



Republic of Namibia

STATEMENT

BY

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MINISTER OF TRADE AND INDUSTRY**

**At the “Practitioners’ Workshop on benchmarking Namibia’s
Implementation Strategy against Best Practices”
Implementing Namibia’s Industrial Policy**

17-18 October 2013

Safari Court Hotel

Director of Ceremonies

Esteemed Invited Guest Speakers

Representatives of the German Federal Ministry for Economic Cooperation and Development (BMZ) (Our co-sponsors)

Our co-organizers the GIZ

Representatives of other Government Offices and Ministries present

Members of the media

Participants

Ladies and gentlemen

First and foremost I would like to sincerely thank you for accepting our invitation to this workshop which is designed to benchmark Namibia's Industrial policy Implementation framework against best regional and international practices, and facilitate knowledge sharing among national and international experts with the ultimate view of providing some technical input to the Namibia Government with regard to processes and instruments for effective industrial policy implementation.

Over the years, Namibia has experienced sustained economic stability and a moderate albeit not sufficient diversification of the economy. However, despite solid macroeconomic fundamentals, Namibia's economic and especially industrial performance has not been satisfactory yet. Having undergone only slow structural change, the country still faces great challenges such as limited production capacity and primarily raw material

export structure of its economy, the high unemployment rate, pockets of poverty that are quite deep, and severe income disparity.

Ladies and Gentlemen,

Namibia is striving to become an industrialized economy by the year 2030. In order to achieve this target we must improve our delivery rates in terms of policy implementation rather significantly. Allow me to share a quick snapshot of the economic indicators for Namibia for the year 2012. It will help us appreciate where we are and what needs to be done in terms of industrial development to propel the economy to where we want to be in 2030.

Population 2.3 million

GDP NGDP/capita N\$ 26,445 (2012/13 -NDP4)

GDP growth -1.1 (2009), 6.0 (2010), 4.9 (2011), 5.0 (2012),

Share of GDP as per the National Accounts for 2012:

Primary sector 18.6 %

Secondary sector 17.6 %

Tertiary sector 56.9%

Gini coefficient 0.58, down from 0.70 in 1994

Unemployment rate 27 %

Balance of payment small surplus, N\$ 156 million

Current account balance - 0.3 %, -N\$316 million

Inflation 6.5 (2012)

National Budget 2013/14 N\$ 45 332 233

Total Public expenditure 38.3% of GDP (2012/13)

Total revenue 35.5 % of GDP (2012/13)

Budget balance -2.8 % (2012/13)

Total public debt 31 % of GDP \$ 104.58 billion (2012/13)

These macro-economic indicators show that Namibia is on the right track. We weathered the economic crises well and rebounded strongly with economic growth of 6% the year after the crisis. This solid growth was maintained at around 5% in the following years. However, comparing this relatively good performance with what is required to reach the 2030 targets shows that we have to do more, we must raise the ambition bar significantly.

Namibia has agreed on its fourth National Development Plan 4 as the over-all economic development agenda which will be required to be implemented to reach our 2030 targets. It has the following broad objectives and targets:

a) High and sustained economic growth

- 4.6 % in 2012/13
- 6.1 % in 2013/14
- 6.4 % in 2014/15
- 6.3 % in 2015/16; and
- 6.5 % in 2016/17

b) Employment creation: 499 968 additional jobs

c) Increased income equality: Gini coefficient of 0.47 by 2017

To reach these goals, we have, under this NDP 4, to which our industrial policy implementation framework should be closely aligned, identified key areas of focus that will create the necessary momentum for our desired higher economic growth. As such, our Industrial policy implementation framework should propel us to attain a good part of these goals.

While other sectors will not be neglected, attention will be shifted to priority sectors in order to ensure that the impact and results of our efforts collected in this regard are substantive. We have realized that spreading our efforts and resources to most sectors results in limited impact. Narrowing the focus on our drive towards accelerated economic growth through industrialization and manufacturing become essential.

Director of ceremonies, ladies and gentlemen,

Despite that the implementation of industrial initiatives, or the facilitation thereof, is not a particularly new phenomenon to Namibia as demonstrated over the years of industrialization pursuit, a clearly defined approach in the form of an agreed industrial policy implementation framework that outlines the execution path towards industrialization has been a missing element that would ensure accelerated industrialization and more importantly to enable sustainable economic growth to deliver equitable benefits to the whole of the Namibian society, specifically income generation and job opportunities and the reduction of income inequality.

Since the beginning of this year, just after the adoption and approval of Namibia's first Industrial policy by Cabinet and Parliament, respectively, we have engaged with the private sector on our *Growth at Home* initiative of the Government which aims to develop local and regional value chains on the basis of the raw material resources available in Namibia, on a wide range of sectors with the view of ensuring an integrated and a consultative approach aimed at facilitating dialogue and address issues of mutual concern collectively.

I believe that our industrial policy should be about facilitating the identification and removal of constraints to growth in priority sectors driven by the private sector, but equally preparing Government to initiate and incubate industrialization. It is thus essential that the private sector points out to policy-makers the obstacles to growth in industrial production, and for us to ensure the alignment of government plans and actions to industry needs and also to ensure adequate resource allocation.

The importance of commodity-based Industrialization and increased value addition to our natural resources and particularly manufacturing to our development and the growth of our economy has been recognized through the designation of this sector as one of the four priority sectors in our fourth National Development Plan (NDP4) as in the previous NDPs and the overarching long term Vision 2030.

