



REPUBLIC OF NAMIBIA

MINISTRY OF INDUSTRIALISATION AND TRADE

NATIONAL POLICY ON SUSTAINABLE SPECIAL ECONOMIC ZONES 2022 – 2027

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Table of Contents

2. Background	15
3. Rationale	17
4. Alignment To Other International, Regional (SADC) and National Development Frameworks	17
5. Guiding Principles of a Policy	19
5.1 Viable Tool of Industrial Policy	19
5.2 Strategic Focus and Needs driven approach	19
5.3 Value Proposition for both Government and Investor	19
5.4 Sustainable Special Economic Zones (SSEZ) Imperative	19
5.5 Mainstreaming Cost-Benefit Analysis in Zone Planning	19
5.6 Zone Programming must embrace the new industrial revolution and Digital Economy	19
5.7 Commitment towards mainstreaming Public-Private Partnerships in Zone Development	19
Chapter 1: Objectives of the National Policy on Special Economic Zones in Namibia	21
1.1 Vision Statement	21
1.2 Mission Statement	21
1.3 Overall Goal	21
1.4 Specific Objectives of the SEZ Policy	21
1.6 Scope of the SEZ Policy	24
1.7 Expected Policy Outcomes	24
Chapter 4: Implementation arrangements / Framework	26
4.1 Institutional Arrangements/ Framework	26
4.1.1 Ministerial Oversight and Accountability	26
4.1.2 Policy Administrative Governance Arrangement	26
4.2 Legal and Regulatory Arrangements	27
4.2.1 SEZ Strategic Framework and Development Plan	27
4.2.2 SEZ One-Stop-Shop Facility	27
4.3 Resource Mobilisation	28
4.3.1 Dynamic Incentives Framework	28
4.3.1 Transitional Provisions of Existing Investors in Export Processing Zones	28
4.4 Monitoring and Evaluation framework and Reporting	29
4.4.1 Policy Implementation	29
BIBLIOGRAPHY	39

Foreword by the Minister Industrialisation and Trade



Namibia has, since 2015, embarked on a sustained trajectory to front-load industrialisation, which is encapsulated in key documents such as the Growth at Home Industrial Implementation Strategy and the Harambee Prosperity Plan (HHP). Similarly envisaged industrial co-operation at the regional and continental level aims to usher in enormous economic opportunities through growing our natural resources and industrial production capacities.

The pursuance of industrialisation, at both national, regional and continental level will pivot our national economy towards deeper regional integration as well as the upgrading of both national and regional economic structures into global value chains platforms.

Special Economic Zones (SEZs) are a key policy instrument that is deployed to ensure the attainment of economic goals as set out through the industrialisation path. SEZs provide a valuable platform to enable structural change through infrastructure development and streamlined regulatory mechanisms that yield significant economic benefits such as sectoral investments, employment creation, strengthened value chains as well as enhanced regional industrial cooperation.

Given the pedestrian growth of our manufacturing sector over the years, high regional inequality as well as the low sectoral productivity levels, much like the rest of the region, a National SEZ policy becomes an imperative. The SEZ Policy would signal to both domestic and foreign investors our readiness for doing business, building key strategic sectors whilst adhering to sustainability principles. The SEZ Policy also pivot towards ensuring our laggard regions' development, community sustainability and inclusion whilst maintaining fiscal credibility.

The National SEZ Policy expands and subsumes the existing Export Processing Regime (EPZ) by strengthening key provisions such as expanded sectoral focus as well as a clear monitoring and evaluation framework. We are of the firm conviction that this new approach will ensure the attainment of our vision for employment generation, infrastructure development, heightened regional investments, industrial dynamisms, local economy linkages as well as inclusive socio-economic progress.

I wish to thank sincerely all who contributed to the development of this policy. In the same vein, I would call upon all stakeholders of the SEZ regime to put shoulders to the wheel to enable a successful policy outcome with industrialisation as the ultimate goal.

A handwritten signature in black ink, appearing to read 'Lucia Lipumbu', written over a horizontal line.

Lucia Lipumbu, MP
Minister

Acronyms and abbreviations

AG	Attorney General
DDI	Domestic Direct Investment
DRI	Duty Remission Scheme
EPZ	Export Processing Zones
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GVA	Gross Value Added
IIP	Infant Industry Protection
MIT	Ministry of Industrialisation and Trade
MOF	Ministry of Finance
NDP	National Development Plan
NPC	National Planning Commission
OSS	One-Stop Shop
PE	Public Enterprise
SEZ	Special Economic Zones
SSEZ	Sustainable Special Economic Zones

Glossary of Concepts, Terms and Jargon¹

Term	Elucidation
Cabinet	Has the meaning specified in the Constitution of the Republic of Namibia.
Customs duties	Means the duties laid down in the Customs tariff schedules to which goods are liable on entering or leaving the Customs territory.
Formative Evaluations	Formative evaluation refers to evaluation conducted to inform decisions about improvement. It can provide information on how the program might be developed (for new programs) or improved (for both new and existing programs).
Industrial agglomeration	Is defined as a cluster of companies in one or some interconnected industries concentrated in a certain area, which is united by common interests and complementary.
Industrial Rebates	Offer a full or partial exemption of customs duty on the imported raw materials and are generally accessible to a wide range of industries.
SEZ	Geographically delimited area, usually physically secured (fenced-in), single management/administration, eligibility for benefits based upon physical location within the zone, separate customs area (duty-free benefits) and streamlined procedures.
Summative Evaluations	Summative evaluation occurs at the end of a program cycle and provides an overall description of program effectiveness. It examines program outcomes to determine if they are being met.
Value Chain (National/ Regional/Global)	The sequence of activities that firms undertake to create value, including the various production steps (supply chain), but also all activities belonging to the demand chain, such as marketing, sales and customer service.

