



MINISTRY OF MINES AND ENERGY

**MEDIA STATEMENT BY HONOURABLE ISAK KATALI, MINISTER
OF MINES AND ENERGY ON PUBLIC – PRIVATE PARTNERSHIP
IN THE MINING SECTOR IN NAMIBIA HELD ON THE 10TH MAY
2011 @ 17:00 AT THE MINISTRY OF MINES AND ENERGY**

Towards Public-Private Partnership in the Mining Sector of Namibia

Cabinet Decision

The Cabinet at its Fifth Meeting (2011) declared certain minerals as controlled and high value minerals or strategic minerals. These strategic minerals include uranium, gold, copper, coal, diamonds, and rare earth metals. They are declared strategic minerals in the interest of Namibia's mineral resources and national development towards the realization of Vision 2030.

Cabinet decided that the right to own licences for the strategic minerals should only be issued to a State owned company. Cabinet, therefore, directed that after approval of the licence by the Minister of Mines and Energy, the State-owned company may enter into joint ventures with interested parties for exploration and development.

The Content

The mining sector is a significant contributor to Namibia's economy. The sector accounts for 25 percent of national income and 15 percent to the gross domestic product.

However, the mining sector's contribution to government revenue is not commensurate with its share to the gross domestic product. Such contribution is mainly through royalties levied on the market value of the minerals. This means that Namibia benefits from its natural endowment mainly through rent-seeking. This situation is untenable.

Since the mining sector is dominated by foreign multinational corporations a disturbing phenomenon has developed whereby ownership of the Namibian resources is sold through licences internationally on the back of the Namibian government through speculative activities without government deriving any benefits through sales taxes, values added taxes, or stamp duties.

Moreover, the export of Namibian minerals in raw-form denies the citizens of the country the full benefit of the value chain. Namibia has, therefore, become an Eldorado of speculators and other quick-fix would be mineral explorers and mining developers. It is for this reason among many others, that Namibia's Gini-Coefficient remains skewed.

Rule of Law

Cabinet decision on public-private partnership in the mining sector is based on the mandate of the Namibian Constitution.

- Article 100 of the Namibian Constitution states: "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".
- Article 98 (1) of the Namibian Constitution reads: "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 Cabinet decision captures the spirit and the letter of the Constitution.

Already there are similar arrangements within the economy of Namibia.

Examples are many, but a few will surface; NAMDEB; DEBMARINE; NDTC; MTC; Windhoek Country Club and Resorts etc. The alarmist reports of "nationalization" are red herring! In fact they are based on African stereotypes as neither the Cabinet decision nor my budget statement in Parliament mentioned nationalization.

Consider the following: On May 4, 2011 Devon Maylie of Dow Jones Newswires reported: "Shares in mining companies operating in Namibia took a hit last week after Mines and Energy Minister Isak Katali said uranium, copper, gold, zincs and coal have been declared strategic minerals". On May 5, 2011 AAP reported: "Shares in uranium explorer Extract Resources have risen sharply on mounting expectation that a Chinese state-owned nuclear power firm will launch a takeover bid". What is the difference between a Chinese state-owned company and a Namibia state-owned company. International investment perception is still crowded by racial stereotypes!

Namibia Chamber of Mines of Namibia concerns

In a letter dated April 27, 2011 the Chamber of Mines of Namibia addressed certain concerns to me as to how the Cabinet decision will affect the current *mondus operandi*. I respond as follows:

a) Renewal of existing Explorations and Mining Licences

The existing explorations and mining licenses will not be affected. There are however individuals and companies that have been granted mining licenses for which no development has taken place for a very long time. In order to accelerate the development of resources under such licences, it will be in the interest of both government and licence holder to look at a joint development arrangement without negatively

impacting the rights of the existing holder, but in the interest of the development of the resource.

b) Explorations and Mining Licences currently in the pipeline

The applications will be considered under the existing procedure on own merit. It is well known that the licence holders often do not have the full technical and financial resources to develop a mine once a mining licence is granted. They often seek capital funds in exchange of shareholding from investors or bank loans to finance the development. It might require that the conditions of the licence include one that subjects the licence holder to give the first right of refusal of shareholding to the GRN before they can approach other parties. Importantly, each application will have to be considered on its strength without prejudice. It should also be clear that an application remains an application, where there is no guarantee that it will be successful until it has been assessed and has been determined to have satisfied the minister.

c) Mining Licences applications arising from existing EPLs

The same principles as in (b) above should be applied.

d) Future expansion of mining operations by conversion of adjacent existing EPLs into existing mining licences.

The fact that the EPLs already exist places them in a similar category as existing operations. However, where a licence holder cannot demonstrate capacity to develop the expansion, a joint development could be an option for both GRN and licence holder to effectively and optimally develop the resource.

e) Future expansions of existing EPLs by addition of size or commodity.

To add size to an existing licence practically means a new application covering a new area. This is similarly the same when one applies to amend a licence to include minerals not originally on the existing licence. These should be treated as new applications and would thus be affected by the Cabinet Decision.

A win-win partnership

The Public-Private Partnership in the Mining Sector seeks to enhance a win-win partnership in the sector. This partnership aims at:

- a shared growth in the mining sector;
- a shared risk in exploration, mine development and mining business;

- making the government and the people of Namibia meaningful participants in the mining business rather than rent-seekers;
- ensuring a sense of ownership of natural endowment by the people of Namibia;
- creating conditions for individual Namibians to participate when at the appropriate time the State-owned company shall sell some of its shares to private investors;
- and ensuring that when private investors sell their shares government shall at all times be in the picture.

The win-win public-private partnership shall create security, stability and predictability in mining business. All genuine investors should embrace it.

The Process

To implement the Cabinet decision, a change in legislation shall be effected. The Minerals (Prospecting and Mining) Act, 33 of 1992 is currently being drafted and when finalized, it will inform the licence holders and the general public on the operating modalities.

- **END** -