

**KEYNOTE ADDRESS BY HONOURABLE ERKKI NGHIMTINA,  
MINISTER OF MINES AND ENERGY, AT THE ANNUAL GALA  
DINNER OF THE NAMIBIAN CHAMBER OF MINES  
ON 15 MAY 2009, IN WINDHOEK.**

Director of Ceremony  
Honorable Ministers and Deputy Ministers,  
Honourable Members of Parliament  
The Outgoing President of the Chamber of Mines,  
The Incoming President of the Chamber of Mines,  
The General Manager of the Chamber of Mines,  
Distinguished members of the Diplomatic corps,  
Members of Mining Houses,  
Members of the Media,  
Distinguished Guests,  
Ladies and Gentlemen,

It is an honour and privilege to present some remarks at this gathering of distinguished personalities, the captains of the mining industry in our country and to share with you this very important occasion, the Annual Gala Dinner of the Chamber of Mines. I always referred to the mining industry as catalyst of Namibia's economic growth.

We are meeting here tonight against the back drop of unfolding world economic crises. With the financial sectors still bleeding in developed countries, policymakers in Africa are rightly debating the impact of the crisis on their financial sectors and countries. At the beginning, conventional wisdom suggested that Africa had little to worry about. It was argued that the transmission mechanisms between the financial systems in Africa and the rest of the world are weak and this weakness will minimize the impact of the world financial meltdown on our continent.

This theorization emanated from the fact that African financial institutions are not exposed to risks coming from complex instruments in international financial markets because most banks in Sub-Saharan Africa rely on deposits to fund their loan portfolios; the interbank market is small; the market for securitized or derivative instruments is either small or nonexistent, and few rely on foreign borrowing to fund their lending operations.

However, with the financial meltdown having manifested into wider global economic crises it is now evident that declining demand for commodities poses a significant challenge to Africa. That is, as the financial crisis surges into all parts of the real economy in developed economies, African countries have started to experience a substantial decline in exports as the rapid pace of trade expansion in this decade decelerates sharply. In this context, and in this environment, large projects in Africa that require external financing to complement shorter term bank financing will face difficulties in sourcing these finances, and where they do, will face higher interest rates, because of flight to safety and greater risk aversion of lenders.

This is compounded with lower commodity prices, combined with a credit crunch and increased risk aversion which will make it more difficult to finance and develop capital investments. In countries where the fall in investments is simultaneous coupled with drops in export earnings, this will result in slowdown in GDP growth and negatively affect domestic development initiatives in many of the African economies.

I do believe that the present world economic crisis will affect geographical regions and countries differently depending on the current quality of the financial sector and demand of their commodities in the world markets. To each there is a litany of technical options for them to consider. These include: Management takeovers; blanket bank guarantees to their strategic industries,

offering to buy bad loans from commercial banks and revised financial regulations to name but a few that were exercised by various governments during the month of October 2008 to date

Namibia has not been spared by the global economic crisis. The diamond industry, our main source of GDP growth, was the hardest hit, with its price having dropped by 40%. This is a phenomena never experienced before by the industry and as a result, the sector went into a depression state. Copper production has stopped completely due to sharp decline in price by almost 60%.

I do appreciate the fact that this development has seen us, the Ministry and mining industry stakeholders forging better relationships. Some of you will recall that during the month of December 2008, you were called to our Ministry for consultations, where various mining companies made some presentations on how the crunch affected operations. Hearing from them, it did not look doom and gloom. The consultations established that:

- A number of people would lose their jobs in the mining industry in Namibia as a result of the global financial crisis and its corresponding impact on the international mineral commodity markets, this is particularly so in diamond and copper industry.
- Revenue losses to State coffers would occur.
- Some commodities such as uranium, zinc, dimension stones to mention but few, would be less affected in the short run, however, should the current turmoil persist much longer it would start harming the rest of the mining industry and the impact would be too ghastly to contemplate.

- It has become difficult for company to secure external funding for capital expenditure or investments in new project.