¹ Definitions are an amalgamation from various sources (inclusive of the literature cited in this policy), a list which is available from the MIT.

Executive Summary

Special Economic Zones (SEZs) are a national development strategy that are defined as geographically delineated areas subject to differentiated regulation and administration from the host country in which they reside. Essentially, at inception, SEZ constitutes an industrial enclave with respect to customs tariffs and business regulation in the host country with the intention to provide an internationally competitive duty-free environment and quality infrastructure for the promotion of exports.

In recent years, the concept of SEZ has evolved and is more aligned towards sectoral focus, greatly embeds local economy linkages and has witnessed its incentives regimes being eroded by international trade and tax rules.

There are more than 5,400 SEZs in over 147 countries employing close to 70 million workers today. These SEZs play a variety of roles in facilitating local and inter-regional economic development as well as global value chains linkages.

Namibia's foray into industrial enclaves has been premised under the Export Processing Zone (EPZ) regime and the special incentives for manufacturers and exporters of manufactured goods. The EPZ regime, as described above has seen its basic structure eroded by changes in international trade and tax rules. Its relevance to the national development goals also needed to be reviewed and updated to meet developmental objectives within a dynamic regional and international economic and trading context. There is thus a need, to review and incorporate in a new policy, all latest trends regarding SEZs and to ensure a smooth transition from an EPZ and manufacturers' incentive regimes to a SEZ regime.

This National Policy on SEZ, therefore, reform our current EPZ and manufacturer's incentive regimes into a new Special Economic Zone framework.

The National Policy on SEZ therefore promotes the following goals:

- developing a comprehensive regime for SEZ, in order to attract both domestic and foreign investment.
- contributing to the diversification of Namibia's productive and exports structure whilst deepening both backward and forward linkages with the rest of the economy.
- promoting the production of high value-added goods, services and high technology whilst encouraging the attainment of internationally accepted standards of quality.

- propelling Namibia's integration into the regional, continental and global value chains with the stated aim to optimise on expanding market opportunities.
- ensuring the integration of SEZ platforms with national developmental agenda in order to bring equitable regional development across the country.
- contributing to the growth of key service sectors such as tourism, finance and information technology.
- ensuring the compliance of SEZ regime with local, regional and international standards and laws.
- promoting the beneficiation of the country's mineral resources and developing excellent infrastructure to support the targeted industries in each region.

Concrete recommendations are made in the Policy in the following areas:

- **Policy objectives**, setting out the high-level national objectives to be pursued under the policy,
- **Ministerial Oversight and Accountability**-the Minister of Industrialisation and Trade has oversight over the SEZ regime in Namibia;
- **Policy Administrative Governance Arrangement**-the establishment of a SEZ Advisory Board;
- **Legislative Framework**-the enactment of a Special Economic Zones Act and repeal of the EPZ Act and related special incentives for manufacturers and exporters of manufactured goods;
- **SEZ Strategic Framework and Development Plan**- the development of a comprehensive masterplan for development of SEZs in Namibia;
- **Criteria for participation in the SEZ**, based on the objective thresholds set in the context of the policy;
- **Financing of SEZ**-to enable the creation of a Special Financing instrument for SEZs;
- **Creation of a One-Stop Shop**- to ensure seamless administrative support;
- **Dynamic Incentives Framework**- the provision of both fiscal and non-fiscal incentives for the SEZ regime in Namibia; and
- **Transitional Provisions for Existing Investors in Export Processing Zones**-to ensure grandfathering for current beneficiaries of EPZ regime.

The Policy builds on experience from the existing incentives regimes and proffer appropriate strategies on zone administration and the creation of appropriate institutional frameworks. The Policy also calls for the promotion of Private Public Partnerships (PPP) in zone development.

Finally, the recommendations made in the Policy are to feed into an Implementation Plan.

1. Introduction

Special Economic Zones (SEZ) are essentially geographically defined areas usually being administered by a single body and offering conducive incentives for enterprises to locate and operate. The incentives are usually for a defined period and may be both financial and nonfinancial in scope. SEZ may provide more liberal laws than what may be found in the general economy, pertaining to labour, customs and investment procedures and land use.

SEZ are normally established as part of a national economic development strategy and may range in size and scope, from single industrial parks to sizeable zones. The general objectives of SEZ are to attract both foreign and domestic investment, increase exports, foster employment creation and act as a catalyst for structural transformation and industrialisation. SEZ are useful in addressing policy key constraints such as limited access to serviced land, poor quality infrastructure and high regulatory constraints on investment and business operations.²

Incentives are a key centrepiece in any SEZ regime. Financial incentives aim to reduce the cost of doing business, through either tax and duty reductions or exemptions or even grants and subsidies. Hard infrastructure incentives may include the provision of land, buildings, and utilities that essentially shifts development costs from investors to the zone development or the government. Soft infrastructure incentives are aimed at ensuring the ease of doing business and may include support such as expedited or simplified land use planning processes, front-end administrative interface processes such as customs and trade as well as port and airport services. A one-stop shop is usually established to support the facilitation of incentives for investors in SEZ. In exchange, the investment proposals for participation in the SEZ should show cause that they can generate net economic gains for the domestic economy. In terms of overall governance, best practises indicate the need to separate regulatory authority from ownership, development and operational functions.

