

Growth at Home

Namibia's Execution Strategy for Industrialisation



Ministry of Trade and Industry

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FOREWORD

Growth at Home is Namibia's Industrial Policy Implementation Strategy. In other words Growth at Home provides a road map for the execution of Namibia's Industrial Policy. It must be seen in the context of Vision 2030, Industrial Policy and the current National Development Plan (NDP4). It focuses on three Strategic Intervention Areas that have been derived from the Policy framework, sector consultations, and stakeholder discussions, including the growth at Home conference.

Growth at home focuses on three strategic intervention areas:

- ✓ Supporting value addition, upgrading and diversification for sustained growth.
- ✓ Securing market access at home and abroad; and
- ✓ Improving the investment climate and conditions.

Interventions aimed at supporting value addition will promote and provide a needs-oriented and comprehensive support to industrial development and upgrading projects which will contribute towards structural transformation of the Namibian economy and enhance domestic value addition.

Interventions on promoting market access at home and abroad will stimulate the development of local industries by utilizing

the potential of local procurement measures and by generating synergies between local producers and large retailers. Another main focus under this strategic area will be creating conditions that will boost Namibian exports, as well as the capacity of Namibian firms to supply and export goods at a competitive level. This strategic area will also explore the extension of infant industry protection, for industries with high growth and employment creation potential on a case by case basis. These could take the form of tariff protection and other supportive measures, including targeted incentives and public procurement.

Interventions aimed at improving the investment climate will focus on improving the institutional environment in particular the availability of skilled labour, as well as provision of land, sites and premises for businesses. This Strategic Intervention Area also recognises the vital role that SMEs play in Namibia's industrialisation and socio-economic development.

Along these Strategic Intervention Areas, Growth at Home defines – as a first layer – a set of horizontal Priority Actions or general reforms. These have a cross-sectoral focus, build upon existing initiatives and experiences made, can be implemented in the short-/medium-term considering available resources, and will lead to tangible results motivating the players involved.

General reforms aimed at supporting value addition, upgrading and diversification include the extension of the Industrial Upgrading and Modernisation Programme (IUMP) and a realignment of incentive schemes and financing instruments for promoting industrial development and value addition projects. These measures will be complemented by targeted investment promotion campaigns.

In order to support local firms in securing markets, a local procurement support initiative, the development of a Retail Charter, and a trade competitiveness programme are planned.

Reforms aimed at improving the investment climate will cover industrial infrastructure, as well as updating and enhancing of practical training and streamlining of processes for the import of skilled labour. Furthermore, the review of the SME Policy, the re-engineering of registration processes for businesses and intellectual property rights, and the establishment of a regular Public Private Dialogue Platform form part of this Strategic Intervention Area.

The Special Industrialisation Programme forms a second layer of Growth at Home. Its purpose is to increase the contribution of manufacturing to GDP by increasing growth in priority sectors, expand industrial output, diversify products, enhance value addition, and develop new and strengthen existing value chains.

“Monitoring is considered a critical component of Growth at Home in order to recognise and react to deviations as early as possible. On an annual basis, progress reports will be produced, capturing progress against set targets”



The Special Industrialisation Programme provides targeted support for value chain analyses and feasibility studies, the implementation of specific industrial projects already identified, and support facilities for projects by the private sector within the identified priority sectors. Support will be extended to the acquisition of land, plant and infrastructure, product development and marketing, reduction in the costs of utilities, and capacity building.

The Special Industrialisation Programme defines sectoral Priority Actions. They address sector-specific constraints and opportunities for value addition. They complement and deepen the general reforms. Together, horizontal and vertical Priority Actions are forming one comprehensive and integrated drive towards industrialisation.

The Special Industrialisation Programme defines Priority Actions in the following sectors: agro- and fish-processing, steel manufacturing and metal fabrication, transportation equipment, manufacturing, automotive industry, chemical industry, mineral beneficiation, green economy, building material and furniture, and pharmaceuticals and cosmetics.

To provide a comprehensive road map for execution, Growth at Home also outlines the necessary organisational structures and the monitoring system for the implementation.

A core element is the establishment of a designated Namibia Industrial Development Agency (NIDA) which will drive the economic transformation process in close collaboration with MTI, the private sector, other Ministries, and further stakeholders.

Monitoring is considered a critical component of Growth at Home in order to recognise and react to deviations as early as possible. A sound and easy to use monitoring system will be finalised to track the progress towards the targets outlined, to document how resources are used and intermediate results achieved, and to make evidence-based decisions about changes as needed.

On an annual basis, progress reports will be produced, capturing the progress against the indicators, a qualitative narrative explaining the story behind the numbers, the lessons learnt, as well as adjustments planned.

A handwritten signature in blue ink, consisting of a series of fluid, connected strokes.

Calle Schlettwein

Minister of Trade and Industry

INTRODUCTION

Growth at Home must be seen in the context of Namibia's Industrial Policy. The Industrial Policy, which has been approved by Cabinet, provides strategic guidance and principles for industrialisation. It is aligned to Vision 2030 and the current National Development Plan (NDP 4). Namibia's future development path is laid out in these guiding documents sharing emphasis of the importance of structural transformation.

Growth at Home provides a road map for the execution of the Industrial Policy. It comprises three Strategic Intervention Areas and sets targets in line with the guiding policy and strategy documents. The three strategic intervention areas are: supporting value addition, securing market access and improving the investment climate.

Along these three Strategic Intervention Areas, a layer of horizontal Priority Actions have been derived, which have a cross-sectoral focus and aim in particular at the general business environment. These priority actions build on existing initiatives and experiences that can be implemented in the short to medium term, considering available resources, presenting gains from 'low hanging fruits'.

The Special Industrialisation Programmes forms a second layer of Growth at Home.

Under this layer selected sectors will receive targeted support focusing in particular on value addition. These sectors include: agro and fish processing; steel manufacturing; chemicals, mineral beneficiation, building materials and pharmaceuticals and cosmetics. The sectoral interventions complement and deepen the horizontal Priority Actions. Together, horizontal and vertical Priority Actions are forming one comprehensive and integrated drive towards industrialisation.

To provide a comprehensive road map for execution, Growth at Home also outlines the necessary organisational structures and the monitoring system for the implementation. The approach of the Growth at Home is geared towards execution. It is based on an understanding that implementing industrial policy is more than simply developing a list of policy measures. It is a process jointly driven by Government and the private sector which is also about learning, refining, and correcting when necessary. Growth at Home provides a consistent and comprehensive basis for this process, as well as the structures and mechanisms to ensure that the process stays on track.

“Growth at Home provides a road map for the execution of Namibias Industrial Policy.”

KEY FEATURES OF GROWTH AT HOME

Growth at Home is Namibia's execution strategy for industrialisation. It is rooted in Namibia's Industrial Policy, Vision 2030 and the Fourth National Development Plan. Some of the central tenets of Growth at Home include: local value addition; targeted and phased approach; promotion of regional value chains and bilateral cooperation; infant industry protection, including safeguarding of policy space; export promotion and continuous reform of the business environment including investment attraction. These are elaborated upon below.

Local value addition

Promotion of local value addition is perhaps the most important feature of Growth at Home. Namibia is well endowed with numerous raw materials and this presents a tremendous opportunity for value addition, job creation, accelerated economic growth and reduction in inequalities. Growth at Home therefore says, whatever raw materials Namibia has, whether minerals; agricultural commodities or any other commodity, local value addition should take place before it is exported. This is because the export of raw materials equates to the export of job opportunities. Value addition will be achieved by strengthening the local and national value chains, and even regional value chains by creating more and efficient back and forward linkages to our raw materials. The key point is to make the most of available natural resources and to add as much as possible value to raw materials before they are exported. Central to value addition is the manufacturing sector.

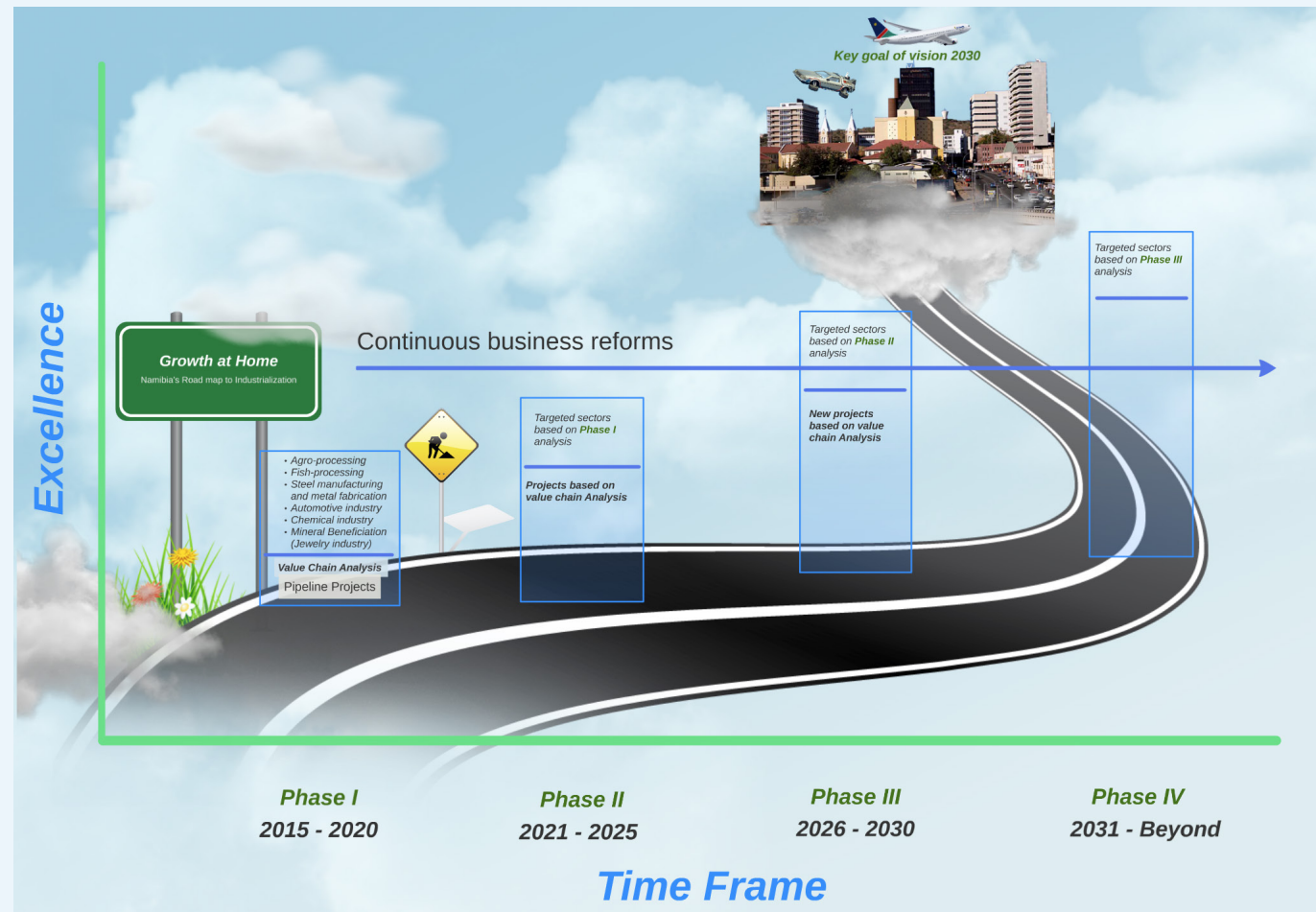
Targeted and phased approach

In line with Namibia's industrial policy, Growth at Home advocates a targeted approach towards industrialisation. In the first phase of Growth at Home, sectors in which Namibia already has some sort of comparative advantage will be targeted. These include in particular mining and mineral beneficiation; agriculture and agro-processing and fish and fish processing. Other sectors that will be targeted during the initial phase of Growth at Home will include: chemical industries linked to locally available minerals; steel manufacturing and components of automotive industries. It is envisaged that Growth at Home will be rolled out in four phases of 5 year each, stretching to 2030 and beyond. The first phase of Growth at Home will cover the period 2015 to 2020 and the remaining phases will kick in at five intervals. As earlier mentioned phase one will focus on sectors where Namibia has already a comparative advantage and will be called laying a

