



Office of the Leader of the Official Opposition

MOTION BY THE HONOURABLE MCHENRY VENAANI ON THE INVESTIGATIONS INTO THE PURPORTED POWER STRUGGLE AND IMPROPRIETY AT NAMCOR

**Honourable Speaker
Honourable Members,**

1. I rise to motivate my motion into the purported bitterly unscrupulous power struggle rendering to itself perceptions of mafia style corporate governance unfolding at the National Petroleum Corporation of Namibia (NAMCOR), and ultimately warranting concern and suspicion surrounding the management and possible looting of Namibia's natural resources, promoting public distrust.
2. Since 2001, corporate governance has received renewed interest internationally due to high-profile collapses. Enron and WorldCom in the US and Saambou Bank and Fidentia in South Africa are examples of prominent corporate collapses.
3. Corporate governance is often described as a vague concept, with loose definitions giving rise to different comprehensions of what it entails. In 2007 though, ASX's Principles of Good Corporate Governance and Best Practice Recommendations, corporate governance is defined as "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations."
4. Corporate Governance remains a serious challenge in Namibia, particularly in the public sector. An established expectation is placed on all Namibian state-owned enterprises to run their affairs in line with the established accepted common principles of corporate governance and good practice governing State-owned enterprises as prescribed in section 40 of the State-owned Enterprise Act (Government of the Republic of Namibia, 2006). Meanwhile, the Namibian Code which was developed in 2014 based on the international best practices and the King Code on Governance for South Africa provides a governance compliance framework. In line with the King Committee (NXS & IoDSA, 2014), NamCode provides for a code of principles and practices on a non-legislated basis, which proves persuasive enough to be included in future legislation.
5. Corporate Governance mainly involves the establishment of structures and processes that need to be applied by SOEs, which is the principal of effective sound leadership and

sustainability of the growth of the country. Sustainability is the primary role and economic imperatives of the modern State Owned Enterprise. The proliferation of enterprises, tools, and strategies for sustainability is the greatest evidence of corporate governance. Governance concept is a set of processes, policies, and laws that institutions is directed and administered. Corporate governance embraces the relationships among stakeholders and to principal agents, ultimately, is to strengthen the economy and henceforth good governance.

6. Corporate governance structure according to the OECD (2008:9) stipulates the rights and responsibilities of different participants and stakeholders in the corporation. These various participants in the corporate governance system are the company's board of directors, managers, shareholders and other stakeholders. The system stipulates the rules and procedures for the decision making and should provide a structure that would meet the corporate objectives and the Mechanisms for performance monitoring (OECD, 2008). OECD (2008), emphasizes that the enhancement of transparency and accountability be central to improving corporate governance of state-owned enterprises. Though acknowledging that it entails complex challenges, it highlights that transparency and accountability is an expert opinion to improve the State Owned Enterprise governance transformations.
7. The principles of corporate governance were first developed by the Organisation for Economic Co-operation and Development (OECD) in 1999 and then updated in 2004 to provide an indispensable and globally recognized benchmark for assessing and improving corporate governance (OECD, 2016). In Namibia, corporate governance is guided by the Corporate Governance Code (NamCode) which is based on the international best practices and the 2009 King Code on Governance of South Africa (NXS & IoDSA, 2014) which in turn also based on the OECD codes and ethics of good corporate governance.
8. While the number of principles differs from the context of application to the other, the NamCode provides for at least nine principles of corporate governance which are followed on the basis of applying or explain approach. These are ethical leadership and corporate citizenship, boards and directors, audit committees, the governance of risk, the governance of information technology, compliance with laws, codes, and standards, internal audit, governing stakeholder relationship as well as integrated reporting and disclosure.
9. The issue of corporate governance is the main problem for economic transition and reformation. This has been referred to the set of rules and incentives that companies look into the management and governance. It reflects the way responsibilities are being distributed in the corporation and how this decision is affecting the shareholders and stakeholders. However, policies and documentations are undeniable essential to ensure good governance is practiced in the State-owned Enterprises. More specifically it should promote transparency and accountability.