² In Industrial Policy, SEZ are driven by the economics of agglomeration. The aim is to attract firms into geographically designated areas offering a menu of policy incentives and concessions with the aim to create productivity spillover effects reducing transportation, search and transactional costs amongst firms. These costs are reduced because of the close proximity amongst producers, input suppliers and customers.

As per 2018 estimates, there are more than 5400 SEZs around the world across 141 countries. In 1975, there were a mere 176 SEZ in 47 countries. In terms of economic impact, SEZs are generally found to be viable instruments to attract new businesses and increase national exports. However, this does not necessarily translate into employment creation and enhanced agglomeration spillover effects. African SEZs are especially found wanting in employment creation and there is very little evidence of creation of economic linkages between firms operating in zones and the rest of the economy. Much of the failure to maximise on all the potential developmental impacts of SEZs stems from inefficient design of the regime. This has become more critical given that developing and designing SEZs is not only marred by well-known challenges such as appropriate governance models, effective incentives regime but also newer challenges such as embracing the sustainability and centrality of economic imperatives and dynamics, new industrial revolution and the ever evolving pattern of international production. Moreover, the development of SEZs calls for a transition from static and dynamic outcomes (such as attracting Foreign Direct Investment-FDI) to ensuring creative transformational benefits (such as green and industry 4.0 zones, social inclusion and equity among women, youth and rural population).

This Policy is developed within the presiding global policy space described above whilst ensuring adherence to the national agenda embedded in various policies and development frameworks. Further, the development of the Policy is through a consultative process with the aim to ensure that it is fit for purpose for our national developmental trajectory. Ultimately, the aim of this Policy development is to ensure that it is aligned to our national objectives of stimulating industrialisation, structural transformation of the economy, total factor productivity and the attraction of both sustainable FDI and Domestic Direct Investment (DDI).

2. Background

Namibia's experience with SEZs or formations thereof is due to the development of export processing zones (EPZs). The EPZs were embarked upon based on the policy objectives of the Export Processing Zones Act No.9 of 1995. The chief objective of the EPZ regime was mainly export promotion and job creation. Under the EPZ regime, the provisions include both a geographical area as well as single-factory units.

The Namibian EPZ regime allowed investing enterprises to operate in either industrial zones or parks of the now defunct Offshore Development Company (ODC) or the Walvis Bay EPZ Management Company. Five-multipurpose industrial parks were developed by the ODC in Oshikango (Helao-Nafidi Town; Windhoek, Ondangwa, Katima Mulilo and Katwitwi). In addition, a number of enterprises also obtained single factory status and operate outside the infrastructure developed by the ODC and Walvis Bay EPZ.

The Namibian EPZ regime was anchored in the national development policy with the ambition to help implement the industrial policy. Special incentives were therefore availed for manufacturing companies and export subsidies were part of the package to draw investors into the EPZs. The EPZ regime was expected to create 25,000 jobs between 1997 and 1999. The incentives regime for the EPZs consisted mainly of a corporate tax holiday, exemption from import duties, free repatriation of profits, factory facilities at economic (subsidized) rates and a guarantee of free repatriation of capital and profits. The exclusion of the right to strike for an initial period of 5 years was part of the incentive package.

An EPZ Strategy serving as a step-by-step guide was also developed. However the EPZ regime was not marked by an explicit national policy on EPZ or SEZ, it was rather implemented through legislation as part of a broader national development vision-Vision 2030. The country's first industrial policy was only introduced in 2012, eight years after the EPZ legislation was enacted.

Resultantly, although there was a specific EPZ legislation for EPZs, there was no regulatory oversight defined in a national policy (as there was no specific EPZ policy) and therefore a dedicated regulatory function was not well defined since 1995, which would affect effective monitoring naturally.

The performance of the EPZ regime therefore reflects the above-mentioned trajectory. A 2012 cost-benefit analysis depict less than optimal outcomes across the Namibian investment regime-inclusive of

EPZ. From more than 154 EPZ companies in 2000, there were only 19 active enterprises in 2020, with more than 98% of those in diamond cutting and processing sector.

There is thus a need, to review and incorporate in a new policy, all latest trends regarding SEZs and to ensure a smooth transition from an EPZ and manufacturers' incentive regimes to a SEZ regime.

3. Rationale

The rationale for the SSEZ Policy is chiefly premised on two objectives. Firstly, the introduction of the Policy is to ensure the immersion of a vision statement within Namibia's agglomeration ambitions. Previously the introduction of the Namibian export processing zone regime was carried out without an accompanying policy to the 1995 legislation.

Secondly, Namibia is ranked by the Global Competitiveness Report beyond the factor-driven stage (Stage I) but at the Efficiency-drive stage (Stage II). The implications are that the country needs to ensure a comprehensive approach towards industrialisation and economic diversification in order to reach the innovation-driven stage (Stage III). The creation of SEZs in Namibia is thus part of the Namibian Government effort to shore up more economic diversification whilst attracting and facilitating strategic productive development capacity to pivot the country towards innovation.