“Promotion of local value addition is the most important feature of Growth at Home.”

“Growth at Home advocates a targeted approach towards industrialisation. Initially the following sectors will be targeted: Agro-processing, Fish processing; Mineral beneficiation; Steel manufacturing; chemical industries and Automotive industry.”

strong foundation. During phase two emphasize will shift increasing towards becoming a regional player, while phases 3 and 4 will position Namibia towards becoming a player at global level in selected areas of specialization and expertise. Project pipelines will be identified and studied under each phase of Growth at Home to determine which sectors will be promoted in each of the stages of Growth at Home.



Regional value chains, African approach and bilateral cooperation

Growth at Home acknowledges the importance of regional economic integration and the opportunities linked to it. Therefore, a strong feature of Growth at Home will be to latch on to and promote the development of regional value chains as much as possible. Value chain analysis, research and our own comparative advantage at any point in time will determine where in the regional value chain Namibian products will be pitched. For example, in the initial phase of Growth at Home pitching of the regional value chain for the automotive industry may be confined to accessories and spare parts, whereas at a later stage may move to steel and machines. Pitching of value chain entry will not only be confined to merchandise trade but also to trade in service, where Namibia will from time to time have a competitive advantage, for example in the logistics value chain. Consideration will also be given to the development of value chains in the context of special initiatives with countries deemed sympathetic to Namibia's developmental aspirations. These include but are not limited to South-South Cooperation with countries such as India, Brazil, and Cuba; on the African continent with our immediate neighbouring countries such as South Africa, Angola, Botswana, Zambia and Zimbabwe; and further afield with global players such as China, and South Korea.

Infant industry protection and safeguarding of policy space

As advocated by our Industrial Policy, Growth at Home will also promote infant industry promotion where deemed feasible. In this regard, all available instruments, including tariff protection, quantitative restrictions, incentives and other appropriate supportive measures will be deployed to nurture infant industries. Related to industry protection will be the safeguarding of policy space for Namibia in an increasingly globalized world. As was shown with the Economic Partnership Agreements, policy space is important and must be protected as much as possible. Therefore despite embracing regionalism and openness, a key aspect of Growth at Home will remain protection of policy space as allowed by the Constitution of the Republic of Namibia and International Agreement.

Continuous reform to promote competitiveness

Industrialisation is not an end in itself. Countries that are on top of the value chain and competitiveness today maybe at the bottom tomorrow. Often it is not because such countries are not good at what they are doing, but because other countries are becoming better at what they are doing. Therefore, a central tenet of Growth at Home

“Another important feature of Growth at Home will be to integrate into regional value chains.”

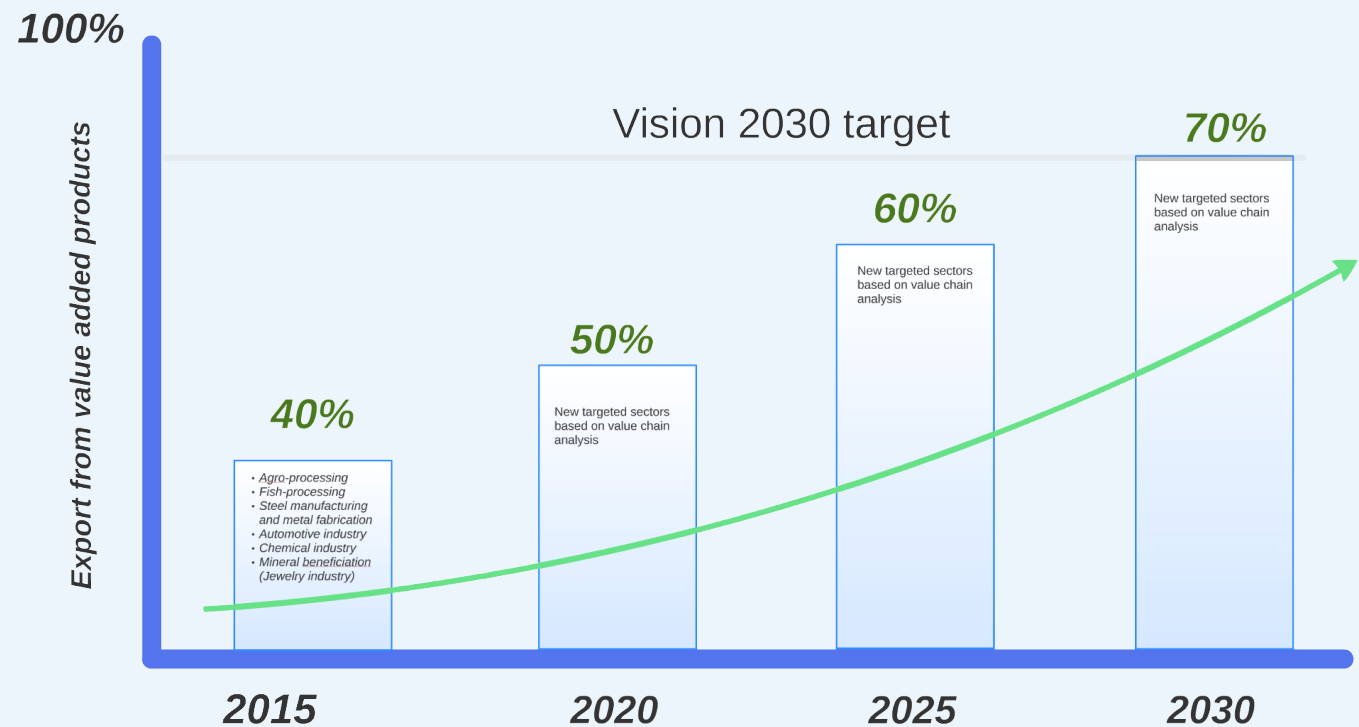
“A central theme of Growth at Home will be continuous business reforms (horizontal interventions) to ensure that Namibia remains ahead of the curve in terms of competitiveness.”

will be continuous business reforms to ensure that Namibia remains ahead of the curve in terms of competitiveness. Some of these reforms will include skills development, process reviews, review of incentives, labour market reforms and others.

Increased value added export

Vision 2030 and Namibia's Industrial Policy stipulates that by the year 2030 the export value of value added products should account for 70 percent of total export values. As of 2013, value added exports account for 40 percent of total exports. The idea is to ramp up the portion of valued added exports to 50 percent during the first phase of Growth at Home to reach 70 percent by the end of 2030. In subsequent phases contribution of value added exports should increase by 10 percent over every ten year interval to reach 70 percent by the year 2035. This path of export performance is illustrated in chart 2 below.

Chart 2: Value added exports as a ratio to total exports



STRATEGIC FOCUS OF GROWTH AT HOME

“Namibia’s economy so far has not reached the degree of diversification and value addition necessary to provide long lasting, sustainable growth.”

At a high level, Growth at Home comprises three Strategic Intervention Areas. They are aligned to the targets, which the Industrial Policy aims to achieve by the year 2030, in particular:

- ✓ Manufacturing and the services constitute about 80 percent of the country’s GDP.
- ✓ The country largely exports processed goods, which account for not less than 70 percent of total exports.
- ✓ Namibia has a critical mass of knowledge workers and the contribution of small and medium-sized enterprises to GDP is not less than 30 percent.

The Strategic Intervention Areas provide guidance for the selection and implementation of interventions both at the horizontal and vertical/sectoral level.

Supporting value addition, upgrading and diversification for sustained growth

Namibia is endowed with significant human and natural resources that can be used to advance structural economic transformation. However, Namibia’s economy so far has not reached the degree of diversification and value addition necessary to provide a long lasting and sustainable growth. The reliance on the primary sector and exports of raw materials makes the economy vulnerable to external shocks. Most of the natural resources leave the country in their raw form for value addition and to create employment opportunities in other countries.

Against this background, fostering diversification and intensifying domestic value addition is at the core of this Strategic Intervention Area. Interventions aimed at value addition will promote and provide a needs-oriented and comprehensive support to industrial development projects, which includes innovative incentive schemes and financing instruments. They will further capitalise on resource endowments, innovation, and changes in global production and investment patterns. Furthermore, the impact of the interventions will be visible through tangible improvements in terms of the capacity of the local industries to produce efficiently.

To be achieved by 2020:

- ✓ Manufacturing and services will account for more than 50 percent of GDP.
- ✓ At least 10,000 new jobs have been created in the manufacturing sector.
- ✓ Private sector investment has increasingly benefited targeted sectors under Growth at Home.
- ✓ Namibia has improved on the World Economic Forum Business Sophistication Indicators, in particular on the sub-indicators "Nature of competitive advantage" and "Production process sophistication".

Securing market access at home and abroad

Access to domestic and foreign markets is one of the key success factors for businesses as well as economic transformation processes. For Namibian firms it is still often one of the key challenges. Against this background, the objective of this securing market access is to provide local firms with an all-encompassing support to secure markets at home and abroad in order to stimulate the development and diversification of local industries. Domestic demand is one key element. The procurement system/practices and other measures, such as supplier development programmes, will be used to strengthen linkages and enhance opportunities for local products and services. Another main focus will be on improving trade competitiveness by increasing the regulatory efficiency, streamlining procedures and providing relevant information and targeted support to enhance the export competitiveness of businesses. These interventions aim at optimising on the benefits that regional economic integration presents.

