



Republic of Namibia

STATEMENT

BY

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MINISTER OF TRADE AND INDUSTRY

AT

**THE OFFICIAL OPENING OF THE NCCI'S NATIONAL COUNCIL
MEETING**

AT

THE NAMPOWER CONVENTION CENTRE, WINDHOEK

ON

FRIDAY, NOVEMBER 21, 2014

Director of Ceremonies

Mr. Sven Thieme, President of the NCCI,

Members of the NCCI's National Council

Mr. Tarah Shaanika, CEO of the NCCI

Distinguished Guests,

Members of the Media,

Ladies and Gentlemen,

Good morning. Thank you for inviting me to officially open the NCCI National Council Meeting, this morning. I am pleased to learn that the NCCI's Competitiveness Agenda 2020+ is poised to dominate the discussions during the course of the day.

I was asked to share some thoughts on how we as a nation can strengthen Namibia's economic and business competitiveness in international and regional terms, given my mandate as the Minister of Trade and Industry to promote sustainable growth in a number of strategic

sectors and in the economy as a whole. Hence, in this speech I shall dwell on the following three issues:

First, Namibia's strengths and also areas needing improvement as measured by various international competitiveness rankings;

Second, the demonstration of a clear alignment between the very relevant topic of Namibia's competitiveness as raised by the NCCI National Council at this meeting, and our Ministry's Growth at Home Strategy; and

Finally, the state of the economy on the public and private sector side as envisaged by the Ministry of Trade and Industry.

Director of Ceremonies, Ladies and Gentlemen,

It is certainly inspiring to see that the NCCI's Competitiveness Agenda 2020 calls for action by the Namibian Government and the private sector to jointly

work towards improving our economy and its competitiveness.

Competitiveness, broadly defined by the World Economic Forum as the set of institutions, policies and factors that determine the level of productivity of a country, has become an increasingly important benchmark in assessing and comparing relative economic performance of nations around the world. As a result, a multiplicity of international competitiveness rankings has emerged. Amongst the most relevant for Namibia are the Ease of Doing Business by the World Bank Group, Global Competitiveness Report by the World Economic Forum, Ibrahim Index of African Governance as well as the Namibian Business and Investment Climate Survey.

Namibia follows closely its annual movements within these rankings and is fully determined to improve its position vis-à-vis the regional, continental and global competitors, and become the most competitive economy on the African continent by the year 2030. In this regard, we at the

Ministry of Trade and Industry recognize the important role we are to perform, given the content of our mandate and the policy objectives to place Namibia as an equal and trustworthy partner onto the global economic scene.

Without going into all the intricacies of the methodology and composition of the abovementioned competitiveness indices, which are publicly available and widely discussed, I would like to express my confidence that Namibia's current standing can be considered generally positive, giving us a number of reasons to be proud of.

Firstly, Namibia regularly ranks strongly for its well-established institutions and rule of law, for instance regarding the property rights and judicial independence; political stability and security; macroeconomic environment; quality of infrastructure and the financial market development. These strengths despite the young age, and small population and market size of our country, have helped Namibia to deliver respectable results by

international standards. Our Global Competitiveness Index by the World Economic Forum 2014-2015 improved by two points compared to last year rising to the 88th position out of 144 nations. We also came 88th out of 189 countries in World Bank Group's Ease of Doing Business 2015. Unfortunately, this did constitute a fall by 8 places compared to last year's 80th position (please do bear in mind here that the World Bank has re-adjusted its 2014 rankings. Namibia was originally at 98th place in 2014).

The reasons for the deterioration in our position this year I will come to later in this speech. However, I would like to note here that one of the explanations given by the World Bank to our ranking this year was the introduction of the new training levy imposed on employers with an annual payroll of at least N\$1,000,000, at a rate of 1 per cent of their total annual payroll, payable to the Namibian Training Authority. The levy is meant to strengthen vocational education and training in Namibia as had been previously recommended by the World Bank itself as part of the

Education and Training Sector Improvement Programme (ETSIP).