As a Government, we are aware that manufacturers in our country are facing various challenges that constrain their ability to produce and compete effectively at home and in export markets elsewhere. We are aware of the high cost of technology, energy, water, finance, transport

and logistics, as well as shortage of skills, to mention a few. On the other hand, the industry sector is under constant pressure to cut costs, improve quality, meet environmental and international standards and penetrates markets with more competitive products. Specifically, one realizes that Namibia's competitiveness is constrained mainly by:

- A very narrow industrial base, with heavy reliance on the primary sector;
- Where local industries do exist, they face a number of supply-side constraints, including a lack of proper production technology and technical know-how that are required for cost effective and competitive productivity;
- Our exports, which are principally primary commodities like metals and minerals, agricultural and fish products, are prone to price volatility. The reasons for such fluctuations are many fold and include fluctuations in demand and exchange rates, as well as market access constraints; and
- Lack of a pool of skilled labour

Equally important, the performance and growth in the manufacturing sector requires and is highly dependent on improved access to the country's raw materials, such as minerals, agricultural production, fisheries and others that the sector needs for processing into semi- and finished goods, including policy flexibility to import additional raw materials to complement and augment local production capacity in certain subsectors, as well as access to both domestic and outside markets.

Director of ceremonies, ladies and gentlemen

We often say that we produce what we do not consume and we export raw materials, which we do not add value to, thus exporting jobs and wealth at the same time. Our retail shelves are full of imported products and local manufacturers are often denied access through established procurement practices - on the other hand securing supplies to the domestic market is made difficult as some manufacturers ignore the local market at the expense of export markets. I am thus very pleased to inform you that our efforts and strategies would primarily focus on redressing these situations for the benefit of our people.

Being part of the global village, we fully recognize that our industrialization aspirations come amidst robust technological advancements in other parts of the world, which are transmitted into our economy through the importation of lower cost products resulting from massive economies of scale in those parts of the world. As a pro-competitive and yet developing nation, we are however broadly aware of the trade-off between consumer interest and industrialization. Where an integrated value chain is at stake, where decent employment is at stake, and all that in a situation of such high levels of inequality in income and unemployment, to maintain and improve productive capacity must rank high. This tradeoff is underpinned by our industrial policy approved by Parliament and NDP4.

It is important to be aware that policy space to support domestic industry, production and exports is under pressure through globalization (including measures developed in the WTO which could have been

intended to limit the extent to which industrialized economies could distort markets through subsidies) and market access arrangements (e.g. SACU, SADC, EPAs)).

This is an aspect described well by Joseph Stiglitz in his book "The Price of Inequality" where he says, and I quote *"In developing countries, changes in inequality are related to international rules of the game that are beyond the control of individual countries. And here too, it is politics, not just economics that matters; it is the international rules that govern globalization. When those rules allow rich countries to subsidize their rich farmers, global agricultural prices are depressed, and many of the poorest in poor countries, those working in agriculture, suffer. When countries in the advanced industrial world fail to regulate their banks adequately and to manage their macro economics well, the developing and emerging markets often suffer from the collateral damage. And it is typically the poorest that suffer most."*

This casts doubt whether international best practice is what we need to emulate. I believe Dani Rodrik is correct in stating in his book "The Globalization Paradox --The rules of the WTO, the practices of the IMF, and the recommendations of Western policy advisers have had the collective effect of shrinking the policy space within which similar homegrown, sequential approaches could be devised and implemented-all in the name of spreading the benefits of globalization."

Given these and the small size of our domestic market, we should endeavor to find alternative markets for our exports especially in Africa, Asia and other parts of the world in addition to our traditional markets.

It is important to state that policies for absolute liberalization in terms of pricing and discounting can also erode consumer interests. Equally, the abuse of dominance, cartels and other forms of unfair trade practices that kill our industries and curtail our economic growth may be detrimental to and can erode consumer welfare. It is therefore essential to achieve a balance of interest and to encourage competition in the market place, but without diminishing the domestic productive capacities.

Government resources to support any one sector are limited and need to be used at maximum efficiency within an effective monitoring framework, and need to be matched by private sector investment. We also need to recognize that there is a high risk that Government intervention may stifle competitiveness, thus our support mechanisms must be reversible and performance based. Ultimately we also want to see consumers benefit as a result of our interventions and we expect industry to pass on the benefits of efficiency gains to consumers.

Director of ceremonies, Ladies and Gentlemen,

We underscore and acknowledge that prerequisites to accelerated growth resulting from commodity-based industrialization remain, inter alia, a business friendly environment, coherent legal and policy frameworks and enhanced constant public-private dialogue and consultations as well as adequate and serious resourcing of the identified industrial initiatives.

We agree with Carlos Lopes, who in the *“Economic Report on Africa”* states: *“On top of offering short- to medium term comparative advantages, commodity based industrialization can, with the right*

industrial policies, serve as a launching pad for long term diversification and competitiveness in new and non commodity sectors in Africa's commodity rich countries.”

Namibia is case in point. We have a relative abundance of raw materials that lend themselves to beneficiation to advance our industrialization. We have a reasonable transport and logistics infrastructure and plan to invest much more into this sector. Equally, Namibia possesses reliable energy and water infrastructure, as well as high quality communication infrastructure. Although the Namibian economy is commodity based, all the ingredients necessary to progress into a commodity based industrialized economy are within our reach.

Director of ceremonies, Ladies and Gentlemen,

I thank you and look forward to a constructive workshop epitomized by country case presentations, moderated panel sessions and other subsequent interactive engagements through which we can hear your honest perspectives, inputs, challenges and also your stance towards a successful and result-oriented implementation of the industrial policy framework and strategy that would ensure increased value addition and sustainable growth of our country. We must be smart, we must be the jackal that thrives next to the lions of this world.

I thank you