To be achieved by 2020:

- ✓ The volume of locally produced goods supplied to the public and retail sector has been significantly increased.
- ✓ Namibia's ranking in the "Trading across Borders" category of the World Bank's Doing Business Report has improved by at least 5 ranks.
- ✓ The share of manufacturing within total exports has been increased to at least 30 percent.
- ✓ Namibia has improved on the United Nations Conference on Trade and Development (UNCTAD) Export Diversification Index.

"The objective of securing market access is to provide local firms with an all-encompassing support to secure markets at home and abroad in order to stimulate the development and diversification of local industries."

“Growth at Home
recognises the
vital role that SMEs
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Improving the investment climate and conditions

Namibia needs to become more attractive to enterprises and investors both domestic and foreign. This Strategic Intervention Area aims at fostering a climate and conditions that are conducive to the sustained development and expansion of businesses in the country. Key emphasis is placed on addressing Namibia’s major competitiveness gaps—particularly in the areas of skills, access to land and registration of businesses and intellectual property. The Strategic Intervention Area recognises the vital role that SMEs play in Namibia’s industrialisation and socio-economic development. Furthermore, it aims at creating an efficient institutional set-up which ensures collaboration between the private and public sectors and other stakeholders to jointly address remaining challenges in the business environment.

To be achieved by 2020:

- ✓ Namibia is the most competitive economy in the SADC region, according to the standards set by the World Economic Forum.
- ✓ Investment climate surveys show that businesses feel that the climate and conditions in which they operate are more conducive, in particular with respect to the availability of skilled labour and access to land.
- ✓ Namibia has improved by at least 10 ranks in the “Starting a Business Category” in the World Bank’s Doing Business Report.

GENERAL REFORMS UNDER GROWTH AT HOME

“IUMP aims to improve the production and supply capacity of local enterprises, as well as to diversify national value addition and to increase employment in the manufacturing sector.”

Growth at Home is a project-oriented approach geared towards execution. As a first layer, it defines 11 General Reforms along the Strategic Intervention Areas. These reforms have a cross-sectoral focus. They have been defined based upon the Action Plan set out in NDP4 and taking into account the results from stakeholder consultations and investment climate surveys.

The general reforms consist of a mix of new measures and interventions, that build upon existing MTI initiatives refining and deepening them according to the acquired experiences. This combination ensures a smooth transition from the planning to the implementation stage. The defined reforms can be implemented in the short and medium term given the resources available and are expected to lead to tangible results, motivating the players driving the industrialisation process.

Industrial Upgrading and Modernisation Programme

Background & Objectives

The Industrial Upgrading and Modernisation Programme (IUMP) has been initiated by MTI to improve the production and supply capacity, efficiency and (export) competitiveness of local enterprises, as well as to diversify national value addition and to increase employment in the manufacturing sector. In the first phase of its implementation, IUMP has committed N\$7.5 million to support 10 enterprises. This has resulted in increased employment and production output, decreased production costs, improved products and access to market, and subsequently a higher efficiency and profitability. The demand for the programme continues to grow. Growth at Home aims at widening the scope of IUMP with respect to target groups and areas of support and at developing strategic partnerships and complementary programmes to maximise the impact.

Nature of Intervention

The programme currently provides targeted support to majority Namibian owned entities with at least 10 employees in four sectors, namely agro-food processing, pharmaceuticals/cosmetics, fish processing and minerals beneficiation. Interventions can either be “hard” in form of equipment purchase or “soft” covering amongst others diagnostic studies and upgrading plans, technical training/coaching, product development, marketing and export promotion, standards compliance and testing.

Based upon a review of the results from the first phase, it will be explored to align the focus to the priority sectors defined in the Special Industrialisation Programme making IUMP a core element of the implementation of sectoral interventions. Thus, IUMP could also cover interventions in steel manufacturing and metal fabrication, transportation equipment manufacturing, building material and furniture manufacturing, automotive and chemical industry. In this context, it will also be explored to integrate a skills development component and to widen the local ownership criteria. This would help Namibia to improve its competitive position with respect to attracting high quality investment projects, where skills and support offered to ensure a skilled workforce represent a key selection criterion. This will require revising the IUMP budget, adapting it to this new scope.

Furthermore, strategic partnerships will be developed between the IUMP and partner organisations, in particular with the Namibia Standards Institute (NSI) (standards, testing, calibration etc.) and the Namibia Business and Innovation Institute (NBII) (R&D, technology transfer, design etc.) to ensure a comprehensive support offer and to develop complementary schemes (e.g. Building materials standards and certification programme or fish product certification programme). In this context, MTI will capacitate the NSI to become an internationally recognised standards authority that tests and certifies a broad variety of Namibian and imported products and ensures quality, standards and correct labelling.

To be achieved by 2020:

- ✓ At least 80 enterprises supported by IUMP
- ✓ Increased (export) competitiveness, value addition and number of jobs offered by the recipients

“Strategic partnerships will be developed between the IUMP and partner organisations, in particular with the Namibia Standards Institute and Namibia Business and Innovation Centre to ensure a comprehensive support.”



“Priority will be to realign existing incentive and financing programmes, before new instruments are created.”

Supportive incentive schemes & financing instruments

Background & Objectives

In Namibia, there is a wide scope of incentives and financing instruments available/ planned to support industrial development and value addition projects. Manufacturers can benefit from the Registered Manufacturers Scheme, Exporters of Namibian Manufactured Goods Scheme and Export Processing Zone Scheme. The IUMP allows for the purchase of equipment and technical assistance. The Equipment Aid Scheme also assists with the purchase of machinery, focusing on SMEs. The support of the planned Special Industrialisation Programme extends to the acquisition of land, technology, product development and marketing, reduction in the costs of utilities, and capacity building. Development Financing Institutions offer a range of financing instruments, in particular in the area of debt financing. However, as stakeholder consultations indicate, there is some overlap and the modalities are not always clear to investors. This makes it difficult to obtain certainty on important investment parameters. Also, a need is seen to streamline the processes and to facilitate an efficient impact monitoring. This general reform aims at realigning and enhancing the incentive schemes and financing instruments, in such a way that they are attractive for investors, that they support effectively and efficiently industrialisation and value addition, and finally that they justify the foregone revenues or public funds invested.

Nature of Intervention

The current review of incentive schemes forms the starting point of this general reform. A task force will be set up to coordinate its implementation. It will also assess relevant MTI programmes not covered by the review. It will work out detailed modalities, application and management procedures for the Special Industrialisation Programme and will initiate necessary realignments of other programmes. Furthermore, MTI will publish easy to understand information on the streamlined programmes (objectives, target sectors, eligibility criteria, modalities, application procedures, contacts) on its website and will offer the corresponding forms for download. The task force will also carry out a gap analysis comparing the needs of industrial projects with the instruments available. In particular, it will investigate the potential for an investment grant scheme in line with international best practice. Such a scheme would offer a grant of up to a certain percentage of the value of qualifying capital expenditure meeting prescribed performance requirements.

Furthermore, the need for an equity fund to initiate industrial development projects will be explored. Priority will be on realigning existing programmes, before new instruments are created.

MTI will also establish a Round Table on product development, amongst local Development Financing Institutions (DFIs), to help drive further development of relevant instruments along value chains and to realign existing instruments towards the priority sectors of Growth at Home.

To be achieved by 2020:

- ✓ Private sector investment has been significantly increased in the priority sectors
- ✓ Namibia has put in place an efficient incentive and financing system to support industrial development and value addition projects which is acknowledged by international benchmark studies

Targeted investment promotion campaigns

Background & Objectives

Experience from other developing countries shows that, investment promotion can make a significant contribution towards economic transformation when these efforts are carefully targeted and the projects are well integrated into domestic and regional value chains. At the same time, surveys and investment statistics indicate a growing interest by foreign investors in Africa. With South Africa being by far the leading destination for foreign direct investment on the continent, the region “Southern Africa” is already established on the “mental map” of investors. The Namibia Investment Centre is already making use of a wide spectrum of instruments to attract investment projects, including investment missions, events and investment fairs. Building upon those activities, this intervention aims at fully utilising the domestic and international investment potential with a proactive and targeted approach to attract high quality investment projects into the defined priority sectors and to support the diversification process set out in Growth at Home.

“MTI will establish a Round Table on product development, amongst local Development Financing Institutions (DFIs), to help drive further development of relevant instruments along value chains and to realign existing instruments towards the priority sectors of Growth at Home.”

“Targeted investment promotion campaigns will be implemented, based on a systematic approach”

Nature of Intervention

The targeted investment promotion campaigns will be implemented, based on the following systematic approach:

- ✓ Identification of investment opportunities based upon the results of value chain analyses and feasibility studies carried out for the Sector Growth Strategies / Special Industrialisation Programme.
- ✓ Prioritisation of promising target groups based on assessment of relevant investment trends and of the competitive environment.
- ✓ Identification and profiling of potential investors based on criteria such as growth potential, recent investment activities, regional presence etc.
- ✓ Development of target group specific investment promotion tools and support packages.
- ✓ Implementation of investment promotion campaigns with an individualised approach of potential investors focusing on leading investment/trade fairs, complemented by missions/events and cooperation with intermediaries.
- ✓ Systematic follow-up and support of identified domestic and international businesses with investment plans.

To be achieved by 2020:

- ✓ Significant increase of number of high quality investment projects attracted contributing towards value addition and employment creation
- ✓ Investors for defined industrial development and value addition projects of the Special Industrialisation Programme successfully identified and supported
- ✓ Namibia among the top three destinations for foreign direct investment within SADC



Local Procurement Support Initiative

Background & Objectives

The public procurement system and private sector procurement practices can make an important contribution towards stimulating demand for local products. In Namibia, already various measures are utilised to promote local sourcing. For instance, there is a provision in the Government tender system for a percentage preference for local supplies. Also, a number of larger private companies are actively developing linkages to local SMEs assisting them to strengthen their capacities. However, sector consultations, as well as surveys indicate that there are still various constraints which limit the demand for local goods. This general reform aims at fully utilising the potential of local procurement measures to positively stimulate the development of local industries.

Nature of Intervention

A new Public Procurement Bill has been proposed by the Ministry of Finance. If the new Bill is approved, a new Central Procurement Board (CPB) will take over the role of the Tender Board. It will be supported by a new public Procurement Policy Office (PPO) which can propose thresholds relating to public procurement and issue directives, procedures, bidding documents, contracts to public bodies and monitor their compliance.

