAMOND INDUSTRY (N\$30,222,000)**

Diamonds continue to contribute disproportionately to the State Revenue Fund, and therefore this precious mineral continues to play a strategic role in the country's economy. Diamond Revenue continues to be stable despite decreases in production onshore and this is largely due to increased efficiencies in mining tools & technology offshore and high diamond prices.

It is thus compelling that the protection, monitoring and regulation of this industry remain one of our key strategic focus areas. It is thus, vital that the Ministry of Mines and Energy continue to have its eyes and ears on the ground at the source where diamonds are being recovered, through our diamond inspectors and other Government agencies such as the Protected Resources Unit of the Namibian Police and Customs, to ensure that theft and smuggling of this product is kept at a negligible minimum.

We therefore are grappling with the logistical challenges and budgetary constraints that hamper our ability to be everywhere diamonds are being recovered for our operations are vast on land and at sea. Given the concentrated value in each given carat, our presence in the field and our element of surprise is vital and cannot be over emphasized.

The diamond industry is facing other threats in the international market that are beyond our control. Liquidity has been very tight in places like India where the bulk of the world's diamonds are cut and polished and the precarious economic situation in the USA where more than 50% of the world's diamonds are consumed gives us reason for caution. The first half of 2015 is rather a difficult period for the entire diamond pipeline and the effects therefore experienced here in Namibia. Sales in the first quarter have been quite difficult with most buyers leaving diamonds on the table as they are unable to make the requisite margins from those sales. This poses a threat of retrenchments in our diamond cutting factories unless the situation changes for the better and soon. We however hope the situation to change for the better during the second half of the year as polished stockpiles deplete at the jewellery and manufacturing end of the pipeline.

Some of you may be aware by now that a Government Negotiating Team recently finalized negotiations of the Sales and Marketing Agreement with De Beers. The Ministry has been taking time to study the outcome of these negotiations and have been consulting with Cabinet colleagues to have the new terms blessed. We are confident that this Agreement will change the diamond landscape in Namibia in terms of maximizing benefits to the state through added beneficiation, increased revenue, increased jobs, improved skills and technology transfer. We want our diamonds to do more for Namibia and we believe that the increased supply levels envisaged in this new Agreement will go a long way towards achieving those goals. The Namibian Government, through a special purpose vehicle will also be able to sell and market a portion of Namibian diamonds in the global market in order to test the appetite for unmixed pure Namibian parcels of diamonds. This is indeed a very important milestone and we are putting in place the machinery to expedite this agenda. An amount of **Thirty Million Two Hundred Twenty-Two Thousand Namibian Dollars (N\$30,222,000)** has been budgeted for the regulation of the diamond industry.

Honourable Chairperson of the Whole House Committee,  
Honourable Members

#### 4. ENERGY SUPPLY (N\$ 48, 3 million)

The Ministry shall continue with rural electrification programme, for which an amount of **Forty-Eight Million Three Hundred Thousand Namibian Dollars (N\$ 48, 3 million)** is budgeted for the 2015/16 financial year, to ensure that electricity to public and private infrastructures in rural areas is provided. During 2014/15 financial year **68 public institutions, 370 households** and business centres have been electrified countrywide. An amount of **N\$ 160 million** was budgeted for 2014/2015 rural electrification programme, whereby N\$ 100 million of that amount was utilized for the upgrading of overloaded distribution grid network in the Regional Electricity Distribution (REDs) areas.

The two major projects that government is looking at in terms of power generation are the **Baynes Hydro Power** and the **Kudu Gas to Power projects**. The Baynes project has reached a significant stage, namely the completion of the Techno-economic studies and acceptance by the Permanent Joint Technical Commission (PJTC). The

Environmental and associated infrastructure studies (to the amount of **N\$6.5 million**) are still to be finalized in due course.

