



REPUBLIC OF NAMIBIA

STATEMENT

on Namibia's Investment Climate

BY

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AT

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WINDHOEK COUNTRY CLUB HOTEL AND CONFERENCE CENTRE

Director of Ceremonies

Honourable Isak Katali, Minister of Mines and Energy,

Madame Selma Shimutwikeni, Managing Director: Rich Africa Consultancy

Esteemed participants from the private and public sectors and the academia;

Members of the Media;

Ladies and Gentlemen.

I am delighted and grateful to each and every one of you for having made time to attend this important Conference, which is being hosted by the Oil and Gas Private Sector. Oil and Gas world-wide is a pivotal sector on which the world economy hinges. Namibia expects to become an important player in this sector and therefore I want to commend the organizers for an apt topic, namely "Unlocking Namibia's Oil and Gas Potential" for the bi annual conference.

Director of ceremonies

Esteemed participants

To drive home the need for the transformation of the structure and content of our economy, allow me to share a quick snapshot of the economic indicators for Namibia for the year 2012 versus where we desire to be by the 2030.

GDP N\$ 109,348 billion....

NGDP/capita: N\$ 4754 (2012/13)

GDP growth: -1.1 (2009), 6.0 (2010), 4.9 (2011), 5.0 (2012), 5.1 (2013)

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)

Read in isolation, these macro-economic indicators show that Namibia is on the right track. We weathered the global economic crisis and rebounded strongly with economic growth of 6% in 2010, the year after the start of global economic crisis. This solid growth was maintained at around 5% in 2012 and 2013. However when one compares this relatively good performance with the Vision 2030 goals, it is clear that we have to do more and must raise the performance bar significantly.

The fourth National Development Plan (NDP 4) as our overall national framework to bring about the realization of the goals set out in Vision 2030 has been developed and is now being implemented. To refresh our minds, the broad objectives and targets set out in NDP 4 are:

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: 499, 968 additional jobs

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

To reach these goals, we have identified a number of enablers and priority sectors for development. For very obvious reasons the manufacturing sector is one of the

four sectors that have been identified to receive special attention. However all four were identified as priority sectors due their high potential to contribute to the realization of the NDP 4 developmental goals of high and sustained economic growth, additional employment creation and increased income coupled with equitable wealth distribution.

Three enablers were also included, namely energy and power generation, water provision and transport services. The development of the oil and gas sector therefore implicitly forms part and parcel of Governments priority development sectors.

Ladies and gentlemen

Namibia can boast of a number of fundamentals that are necessary to bring and sustain economic growth, namely macroeconomic stability, good governance, the rule of law, protection of property rights, strong institutions and good infrastructure. On the back of these, our economy has recorded positive growth even amidst the global financial crisis. While economic and growth has been positive and given rise to gains per capita income, the growth was jobless. It has not performed well in translating economic growth into sufficient additional jobs. Equally, the economy performed below expectation in terms of equalizing wealth distribution. This is largely attributed to the fact that the structure of our economy has remained narrow and resource-based. Economic growth is still largely fueled by production and exports from the extractive industries. The growth and share contribution of the manufacturing sector has remained low over the years, and the contribution of sector in real terms reduced from 14 percent in 2010 to 13 percent in 2012.

Esteemed ladies and gentlemen

In our assessment the Namibian economy is suffering from the raw material endowment curse, which is typical for many colonial economies. When relying on exports of raw materials we remain price takers for our export commodities; as well as for our imported finished consumer goods. The economy remains prone to external shocks and price volatility in the global market. We are perpetually forfeiting economic opportunities to those who benefit from the raw materials imported from Namibia and we are continuously exporting jobs that are created in value chains based on our raw material supply.

Solutions to our persistent and perpetual problems of high unemployment, a skewed income distribution and poverty may be found by innovative strategies that make the most of our comparative and competitive advantages. The natural endowment in raw materials like minerals, precious and semi-precious stones, agricultural produce, marine resources and fish, and may be oil and gas, to mention but a few should not remain a curse. This endowment must be turned into our competitive advantage. Our economy has to be transformed from one that relies on trading in raw materials only, to a diversified economy that produces value added and finished goods. The oil and gas sector has great potential for developing value chains. The rubber industry, plastics, fertilizers and organic chemicals spring to mind.

The emphasis of our “*Growth at Home*” strategy is therefore on increased value addition to our natural resources for greater socio-economic benefits at home where such resources originate, or said differently - commodity-based industrialization.

I agree with Carlos Lopes, who in the “*Economic Report on Africa*” states that and I quote:

“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.”