4. Alignment To Other International, Regional (SADC) and National Development Frameworks

The SEZ Policy is based on the key guiding policies established by the Namibian Government namely:

- Vision 2030;
- National Development Plans (NDP 5 and beyond);
- Harambee Prosperity Plan II;
- Local Economic Development White Paper of 2011;
- National Industrial Policy of 2012;
- National Rural Development Strategy of 2012;
- Namibia Financial Sector Strategy of 2012;
- Growth at Home Execution Strategy (2014);
- Public Procurement Act;
- Public, Private Partnership Act

- National MSME Policy 2016-2021;
- Income Tax Act (As Amended);
- Customs and Excise Act;
- International Minimum Standards for Base Erosion and Profit Shifting;
- Multilateral Convention on Mutual Administrative Assistance (MAC);
- Environmental Management Act, 2007;
- Labour Policies, and
- Public Health Policies.

The Following International Guiding Policies and Statements also provide a framework for the SEZ Policy:

- Sustainable Development Goals (SDGs);
- SADC Industrialisation Strategy and Roadmap: 2015-2063;
- SADC Protocol on Industry, 2019;
- United Nations General Assembly, 2016-Third Industrial Development Decade for Africa:2016-2025;
- Addis Ababa Action Agenda;
- Conference of the Parties (COP) 2015: Paris Climate Change Agreement;
- African Union-Agenda 2063;
- Revised Kyoto Convention of the World Customs Organization (WCO);
- World Trade Organization (November 2013). New and Full Notification Pursuant to Article xvi: 1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures.
- International Labour Organization (ILO) Core Labour Standards

The SEZs Policy is premised on the following key principles:

5.1 Viable Tool of Industrial Policy

The SEZs Policy is premised on the principle that the promotion and development of SEZs is to be viewed as a viable tool of industrial policy. It is therefore vital that SEZs development should be premised on both intra and inter-regional value chain and economic corridor development locally and regionally. The promotion of SEZ should therefore be premised on promoting clusters, technology spill overs and enhancing overall productivity and diversification of the Namibian economy. A major emphasis should be on ensuring sustainable economic linkages between firms in the economic zones and local Namibian enterprises.

5.2 Strategic Focus and Needs driven approach

The SEZ Policy acknowledges the diversity of economic zones driven by differentiated investors' needs. The SEZ Policy takes on an accommodative approach towards enabling different forms of economic zones.

5.3 Value Proposition for both Government and Investor

The SEZ Policy recognises the need for an incentive packaged premised on regulatory, fiscal and non-financial variant. The requisite incentive package for SEZ should be premised on value proposition to both the Namibian Government and Investors. Rigorous cost-benefit analysis should underline the proposed incentive regime. Incidentally, the SEZ Policy advances the formulation of a dynamic incentive framework as opposed to static provisions.

The SEZ Policy is responsive to the Sustainable Development Imperative. It is therefore important that the development of economic zones adhere to key provisions and safeguards around net gains for the domestic economy, protection against tax base erosion, gender equality labour, social inclusion, indigenous livelihoods and norms as well as the environmental sustainability. The SEZ Policy places special emphasis on women's and vulnerable groups' economic empowerment and entrepreneurial advancement in order to redress economic disparities. The Policy therefore promotes the creation of Sustainable Special Economic Zones whereby the aim is to ensure that SEZ and industrial parks in Namibia pivot towards low-carbon, sustainable and inclusive business and community growth.

5.5 Mainstreaming Cost-Benefit Analysis in Zone Planning

The SEZ Policy promotes the principle of mainstreaming of cost-benefit analysis in zone planning. Such analysis should include both direct (employment creation) and indirect benefits (potential spillovers) against direct (e.g. provision of land and other infrastructure), indirect costs, other non-tax incentives and tax expenditures of the project (revenue foregone from provisions of tax incentives).

5.6 Zone Programming must embrace the new industrial revolution and Digital Economy

The SEZ Policy recognize that the new industrial revolution, coupled with the rise of the Platform Economy bears significant implications on manufacturing processes and business models. Zone programming, planning and promotion should be highly observant and respond to the needs brought forth by such new developments.

5.7 Commitment towards mainstreaming Public-Private Partnerships in Zone Development

The SEZ Policy promotes the development of zones by government, private and Public-Private Partnerships (PPPs).The SEZ Policy fosters the development of economic zones through embracing a comprehensive public-public and public-private partnership approach. This implies that purely privately owned and developed zones with minimum government involvement shall be allowed.

5.8 Adherence to Commercial Principles in Zone operations

The SEZ Policy advocates the need to operate zones on a commercial basis to ensure their viability and sustainability.

Chapter 1: Objectives of the National Policy on Special Economic Zones in Namibia

1.1 Vision Statement

The Vision of the SEZ Policy is:

To foster a sustainable and inclusive economic intervention strategy, propelling economic development and the structural transformation of Namibia.

1.2 Mission Statement

The Mission of the SEZ Policy is:

To provide the requisite inclusive framework of viable pathways aimed at developing the SEZ across key Namibian economic sectors through and either with the public, private and civil related development mechanisms.

1.3 Overall Goal

The overall objective of the SEZ Policy for Namibia is to create a modern regulatory framework governing economic zones to attain structural transformation of the economy, inclusive and sustainable growth and job creation. The SEZ Policy thus aims to provide the requisite policy and implementation frameworks to ensure the development of inclusive, competitive, dynamic and innovative Namibian economic zones.