The Ministry is continuing to supporting the use of Renewable Energy Technologies to provide energy to the remote public institutions throughout the country. Four (4) schools in the Kunene region were electrified with containerised solar systems under the 2014/2015 financial year. The Gam settlement in the Otjozondjupa region was supplied with a Solar PV/diesel hybrid system and electrical networks system as such 216 households were electrified. The Ministry of Mines and Energy has also expanded the battery capacity of Tsumkwe solar Photovoltaic/diesel hybrid system in the Otjozondjupa region.

Through the Solar Revolving Fund loan scheme, 564 solar systems were financed to an amount of N\$15 million up to January 2015. The demand still remains high for solar systems, especially for communities living in off-grid areas.

The **Concentrated Solar Power Technology Transfer Namibia** project activities started in 2014, and are to be concluded by 2016 with full feasibility study for the

facilitation of the first **Concentrated Solar Power** plant in the country

In 2014 the Renewable Energy and Energy Efficiency Institute was transformed into the Namibia Energy Institute (NEI) to include the other energy sectors such as oil and gas, electricity and nuclear sciences. A further **N\$5.78 million** is budgeted for to continue with the transformation.

In order to ensure reliable and cost reflective energy, the **National Energy Fund** has paid an amount of N\$ 111.5 million for the fuel road subsidy to the rural/far outlying areas. NEF received an amount of **N\$ 382.4 million** for the slate cumulative over recovery from the Oil Companies during the period under review. The fund collected an amount of **N\$ 268.5 million** from levies to cater for the construction of the Strategic Oil Storage Facility for 2014/2015 financial year. NEF will continue to subsidize the energy prices and provide financial support to energy projects for the benefit of Namibian consumers. In addition, the NEF will supplement the energy budget to develop energy infrastructures and ensuring that the National Energy mix reacts positively to global energy turmoil.

Let me to reiterate that reliable and cost affordable energy remains the ministry's priority in order to uplift the socio-economic conditions of fellow Namibians. Moving forward an increased capital injection is essential for new and existing energy projects.

**Honourable Speaker, Honourable Members**

## **5. PETROLEUM SUPPLY AND SECURITY**

### **Improved Licensing in the Petroleum Industry**

The Ministry of Mines and Energy will continue to issue exploration licenses to deserving applicants and will continue to encourage partnerships between International Oil Companies, local entrepreneurs and NamCor as part of local empowerment and value creation. We have also started to deal with those licensees not honouring their financial and work obligations towards the Namibian Government so that we remain with only those that have proven to be robust and resilient in this high risk industry. More importantly we are going to start with regulatory reforms in the oil and gas sector in order to meet the demands of the changing environment and to improve transparency in the

allocation of petroleum rights. Although it is viewed as progressive and positive in the international market it was put in place more than twenty years ago and we need to modernise it and make it more effective to meet the above stated objectives.

### **Oversight of Strategic storage facilities construction**

This year we will start to implement the construction of the national strategic fuel storage pipeline and marine jetty facilities in Walvis Bay in order to provide the country with security of supply of petroleum products in line with our White Paper on Energy Policy. The Ministry of Mines and Energy is desirous to fully take charge of this project in line with our mandate and expertise that we possess inside the Ministry. We are currently sorting out the last remaining funding issues between the National Energy Fund, Development Bank of Namibia and the African Development Bank before construction can commence.

### **Implementation of Kudu gas project**

As you may be aware, Government has decided to stand behind this very important project by committing to fund Namcor's 44% equity in the project, some of Nampower's costs as well as various project guarantees as part of our

overall Government Support Package. This is the closest this project has ever been to Final Investment Decision stage since the gas field was discovered in 1974. We are very excited and appreciate the effort that all the stakeholders especially the Ministries of Mines and Energy and Finance have made to bring this project where it is now. We expect the last remaining pieces of the puzzle to be put in place before we reach Financial Close before December 2015 and start with construction in early 2016.

