



Republic of Namibia

VOTE 19: MINISTRY OF TRADE & INDUSTRY

BUDGET SPEECH

BY

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MINISTER OF TRADE AND INDUSTRY**

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**The Honourable Chairperson of the Whole House Committee
Honourable Members of this August House**

It is my honour to motivate the proposed budget for the 2014/15 Financial Year for Vote 19 : Ministry of Trade and Industry before this August House. From the outset I wish to congratulate the Hon. Saara Kuugongelwa-Amadhila, Minister of Finance for the budget that she has so ably presented and for the proposed allocations to Vote 19. The Honourable Minister of Finance indicated in her budget speech that one of the priorities of the current budget is, "*to expand the economy to achieve high economic growth rates with jobs, by investing in infrastructure and through a gradual drive to enhance the industrial sector of the country*". I do agree with her whole heartedly and I am convinced that we would accomplish even more if "a gradual drive to enhance the industrial sector" would make way for an "expeditious transformation".

Hon Chairperson, Hon Members

A few weeks ago, I delivered a ministerial statement covering several policy interventions aimed at enhancing our local productive capacity and a drive for economic development. Without wishing to repeat myself, I feel it is necessary before addressing the budget allocation, to highlight some pertinent policy issues relating to the budget as an instrument towards accelerating industrialization in particular, and the attainment of Vision 2030 in general.

In my view, one of the most pressing problems of our time is to overcome the challenges of what is called "jobless growth", a phenomenon which is caused, at least in part, by an over-reliance on raw material exports, which in turn results in the economic inequality that we are witnessing in our country. It makes us a captive market. It is only through beneficiation and adding value to our own resources and creating the value chains that derive from them that we will be able to diversify our economy and strengthen our competitiveness and create job opportunities and wealth.

Unfortunately, we do not make a full use of our raw materials. One has to recognize

that along with the export of raw materials actually jobs and other economic opportunities are exported and foregone. Furthermore, our dependency on imports places huge pressure on our foreign currency reserves and balance of payments. The only remedy we have in this regard is to increase our export earnings in foreign exchange through growing the value of our exports, value addition to raw materials and resultant import substitution. The way to achieve this is to create the necessary industrial base.

For this essential transformation of the economy, for industrialization to happen, however, we need to find ways to overcome several challenges. First, there is a lack of capital, technology, skills and know-how and innovation. Secondly, accessibility to financial and other resources that would enable our entrepreneurs to become globally competitive must be improved. Thirdly, high input and operating costs threaten to make our industries uncompetitive. If electricity and other utility costs continue to spiral upwards, if costs to acquire industrial land soar and if transport and logistics costs including port fees continue to surge upwards faster than can be reasonably expected, an industrialization process will become even more of a challenge. Forth, as I explained in my recent statement in this House, there is the threat of erosion of policy space, often as the result of the globalized trade regime, which seeks to harmonize policies or international agreements that we sign.

Hon Chairperson, Hon Members

It should by now be evident, that without the Government committing the necessary budget resources to support the development of existing and the creation of new industries, the accelerated and sustainable growth of the whole economy is hardly possible. There is a complementary as well as, in some instances, a leading role that we expect the Government to play in domestic industry development. The economic history of developed countries shows that in the past (and today), they too extensively used various policy interventions such as subsidies, concessional financing, trade protection, investment into research and development, domestic marketing requirements and so on to build their own industrial capacity. Unfortunately most of them now suggest that developing countries should forego the same means. .

In order to bring about and speed up industrialization, Government will have to work closely with the private sector and the work force, and we will need to muster the support and cooperation of price setting utilities. We thus urge our utility companies to stand up and shoulder this responsibility to make it possible for industries to grow and remain competitive.

One of the priorities we have to address is to balance out a skew economy and the resultant income inequality, which in Namibia manifests itself through imbalanced ownership and distribution of economic assets, wealth and income. Empirical evidence has demonstrated that economic inequality retards the pace of long-term sustainable economic growth. Namibia should not concentrate on equality only in terms of political or juridical equality where persons should have equal treatment before the laws but need to extend it to fairer access to resources and economic opportunities.

A considerable responsibility rests on the Government to help build entrepreneurship, support small business development, encourage the use of new technology, provide access to productive equipment, upgrade industrial capacity, improve quality – all this has to be achieved, in a hostile environment with a retail sector that specializes in sourcing from outside Namibia, and a consumer society which often favours imported over local products. Local sourcing and consumption and support for local industries in general, including through government procurement, are therefore crucial elements for a successful industrialization programme.

Honourable Chairperson

Honourable Members

Let me now reflect on the details of the budgetary allocations to Vote 19 for the 2014/2015 fiscal year.