The specific objectives of the SEZ Policy are:

- To provide for a comprehensive SEZ regime for Namibia in order to attract both domestic and foreign investment,
- To contribute to the diversification of Namibia's productive and exports structure whilst deepening both backward and forward linkages with the rest of the economy,
- To promote the production of complex, high value added and high tech goods and services whilst encouraging the attainment of internationally accepted standards of quality,
- To ensure Namibia's integration into the regional, continental and global value chains with the stated aim to optimise on expanding market opportunities and contributing to the national logistics hub goal,
- To ensure the integration of SEZ platforms with national developmental agenda in order to bring equitable regional development across the country,
- To contribute to the growth of key service sectors such as tourism, finance and information technology,
- To ensure the compliance of SEZ regime with local, regional and international standards and laws, and
- To promote the beneficiation of the country's mineral resources and developing supportive infrastructure to support the targeted industries in each region.

1.5 Strategies

The SEZ Policy envisages, in lieu of the stated objectives, the following high-level strategies:

Objective	Strategy/ies
To provide for a comprehensive SEZ regime for Namibia in order to attract both domestic and foreign investment,	<ul style="list-style-type: none"> • <i>Develop a National Policy on SEZ as well as requisite legislation and regulations.</i>
To contribute to the diversification of Namibia's productive and exports structure whilst deepening both backward and forward linkages with the rest of the economy,	<ul style="list-style-type: none"> • <i>Finalize a comprehensive SEZ Masterplan for Namibia.</i>

<p>To promote the production of complex, high value added and high tech goods and services whilst encouraging the attainment of internationally accepted standards of quality,</p>	<ul style="list-style-type: none"> • <i>Embraces the development of especially fourth generation zones (focusing on high-value added modern service sectors) as well as fifth generation zones and beyond (i.e. intelligent city where digital technologies are embedded in production, services and both industrial and business activities are fully integrated with urban and ecological development).</i> • <i>Ensure a dynamic incentive framework that supports and can accommodate the evolution of economic zones.</i>
<p>To ensure Namibia's integration into the regional, continental and global value chains with the stated aim to optimise on expanding market opportunities and contributing to the national logistics hub goal,</p>	<ul style="list-style-type: none"> • <i>Finalize a comprehensive SEZ Masterplan that embraces bilateral regional, multilateral and continental value chains.</i>
<p>To ensure the integration of SEZ platforms with national developmental agenda in order to bring equitable regional development across the country,</p>	<ul style="list-style-type: none"> • <i>Finalize a comprehensive SEZ Masterplan for Namibia.</i> • <i>Develop a National SEZ Fund.</i>
<p>To contribute to the growth of key service sectors such as tourism, finance and information technology,</p>	<ul style="list-style-type: none"> • <i>Embraces the development of especially fourth generation zones (focusing on high-value added modern service sectors) as well as fifth generation zones and beyond (i.e. intelligent city where digital technologies are embedded in production, services, and both industrial and business activities are fully integrated with urban and ecological development).</i>
<p>To ensure the compliance of SEZ regime with local, regional and international standards and laws, and</p>	<ul style="list-style-type: none"> • <i>Namibia to proactively participate in the development of SEZ regulations at both regional and continental levels.</i> • <i>Develop a SEZ Impact Assessment Framework</i> •
<p>To promote the beneficiation of the country's mineral resources and developing supportive infrastructure to support the targeted industries in each region.</p>	<ul style="list-style-type: none"> • <i>Embraces the development of especially fourth generation zones (focusing on high-value added modern service sectors) as well as fifth generation zones and beyond (i.e. intelligent city where digital technologies are embedded in production, services, and both industrial and business activities are fully integrated with urban and ecological development).</i> • <i>Ensure a dynamic incentive framework that supports and can accommodate the evolution of economic zones.</i>

1.6 Scope of the SEZ Policy

The SEZ Policy promotes and covers the development of the variants of economic zones as arising from the global and regional experience such as (list not exhaustive):

- *Free trade zones*: fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, trans-shipment, and re-export operations.
- *Export processing zones*: industrial estates aimed primarily at foreign markets.
- *Enterprise zones*: intended to revitalize distressed urban or rural areas through the provision of tax incentives and financial grants.
- *Freeports*: larger areas, which accommodate all types of activities, including tourism and retail sales, permit onsite residence, and provide a broader set of incentives and benefits.
- *Specialised zones*: science/technology parks, coastal economic zones, petrochemical zones, logistics parks, airport-based zones, etc.³

Further the SEZ Policy aims to provide scope on:

- Principles on administrative and regulatory framework to be encapsulated in legislation;
- Ensuring the provision of requisite incentive packages against objective criteria;
- Formulating clear institutional framework for implementation;
- Laying the groundwork for a sound monitoring and evaluation (M&E) system.

1.7 Expected Policy Outcomes

The SEZ is expected to yield the following outcomes:

³ Appendix III outlines the common types of SEZ that shall be applicable in the Namibian SEZ regime.

- A regulatory framework that optimise the development and attainment of an inclusive SEZ regime in Namibia;
- A regionally balanced operations of SEZ across Namibia;
- Attraction of both qualitative and quantitative investments into the SEZ across both industrial and services sectors;
- Fostering of key cross-border regional and bilateral value chains development through SEZ,
- Creation of industrial hubs and technical skills development, and
- Enhanced developmental impact of the SEZ regime.