10. *Therefore, Honourable Members*, the revelations and discoveries emanating from NAMCOR over the past three weeks have been shocking to say the least. The National Petroleum Corporation of Namibia has been plunged into a state of impropriety.
11. In an effort to refresh the memory of the members of this August House, permit me to briefly run through the timeline of events that have led us to this point. The controversies stemmed from allegations of misconduct within the company, including Namcor's managing director, Immanuel Mulunga's purported involvement in a payment exceeding N\$100 million for two Angolan oil blocks that were executed without the board's authorisation. The subsequent disputes between Immanuel Mulunga and the board's chairperson Jennifer Comalie, further perturbed the general public. Comalie's recent arrest with drugs, valued at N\$57 000, in her official vehicle before a scheduled board meeting, allegedly discussing potential disciplinary measures against Mulunga, sealed the ongoing issues at NAMCOR as what we can only describe as mafia-style governance.
12. The inability of the SWAPO Party government to effectively tackle corruption and crime within its ranks is increasingly turning our nation into a mafia state, where the government and some officials are tied with criminal economic activity. It has become increasingly apparent that high-level politicians, often occupying the highest offices in the land are potentially linked to insidious criminal networks. Political Science scholars inform us that the state is increasingly seen as a mechanism to access resources and wealth through looting and extensive patronage networks. When these networks are exposed, criminal and potentially violent pushback is often experienced.
13. A report released by the Global Organised Crime Index reveals that while Namibia ranks 130 out of 193 countries, its criminality indices can be accounted for by chiefly Mafia Style Groups, followed by State Embedded Actors in third place. More concerning is that cocaine and cannabis trade accounts for 4.5 and 3 points out of a possible 15 of the criminal market in the country. This then reliably informs us that there are, highly ranked officials who are not only aware of these criminal networks and syndicates, but may potentially aid and abet them when latent patronage networks are threatened to be exposed.
14. *Honourable Members*, for the sake of comprehensively painting the bigger picture, allow me to delve into what constitutes the criminal market in Namibia a tad bit further. In terms of the environment, despite the fact that Namibia has very little tree cover, illicit timber from the north of the country is exported to China and Vietnam, and criminality surrounding flora species is rife. Corrupt forestry officials issue fraudulent permits for the harvesting and exporting of rosewood, in particular. The trade is facilitated by local criminal actors, albeit not exclusively and stimulated by high and increasing demand from East Asia. The market for exotic hardwood is one of the largest illegal enterprises in the country and runs parallel to the legal markets for timber and charcoal. Walvis Bay is a transit point for other African wood destined for Asia, including timber from Mozambique and Angola. Namibia has a large market for ivory, rhino horn and

pangolins. Since 2016 it has lost an average of 50 rhinos a year to poaching. Although it draws less attention than other wildlife species, the poaching of hippos is prevalent in Namibia. Illicit fauna products take the same route as wood, and are often hidden among illegal stacks of timber on smuggling missions. Criminal syndicates appear to be increasingly involved in poaching and wildlife trafficking. While the majority of poachers in the country are Namibians, foreign citizens are also involved.