### **Implementation of MoU between Namibia and Angola on trade in petroleum**

The Angolan and Namibian Governments are in discussions to implement the MoU in trade in petroleum that the two countries signed in June 2013. According the signed memorandum of understanding the parties shall promote cooperation in the following areas

#### **The Parties shall promote cooperation in the following areas:**

- i. Trade in Crude oil, Liquefied Natural Gas (LNG) and petroleum products;

- ii. Refining, crude oil storage and petroleum products infrastructures;
- iii. Exploration, production and refining of crude oil in Angola, Namibia and third countries;
- iv. Conduct research and joint projects that may be of common interest between the Parties or third Parties;
- v. Encourage reciprocal visits between officials of both Parties in the field of petroleum and natural gas, namely exploration, production, utilization of natural gas, oil products refining, petrochemical, trading of crude oil and other products the Parties may agree upon;
- vi. Encourage cooperation between the respective national oil companies for technological capacity building and skills transfer;
- vii. Any cooperation in petroleum that the Parties may agree upon.

The two national oil companies NamCor and Sonangol are about to commence with discussions on how to operationalize this MoU by trading in crude oil from Angola and swapping it with refined products for 100% of the Namibian market. We believe that this presents us with an ideal opportunity to enhance trade between our two sisterly countries and provide Namibia with competitive petroleum products. The Ministry of Mines and Energy is overseeing this process and we expect this to be finalised in the next few months.

## **5. SUPERVISION & SUPPORT SERVICES- COORDINATION AND SUPPORT SERVICES (N\$ 67,965,000)**

The Support services requested a total budget allocation of **Sixty-Seven Million Nine Hundred Sixty-Five Thousand Namibian Dollars (N\$ 67,965,000)**. An amount of **Twenty-Six Million Six Hundred Forty-Two Thousand (N\$26,642,000)** is earmarked for existing personnel expenditure and vacancies which are expected to be filled during the financial year.

An amount of **Eleven Million Three Hundred Forty-Six Thousand Namibian Dollars (N\$11,346,000)** is proposed to cover Goods and Services expenditure for the financial year 2015/16, to enable the Directorate to give adequate support service and ensure the smooth running of the Ministry. These services will enable the Directorate to render adequate support services to technical Directorates within the Ministry. An amount of **One Million Seven Hundred Twenty-Seven Thousand Namibian Dollars (N\$1,727,000)** is dedicated for the procurement of office furniture and IT equipment (Acquisition of Capital), to create conducive working environments and cultivating a high performance culture by improving the Information & Communication Technology for effective operation of the Ministry.

An amount of **Four Million Five Hundred Thousand Namibian Dollars (N\$4,500,000)** of the total requested budget allocation will be channelled to cover the Renovation and upgrading of Head Office and all regional offices to ensure the continuation of Maintenance of the Ministry Buildings. Part of the mentioned funds will be used to finalize the Boundary wall of the Ministry Head Office to enhance maximum security of the building.

An amount of **Twenty-Three Million Seven Hundred Fifty Thousand Namibian Dollars (N\$23,750,000)** earmarked to fund the completion of Swakopmund regional office currently under construction with idea to bring service close to the people. The building will accommodate all Directorates of the Ministry to simplifying accessibility of other Institutions, small miners, oil industry as well as members of the public in Erongo region. The construction is planned to be finalized in September 2015.

In conclusion, Honourable Chairperson of the Whole House Committee and Honourable Members, I would like to wholeheartedly thank H.E. Dr. Hage G. Geingob for bestowing me with honour in appointing me as the Minister of Mines and Energy.

Lastly, I would like to recognise two people, my late Mother (May her soul rest in peace) for her unconditional love and guidance as well as my late brother Moses Kandjoze who not only was an active sports personality and farmer of note but was also pivotal picture as a journalist for the NBC, who broke the news on the Caprivi Secessionist event.

Honourable Chairperson of whole house committee and Honourable Members, it is my pleasure to submit Vote 15: Mines and Energy. Honourable Chairperson of whole house committee and Honourable Members, I so submit.

Thank you.