Chapter 4: Implementation arrangements/ Framework

4.1 Institutional Arrangements/ Framework

The SEZ Policy is premised on the following policy and institutional architecture that will ensure the governance, planning, development and operational management of SEZ:

4.1.1 Ministerial Oversight and Accountability

The Minister of Industrialisation and Trade is responsible for and take accountability for the development and implementation of the policy, strategic framework and regulatory oversight for the operations of SEZ in Namibia.

4.1.2 Policy Administrative Governance Arrangement

The Minister of Industrialisation and Trade will appoint a Special Economic Zones Advisory Board. The SEZ Advisory Board will be established with a role to advise the Minister on matters of policy, zone applications determinations, strategy and overall zones development. The Advisory Board is also to advise the Minister on any relevant matter that the Minister may refer to the Advisory Board. The SEZ Advisory Board will consists of key governmental departments and agencies as well as members drawn from the private and civic sectors (e.g. Ministry of Finance, the National Planning Commission, Ministry of Works and Transport, Office of the Attorney General, Customs and Excise Division of Namibia Revenue Agency and other key investment agencies of the Government). A key enabling effort is to ensure that the Advisory Board has substantive representation from the Private Sector.

The function within the MIT responsible for Industrialisation will be responsible for the overall coordination and development of the SEZ Strategic Framework and Masterplan/Development Plan. The function will also serve as the Secretariat for the SEZ Advisory Board.

4.2 Legal and Regulatory Arrangements

The Minister of Industrialisation and Trade will table, for enactment, a 'Sustainable Special Economic Zones Act'. The legislation's proposed provisions will include (not exhaustive):

- The objects of the Act,
- The Powers and Functions of the Minister of Industrialisation and Trade;
- The creation of a Special Economic Zones Advisory Board;
- The role and responsibilities of the SEZ Advisory Board;
- The designation as well as various categories of Special Economic Zones in Namibia;
- The type of incentives and the criteria for granting the SEZ status
- The development, operation and management of SEZ in Namibia; and
- The roles and responsibilities of the SEZ operator.

4.2.1 SEZ Strategic Framework and Development Plan

The Ministry of Industrialisation and Trade will develop the SEZ Strategic Framework and Development Plan. The Framework is to adopt a dynamic perspective and therefore develops a strategic framework with an action plan to enable SEZ as economic engines in Namibia. The chief objective of the Strategic Framework and Development Plan is to improve the policy framework for planning, developing and implementing economic zones to increase national productivity and competitiveness to enable industrialisation.

4.2.2 SEZ One-Stop-Shop Facility

The Ministry of Industrialisation and Trade will set up a One-Stop-Shop (OSS) to ensure the provision of administrative services to investors in SEZs. The OSS will ensure the streamlining of approvals and licenses required by investors operating in SEZs. The OSS will also serve as a market intelligence platform for investors in SEZs. The ultimate objective of to ensure that investors in SEZs benefit from an efficient operating environment that offers both administrative and operational efficiencies brought forth by harmonised regulatory and licensing approvals. The MIT shall leverage on existing one-shop platforms being developed to enable OSS in the SEZs regime.

4.3 Resource Mobilisation

The development of SEZs requires an extensive funding envelope as it entails both hard and soft infrastructure. A Special Economic Zones Fund is to be established by the Ministry of Industrialisation and Trade in collaboration with the Ministry of Finance. The Fund is also to ensure that plays the role of crowding in additional funding as required and being a depository of fees collected from the SEZ regime. Private capital and developmental financing would be crowded in through the development of SEZs through various approaches such as private sector driven SEZs, PPP and Government-to-Government arrangements.

4.3.1 Dynamic Incentives Framework

An incentive framework for the Namibian SEZs framework is premised on coherence and cost-efficiency whilst complying with international rules. The policy sets out the eligibility criteria for participants in the SEZs regime. The incentive framework is to consist of both regulatory, fiscal and non-fiscal incentives offerings. Regulatory incentives normally pertains to reducing the regulatory burden on doing business in Namibia through the provision of OSS for example. Fiscal incentives pertains to the easing of the tax burden on the investing companies or their employees. Non-fiscal incentives will consists of public spending to attract or induce investors in SEZs and may take on various forms.

The Namibian incentive framework for SEZs would be specific to the objective, type and sectors of the proposed development. Such an incentive framework will be time-bound and perched to the type and level of proposed investment and size of the firms. The SEZs Advisory Board will table to the Minister of Industrialisation and Trade and Minister of Finance the specific incentive package proposed to each type of zone. A general basic incentive package for SEZs is proposed in Appendix II of this document. A comprehensive fiscal incentive regime proposed for SEZs is tabbed in Appendix III.

4.3.1 Transitional Provisions of Existing Investors in Export Processing Zones

In order to ensure a seamless transition from the Namibian Export Processing Zone model to the envisaged SEZ, the policy recommend the following:

The Ministries of Finance and Industrialisation and Trade will allow for a transitional period of a maximum of 5 years for existing investors in the Export Processing Zones, effective from 31 December 2021,

An approved enterprise under the existing EPZ Act that intends to continue its activities as an SEZ enterprise under the proposed SEZ legislation shall have to apply to the Minister of Industrialisation for approval, on recommendation by the Advisory Board.