OVERALL ALLOCATION

The total budget allocation to the Ministry of Trade and Industry for the financial year 2014/2015 amounts to **One Billion Five Hundred and Eighteen Thousand Namibia Dollars (N\$1,000,518,000)**. This represents an increase of Two Hundred and Fifty One Million and Eighty One Thousand Namibia Dollars (N\$251,081,000) or 33.5% from the 2013/2014 allocations.

The Ministry's allocation consists of Five Hundred and Ninety Two Million Five Hundred and Eighteen Thousand Namibia Dollars (N\$592,518,000) for the Operational Budget and Four Hundred and Eight Million Namibia Dollars (N\$408,000,000) for the Development Budget.

Activities in the Trade and Industry Ministry are now grouped under five (5) main Programmes, namely:

- ❖ Trade Promotion
- ❖ Industrial and Business Development
- ❖ Investment Promotion
- ❖ Special Industrialization Initiatives
- ❖ Supervision and Support Services

A new programme is added to the previous set of four, namely *Specialized Industrial Initiatives*. The focus of the programmes indicated above and the specific allocations thereto are as follows:

1. TRADE PROMOTION PROGRAMME

An amount of **two hundred and ninety one million seven hundred and thirty four thousand Namibia Dollars (N\$291,734,000)** has been allocated to this programme.

This programme consists of two main components, namely Domestic and External Trade Management.

1.1 Domestic Trade Management

This component focuses on improving the efficiency and effectiveness in the

registration of companies, close corporations and intellectual property rights and the functioning of the internal market. Under this, we intend, and I am only mentioning a few highlights, to:

- Consolidate the organisational capacity of the Business and Intellectual Property Rights (BIPA) to perform registration of companies and industrial property on behalf of the Ministry. We shall during this year table before this House the envisaged BIPA Bill, which provides the legal framework for such an authority.
- Finalise the drafting of a policy and legal framework for rights based consumer protection.
- Provide financial support to strengthen functional capacities of the Namibia Competition Commission and the Namibian Standards Institution.

1.2 External Trade Management

This component includes the international trade and external trade relations with the rest of the world.

- In the coming year we will continue to negotiate for market access in markets in Africa, the USA, China, the Russian Federation, Hong Kong, United Arab Emirates, Canada, Korea, Turkey, etc. Increasingly the problems that we face are not so much import tariffs but non-tariff barriers such as SPS (sanitary and phytosanitary clearance) and the alike, which are imposed unilaterally.
- Namibia will together with the ACP Group and the African Union still pursue the finalisation of the full EPA negotiations for a win-win agreement by ensuring that our policy space to make policies for our growth and development are not compromised.
- Construction of export infrastructure in selected countries in the sub-region.
- In collaboration with the Ministries of Finance and Home Affairs and Immigration implement the one-stop-border post and single-window concepts to facilitate foreign direct investment and trade at our borders respectively.

- Engage in regional and multilateral trade and economic integration arrangements. (SACU, SADC, SADC-ECA-COMESA PTA)
- Establish the Namibia International Trade Management Commission (Namibia Board of Trade). We shall finalise the legal frame work for the establishment of the Namibia Board of Trade, which shall inter alia deal with issues of tariff setting, import and export permits, rebates and draw downs, infant industry protection and support measures, unfair trade practices, safeguards, anti-dumping measures and Rules of Origin to mention the most important ones.

2. INDUSTRIAL AND BUSINESS DEVELOPMENT PROGRAMME

An amount of **five hundred and thirty nine million, three hundred and seventy eight thousand Namibia Dollars** (N\$539,378,000) has been allocated to this Programme.

This programme consists of two main components, namely Industrial Planning and Development and Small Business Development.

2.1 Industrial Planning and Development

The purpose of this component is to create conditions necessary for a robust and competitive industrial sector in the country. These activities are aimed at building and boosting the capacity of local industries, mainly Small and Medium Sized Industries (SMEs) to efficiently produce and supply goods and services to meet local and export demand.

Some of the major interventions will be the following:

- Finalizing the implementation strategy for the Industrial Policy;
- Providing support to local industries in the process of upgrading their production capacity through the Industry Upgrading and Modernisation Programme (IUMP);

- Research on resource availability in the country and value chains in strategic sectors;
- Funding the NDC's current development projects and infrastructure upgrading; and
- Finalization of the legal framework for the establishment of the Namibia Industrial Development Agency (NIDA).

2.2 Small Business Development

Under this component, a range of business supportive services aimed at economic empowerment; bolstering production capacity and employment creation are provided.

