**REPUBLIC OF NAMIBIA**

**MINISTRY OF TRADE AND INDUSTRY**

# STATEMENT BY

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ON THE OCCASION OF THE

# A PUBLIC PRESENTATION-CUM-DISCUSSION ON FINDINGS OF THE WORLD ECONOMIC FORUM GLOBAL COMPETITVENESS REPORT

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Director of Proceedings
Dr. Wolf Krug, Hanns Reidel Foundation Regional Representative Southern Africa
Uta Staschewski, Hanns Seidel Foundation Representative in Namibia
Mr. Klaus Schade, IPPR Research Associate
Mr. Rowland Brown, Chairperson of the Economic Association of Namibia
Invited guests and participants
Members of the Media
Ladies and Gentlemen

I wish to thank the Hanns Seidel Foundation, the Institute for Public Policy Research and the Economic Association of Namibia for organising and inviting me to this information sharing and discussion meeting on the just released World Economic Forum's Global Competitiveness Report for 2013 – 2014.

I also wish to thank Mr Brown for his informative presentation.
Namibia reversed its downward trend improving by two positions to reach the 90th place on the Global Competitiveness Index for 2013-2014 (out of a total of 148 countries). That is good news for us policy makers and it is good news for the business community. However the country's rating of 3,9 remains the same as last year and that indicates that we can do better.

The details on how we have performed in each of specific pillars have been highlighted in Mr Brown's presentation, and I will therefore focus on providing my views on the parameters used in the rankings and some of issues highlighted or not explicitly covered in the ranking, but which I believe are fundamental to quest to develop and industrialize, and thus should be the centre of joint action, Government and private sector.

Ladies and gentlemen

The role of statistical indicators such as those used in the Global Competitiveness Report has increased significantly over the last decades, and statistical indicators are widely used for designing and assessing the impact of policies in bring about the desired improvements in societies, as well as in assessing and even influencing the functioning of the markets or economies. As such, more and more people, indeed all of us, look to statistical information to be better informed and/or to make “informed” decisions.

I fully agree with the statement that and I quote: “what we measure affects what we do; and if our measurements are flawed, decisions may be flawed”.

A report by a Commission that was commissioned by former French President Nicholas Sarkozy (consisting of Professors Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi) to identify the limitations of GDP as an indicator of economic performance and social progress, among others concluded that “GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental and social dimensions, some aspects of which are often referred to as *sustainability”.* The renowned authors were of the view that “commonly used statistics may not be capturing some phenomena, which have an increasing impact on the well-being” of people and further that “the way in which statistical figures are reported or used may provide a distorted view of the trends of economic phenomena”. The report gave an example where much emphasis is put on GDP although net national product (which takes into account the effect of depreciation) or real household income (which looks at real incomes of households in the economy) may be more relevant.

The point that I am making is that we should not limit our assessment to the obvious issues that the report has raised, namely who has scored what, but to equally dig into what the findings really mean and what really issues are there that we need to expend time and resources to address – those issues that will help us to improve the social and economic well-being of our people.

In addition to the above and assuming that findings of these reports do matter in investors’ decisions and/or that indeed the ratings are based on perceptions of respondents principally business people, I am of the view that we should also examine the relationship between competitiveness rankings and actual investment flows into Namibia and Africa.

Ladies and gentlemen

The Global Competitiveness Report uses two criteria to allocate countries into stages of development. The first is the level of GDP per capita at market exchange rates. This widely available measure is used as a proxy for wages, because internationally comparable data on wages are not available for all countries covered. A second criterion is used to adjust for countries that are wealthy, but where prosperity is based on the extraction of resources. This is measured by the share of exports of mineral goods in total exports (goods and services), and assumes that countries that export more than 70 per cent of mineral products (measured using a five-year average) are to a large extent factor driven.

Namibia is placed in the Stage 1: Efficiency-driven countries category, a placement which obviously has something to do with GDP per capita. Stage 2 economies are countries that have a sustained GDP per capita growth of between US$3, 000 – 9, 000. As supported by the assessment by the group of globally renowned economists that I have referred to earlier, we (Namibia) have always expressed a concern with the current GDP-based assessment given the high levels of income distribution disparity prevailing in our country.  Another factor worth considering is that Namibia is a net exporter of capital, and the GDP per capita measurement does not take into account the expatriation of part of the GDP through dividends and profits.

Without any doubt, the Government and my Ministry in particular appreciates and will continue to take statistical information provided in reports such as the Global Competitiveness Report seriously and to take the lead in initiating action to address the factual issues raised therein. While doing so, we also look to other stakeholders – the business sector and academia – to share in this national responsibility. I specifically want us to avoid being blinded by the perceived high growth performance of our economy as measured by GDP per capita, but for us to jointly pursue those changes at all levels of our society (Government, business and civil society) to bring about people-based and environmentally sustainable growth and development.

Given that the information contained in competitiveness ranking reports are largely based on the views or perceptions of representatives of the business and private sector as well as the assumption that ranking information may play a part in investor decisions, I find it necessary to also examine the relationship between competitiveness rankings and actual foreign direct investment (FDI) flows, especially into Namibia and other African countries.