Notwithstanding the repeal of the EPZ Act and the provisions for manufacturer's incentives in the Income Tax Act, an approved enterprise under the EPZ law will be entitled to receive existing benefits during the approved period of transitional provision. Beyond the transitional period, the provisions in the SEZ law shall apply.

4.4 Monitoring and Evaluation framework and Reporting

This Policy's monitoring and evaluation will be based on the Implementation Framework. The MIT will thus develop a monitoring and evaluation framework based on agreed indicators. It is therefore prudent to ensure that the development of the Implementation Framework involves all key stakeholders such as the Ministry of Finance, the National Planning Commission, Ministry of Works and Transport, Office of the Attorney General, Customs and Excise Division and key investment promotion and development agencies of the Namibian Government. The monitoring framework makes provisions for both formative and summative evaluations for the Namibian SEZ regime.

4.4.1 Policy Implementation

The MIT shall be responsible for the implementation of this Policy. The MIT will develop a Policy Implementation Framework to enable regular progress monitoring.

4.4.3 Policy Review

The SEZ Policy is to be reviewed every five years by the MIT, in order to incorporate new market dynamics and developments. However, MIT may at any interval and from time to time make changes, modifications, additions to this Policy in order to meet changing needs of industry. Any official or interim review and modifications are subject to Cabinet approval.

4.5 Advocacy and Dissemination (Communication Strategy)

The Ministry of Industrialisation and Trade along with its agencies will be primarily responsible for the advocacy and information dissemination with regard to the SSEZ policy and regime. The Ministry of Industrialisation and Trade along with the Advisory Board will develop a specific communication strategy for the Namibian SSEZ regime.

Stakeholders Consultations

A consultative process encompassing both private and public sector interfaces marked the SSEZ policy development. The key policy team was the Ministry of Industrialization and Trade and Ministry of Finance. Consultations were provided for both written as well as stakeholder meetings. Consultative meetings were held during November and December 2021 whilst further individual sessions were held during the period of January 2022-May 2022. A summary of views that emanated from both consultations are captured below:

Table 1: Stakeholders Views on Key Items (List not exhaustive)

Item	Composite views (both written and oral)	MIT Comment If Any
Incentive Regimes	The 0% corporate income tax rate rationale was observed however there was an indication and preference towards a lower rate of say 15%. The dynamic approach towards incentives was well received.	Further consultations with MOF led to a reduction and accommodative stance to 25%. As the regime evolves, there could be further consultations to look at further reductions.
VAT Refunds	A call was made to ensure that VAT refunds are fast-tracked to ensure seamless operations sector entities in SEZ.	Agreed.
Sector Accommodation	The all sector accommodative stance of the policy was well received.	N/A

One-Stop Shop	The immersion of a One-Stop-Shop in the SEZ regime was emphasized as a key enabler.	The MIT to leverage on existing structure/s where feasible.
Institutional Architecture	There was a call for ensuring a substantial voice of the private sector in the SEZ Advisory Board.	The Policy provides adequately for private sector representation.
Administered Prices Incentive	Administered prices such as water and electricity are major factors in the cost-structure and where feasible appropriate incentives should be provided to reduce their impact.	The MIT to continue consulting with other key Ministries on feasibility of such and thereafter ensure availing such.

5. Implementation Action Plan (IAP)

To reflect the key initiatives and principles identified in the policy, a series of action plans have been developed in thematic areas. These are outline in Table X below. These action plans are to summarise the implementation programme for the period from the adoption of the National SEZ Policy. The Action Plans identify the following:

- The key initiative and follow up actions required;
- The stakeholders with responsibility for implementation; and
- The period for the implementation.

Development of a National Sustainable Special Economic Zone Policy: Implementation Action Plan															
Strategy	Activity	Output	Key Indicator	Baseline	Timeliness and Targets per year				Budget (MAD 000)			Custodian/ Responsible Entity			
					2022/23	2023/24	2024/25	2025/26	2026/27	2022/23	2023/24		2024/25	2025/26	2026/27
Policy Development	Finalise and Adopt the National SEZ Policy	National Policy on SEZ	1 National Policy	0	1						100				MIT supported by MOF
Legislation Development	Finalise and Adopt the National SEZ Law and Regulators	Sez Act & Regulators	1 SEZ Act	0	1						250	250			MIT
SEZ Masterplan Development Strategy	Production of a SEZ Development Masterplan	SEZ Development Masterplan	1 SEZ Masterplan	0	1						250	750			MIT
One-Stop Shop	Design and set up of administrative services function within SEZs.	One-Stop-Shop regime for SEZ	SEZ One-Stop-Shop Facility	1	1							1000			MIT
SEZ Financing Strategy	Developing a financing framework for SEZ to support masterplan	SEZ Development Fund	1 SEZ Financing Strategy	0	1							200			MIT supported by MOF
Impact Assessments	Develop an Impact Assessment Framework	Cost-Benefit Appraisal Framework	1 Framework	0	1							200			MIT supported by NPC

6. Conclusion

The Namibian SSEZ Policy framework provides for a broad approach towards the development of a national vision with respect to an agglomeration strategy. The policy thus attempt to ensure that Namibia's SSEZ regime is to evolve from an almost static enclave EPZs to a future that embraces multi-functional, multi-sectoral and highly innovative zones that embraces both green and digital transformations. To this end, the policy thus embraces dynamism and flexibility principles in terms of public enhancement strategies and support. In the same vein the Namibian SSEZ policy is unequivocal in promoting a regime that conform to international norms and standards pertaining to issues such as labour and sustainable supply chains.