15. While Mr Mulunga has been suspended, NAMCOR's troubled board rushed to announce the appointment of former Nedbank Managing Director and an adviser in the Ministry of Finance and Public Enterprises, Lionel Matthews as the Acting Managing Director of NAMCOR as of Monday 10 April 2023. This is a person who is linked to a company - Full Bright Investments and Omahooli Solutions - which the media exposed that it is awarded a N\$800 million tender for the construction, financing, commissioning, operation and maintenance of bulk fuel storage facilities in Windhoek, Gobabis, and Ondangwa for NAMCOR in June 2022 - as the transactional advice team. This in turn raised a conflict of interest.
16. Again, the board rushed to make a U-turn on its decision of having Matthews and announced his removal as the Acting MD after the media reports. This is the same board of directors which held seven unapproved board meetings which has cost taxpayers N\$375 000 which the finance ministry has defended and turned a blind eye to. I say this, because while the discussed items by the board were of importance, the board of directors' conduct goes against the instructions from the same ministry that the board should seek approval from the minister before holding the extra meetings. The power struggles at NAMCOR - as termed by the media - is worrisome and their operation needs to be urgently addressed by this house.
17. shipment point for Afghan heroin, which enters the country overland from the south. From Namibia, it either continues into West Africa or is shipped to destination markets in Europe. Domestic consumption is growing, especially of adulterated and cheaper versions of the drug. Nevertheless, no foreign organized crime groups have succeeded in establishing a foothold in the heroin market, its seizures rates are lower than for other drugs and overall, the heroin market in Namibia is fairly limited. Namibia's involvement in the cocaine trade has grown, both in terms of its domestic consumption and its role as a transit country. Namibia is a minor trans-shipment point for cocaine coming from South America, with onward shipping to South Africa. Namibian nationals have been arrested for their role in the cocaine industry, where they operate alongside foreign actors.
18. There are state-embedded actors in Namibia who facilitate the work of criminal networks. The Fishrot saga of 2019 is an example of corruption at a high level of government, and other corruption scandals have emerged in recent years, including in 2020, involving government ministers. Corrupt practices are also commonplace, however, at lower levels of the state apparatus. Lower-level border-control officials are complicit in cross-border smuggling, while local politicians in port towns have been

involved in the smuggling of contraband. Foreign criminal actors in Namibia include South African gangs who traffic synthetic drugs into Namibia and Chinese nationals who export exotic hardwood to Asia. These groups sometimes work hand in hand with corrupt state actors and mask their activities by setting up legitimate businesses in strategic ports such as Walvis Bay.

19. In terms of leadership and governance, while the Namibian government might enjoy a level of legitimacy in the country; however, they have not used this to articulate a stance against organized crime. President Geinob has publicly announced that corruption is not a major issue in the country, in spite of evidence to the contrary – including the Fishrot saga, in which government officials irregularly sold fishing rights to an Icelandic corporation.
20. Namibia is considered to be a flawed democracy, and the general population is becoming increasingly dissatisfied about socioeconomic issues related to corruption. The Namibian anti-corruption agency is generally weak, lacking both political will and the resources to investigate crimes. Namibian electorates showed their disapproval of the ruling party's performance in government during the 2020 municipal and regional elections. Most government institutions are unresponsive to requests for data and information. Political dissent is grudgingly tolerated by the presidency, but it is often criticised.
21. *Honourable Members*, State-owned enterprise (SOE) corruption has gained prominence in recent years. High-profile corruption scandals, such as *Petróleo Brasileiro S.A. (Petrobras)* in Brazil, *Sonangol* in Angola, *Eskom* in South Africa, and *1 Malaysia Development Berhad (1MDB)* in Malaysia have attracted global attention and put the issue of SOE corruption at the forefront.
22. As we know, SOEs manage substantial resources in key sectors. Many are inefficient, operate at a loss, and fail to provide critical public goods and services, due in part to conflicting objectives and mismanagement—and to corruption. Corruption can be detrimental to the SOE itself, to the economy, and to the people who are dependent on them for basic services. The consequences for SOEs are reputational and financial losses, a fall in market value and share price, business disruption and fines, and risk of debarment from markets. For the economy, corruption can damage investor confidence, deter foreign investment, and lead to unsustainable debt or a plunge in stock market value, negatively impacting growth and increasing inequality.
23. SOEs in high-value sectors often enjoy monopoly or quasimonopoly rights that provide an opportunity for abnormal profit generation, a privileged relationship with the government, and state financial support. This creates incentives and opportunities to extract significant rents. Such mechanisms are often used to benefit political groups and party finances in order to sustain the resource diversion over time. Risks also arise from weak legal and regulatory frameworks; corporate governance weaknesses at SOE levels: a lack of transparency and disclosure over SOE finances compounded by poor financial reporting practices; and limited effective government and citizen oversight.