To utilise the potential of the new Procurement Bill for stimulating local sourcing, MTI will:

- ✓ Encourage the PPO to retain tender price preferences for locally manufactured products and to devise a mechanism ensuring that product tenders submitted to qualify for local preference are indeed locally manufactured;
- ✓ Compile a list of products where there is sufficient local production and competition to ensure realistic prices, to be considered for exclusive preference to local suppliers;
- ✓ Encourage the PPO to allow local manufacturers and producers to register only once per annum for all public tenders and for local preference, not individually for every tender published; and
- ✓ Sensitise the PPO for the potential of granting longer term contracts to local manufacturers venturing into the production of new products to develop viable new industries.

“The public procurement system and private sector procurement practices can make an important contribution towards stimulating demand for local products.”

“MTI will compile a directory of locally manufactured products and provide it to relevant public bodies, as well as to the private sector.”

In addition, MTI will in collaboration with private sector representative organisations compile a directory of locally manufactured products and provide it to relevant public bodies as well as to the private sector. In this context, it will also be explored to jointly develop a platform (e.g. “Sourcing Days”), which informs local enterprises about the sourcing potential and requirements of large buyers to promote linkages.

To be achieved by 2020:

- ✓ Significant increase of locally manufactured products supplied to the public sector
- ✓ Significant increase of linkages and supply contracts between Namibian suppliers and buyers

Retail Charter

Background & Objectives

Despite various initiatives, such as the horticulture market share promotion scheme or the listing agreement between the Namibian Manufacturers Association and retailers, local enterprises still face many difficulties trying to convince retailers in Namibia to stock and sell their products. Against this background, the development of a Retail Charter is planned which enhances opportunities for locally made goods to find trading space and which creates synergies between local producers and large retailers. The Retail Charter will be a voluntary adopted transformation charter.

Nature of Intervention

The Retail Charter will be developed based on an analysis of international best practice and sector consultations. It will also involve the wholesale and distribution sector, which can make an important contribution towards providing access to markets for local products. Within the Charter, principles and concrete measures should be agreed addressing amongst others the following issues and challenges:

- ✓ **Merchandising Namibian products:** The development of local industries could be positively stimulated if retailers would merchandise Namibian products where feasible and practically possible.

- ✓ **Minimum local procurement requirement:** It should be explored how on a voluntary basis a minimum content of local products or local preferences can be ensured. This could be complemented by a retail rating system.
- ✓ **Transparency and fairness in procurement procedures:** Many manufacturers find it difficult that for product listings at retailers with no Namibian procurement offices, they have to travel to foreign countries to apply for a listing there. In some cases, Namibian manufacturers are expected to transport their goods to distribution centres abroad, from where they are re-exported to Namibia. This increases the cost of the Namibian product significantly and often makes it uncompetitive.
- ✓ **Local accounting offices:** Many foreign retailers do not have accounting offices in Namibia. This way, income earned and rebates from Namibian manufacturers are not declared as Namibian income and local taxes are not paid which could be used to support economic transformation.
- ✓ **Supplier development programme:** Based upon schemes already offered by certain retailers, it should be explored to introduce a sector-wide supplier development programme assisting local manufacturers with skills development, labelling and packaging to conform to retail specifications.
- ✓ **Regular interactive meetings:** A platform for a regular dialogue between manufacturers and retailers/wholesalers should be established to discuss problems and solutions.
- ✓ **Monitoring:** A monitoring system against the targets agreed in the Charter should be introduced.

To be achieved by 2020:

- ✓ The content of Namibian products stocked by retailers and the number of Namibian manufacturers having supply contracts with retailers has been significantly increased.
- ✓ The product quality and supply capacities of Namibian manufacturers has been improved.

“The development of local industries could be positively stimulated if retailers would merchandise Namibian products where feasible and practically possible.”

“Government will ease trading across borders and at improving the access to foreign markets.”

Trade competitiveness programme

Background & Objectives

Due to the limited size of the domestic market, Namibia depends heavily on cross-border trade for economic growth. With a wide scope of initiatives, Government aims at easing trading across borders and at improving the access to foreign markets. For instance, MTI's export marketing assistance programme provides support for the participation in local and international trade fairs. Also, plans are at an advanced stage to establish One Stop Border Posts. Nevertheless, international benchmark studies show a need to intensify efforts to improve Namibia's competitive position. According to the Doing Business Report of the World Bank (2013), Namibia is ranked 142 out of a total of 189 countries in the Ease of Trading Across Borders category. Also the Namibian Business and Investment Climate (namBIC) Survey (2013) reports a deterioration of the rating of border procedures. Thus, this intervention area aims at improving the trade competitiveness by increasing the regulatory efficiency, by streamlining the procedures and provision of relevant information and by providing targeted support to enhance the export competitiveness of businesses.

Nature of Intervention

As a starting point, MTI will carry out a comprehensive review of key challenges in cross border trade. Particular emphasis will be put on permits and documents currently in use by all agencies involved. The aim is to see how the various documents can be streamlined in compliance with legal aspects. Building upon the findings and an analysis of international best practice, an implementation plan for a Single Window System in Namibia will be developed and executed. The system allows parties involved in trade to lodge standardised information and documents with a single entry point to fulfil all import, export, and transit related regulatory requirements. Cabinet has already approved the Single Window Initiative of Namibia, which will be linked to the establishment of One-Stop Border Posts.

Furthermore, MTI will, based upon the new National Export Strategy and the sectoral focus of Growth at Home, realign its trade promotion and support programmes. Measures to improve market access and the capacities of businesses to export will become an integral part of the Sector Growth Strategies (e.g. facility to support export market diversification for crayfish or program to confirm market access to alternative high value markets for beef).

These measures are complemented by ongoing MTI activities, such as the operationalisation of the Namibian Board of Trade (NBT) and the conclusion of multilateral and bilateral trade negotiations.

To be achieved by 2020:

- ✓ Time and costs of procedures involved in trading across borders have been significantly reduced
- ✓ Namibia's ranking in the "Trading Across Borders" category of the World Bank Doing Business Report has improved by at least 5 ranks
- ✓ Exports in priority sectors of Growth at Home have increased significantly

Practical training & import of skilled labour

Background & Objectives

The availability of skilled labour is one of the most important factors for economic transformation and sustained growth. Limited access to quality skills and a mismatch in the supply and demand for skills persist as severe constraints in the Namibian economy. The sources of this problem are numerous, but include the education and training system as well as the regulatory environment. Quite often students and learners lack the practical skills needed by industry. Also, it remains challenging for industry to import skills where local skills are unavailable. This general reform contributes towards bridging the gap between the demand for and supply of skilled labour by supporting practical training programmes and the streamlining of the system for the import of skilled labour.

Nature of Intervention

MTI will investigate in close collaboration with the private sector and the Namibian Training Authority (NTA) ways to ensure that learners and students gather the practical skills and experiences as required by their future employers. As a first step, MTI will roll out a Job Attachment Programme which supports companies that offer job attachments and have the capacity to professionally train the participants. The support can take the form of a financial contribution towards the training and stipends as well as providing tools and equipment necessary for the training. During the roll out, MTI will also investigate

“Cabinet has already approved the Single Window Initiative of Namibia, which will be linked to the establishment of One-Stop Border Posts.”

“MTI will roll out a Job Attachment Programme which supports companies that offer job attachments and have the capacity to professionally train the participants.”

the need for awareness raising and matchmaking instruments, such as regional “Job Attachment Fairs” or an “Online-Platform for Job Attachments” in collaboration with the private sector.

In this context, MTI will also explore with the Namibian Training Authority to integrate an entrepreneurship component into vocational training and to offer targeted support to start-ups.

As a second component of this general reform, MTI will support the Ministry of Home Affairs and Immigration (MHAI), Ministry of Labour and Social Welfare (MLSW) and the National Planning Commission (NPC) to establish a system for the import of skilled labour with clear rules and processes and with provisions for fast-tracking urgent needs. As a starting point, a skills audit and labour market gap analysis will be conducted for the priority sectors, based on which an action plan and operational guidelines will be developed with MHAI and its Immigration Selection Board.

The scope of this general reform will be refined and extended in line with the needs identified in the Sector Growth Strategies which are developed on an ongoing basis. Targeted skills development measures will be an integrated element of the value chain upgrading process. On this basis, MTI will also encourage the updating of Curricula in line with the specific needs identified.

To be achieved by 2020:

- ✓ At least 250 job attachments have been supported
- ✓ In priority sectors, practical skills of learners have been improved in line with industries' needs
- ✓ The import of urgently needed skilled labour has been fast tracked.

Industrial Development Infrastructure Programme

Background & Objectives

Limited availability of sites and land belongs to the factors which frequently top the list of constraints in investment climate surveys. To address this challenge, while fulfilling its mandate of stimulating industrial development, economic growth and employment creation, MTI has designed and is implementing numerous capital projects. These projects principally consist of the SME, business and Industrial Parks, as well as Export Processing Zone Parks (including dry ports). For the financial year 2013/14 alone, MTI is implementing 30 infrastructural projects worth in excess of N\$ 235 million. These infrastructural projects are expected to generate more than 2000 temporary jobs (during construction) in addition to 1700 direct permanent jobs. Furthermore, complementary to the business and industrial parks countrywide, the External Trade Infrastructure Development Programme aims at improving access of Namibian businesses to foreign markets. As part of the intervention, trade centers and logistical facilities will be established in neighbouring countries as a springboard for Namibian businesses.

Nature of Intervention

Future industrial infrastructural projects will be guided by a 10 year Industrial Infrastructure Development Master Plan (IIDMP-10) for Namibia, which is a long term strategic roadmap to profile and guide the country's robust industrial infrastructure development approach. The rationale for this strategic roadmap is to give effect to the implementation of industrial development priorities identified through several processes, to enhance the expansion of industrial output, increase diversification and establish logistic infrastructures to facilitate domestic trade and exports.

While the future programme will primarily build on the existing 'Sites and Premises Programme', it will, by extension, aim to support long term industrial capabilities and economic development that would enable effective clustering of value-adding manufacturing. The programme is further expected to make important strands towards ensuring a comprehensive offer of sites, premises, and land especially in the early stages of the life cycle of businesses, primarily focusing the outcomes of the review of previous and current interventions as well as assessment of the needs and investment potential for each new or expansion project. It is intended to develop a more targeted approach with a clear (i.e. sector-specific) profile of the industrial parks, potentially offering additional

“Limited availability of sites and land belongs to the factors which frequently top the list of constraints in investment climate surveys.”

“Small and Medium Enterprises (SMEs) have proven to be a key driver of industrialisation and structural transformation around the globe.”

services/benefits, e.g. training/mentorship, technology centers, cooperation platforms, access to affordable utilities and also the development of access roads and waste disposal facilities. Furthermore, in this context, also the Industrial Waste Management Programme will be implemented. In addition, the external trade infrastructure development which entails the provision of warehousing, cold facilities, truck ports and accommodation facilities will initially target the following markets: Luanda Sul - Angola, Lubumbashi - DRC and Pointe Noire - Congo. These facilities are ideal for export manufactures especially the meat and meat products, among others.