Secondly, we do particularly well in our home region. In Global Competitiveness Index 2014-15, Namibia fared fifth amongst Sub-Saharan African nations, behind only Mauritius, South Africa, Rwanda and Botswana. I would like to draw your attention to the fact that Sub-Saharan Africa is economically an extremely diverse region, featuring dramatic variations in terms of competitiveness - ranging from Mauritius at the 39th place worldwide to Guinea at the 144th, with Namibia at the 88th being roughly between these two extremes.

In World Bank's Doing Business, Namibia came seventh this year amongst Sub-Saharan African countries, letting through before us only Seychelles and Ghana in addition to the same four abovementioned countries.

In the Ibrahim Index of African Governance in 2014, Namibia ranked sixth out of 54 African nations, being

recognized particularly for our good performance in the following three categories: the Participation and Human Rights; Safety and Rule of Law, and Overall Governance.

Thirdly, while comparing well to regional economies, Namibia has also demonstrated its ability to outperform by some criteria even the emerging global powers, the so-called BRIC economies. For instance, our country has left three of them - Brazil, India and China . behind us in the World Bank's Doing Business 2015.

Ladies and Gentlemen

My statement would not have been complete, if I had not discussed the areas in which we need to significantly improve our performance, to achieve the ambition to develop into the most competitive economy on this continent. The central two problems for Namibia identified by the Global Competitiveness Index are health and education. In the former, we rank low mainly due to high infant mortality and low life expectancy. In the latter, our

school enrolment rates are considered low when compared to other Sub-Saharan upper-middle-income countries, and the quality of education is poor. Moreover, we should do more to harness new technology in order to improve our productivity.

Corruption is also a factor often featuring in various investors' country reports. In this aspect, Namibia's performance is not clear-cut. Based on the Transparency International's Corruption Perceptions Index, Namibia has maintained a stable position over the past decade, ranking persistently in the moderately corrupt range, just outside the ranking of the least corrupt, and in the more positive top third of the index. In this regard, while there is certainly room for improvement, Namibia's situation is far from critical.

Besides the inadequate quality of and access to education and health services, and some consideration needed regarding our corruption levels, Namibia faces another

challenge which I, as a Minister of Trade and Industry, am particularly concerned about. It may sound obvious, but in order for our nation to industrialize, we need power. This means reliable, affordable and accessible electricity. Along with the general growth of the Namibian economy and the expansion of the energy-intensive mining and manufacturing industries, country's energy consumption has been continuously increasing. It has been projected that the current peak demand will double to 1,100MW in the next fifteen years. Under the Fourth National Development Plan, Namibia is aiming to expand its energy production from around 400MW to 750MW by 2017 to meet the spiraling domestic demand.

However, also access to electricity remains an important issue, and given the size of the country, particularly so for rural areas. According to recent estimates of the International Energy Agency, the overall electrification rate stands at 34% (in rural locations at around 15%) which is slightly above the Sub-Saharan African average, but well

below the average across developing countries, Latin America and even Africa as a whole.

Another challenge is the cost of electricity. It is a well-known fact that Namibia has experienced a continuous growth in electricity prices over the last years. Put into context, Namibia's position relative to the SADC region is uncompetitive, as the country exhibits average electricity tariffs above the majority of the region. Namibia continues to have significantly higher electricity prices than in the region's largest economy South Africa. Despite a sharp decrease in electricity price differential from 70% in 2007, national residential tariffs in 2012 were still on average by 25% higher than in South Africa. A similar picture emerges when we look at tariff levels amongst industrialized developed nations. Namibia's average industrial tariff level is, amongst others, significantly above that of the European Union, Norway and the United States.

As a key input in many production processes, along with other utilities such as water and transport, port fees, the

electricity and its prices, no doubt, matter for the general competitiveness of the Namibian economy. As besides the purchasing power and disposable income of households, they affect the production costs of industries and services. As a result, the high costs of electricity (and other utilities) in Namibia have put a significant burden on all customer groups, but particularly the productive sector . commercial and industrial consumers, which are responsible for driving the economic growth of the whole country. Let me add here that it is our observation that most of the other enablers move on similar trajectories increasing the risk of spiralling Namibia's utility costs out of competitive ranges.