I have also noted with interest an observation by the International Monetary Fund (IMF) in its report on Namibia, wherein it noted that although Namibia has been one of more stable economies in Africa, its ballooning import bill could in the long term pose a major threat to government expenditure. The Fund is of the view that Namibia could double its manufacturing output from 6 percent annually and reduce its rising import bill by 10 percent, if focus is put on growing secondary and tertiary industries. I cannot agree more with this sentiment.

Price volatility (increases) of imported oil and gas products are a case in point and the Namibian economy remains vulnerable towards such external shocks.

Historically, the manufacturing sector has been inhibited by among others, a lack of a serious capitalization for major manufacturing projects, limited access to finance, limited skills availability, high inputs costs especially utilities and transport, small domestic and market access constraints for export, limited access to production technology and stiff competition from subsidized imports.

In terms of market size and access Namibia has made significant progress. As a member state of the Southern African Custom Union (SACU) we are part of a single market which includes South Africa, Botswana, Lesotho and Swaziland. As a member of the SADC free trade area Namibia has quota and tariff free access for about 90% of all tariff lines into the SADC area save Angola and DRC. With the European Partnership Agreement initialed we have quota free, tariff free access into the world's largest market, the EU. As a member of SACU Namibia has preferential access into the EFTA group of countries (non EU countries) and to the MERCUSUR group of South American countries. Namibia has therefore good access into the global market. What we however do not process as yet is the productive capacity to produce finished goods with which to trade.

The above highlight the interdependency between the manufacturing sectors and other social and economic sectors of our economy. The low performance of the

manufacturing sector is a consequence of, or because of the disconnection or non-alignment between it and other sectors. As an example, manufacturers or processors need a reliable supply of raw materials from the primary resource industries. They also depended on the availability of industrial skills and Research & Development outputs from the higher education and research institutions. Without efficient transport and logistics services to move inputs and finished goods manufacturing becomes less viable or unsustainable. Domestic markets must be accessible through a well functioning retail and distribution network and foreign markets must be penetrated with competitive products. The reverse is also true, namely that the other sectors depend and will grow with the support of the manufacturing sector in so many ways.

An example which illustrates the non-alignment between the secondary and primary sectors is our jewelry industry. Namibia has a good number of small jewelry producers, but they have no access to any of the raw materials in their trade. They cannot buy the gold from our gold mines, they cannot buy diamonds from our diamond mines, nor can they buy silver from our silver mines. It is an lost opportunity for leveraging industrial development off the availability of raw materials.

The concept of a value chain is now often used to highlight the importance increasing our gains from what we produce. The sad reality is that we seldom participate in the upstream part of a value chain and produce the inputs into an extractive or other productive process or in the downstream part of such processes. We generally only participate in the middle part, which is to produce and export raw materials.

Ladies and Gentlemen

Historically we - and almost all other African states - have allowed too much of the value chains associated with our precious and mostly non-renewable resources to

extend beyond our borders. I firmly believe that we should as a matter of priority in the coming year consolidate policy initiatives and make an all-out effort to generate the incremental value locked up in raw materials ourselves. If we can achieve this with our Growth at Home concept I would be very pleased indeed.

Esteemed ladies and gentlemen

While emphasizing increased local value addition to our natural resources and a high share contribution of the manufacturing, our Growth at Home strategy also accentuates the linkages and coordination between the various sectors and role players in the economy and society. We all have roles and responsibilities to contribute and ensure the transformation of our economy in order to bring about the desired levels of growth, employment, and income and wealth distribution. As the saying goes, “Charity begins at home”, and it is my belief that the resources of our country, natural and human, should be exploited to first and foremost generate growth and tangible benefits at home, in Namibia.

A number of interventions have been identified under NDP 4 to boost manufacturing and local value addition, and these are part of the focus activities that are being pursued under our Growth at Home strategy and Industrial Policy. Details of some of the targeted interventions are contained in the Industrial Policy Implementation Framework and a new Programme (entitled Special Industrialization Programme) that we have just drafted and are refining, in consultation with other Government institutions and the private sector. Copies of these documents are made available once finalized. In our continuous effort to improve the ease of registering business and in contribution to the achievement of the NDP4 goal of moving Namibia towards becoming the most competitive economy in the SADC region” by 2017, I am happy to announce and launch a trial Web-based Company Registration. I want to invite members of the oil and gas sector to make full use of this modern on-line service.

The oil and gas sector could become a leading sector in which Namibia could develop value chains which transfers raw materials to finished goods. I am convinced that the oil and gas sector has the potential to develop Namibia's economy, so much so that that we can give effect to our NDP 4 goals of poverty elimination, of equal wealth distribution and full employment. It could be a game changer. It is therefore my sincere hope that we eventually find oil and gas and that we can develop the full potential of this important natural resources sector.

I wish you a successful conference and thank you for listening.