To be achieved by 2020:

- ✓ A 10 year Industrial Infrastructure Development Master Plan (IIDMP-10) for Namibia
- ✓ Roll out of 30 Business & Industrial parks and 3 external trade facilitation hubs
- ✓ Improved access to serviced land for industrial infrastructure

Review of the SME Policy

Background & Objectives

Small and Medium Enterprises (SMEs) have proven to be a key driver of industrialisation and structural transformation around the globe. The Government through MTI adopted an SME Policy and Programme in 1997 as a framework to create an enabling environment for the SME sector. A number of changes have taken place during the last 17 years in different facets of SME enterprise development as well as the macro-economic environment. MTI has thus realised the need to review the current SME Policy and Programme and to align it to the national objectives of Vision 2030, NDPs as well as the Industrial Policy. The revised policy will encompass all facets of the SME Development, input stronger implementation guidelines and define the appropriate national institutional framework.

Nature of Intervention

Two main committees were constituted, to spearhead this project: The Executive Project Committee, which is a high-level committee that oversees and provides guidance, comprises of the Minister of Trade and Industry, the Minister of Finance, Director General of National Planning Commission, the Governor and the Deputy Governor of the Bank of

Namibia, and the Permanent Secretary of the Ministry of Trade and Industry. The Technical Committee, which is directly involved in the actual work of the Policy review, comprises of representatives of MTI, the Bank of Namibia, the Ministry of Gender Equality and Child Welfare, the Ministry of Regional Local Government and Housing, the Namibia Chamber of Commerce and Industry, the Ministry of Finance, the National Planning Commission, and the Namibia Development Corporation.

Key emphasis will be placed on the following deliverables:

- ✓ Clear outline of the contextual role of the SME sector in the Namibian economy;
- ✓ Revised definition of SME in the Namibian context;
- ✓ Identified shortcomings in the current SME Policy of 1997 and policy recommendations aligned with the Industrial Policy, Vision 2030 and NDPs;
- ✓ Revised SME Support Programme, including access to finance and markets, access to infrastructure and technology, product development and quality assurance, training and mentorship;
- ✓ Recommendations on the regulatory environment (e.g. business registration, taxation, procurement); and
- ✓ Recommendations on the institutional arrangement/framework .

To be achieved by 2020:

- ✓ Namibia has put in place an efficient support system for SMEs which is in line with the needs of local SMEs and international best practice
- ✓ Investment climate surveys show that SMEs feel that the business environment is more conducive
- ✓ The contribution of SMEs to Gross Domestic Product (GDP) and job creation has risen considerably

“MTI is in the process of setting up the Business and Intellectual Property Authority (BIPA), which will be responsible for the registration of businesses and intellectual property rights.”

Re-engineering registration of businesses and intellectual property

Background & Objectives

The registration of businesses and intellectual property plays an important role with respect to promoting entrepreneurship and innovation. International benchmarking studies as well as investment climate surveys and stakeholder consultations have shown a need to improve and expand the business and intellectual property registration infrastructure and services. According to the Doing Business Report of the World Bank (2013), Namibia is ranked 133 out of a total of 185 countries in the Ease of Starting a Business category. Also the namBIC survey (2013) reports a deterioration of the rating of the business registration process. MTI is in the process of setting up the Business and Intellectual Property Authority (BIPA), which is then taking over the responsibility for the registration of businesses and intellectual property rights. The objective of this Priority Action is to fast track the operationalisation of BIPA and to streamline and simplify the registration and administration processes.

Nature of Intervention

Since the creation of an interim BIPA (functioning as a section 21 company until the BIPA Act is promulgated), several milestones have already been achieved and a wide scope of initiatives is underway: Amongst others, an interim Board of Directors has been appointed and Board Committees to govern various implementation processes have been formed. An Acting CEO and an Administrative Officer have been appointed. A reengineering initiative of the industrial property registration has been started aiming at improving the processes and division of work and upgrading the infrastructure. A fact-finding mission to Estonia took place to incorporate international best-practice into the operationalisation process. Based upon an analysis of the customers' needs, existing processes and infrastructure, a project manager is currently developing an operationalisation plan for BIPA.

In the short-/medium term, key focus will be on:

- ✓ Transferring registration activities and personnel from MTI to BIPA and setting up new offices;

- ✓ Increasing efficiency of operations through streamlined business processes and adoption of information and communication technology ;
- ✓ Clearing the backlog on business and intellectual property registration;
- ✓ Rolling out an online, web-based business registry;
- ✓ Setting up a satellite office in Katutura and a mobile business registry;
- ✓ Establishing a customer care facility;
- ✓ Availing an appropriate payment system; and
- ✓ Ensuring the necessary and enabling legal framework.

To be achieved by 2020:

- ✓ The number of days and procedures to register businesses and intellectual property rights has been significantly reduced.
- ✓ Namibia has improved by at least 10 ranks in the Starting a Business Category in the Doing Business Report.

Regular structured PPD platform

Background & Objectives

Dialogue and cooperation between the public and private sector is seen as a key success factor when it comes to driving economic growth and job creation. MTI has already intensified its efforts towards an effective public private dialogue process. Amongst others, sector consultations have been carried out in 2013 (e.g. for the meat industry, the manufacturing and retail sector) which formed an important basis for the development of the Growth at Home Strategy. With this Priority Action, MTI plans in cooperation with the private sector and further stakeholders to formalise these initiatives and to establish a regular structured Public-Private-Dialogue (PPD) platform to jointly address remaining challenges in the business environment.

“Dialogue and cooperation between the public and private sector is seen as a key success factor when it comes to driving economic growth and job creation.”



“The Namibia Trade Forum will monitor the implementation of the reforms and will report at least once a year on the progress made and challenges encountered.”

Nature of Intervention

The Namibia Trade Forum is going to coordinate the regular structured PPD platform. Committees, namely for manufacturing, agriculture, fishery and services (e.g. financial services, tourism and logistics), will develop solutions and reform proposal addressing key constraints in the business environment. The committees will comprise of representatives from the private sector and its representative organisations (e.g. Namibia Chamber of Commerce and Industry, Namibian Employers' Federation and Namibian Manufacturers Association), unions (e.g. National Union of Namibian Workers) MTI and other Ministries, as well as further institutions (e.g. Namibia Standards Institution) and organisations (e.g. Team Namibia).

- ✓ The committees will convene at least on a quarterly basis. In order to tackle cross-sectoral challenges, task forces can be set up consisting of representatives of different committees. Further experts can be invited as need arises.
- ✓ The Namibia Trade Forum will also monitor the implementation of the reforms and will report at least once a year on the progress made and challenges encountered. To support effectively the work of the committees, the research capacity of the Namibia Trade Forum will be strengthened.
- ✓ It will be explored how the PPD platform can be best linked to other relevant initiatives to avoid overlap and generate synergies. For instance, the “National Review of the State of the Economy”, which has been initiated by the Namibia Chamber of Commerce and Industry in collaboration with various private sector organisations, could be used to report about the progress made and to identify further challenges or opportunities to be taken up.
- ✓ Furthermore, MTI will use the results from this process as an important basis for refining the Growth at Home Strategy and for developing further Priority Actions.

To be achieved by 2020:

- ✓ At least 2 solutions/reforms p.a. related to major constraints in the business environment have been jointly developed
- ✓ Investment climate surveys show that satisfaction of businesses with Public Private Dialogues has increased significantly

TARGETED SECTORS UNDER GROWTH AT HOME

“There is a clear need to focus efforts to leverage Namibia’s competitive advantages and opportunities by prioritising policy support behind a limited number of key growth engines.”

In order to leverage Namibia's competitive advantages and opportunities and to maximise the impact of the interventions, selected sectors will receive targeted support focusing in particular on value addition under Growth at Home.

The planned Special Industrialisation Programme forms a second layer of Growth at home. Its purpose is to increase the contribution of manufacturing to GDP by increasing growth in priority sectors, expand industrial output, diversify products, enhance value addition, and to develop new and strengthen existing value chains.

The Special Industrialisation Programme provides targeted support for value chain analyses and feasibility studies, the implementation of specific industrial projects already identified, and for support facilities for projects by the private sector within priority sectors. Support could extend to the acquisition of land, plant and infrastructure, product development and marketing, reduction in the costs of utilities, and capacity building.

In line with the Strategic Intervention Areas of Growth at Home the Special Industrialisation Programme defines vertical/sectoral Priority Actions. They address sector-specific constraints and opportunities for value addition. They complement and deepen the horizontal Priority Actions. Together, horizontal and vertical Priority Actions are forming one comprehensive and integrated drive towards industrialisation.

As a starting point, the Special Industrialisation Programme defines interventions for the sectors agro- and fish-processing, steel manufacturing and metal fabrication, automotive, and chemical industry.

The strategic sectors which have been so far selected for Sector Growth Strategies in September are Agro-processing, Leather and Leather Products, Textiles and Garments, Arts & Crafts, Chemicals and Salt products, and Semi-precious Stones & Jewelry processing amongst others.

MTI remains committed to the ongoing support of employment and growth also in sectors which are not covered by targeted sectors. However, there is a clear need to focus the efforts to leverage Namibia's competitive advantages and opportunities by prioritising policy support behind a limited number of key growth engines.

Agro-processing

Agro processing is the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. The agro-processing industry is demarcated into upstream and downstream industries. Upstream industries are considered the processors of agricultural raw materials into preliminary products. Major upstream agro-products, derived from the livestock sub-sector in Namibia, include among others processed meat (chilled, frozen, dried and canned), milk and dairy products, and leather tanning. Crop production constitutes another important source of inputs for upstream agro-processing activities such as milling of maize, mahangu and wheat; grinding groundnuts into peanut butter, oil pressing from plant seeds, and juice pressing from fruits. Downstream industries further process the upstream products made from agricultural materials. This is where most of the value addition takes place, and activities include baking bread and biscuits, cereal and pasta production, textile spinning, paper production, beer brewing, and clothing and footwear manufacturing.

Due to its close links to the agricultural sector, agro-processing has a strategic importance for employment, income generation and value addition. Agriculture and the manufacturing of food products and beverages contribute approximately 10% to the Gross Domestic Product (GDP) of the country (2012). The agricultural sector is the largest employer in Namibia. In 2012, the sector employed 27.4% of the total workforce.

Very few agro-processed products from Namibia are exported. The country is a net exporter of unprocessed agro-products, especially from the livestock sub-sector. However, the country also heavily relies upon imports of food products. Most imports emanate from South Africa and the European Union Member States.