24. The revelations at NAMCOR seems to be going from bad to worse as we have recently discovered that it seemingly reversed its decision to appoint Lionel Matthews as acting managing director. Matthews, a former Nedbank managing director (MD), was set to act in the position for six months following the suspension of Imms Mulunga. However, the board made a U-turn on the decision after reports emerged that Matthews had business ties to a consortium that won a contract worth N\$1 billion to build, finance, operate, and maintain oil depots for Namcor. This issue was brought up last week by the PDM's Member of Parliament, Honourable Hidipo Hamata.
25. Beyond the confirmatory affidavit he issued in a matter involving Namcor's chief financial officer Jennifer Hamukwaya, who dragged the company to court over its decision not to renew her contract which prompted Mr. Mulunga's suspension, there have further been two other cases relate to alleged stock loss at Namcor – believed to be in relation to fuel worth N\$69 million belonging to Validus Energy, which the national oil company reportedly used without the owner's consent.
26. Therefore, Honourable Members, The arrest of Jennifer Comalie, the board chairperson of the Namibian Petroleum Corporation, and the resulting debacle surrounding the matter, has revealed that state organs or certain parts of such institutions has been captured and that state-owned companies are run by people who can be likened to gangsters and mafia members. The shocking threat of all out gangsterism in the top tiers of Namcor's management was laid bare in a letter dated 28 March 2023 and written by the Minister of Finance and Public Enterprises, Ipumbu Shiimi, and addressed to the Inspector General of the Namibian Police, Lieutenant General Joseph Shikongo. The fact that Shiimi requested a security threat assessment from the police on the same day that Comalie appeared in the Windhoek Magistrate's Court on drug charges shows that he and his colleague from the energy ministry was a day late and dollar short.
27. The events at Namcor appear too intimate that there exists an unscrupulous and dirty cabal within the corporate world and these entities stoop to dirty tactics in the service of people with lots of money. This was previously reiterated by Advocate Richard Metcalfe.
28. We are fully alive to the fact that organized crime emerges from the power vacuum that is created by the absence of enforcement and good governance and the emergence of two cabals or a coterie within the institution. Institutions that do not adhere to best practices of corporate governance have traditionally been considered as crime-facilitative environments. Addressing organized crime requires a systemic and integrated approach focused on harmonization of laws and enforcement of regulatory frameworks, human rights protection, building of sustainable communities and raising social awareness. A systemic approach is required because of the interlinkages with major global risks such as corruption or economic disparities.
29. Therefore, *Honourable Members*, the purpose of this motion is twofold; firstly seeks to halt the perceived emergence of an unscrupulous power struggle rendering to itself perceptions of mafia style corporate governance at NAMCOR as it has the potential to

destabilise the economy owed to the fact that our extractive sector contributes exceedingly the most to the gross domestic product. As such, as proponents of democracy who uphold the rule of law, we must at all times protect our state from capture. State-owned enterprises (SOEs) are a main conduit for states to exercise their roles as economic actors. The benefits of SOE ownership are economic, political and social. So too are the costs when mismanagement or abuse occurs. In fact, OECD Guidelines on Corporate Governance of State-Owned Enterprises found that respondents in oil and gas, mining, postal, energy and transportation and logistics sectors report to have witnessed corrupt and other irregular practices more often than average. These sectors are the most highly regulated, are likely to have natural market monopolies and are engaged in high-value public procurement projects. The greatest obstacles to integrity in SOEs relate to relations with the government (including a perceived lack of integrity in the public and political sector), and with employee behaviour (including opportunistic behaviour by individuals). To a lesser degree, challenges also arise from ineffective control and accountability (including ineffective internal control or risk management) and the company culture (including a lack of awareness amongst employees of the need for integrity).

30. SOEs with public policy objectives – whether well-defined or more implicit – report higher risks of corruption or other irregularities. They also report taking fewer actions to avoid known corruption risks than those SOEs with entirely commercial objectives. As such, we must set tailored corporate governance standards for SOEs, including in transparency and integrity in order to insulate SOEs from politics, requiring them to adopt corporate governance structures that guarantee transparent relationships with the shareholder (the State), professionalized boards and management structures, as well as financial equilibria, i.e. a level playing field with private competitors for financing, taxes and subsidies, and high standards of transparency and accountability.
31. Finally, this motion seeks to further be referred to the relevant standing committee, allowing that this house fully invoke the powers of said committee to subpoena witnesses to appear before it, as provided for by the Powers, Privileges and Immunities of Parliament Act 17 of 1996.