Ladies and Gentlemen

While it is certainly a good thing to keep an eye on our position globally and regionally, it is important to note that the overall performance in these rankings is extremely difficult to predict. Moreover, they mostly focus on assessing the relative performance of countries against each other, rather than the actual improvements made in

absolute terms. Countries, even in the same region, tend to have their own specific socio-economic and political contexts, coming from different starting positions, with different comparative advantages and challenges. Therefore, the speed at which countries develop relative to each other may not always give the most accurate image of their progress. I believe that you would agree with me if I say that Namibia has come a long way since independence. We are on the right track in strengthening the economy and making it a good place to live for all our people. Hereby, I would like to share with you the progress we have achieved as the Ministry of Trade and Industry relevant to making Namibia more competitive.

Firstly, this year we have launched our Growth at Home Strategy. As you may already know the three main intervention areas under this policy are:

- Supporting value addition, upgrading and diversification for sustained growth;
- Securing market access at home and abroad; and

- Improving the investment climate and conditions.

The main objectives of the Strategy are to accelerate economic growth and diversify production sources, and move the economy away from resource dependence towards value addition and industrialisation. However, what is equally important for us at the Ministry of Trade and Industry is that all people of Namibia are able to benefit from the economic growth we strive for as a nation. Therefore, I would hereby like to reiterate on our full commitment to addressing such severe socio-economic challenges that impose a significant drag on the sustainability of our economic growth, as the high income inequality, poverty and unemployment. As a solution to these problems I see, amongst others, the provision of the vital financial and technical support to the SME sector, to entrepreneurs and innovators.

Secondly, as part of these efforts, the Ministry has initiated a review of the existing and the development of the new legislation, for instance, the Investment and the EPZ Act,

NIDA and BIPA bills. All of them are aimed to improve the investment and business environment for both domestic and international companies in Namibia, to make the environment more attractive, transparent and efficient to operate in. This would include all vital aspects for a modern investment climate, from a simplified company registration process as part of a one-stop shop business services framework, to a competitive fiscal incentive package in the amended EPZ regime and Investment Act, to the partnership and cooperation between public and private sectors, domestic and foreign companies.

While all these initiatives come from the public sector seeking to do its share in achieving national economic objectives, similar enthusiasm and commitment are required from the private sector as the main driver of sustainable economic growth in this country. We in the Ministry of Trade and Industry can identify a number of areas on the private sector side that clearly need improvement if Namibia is to become the most competitive African nation by 2030.

First, our productive capacity remains low, not without the reliable and affordable access to power. Second, our financial sector remains risk averse, which on the one hand contributes to macroeconomic stability, on the other hand, however, does not boost sufficiently our economy. Thirdly, the investment into research and development by private companies, but also the public sector, is very low. Without innovation and harnessing new technology, Namibia will simply be unable to keep up with the rest of the world and develop at the speed set by the modern global community. Unfortunately, we are more of a nation of traders, meaning sellers and buyers, instead of a nation of innovators and producers. We have more franchises than manufacturing activities, mainly due to our close relation to the dominant South African economy. We, however, ought to find our own niche in the regional and the global economy, and this sooner rather than later.

I believe that this can only be achieved through a close partnership between the public and private sectors. We as

the government commit to supporting our private sector, our entrepreneurs, from small street vendors to large manufacturers. We also devote resources to developing our human capital, creating the conditions necessary for acquiring quality education, from primary all the way to postgraduate, carrying out innovation and research, transferring specialist skills and expertise. We are also devoted to building a utilities sector with affordable and accessible services.

From the private sector, however, we require the same approach . their commitment to rational but creative thinking, developing a perspective regarding the place Namibia deserves to take in the global economy and finding innovative solutions to country's challenges. And when they succeed we expect them to give back to the country, grow their businesses, spend and reinvest their money, and school their children here at home Namibia.

If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin.”

– Charles Darwin, *Voyage of the Beagle*

Ladies and Gentlemen, on this positive note, I would like to finish my opening speech to today's NCCI's National Council meeting on Namibia's Competitiveness and thank you for your attention!