The agro-processing industry offers significant potential to increase value addition, to create jobs, income and export opportunities, to enhance food security and reduce dependence on imports. However, the industry is faced with numerous constraints. The upstream industry in particular is faced with the constraints of frequent droughts, poor soil fertility, and high ambient temperatures. The sector is also constrained by high costs of production inputs (seed, fertiliser, chemicals, implements etc.), as well as a lack of funding and commercial farming skills.

“The agro-processing industry offers significant potential to increase value addition, to create jobs, income and export opportunities, to enhance food security and reduce dependence on imports.”





The downstream industry, on the other hand, is faced with constraints such as inadequate support services from technical institutions and high input costs for production. Local enterprises still face many difficulties trying to convince retailers in Namibia to stock and sell their products. Further challenges cited at sector consultations include a lack of skilled labour and an inefficient coordination between the players along the value chains.

In order to address the challenges and opportunities identified, the following interventions have been defined:

✓ **Product diversification and production capacity expansion for processed red meat products for regional export markets**

This Priority Action aims at providing integrated support to the red meat processing industry to increase manufacturing of high value consumer red meat products for export to SACU and TFTA markets. Supporting measures include technical assistance regarding product development and marketing, as well as technology upgrading and acquisition, and capacity building. Furthermore, the compilation of an inventory of processors and products and the facilitation of imports of essential inputs for the processing industry form part of the Priority Action.

✓ **New beef cold storage export facility in Walvis Bay**

By exporting through facilities in neighbouring countries, Namibia forfeits related economic and business opportunities and compromises her exports due to the prevalence of a variety of animal diseases and the resulting negative phytosanitary status of these countries. Against this background, it is planned to establish in Walvis Bay a new EU-certified red meat cold storage export facility of ca. 25,000 t per annum, suitable for fresh chilled and frozen beef, lamb and venison.

✓ **NDC Kavango Cattle Ranch (KCR) value addition project**

A small-scale beef value adding process is planned at the NDC's KCR cattle production project to create jobs, wealth and export opportunities. The aim is to create additional niche export products for new markets. The measure includes acquisition of plant and equipment, product development, branding and marketing.

✓ **Confirm market access to alternative high value markets for fresh, chilled or frozen beef**

As part of this Priority Action, an action plan will be developed and implemented to achieve confirmed access for red meat in alternative export markets in the Middle East, Southeast-Central Asia (incl. the Russian Federation), and TFTA markets (incl. Mauritius). Support measures will include assistance with certification, marketing of products and supplier agreements. This Priority Action will be a joined effort of MTI, the Ministry of Agriculture, Water and Forestry, the Meat Board of Namibia and meat exporting companies.

✓ **Game meat market diversification and value addition**

The game meat market offers a promising potential to foster diversification. This Priority Action provides support to establishing game meat value addition processes on communal land. Support measures include the acquisition of plant and equipment, product development technical expertise, marketing assistance and staff training.

✓ **Vegetable and fruit value addition**

The initiative aims at establishing a small-scale high-value value adding process (canning/ bottling) for vegetable and fruit products. New finished consumer products will be manufactured for the domestic, the SACU, SADC and TFTA markets. The project will be linked to the Green Scheme and Fresh Produce Hubs.

✓ **Dairy product development programme**

The programme will provide integrated support to the dairy processing industry to increase manufacturing of high value consumer dairy products for export to SACU and TFTA markets as well as for use in domestic school nutrition programmes. The support measures will include technical assistance in product development and marketing, as well as technology upgrading and acquisition.

✓ **Leather, wool, pelts, silk and textiles development programme**

A support facility will be established to assist value addition projects of the leather, wool, pelts, silk and textiles industry through enhanced collection, processing, grading and cleaning of raw hides, skins, wool and natural silk. Key emphasis is placed on increased manufacturing of high value consumer products for domestic and export markets.





✓ Feasibility study for fodder & pet food production

Further feasibility studies are planned to investigate the potential for upgrading different value chains within the agro-processing industry. One focus will be on assessing the potential for small and large scale fodder production and further commercialization of food supplement production in Namibia. Another focus will be on investigating options to expand feedlots. Furthermore, a feasibility study for pet food production (raw material availability, cost of production, marketing and demand, production technology required and standards and certification needs) is planned.

In addition to these sectoral interventions, general reforms mentioned earlier in the document will stimulate the development of the agro-processing sector. Amongst others, the roll-out and extension of the IUMP Industrial Upgrading and Modernisation Programme and the realignment of incentives schemes which includes a review of the Manufacturers Definition will be beneficial. Also, the local procurement support initiative, the Retail Charter and the trade competitiveness programme are of high relevance.

Fish-processing

With respect to employment and contribution to Gross Domestic Product (GDP), the fisheries sector plays a strategic role within the Namibian economy. Preliminary figures from the Namibia Statistics Agency indicate that the fishing industry's contribution to the GDP for the years 2011 and 2012 was 3.0 %. In 2010 the sector offered direct employment to a workforce of 13,380, up from 10,754 in 2008 according the Occupational Mapping Study for the Fishing and Maritime Industry in Namibia. Onshore employment in 2010 was 9,386, and offshore aboard vessels 3,994 people.

Hake is the greatest contributor to commercial fisheries, followed by horse mackerel, and pilchard. Other organisms harvested for commercial purposes are monkfish, deep sea red-crab, rock lobster, large pelagics and snoek. Currently, approximately 30 marine resource processing plants operate in Namibia. Prior to Independence, the fisheries sector was dominated by foreign companies, but the post-independence fisheries development policy has resulted in majority Namibian ownership across the sector.

Namibia's fishing industry has grown to become the second largest foreign currency export earner after mining. Due to Namibia's small population and so far the preference for meat, the majority of fish is exported mainly to Asia (Japan and China), Europe (Spain and Italy), the United States and African markets. However, the efforts by the Namibia Fish Consumption Promotion Trust are resulting in increased fish consumption in the domestic market.

Key government goals for the fisheries sector include greater value addition, and continued creation of jobs in an industry already providing significant employment. The intended result extends to broadening of Namibia's economic base in order to reduce the economy's dependence on a narrow range of products and their vulnerability and will contribute to improved competitiveness of companies, government tax revenue and the expansion of the fishing industry commercial support sector. Particularly in developed markets, consumers increasingly prefer partially prepared products and ready-to-eat meals, rather than raw products. Namibia can take advantage of this transition by processing fish into a wide range of products, which will increase the industry's value addition and bring more benefits from aquatic resources to Namibia. Some of the current value additions are filleting, canning, packaging, smoking, fish oil and fish meal production.

Stakeholder consultations indicate, that there are still a number of challenges which should be addressed in order to unlock the growth and value addition potential of fish processing. These include:

- ✓ The industry sees the need to intensify consultations with the relevant Government Ministries to discuss constraints and provide feedback on ongoing initiatives.
- ✓ Measures to increase value addition should be well targeted taking into account that the potential for value addition and to absorb levies differs considerably within the sector.
- ✓ Import duties place a burden on businesses importing fish for further processing.
- ✓ The slow process of VAT refunds has a negative impact on the cash flow of the industry.
- ✓ Fishing companies are faced with the challenge of access to finance. They are currently not able to utilise fish quotas as collateral with banks when seeking finance.



“Stakeholder consultations indicate, that there are still a number of challenges which should be addressed in order to unlock the growth and value addition potential of fish processing.”

- ✓ The industry sees a need for a review of the Manufacturer Status definition in incentive schemes integrating fish processing into the classification of eligible sectors.

Against this background, the following interventions have been defined:

- ✓ **Horse mackerel processing support programme**

The programme provides integrated support to the fish processing industry to increase manufacturing of high value consumer fish products from horse mackerel for export to SACU and TFTA markets as well as for use in domestic school nutrition programmes. A support facility for 2-5 project proposals from the private sector per year can assist with the acquisition of plant and equipment, technical support for product development, utility cost support, branding, certification, product marketing and distribution.

- ✓ **Fish processing support programme**

As part of the programme, it will be investigated to adjust import duties and rebates concerning inputs into fish processing and to develop a needs-oriented financing mechanism for seasonal fisheries/fish processing and bridging financing for VAT refunds. Furthermore, a support facility will aim at developing the capacities for secondary processing, e.g. oysters, black mussels and abalone. Support for 1-5 company proposals per year could extend to feasibility studies, acquisition of plant and equipment as well as technical assistance.

- ✓ **Fish product certification scheme**

Standards and certification play an increasingly important role in securing access to markets. The scheme which will be coordinated by the Namibia Standards Institution (NSI) will assist 1-2 companies per year in achieving EU certification for Mari-culture products and eco labelling for hake, through technical assistance.

- ✓ **Crayfish export marketing diversification**

The Priority Action aims at an export diversification for crayfish. Key focus is on supporting access to new African markets. A support facility will be established providing assistance to 1-2 company proposals per year. The support could extend to market research and assistance with trade facilitation and trade promotion.

Beyond those sectoral Priority Interventions, also a number of horizontal Priority Actions mentioned earlier in the document will contribute to an improvement of the business environment for the fisheries sector. For instance, the regular structured PPD Platform will also help the fisheries industry to voice their concerns and to develop solutions jointly with the relevant Ministries. As part of the Priority Action on realigning incentives schemes and financing instruments, the Manufacturers Definition will be reviewed. The trade competitiveness programme will also ease trade across border complementing the sector-specific trade facilitation efforts.

Steel manufacturing and metal fabrication

Currently, Namibia does not have its own steel production facilities, being fully dependent on imports, which mainly come from South Africa. The scope of metal products manufacturing in Namibia also remains narrow, confined to few companies, most of which are small, limiting the economies of scale that could be achieved. Moreover, the performance of 'fabricated metal products, machinery and equipment' as a sub-sector of the overall manufacturing has been modest, constituting only a small share of between 3.2% and 4.2% and exhibiting volatility .

