



*Republic of Namibia*

**STATEMENT**

**BY**

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**MINISTER OF TRADE AND INDUSTRY**

**ON OCCASION OF THE**

**CEO NAMIBIA COLLEGE EDUCATION SESSION**

**23 APRIL 2014, HILTON HOTEL**

Director of Ceremonies

Mr Dieter Ammer, Chairman, CEO 2014 Namibia College

Esteemed visiting Captains of the various industries

Invited guests

Members of the media

Ladies and Gentlemen

I am very grateful for the opportunity to be here to interact and share my views on the topic “*Strengthening Public-Private Trade Relations*” with the esteemed members of the CEO 2014 Namibia College. I therefore wish to thank the organizers of this get-together, in particular NamibRand Safaris and the Chairman of the CEO 2014 Namibia College, for inviting me.

The portfolio that I am responsible for covers not only trade but also investment and industrial development and given the fact that generally trade is closely interlinked with investment and industrial activity, permit me to speak on public-private relationships in respect of these three areas.

Director of ceremonies

Esteemed members of the CEO 2014 Namibia College

Henry Ford said: “*Coming together is a beginning; keeping together is progress; working together is success*”. I wholeheartedly agree with him. This function today is a first step, a coming together and it is my

sincere hope that it will grow into a keeping together and ultimately a working together. I firmly believe that only if we, the Government and the private sector, find each other and work together for a common purpose, only then shall we be able to create true win-win situations.

Prosperity is synonymous with wealth. Logically therefore, in order for us to create wealth and improve the quality of our people, we need to create and expand opportunities that will bring about the desired levels of economic growth, wealth and employment. The known source of economic growth, employment and wealth creation is largely private investment and economic activities complemented by social or public investments by the State, directly or through State-owned enterprises.

Ladies and gentlemen

In its present form, the Namibian economy is still narrowly based and primary sector driven. Namibia's economy depends on extractive industries and resultant exports of raw materials, a situation that does not only make us vulnerable to external shocks but also inadvertently results in forfeiture of economic opportunities for employment and wealth creation to the economies to which we export our raw materials.

We have therefore taken a conscious decision that in order for us to achieve the required levels of sustained economic growth and employment and bring about prosperity for our people, we need a paradigm shift and transformation from being an economy that largely

produces what it does not consume, and consumes what it do not produce. We need to develop value chains based on Namibia' raw material endowment.

The Key areas of focus that have the best potential to create the necessary momentum for our desired higher economic growth are identified in our 4th National Development Plan, namely manufacturing, agriculture and agro-processing, transport and logistics, and tourism.

Esteemed Captains of industry, Ladies and Gentlemen

To balance out persistent inequalities in wealth distribution, to meaningfully alleviate poverty and to significantly reduce high unemployment, we require a focused and coordinated action from the Government, the business sector, organized labour and civil society.

Capital is generally attracted to locations that offer a conducive set of conditions for business, which at acceptable risk levels ensure that shareholder interests are satisfied. I concur with Fischer (1993) and Sachs and Warner (1995) that choosing the right policies to ensure macro-economic stability and to promote economic growth and development is one essential for attracting and retaining investment. Namibia has sustained macroeconomic stability since its independence and is enjoying investment grade sovereign credit ratings, which is a show of confidence in the Namibian economy.

The right and security of private ownership of property and the role of the private sector in the Namibian economy are enshrined in the supreme law of our land, the Constitution, specifically Articles 16 and 98 respectively. Building on this, we have subsequently adopted policies and laws that promote private investments, both domestic and foreign direct investments.

As a result Namibia has consistently been ranked among the top 5 best performing economies in Africa. Even globally the World Bank's Ease of Doing Business Report ranked Namibia high in some parameters. In a separate rating, the Global Competitiveness Report concluded that Namibia continues to benefit from a relatively well-functioning institutional environment, with well-protected property rights, an independent judiciary, and reasonably strong public trust in politicians. Its transport infrastructure is also good by regional standards, while its financial markets are reasonably developed and is supported by a high confidence in financial institutions.

Like Martin J. Staab, it is also our view that *“Just getting policies right, as important as that is, may not be enough to promote growth and development in countries where strong and effective public-private sector relationships are lacking.”* This is supported by Rodrik (2004) who noted that governments (especially in developing countries like Namibia) are increasingly expected to perform a strategic and coordinating role in the productive sphere of the economy beyond

simply ensuring macro-economic stability, contract enforcement and property rights (Rodrik, 2004).

In this regard, the Namibia Government has, in addition to devising a business friendly policy and regulatory framework, also invested in developing a closer link with and boosting the institutional capacity of formal industry organizations, notably the Namibia Chamber of Commerce and Industry and the manufacturing fraternity under the umbrella of the Namibia Manufacturers Association, through improved dialogue and direct financial support.