From a investment trends analyses, it is obvious that a large share and type of foreign direct investments that flow into Namibia and Africa in general, are predominately resource-seeking investments. In examining the relationship between the economic rankings and actual FDI flows, one is tempted to note that, with a few exceptions, the top destinations for FDI flows in Africa as recorded in the UNCTAD World Investment Report are (without mentioning names) oil and gas producing and exporting countries, most of who have been ranked among the poor performers by the Global Competitiveness Index.

I agree with Mo Ibrahim who is calling on the business sector, domestic and foreign, to play its full role in helping to drive employment in Africa. He say and I quote: “This means supporting development which goes beyond extracting and exporting raw commodities”. He goes on to say: “Too many multi-nationals avoid paying tax in the countries where they do business.” You will no doubt agree that the State depends on such taxes to finance the provision of basic infrastructure and improve the quality of services in social sectors such as education and health where our country continues to perform poorly according to the rankings.

This reality gives credence to measures being pursued by Namibia and other African countries to optimize the utilization of raw commodities and bring about increased value addition and manufacturing and exports of processed or manufacturing, which will in turn bring about real growth, employment and wealth creation in the country where the often non-renewable resources have been extracted. As is evident from the EPA negotiations, measures to create policy space to enhance productive capacity are not supported by those developed economies, who continue to top the chart of top performers, by continue to heavily rely on the least developed and developing countries for supplies of raw materials as inputs into their industries.

The mismatch between actual FDI flows and the GDP-based economic performance assessment that I have just referred to also tend to go contrary with the original notion of resource-seeking investment, where according to Asiedu (2002), the objective of such investment “is to make use of the host country’s resources to produce goods for sale outside the local market”. The reality on the ground in Namibia and other resources producing countries is that investments in resources extractive industries have largely resulted in exports of raw materials without any local processing taking place, not to talk of processing such raw materials into finished goods.

In line with our emphasis on local value addition and Growth at Home,  cannot but agree with a statement by an Ernst & Young Survey entitled “Getting Down to Business: Africa 2013” (in favour of the promotion of re-investment by those investors who are already doing business in Africa), which states that and I quote: “it is therefore time for a shift of emphasis and mindset away from trying to persuade the sceptics toward promoting and enabling those already investing and doing business in Africa”.

Ladies and gentlemen

As a matter of principle and from the action being taken by the Government through the Anti-Corruption Commission (ACC), we will continue to root out any forms of corruption in our society. Corruption is on the list of the top 5 problematic factors for doing business in Namibia according to the current and previous Competitiveness Reports. Again in the words of Mo Ibrahim, “we also need businesses, big and small, to lead by example. It is all too easy to demand improvements in the way governments operate or complain about corruption, without insisting on the same standards within your organization.”

Another area required improved public-private partnership is business financing, especially start-up and venture capital financing to SMEs. This is one of top 5 problem areas hampering investments and business development in our country, according to the GCR a findings that the Government fully agrees with, hence the establishment of the SME Bank and DBN, but more support is needed.

**PROPOSED STRATEGIC ACTION**

In general, the Namibian Government will continue to play a leading role in addressing the various developmental challenges facing the country including thus highlighted in the GCR through a range of strategies and measures that have been articulated in the Vision 2030 document, National Development Plan 4, Industrial Policy and our Growth at Home Strategies.

From the ratings, some feasible strategies and interventions that can help the country to realise its development goals and also to improve its competitiveness ranking (most of which are already under implementation) are: streamlining of the processes of starting a business; enhanced support for manufacturing and local value addition; scaling up investment and utilisation of technology and innovation; education and training; public health and infrastructure development.

- **Streamlining the process of starting a business** - "one-stop-shop" investors services center as well as the creation of the Business and Intellectual Property Authority (BIPA);
- **Targeted support to boost private sector investments in manufacturing and value chain industrial activities** – Under Industrial Policy and Growth at Home Strategies (IUMP and a Special Industrialization Program);
- **Improved access to business infrastructure and finance (start-ups**) - Creation of appropriate industrial development agencies (NIDA) and SME Bank and development of industrial and multipurpose parks

- **Increasing support to local exporters and cross-border trade facilitation** – Through new market (domestic and export markets) and product development and diversification as well as the creation of “Single Window Facility”;

- **Promotion of technology diffusion and innovation (IPR)** – in partnership with the business sector and the academia;

- Improved coordination between stakeholders (public and private dialogue and partnerships);

- Development and maintenance of reliable and integrated transport and logistics infrastructure - logistics hub Improve and quality of education (ETSIP);

- Improve and expand access to health care (rural areas); and

- Expansion of ICT infrastructures and broadband

- Market access - Namibia is a member of the SACU and with that has duty free, quota free access to that single customs area as a market. The rating ignores that.

Our actions in this regard are principally driven by our desire to bring about sustainable economic growth and development that is reflected in gainful employment opportunities, equitable distribution of wealth and income distribution, and reduced poverty level – and not by the desire to improve out international competitiveness ranking.

I thank you for your attention!