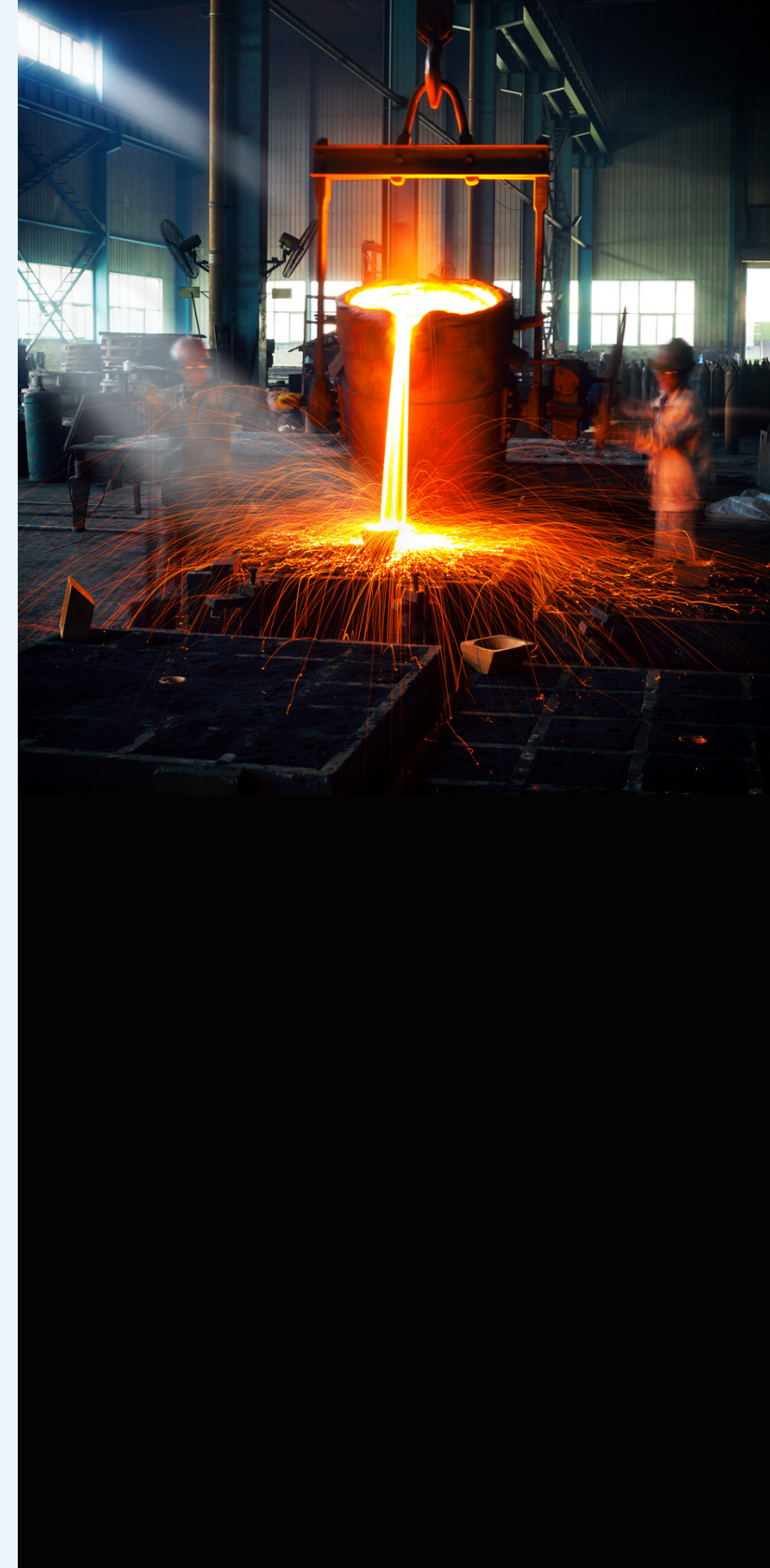
Opportunities have been identified to develop a Namibian steel manufacturing industry to meet the needs of the domestic market, foster the metal products manufacturing sector, develop linkages into other sectors such as the construction industry, as well as establish steel exports to neighbouring countries.

However, in pursuing this development path, Namibia is likely to face strong competition from the established steel industry, in particular from South Africa, which is mainly dominated by few big companies, impeding the entry of smaller manufacturers. The competitiveness of the young Namibian steel industry may also be hampered by high energy and water prices, and the lack of economies of scale at its early development stages. Moreover, the importance of creating the necessary skill base must not be underestimated.

Against this background, the following Interventions have been defined:

✓ **Steel processing and product development programme**

Based on a feasibility study, the programme provides integrated support to establish manufacturing of steel through the conversion of scrap metal to initiate a metal processing and fabrication industry.



“Opportunities have been identified to develop a Namibian steel manufacturing industry to meet the needs of the domestic market, foster the metal products manufacturing sector, develop linkages into other sectors such as the construction industry, as well as establish steel exports to neighbouring countries.”

The support by the programme covers technical assistance with respect to product development and marketing, as well as acquisition of technology and upgrading, and utility cost support. Furthermore, the Priority Action involves conducting a value chain analysis to identify entry points for further inventions, including regulations on trading with scrap metal.

✓ **Support facility to promote the manufacturing of metal products**

The aim of this Priority Action is to develop linkages between the metal industry and other value chains such as in agro-processing, mineral processing and the construction industry. Target products include metal cans, fencing wire, galvanised items etc. The facility which can provide assistance with technology upgrading and acquisitions as well as product development and marketing aims to support 1-2 company proposals on a competition basis per year.

✓ **Upgrading skills in steel construction**

As mentioned before, the availability of skills is considered to be of critical importance for the development of the metal & steel industry. A core element of this Priority Action is the establishment of an advanced steel artisan training school in Walvis Bay based on a feasibility study. Key focus is on the development and upgrading of skills in the areas of advanced steel construction, cutting and welding.

✓ **Ship and marine exploration maintenance support programme**

Experience from around the globe shows, that many countries have successfully utilised the potential of their marine clusters, including the repair/maintenance of ships and marine exploration equipment, the manufacture of components, the logistics and support services, to foster structural transformation and industrialisation. Profound value chain analyses form the starting point for the development of the ship and marine exploration support programme.

The development of the steel/metal sector will also benefit from the impact generated by the general reforms. Of particular relevance are the reforms aimed at skills and infrastructure development, as well as the extension of the IUMP. Furthermore, the interventions supporting access to markets play an important role for a new and young industry.

Automotive industry

The Namibian automotive sector is still at a rather early stage of development. The value chains are relatively short and not very deep. With Namibia Press and Tools, an established automotive supplier is based at Walvis Bay manufacturing engine parts for various European car manufacturers, such as Volkswagen, Audi, BMW, Renault, and Opel. The majority of other enterprises are active in the automotive after-market (e.g. repair services, engines refurbishing, panel beaters, tooling, outdoor accessories, and tire services). Windhoek Maschinenfabrik (1998) (PTY) Ltd has some experience in manufacturing vehicles, however concentrating more on military and agricultural vehicles.

South Africa's automotive industry has a dominating position on the continent. It produces more than 90% of all vehicles manufactured in Africa. The automotive industry contributes around 7% to the South African Gross Domestic Product. The strong position and the well-established value chains of the South African automotive sector offer promising opportunities for the development of the industry on the Namibian side. In particular, this relates to creating linkages and attracting foreign investment by benefitting from the high level of awareness of Southern Africa within the global automotive sector.

The expansion of the automotive sector presents economic and social opportunities, including diversification of the economy, product development and technology transfer, development of backward and forward linkages (e.g. into the mining industry and logistics sector), job creation and skills development.

However, it is no easy task considering the highly competitive environment. Without significant funding into the infrastructure and skills development, manufacturers will be hard to attract. In addition to the initial funding, the complex nature and magnitude requires the private sector as well as Government to have a common understanding for the sector to grow.

Key challenges which need to be jointly addressed include low availability of skilled labour and lack of specific automotive experts in the country, low level of innovation and research and development capabilities, high utility costs, long lead times and quality constraints of logistical service providers, and intense international competition also with respect to incentives offered.

Against this background, the following Priority Actions have been defined:

“The expansion of the automotive sector presents economic and social opportunities, including diversification of the economy, product development and technology transfer, development of backward and forward linkages.”

“A feasibility study will be conducted to assess the potential for positioning Namibia as a testing centre for the automotive and related sectors.”

✓ **Automotive parts and after-market support programme**

This programme builds upon a special bilateral industrial cooperation initiative with South Africa. Based upon value chain analyses covering not only the Namibian market but also in particular the potential linkages to automotive supply chains in neighbouring countries, a support facility for projects in the areas of automotive parts manufacturing (e.g. batteries) and the automotive after-market (e.g. outdoor accessories) will be established. Linkages and spin-offs in logistics, engineering, and training will be created. The sector support facility will provide assistance with respect to the acquisition of plant and equipment, upgrading, product development, and marketing.

✓ **Automotive sector industrial parks**

In recognition of the growth potential of the automotive sector in Namibia, this Priority Action aims at establishing two dedicated industrial parks for this industry and related activities. The parks will be developed based upon a needs and location analysis as well as on an assessment of the investment potential and the competitive environment. The findings will provide guidance for the development of facilities (e.g. enclosed spray painting facility), infrastructures and specific services which are in line with the requirements of the industry.

✓ **Positioning of Namibia as a testing centre**

Already a number of international car manufacturers use Namibia on a small scale to test cars under the specific climatic conditions of the country. As part of this Priority Action, a feasibility study will be conducted to assess the potential for positioning Namibia as a testing centre for the automotive and related sectors. The aim is to attract high quality investment projects in testing facilities and related value adding functions. The feasibility study will include a screening of competing and best practice projects as well as interviews with car manufacturers and engineering and R&D specialists.

Furthermore, for the development of the automotive sector, synergies can be utilised between sectoral and general reforms. This relates in particular to the realignment of incentive schemes and the targeted investment promotion. In addition, the automotive sector will also benefit considerably from the reforms in the areas of skills and infrastructure development.

Chemical industry

Although Namibia is considered a natural resource abundant country, it has not exploited this comparative advantage to its full potential. Domestic chemical industry remains in its infancy, largely restricted to manufacturing of cleaning and painting products, while a large share of Namibia's raw materials are exported to neighbouring countries for further value addition. Chemicals and chemical products constitute approximately 8% of total value added from the manufacturing sector.

Government is currently exploring the opportunities to draw on the country's manufacturing potential and expand Namibia's own chemical industry, focusing in particular on the salt value chain. Namibia is an important producer of salt in Sub-Saharan Africa. The local arid coastal climate with evaporation significantly exceeding precipitation creates a favourable environment for the production of cheap solar salt. Salt production is mainly at Walvis Bay (700,000 tonnes p.a.), at Panther Beacon in Swakopmund (75,000 tonnes p.a.) and at Cape Cross (30,000 tonnes p.a.). Some of the inland pans also contain salt. Otjivalunda brine pans near the Etosha National Park have been identified as a potential source of soda ash in the form of trona and sulphate-rich salts.

A large share of raw salt produced is exported to South and Western Africa, where it is used as an input into chlorine and caustic soda production, by the agricultural sector as a feed supplement, and as a feedstock for refined table salt in human consumption. Namibia's domestic use of salt is mainly confined to fish and other food processing, household consumption and animal feed. This leaves a number of important manufacturing opportunities unexplored. As a result, the MTI has expressed its commitment to conducting a detailed analysis of the prospects for establishing a Namibian chemicals manufacturing sector.