Some of the major interventions will be the following:

- Business mentorship and managerial skills development;
- Funding feasibility studies and business plans;
- Provision of productive equipment;
- Capitalisation of the newly formed SME Bank;
- Acquisition of industrial land and construction of business premises; and
- Support to SME service providers and other associations.

3. INVESTMENT PROMOTION PROGRAMME

An amount of **fifty one million eight hundred and sixty six thousand Namibia Dollars** (N\$51,866,000) has been allocated to this Programme.

The purpose of this programme is to achieve an increase in number, value and nature of domestic and foreign direct investments in Namibia. This objective is to be achieved by, among others, creating an enabling environment for investment, which involves having in place an appropriate legal and regulatory framework; a proper plan and strategy for marketing Namibia as a preferred investment destination and enhancing a positive competitiveness ranking of Namibia.

The activities under this Programme, and which will be pursued in the current fiscal year include:

- Finalisation during this financial year of the revised Investment Law, to replace the existing Foreign Investment Act, 1990. Amongst others, the new law provides for the role of the State, the reservation of certain categories of business and sectors for domestic investors, and the establishment of an integrated investor service (one-stop-shop) centre;
- The revision of current incentives to ensure their continued relevance as an effective tool for attracting the required quantity and quality of investments especially into the priority sectors of manufacturing, agro-processing, transport and logistics and tourism. This will include a revision of the current EPZ Act. The envisaged legal framework should include a broader approach of *Economic Zones*, which will house industries that manufacture for both, the domestic and export markets.
- Marketing Namibia to ensure its competitiveness as an investment location of choice;
- Organisation and facilitation of inward and outward investment missions as well as business linkages and partnerships;
- Investigations and research and on new investment opportunities especially through The Spatial Development Initiatives that seek to create a link between transport infrastructure (such as ports, highways and railways) and business opportunities along corridors;
- Providing support to the NCCI.

4. POLICY SUPERVISION AND SUPPORT SERVICES

An amount of **seventy seven million five hundred and forty thousand Namibia Dollars** (N\$77,540,000) has been allocated to this programme.

This programme consists of two main components, namely Policy Supervision and Coordination and Support Services

4.1 Policy Supervision

This component entails ministerial leadership and overall oversight over the design and implementation of the various policies and programmes on trade, investment promotion and industrial development as well as to ensure coordination and alignment to Ministerial and national development plans.

4.2 Coordination and Support Services

The activity entails oversight roles by the Accounting Officer as well as the support functions of human resource management and development, financial management, Internal Audit; Procurement and asset management.

5. SPECIAL INDUSTRIALIZATION INITIATIVES

An amount of **forty million Namibia Dollars** (N\$40,000,000) has been allocated to this programme.

In order to fast track the attainment of the goals of NDP4 and the ambitions of Vision 2030, the Ministry has decided to support research and implementation of strategic projects.

This activity is aimed at the implementation of the manufacturing strategic initiative in NDP4, through expansion of industrial capacity and value chain development.

The Growth at Home initiative aims to develop local and regional value chains on the basis of the raw material resources available in Namibia.

The rationale for this programme is to give effect to the implementation of industrial development priority projects identified through sectoral consultations held in the context of developing the Manufacturing Sectoral Execution Plan for the implementation of the 4th National Development Plan and other planning processes of the Ministry of Trade and Industry.

Among others, these projects are within the following sectors: agro-processing (especially processing factories linked with the recently developed fresh produce hubs); fish processing; steel manufacturing and metal fabrication; transportation equipment and manufacturing; building material manufacturing; furniture manufacturing; pharmaceuticals and cosmetics manufacturing; automotive sector development; bush biomass value addition; mineral beneficiation, and chemical industry (especially value addition to sea salt). In each instance we will endeavour to strengthen and expand local and regional value chains and improve infrastructure, such as expanding industrial and logistical zones around Walvis Bay and establishing new international conventioning facilities. In this year we will focus on detailed planning and feasibility assessments as the basis for future investment and implementation.

Honourable Chairperson of the whole House Committee

Members of this August House

Let me conclude with a quote from Karl Marx who said “Mankind always sets itself only such problems as it can solve; since looking at the matter more closely it will always be found that the task itself arises only when the material conditions for its solution already exists or are at least in the process of formation.” Our task to grow the economy and improve living standards of our people is possible through industrialization which itself is within our means to accomplish.

Therefore I now move and request the House to consider and approve the sum of ONE BILLION FIVE HUNDRED AND EIGHTEEN THOUSAND NAMIBIA DOLLARS **N\$1, 000,518 000.00** for the current and development budgets of the Ministry of Trade and Industry, Vote 19.

I THANK YOU.