We have also ensured consistent involvement of and inputs from the private sector in ongoing negotiations of external market access at regional and multilateral levels through the Namibia Trade Forum, a private sector consultative structure that came into existence with financial and technical assistance from the Government. We have equally engaged the private sector (industry sectors) for inputs on policies related to investment, trade and industrial development.

The Government's role in support of the private sector has been notable in its interventions aimed at boosting local industrial and supply-side capacity through a range of measures such as targeted support to small and medium sized industries, to enhance sustainable economic development, additional job opportunities and accelerated poverty reduction. The implementation of temporary and performance based infant industry protection measures and industrial upgrading and

modernization support aimed at establishing new and safeguarding existing value chains.

According to Martin Staab, one way to gauge government supportiveness is to examine the pattern of public expenditure especially in infrastructure development. This is collaborated by Blejer and Khan (1984) and Greene and Villanueva (1991) who observed that public investment in infrastructure, such as transport, power, water and telecommunications directly supports and enhances the productivity of private sector investments.

There is a general consensus that a reliable, integrated and efficient infrastructure and logistics network is crucial to harness domestic investment and to attract foreign direct investments which results in the expansion and diversification of trade and export. This is also our view and is evidenced by the large share of the national budgets that we have consistently allocated towards the development and upgrading of basic social (especially education and skills development) and economic infrastructure since independence.

In order to reduce transactional costs and difficulties being experienced in trading across borders, the Government has approved the establishment of a Single Window Facility, a system which entails simplified customs clearance and trade facilitation procedures by the various authorities and agencies involved in handling trade transactions.

Director of ceremonies

Ladies and gentlemen

Quite often discussions on public-private partnerships are largely skewed towards what the Government or the State needs to do to ensure an enabling environment for private sector investment. I wish to emphasize that a successful development trajectory towards high sustained economic growth prerequisites and balanced approach where both public and private sector activities complement each other.

Wim Naudé and Adam Szirmai have identified the following challenges that developing countries in particular face in their endeavour to industrialize. Firstly, developing economies like ours face the challenge to achieve industrialization in a highly unequal and globalized world economy, dominated by large multinational companies and characterized by fragmented global value chains. The emergence of global value chains is largely driven by improvements in transport, freight, information and communication technologies as well as the liberalization of trade, but leaves developing economies at the bottom of the value chain.

A related challenge is that while strategic integration into global trade requires active government policies and the establishment of public private partnerships to fill institutional voids in this regard, countries like ours that are still at the beginning of their industrialization process are threatened by a loss of policy space. 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 macroeconomics well, the developing and emerging markets often suffer from the collateral damage. And it is typically the poorest that suffer most."*

The other challenge which I am sure you can attest to is the accelerating rate of technological change in manufacturing. The increasing automation of production, while necessary to advance efficiency gains, is on the other hand increasingly affecting the comparative advantages that developing countries may have in that it is making labour less important. This is a problem given the very high rates of unemployment in our country.

The latter results in jobless growth in manufacturing. In many countries, the growth of employment in manufacturing has been slowing down to increasing capital intensity and labour saving technological change. Therefore industrial development is no longer able to absorb large increases in labour supply.

The last challenge in the industrialization process that I would like to touch on is the great emphasis that is increasingly placed on environmental issues such as low-carbon industrialization, which calls for innovation and use of environmentally sustainable technologies. As much as they are needed, they increase costs of industrialization.

In addition to the above, I wish to highlight the following issues related to investment by the private sector.

From 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, it becomes evident 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.

In order to get out of the natural resource curse trap, we need more or at least an equal flow of private investments into the resource value addition and manufacturing sectors.

On a related note, 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 said and I quote: *This means*

*supporting development which goes beyond extracting and exporting raw commodities*". He goes on to say: *"Too many multi-nationals (and the same goes for some domestic companies as well) 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 regulate access to and exports of raw commodities in favour of 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. It is obvious, as it is evident from the EPA negotiations, that such policy measures and space are not supported by those developed economies, who continue to top the chart of top performers, but 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.

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 that requires 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 Global Competitiveness Report, a findings that the Government fully agrees with, hence the establishment of the SME Bank and DBN, but more help is needed.

While the state is generally expected to invest in the development of basic infrastructure for education and training, transport, water and power, there is a strong inclination towards public private partnership in the financing, development and management of such infrastructure globally. In the case of Namibia the government has developed a public private partnership framework to guide and regulate contractual relationship between the government and the private sector in the provision of public goods and services in a manner that ensures shared risks and benefits.

I wish to end my address by re-affirming the Government's commitment towards fostering a business friendly climate in the country as well as towards creating opportunities for export and enhancing the capacity of the private sector to take advantage of the benefits that regional and global trade links and market access provide. We will continue to play a leading role in addressing the various developmental challenges facing the country, 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, including enhanced public-private dialogue and partnerships.

I thank you for your kind attention.