Ladies and Gentlemen

Notwithstanding the above, it is fair to state that the government of the Republic of Namibia continues to pin its hope on the mining sector as the engine of the country's economic growth. It is encouraging to note the manner in which a number of mining houses navigated their entities through these difficult times by maintaining their mining operations, protecting the jobs of their employees and even some players continue to make inroad to enter the industry, thus leading to the creation of new employment.

Let us not forget that we are talking here about non-renewable resources, which are held in trust by the Government of the Republic of Namibia on behalf of her people. We have to empower our people, especially the poorest ones, and we have to do so with the limited means at our disposal. The financial crisis has not changed that, if at all, it has made it more important.

Let me remind you at this stage that the Transformational Economic and Social Empowerment Framework (TESEF) programme is coming. When TESEF is out, we will come up with our mining charter.

The demands come from the poor communities saying that they are being left behind in mining activities in their areas. It is against this background that we introduced an additional condition when granting a mineral license, be it for exploration or for mining. This additional condition of requesting an applicant to indicate and show commitment to empower previously disadvantaged Namibians. The aim is not making a few rich ones even richer by giving them equity in lucrative mining operations, but to empower communities in the areas where mining and exploration companies

operate. It is better to operate among happy poor communities who can defend you in any difficulties because they feel belongingness of the mine.

Many of you are already doing this, and the social programmes and activities of many mining companies in Namibia are commendable indeed. The additional condition was therefore only introduced to ensure that all players stick to the rules of corporate responsibility, and that Government properly exercises its fiduciary responsibility with reference to mineral resources as a national asset.

Let me in the same vein say a few words about the new Government mining company “Epangelo Mining”. It is true that so far Government has had the policy to leave exploration and mining to the private sector. However, at the same time Government was merely a spectator in the game, sitting on the bench and watching a non-renewable resource being taken out of the country without realizing all the benefits that could have come from the mining of this resource.

Taking into consideration that in many other countries, governments actually participate in exploration and mining with substantial benefits to their people. “Epangelo Mining” was thus created as a commercial entity, not different from any other government company that we have in Namibia, and it will operate on level playing field with all the other exploration and mining companies active in Namibia.

It is therefore very unfortunate that some people in the exploration and mining fraternity have misread the efforts of Government to improve the benefits that the Namibian people can derive from mining as a step to take over the sector. I have been informed that in some instances panic was stirred to the effect that the negative – and for investments disastrous – term “nationalisation” raised its

ugly head. Such rumors are not in the interest of the industry, nor are they in the interest of Government.

Value addition remains the Government's focal point to transform raw materials into finished products. We started with Diamond cutting and polishing factories, though today the diamonds are hard hit by financial crisis, they are surviving with difficulties but we hope the situation will improve. Only one mining company, namely Scopion Zinc came straight forward to the Ministry to say they are ready to give a portion of their production for value addition if there is any company willing to venture into value addition on zinc. We are looking at other companies to come forward like Scopion Zinc.

Payment of royalties, I am happy to report this time that all companies are paying royalties, and we are monitoring all market prices to make sure that the law of the country is accordingly applied.

When I look back over the years that I have been serving this Ministry, I see a positive and constructive dialog between the industry and the ministry. At the beginning of the year, our Ministry conducted a one day stakeholders' information sharing session to create a better understanding of each others' intentions.

This session addressed a number of sticking issues including land locking reporting line procedures, backlog in processing mineral right licencing and reporting incidents affecting safety mines. This dialog needs to continue to prevent misunderstanding, and through which we will take the Namibian mining sector to new heights, even in these difficult times of the world economic crisis. Let me use a phrase, so often quoted by the Founding Father of the Namibian Nation: "United we stand, divided we fall!"

We are weathering this storm together, and we appreciate all your efforts. We are working positively with the Chamber of Mines, we understand that they are busy with mining journal and mine closure policy.

Let us continue to work in a spirit of smart partnership. Let us continue to build an industry in which all stakeholders are winners. Realize profits for your shareholders but also let the people of Namibia reap the benefits of their mineral heritage.

Be assured of the support by the Government of the Republic of Namibia and by the Ministry of Mines and Energy in particular. The open doors policy of the Minister remains open to the industry and to aspiring entrants.

May the Chamber of Mines of Namibia continue to grow from strength to strength, the future looks bright!!!

I thank you.