The main challenges faced by Namibia in developing its chemical industry are the lack of a sufficient level of highly skilled labour, cheap energy and wider economies of scale. Labour is a crucial factor of production for manufacturing. In order to boost chemical industry, a step-change advancement in labour quality and productivity should be achieved.

Besides the quality of inputs, what also matters is their cost. Chemical industry like manufacturing sector in general tends to be relatively more energy intensive than other economic activities. In light of this, the recent hikes in energy prices may pose a considerable obstacle to promoting chemical industry and therefore particular attention

“The main challenges faced by Namibia in developing its chemical industry are the lack of a sufficient level of highly skilled labour, cheap energy and wider economies of scale.”





should be paid to designing suitable and cost-effective solutions. Moreover, given the size of the country, transport costs in Namibia also tend to be high, further impeding the generation of economies of scale. These challenges shall be carefully considered in a risk assessment of launching domestic chemical industry in Namibia.

Against this background, the main projects scheduled involve the following two interventions:

✓ **Launch a salt-chlorine industry development programme**

The aim of this Priority Action is to conduct a feasibility study on strengthening and upgrading the salt value chain and exploring the variety of applications, e.g. in water purification, electrolytes, PVC components, food, agriculture, and others industries.

✓ **Manufacturing of mineral fertilisers**

The aim of this Priority Action is to conduct a feasibility study and a value chain analysis to identify the opportunities for the production of phosphate and other byproducts from existing mining and processing operations and identify entry points for further interventions.

The chemical industry will also benefit from general reforms under Growth at Home. Of particular relevance are reforms related to incentive schemes, investment promotion, skills and infrastructure development.

Jewelry Industry

Namibia is regarded as one of the world largest producers of high value diamond. The average value of Namibian diamonds produced in 2012 was US\$553/carats compared to an average price of US\$82 and US\$145 per carat for Russian and Botswanan diamonds, respectively. Namibia has already successfully set up a nascent cutting and polishing industry. However, currently only 10 percent of domestically produced diamonds kept for cutting and polishing purposes to about 19 cutting and polishing factories. This is considered insufficient for many of the sight holders to turn a profit, and therefore the Fourth National Development Plan suggest that this figure should be increased to at 20 percent. The Ministry of Trade and Industry is convinced that there is potential to increase the value chain in Namibia's diamond industry through further beneficiation of cut and polished diamonds into jewelry. Therefore the establishment of a jewelry industry has been earmarked as a targeted industry under Growth at Home over the period 2015 to 2020.

Proposed actions to promote the jewelry industry will include the following:

- ✓ Increasing the supply of domestically produced diamond to 20 percent as stipulated by NDP4;
- ✓ Carry out in-depth feasibility studies to determine where exactly in the jewelry value chain optimal results for Namibia would be yield;
- ✓ Introduce skills development programme that will go beyond developing cutting and polishing skills to include for exempling design and marketing skills, as well as other skills required for the jewelry industry; and
- ✓ Identify markets where Namibian jewelry should be exported to, as well as developing the domestic market.

The development of the jewelry industry will also benefit from other general reforms such as the retail charter and others.



INSTITUTIONAL SET-UP FOR IMPLEMENTATION

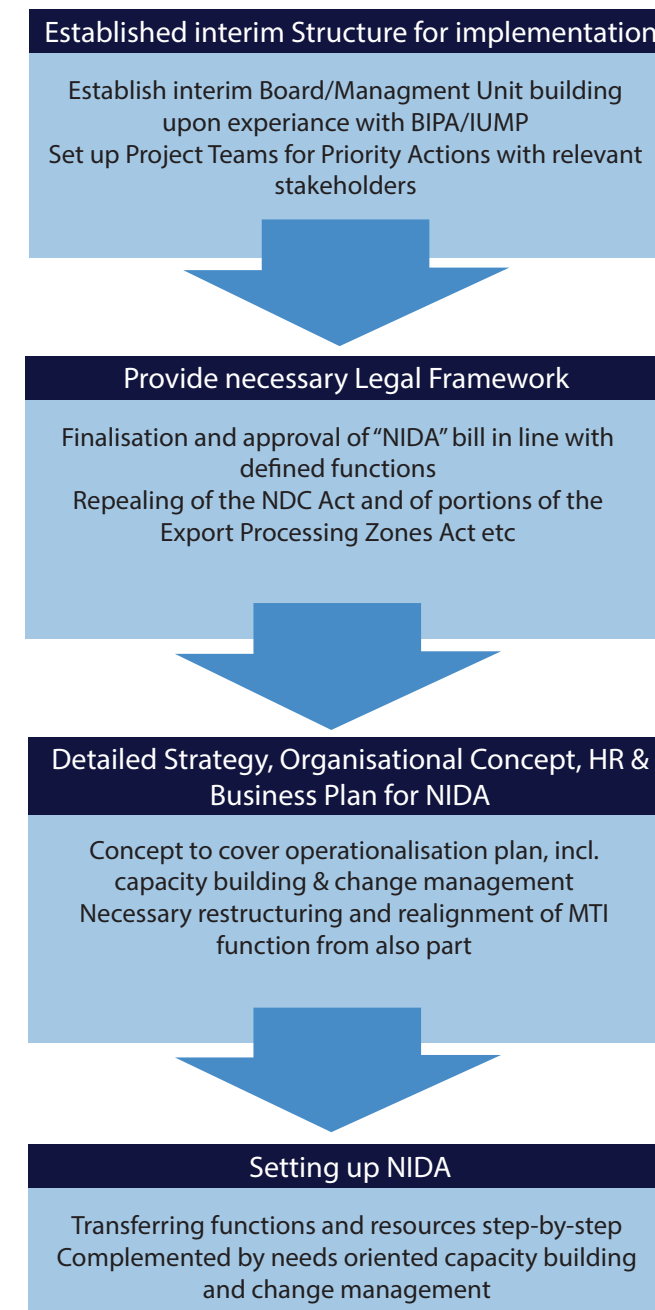
A core element of the Industrial Policy Implementation and Strategic Framework is the establishment of a designated Namibia Industrial Development Agency (NIDA) which will drive the economic transformation process in close collaboration with MTI, the private sector, other Ministries, and further stakeholders.

Key functions of NIDA will include:

- ✓ Execution of Growth at Home and Sector Growth Strategies, incl. monitoring, reviewing, and updating;
- ✓ Researching on and development of new opportunities for value addition;
- ✓ Developing key industrial and business infrastructure;
- ✓ Promoting and facilitating trade, investment, and the introduction of new technology;
- ✓ Offering advisory services and implementing incentive and other business support schemes contributing to industrialisation; and
- ✓ Making on behalf of Government equity investments or enter into public private partnerships fostering economic transformation.

NIDA will be established based on the merger of the Namibia Development Corporation (NDC) and the Offshore Development Corporation (ODC). Certain functions and operations of relevant MTI Departments and Directorates will be incorporated and realigned to generate synergies and to remove overlap. The organisational structure of NIDA will reflect the balance between the horizontal and vertical/sectoral focus of Growth at Home. A "Sector Development Department" will be responsible for the implementation of the Sector Growth Strategies and interventions with a strong sectoral focus. The functions of trade and investment promotion will be integrated into this department to generate synergies and build up sector-specific expertise.

Stages of the process to realign the institutional set-up



Horizontal Priority Actions and functions with a rather cross-sectoral focus will form part of a “Project and Business Support” Department. This covers areas, such as “Finance & Investment”, “Sites and Premises”, and “Training and Business Support Schemes”.

Key functions and organisational structure of the planned Namibia Industrial Development Agency (NIDA)

The final profile, portfolio of services, and the organisational structure of NIDA will be developed based on an assessment of the existing institutional set up and considering international best practice, stakeholder consultations, and the requirements from the interventions of Growth at Home. As a starting point, an analysis of different organisational models has been carried out, covering amongst others examples from Germany, Ireland, Chile, Malaysia, and South Africa.

As it takes a considerable amount of time until such an agency is fully operational and relevant functions have been transferred, it is envisaged to proceed in stages: As a first step, an interim structure will be established. An Interim Board / Management Unit under the Directorate of Industrial Development will be created building upon the experience with setting up the Business and Intellectual Property Authority (BIPA) and the Industrial Upgrade and Modernisation Programme (IUMP). Project teams which integrate experts from different Ministries and organisations, and which have a clearly defined lead partner will be responsible for the implementation of the defined Priority Actions.

The preparation and implementation of the necessary changes in the legal framework mark another important milestone. Subsequently, a detailed strategy, organisational concept, HR & business plan for NIDA will be developed. The concept will also cover the related restructuring and realignment of functions within MTI. On this basis, the functions and resources will be transferred to NIDA step-by-step. This process will be complemented and supported by needs oriented capacity building and change management measures.

MONITORING

“Monitoring is considered a critical component of Growth at Home to recognise and react to deviations as early as possible.”

As experience from all around the globe clearly shows, it is inevitable within well-designed industrialisation programmes – in particular within those with a sectoral focus – that not all interventions fully generate the expected impact. Amongst others, unexpected changes in the business and investment environment cause deviations. Against this background, monitoring is considered a critical component of Growth at Home to recognise and react to deviations as early as possible.

Based upon the implementation plans of the Priority Actions, a sound and easy to use monitoring system will be finalised to:

- ✓ track the progress towards the targets outlined;
- ✓ document how resources are used and intermediate results achieved; and
- ✓ make evidence-based decisions about changes as needed.

The targets of the Industrial Policy / Vision 2030 form the starting point for the development of the monitoring system, which covers both the Strategic Intervention Area and Priority Action level including the Sector Growth Strategies.

Linkages between targets of Priority Actions, Strategic Intervention Areas and the Industrial Policy / Vision 2030

The monitoring system makes explicit:

- ✓ what Growth at Home intends to achieve (outcomes and impact);
- ✓ how it will be achieved (activities and output);
- ✓ what indicators are used to measure the progress and achievement; and
- ✓ who is responsible for data collection and how often it should take place.

Monitoring sheet for a Priority Action

On an annual basis, progress reports will be produced, covering the progress against the indicators, a qualitative narrative explaining the story behind the numbers, the lessons learnt, and adjustments planned.

Protection
Industry
Market Analysis
Growth
Benefaction
Integration
Creation
SME Industrialisation
Investment
incentive
Chain
Employment
Industries
Measures
Execution
Value
Local
Development
Supportive
infant
Target
Upgrade
Financing
Special
Regime
Home
Sectors
Access
industrial
Monitoring
procurement
Addition
Climate
Regional



Ministry of Trade and Industry

www.mti.gov.na

Permanent Secretary
Tel: +264 61 283 7332
Fax: +264 61 220 227
Email: mlindeque@mti.gov.na

Director
Tel: +264 61 283 7328
Fax: +264 61 259 676
Email: petrina@mti.gov.na