Equally, the policy gives much credence to an approach that realises the inherent and complex nature of SEZs and their underlying operations and therefore much emphasis is placed on local context adaption as well as a prudent approach in terms of their design, planning and management.

7. ANNEXURE/ APPENDICES

ANNEXURE 1: BASIC INCENTIVE REGIME FOR SEZ

Key theme	Incentives	Rate Applicable/Elucidation	Other
Fiscal Incentives			
	Incentives on Corporate Income Tax	Sector based reductions	
	Incentives on import duties/customs tariffs ⁴ .	Applicable under as per SACU regime and any other International Agreements: -General duties drawbacks and rebate-e.g. Bonded Warehouse under the Duty Remission Scheme. -SACU Infant Industry Protection Regime	As per the Income Tax Act's provisions.
	Investment Allowance and Capital Deductions Allowance	Allowing SEZ businesses to expense all of their investments in equipment, structures, and intangibles.	As per the Income Tax Act's provisions.
	Research and Development Incentive	Allowing SEZ business to receive tax credit for their research and development activities.	As per the Income Tax Act's provisions.
Non Fiscal Incentives			
	Land Premium	Either through subsidized rentals and or in case of PPP developed and fully serviced land.	
	Establishment of One-Stop Shop	A centralized location to assist investors with the requirements of the various investment-related Government agencies.	
	Competitive Utility Tariffs	Where feasible, negotiations for industrial tariffs administrative prices-e.g. electricity.	
	Supportive and directed approach to provision of Visa for non-resident foreign investors	Through normal established channels as well as through the One Stop Shop.	

⁴ World Trade Organization (WTO) prohibits two categories of subsidies under the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Article 3 of the SCM Agreement outlines two categories. The first category consists of subsidies contingent, in law or in fact and whether wholly or as one of several conditions, on export performance ("export subsidies"). The second category consists of subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods ("local content subsidies"). These two categories of subsidies are prohibited because they are designed to directly affect trade and are thus most likely to have adverse effects on the interests of other members. The SCM Agreement contains a definition of the term "subsidy". The definition contains three basic elements, namely: (i) a financial contribution (e.g., grants, loans, equity infusions, loan guarantees, fiscal incentives, provision of goods or services, and purchase of goods); (ii) by a government or any public body within the territory of a member; and (iii) which confers a benefit.

ANNEXURE 2: BASIC SEZ FISCAL INCENTIVE PACKAGE

Tax Incentives	SEZ			Current EPZ	Previous Manufacturing
	Others	Manufacturing-General	Exporters		
Corporate Income Tax (CIT) Rate	28% as earlier discussed MOF-MIT, further reduced to 25%.	28%, further reduced to 25%. Manufacturer Definition: There must be an explicit definition of Manufacturer agreed upon by MOF and MIT.	28%, further reduced to 25%.	0%	18% for 10 year period.
Exporters Rebate	None	None	<p>1. 50% reduction of income derived from exporting goods manufactured in Namibia.</p> <p>2. 25% reduction of income derived from exporting goods manufactured outside Namibia but exported from a permanent establishment or base in Namibia.</p> <p>3. Fish and meat products are excluded.</p>	None	80% reduction of export income of Namibian produced products.
Capital Expenditure Depreciation	Allow retrospective.	Allowed	Allowed	Uncertain	Allowed
Accumulated Loss Carry Forward	Allow retrospective.	Allowed	Allowed	Uncertain	Allowed
Building Allowance	Normal Building Allowance	Factory building written off at 20% in first year and balance at 8% for 10 years.	Normal Building Allowance	Uncertain	Factory building written off at 20% in first year and balance at 8% for 10 years.
Training and Remuneration Allowance	None	Additional 25% of (a) remuneration or contribution to pension fund (b) training, deduction	None	Uncertain	Additional 25% of (a) remuneration or contribution to pension fund (b) training,

		from taxable income.			deduction from taxable income.
Transport Allowance	None	Deduction from taxable income of 25% of total land-based transportation costs, over a period of 10 years.	None	Uncertain	Deduction from taxable income of 25% of total land-based transportation costs, over a period of 10 years.
Export Promotion Allowance	None	Additional 25% of export expenditure deduction from taxable income.	Additional 25% of export expenditure deduction from taxable income.	Uncertain	Additional 25% of export expenditure deduction from taxable income.
VAT Exemption	None	None	Zero rate supplies and exempt imports for exclusive exporters.	Exemption	None
VAT Refunds	VAT Refunds efficiency.	VAT Refunds efficiency.	Exemption from VAT obligation.	Exemption	Situational
Industrial Rebates and registration of bonded warehouse opportunity	Leverage on industrial rebates available under SACU (e.g on key inputs for production). Bonded Warehouse	Leverage on industrial rebates available under SACU (e.g on key inputs for production). Bonded Warehouse	Leverage on industrial rebates available under SACU (e.g on key inputs for production). Bonded Warehouse	Leverage on industrial rebates available under SACU (e.g on key inputs for production). Bonded Warehouse	Leverage on industrial rebates available under SACU (e.g on key inputs for production). Bonded Warehouse
VAT Inputs	Allowed to claim VAT inputs based on taxable activities.	Allowed to claim VAT inputs based on taxable activities.	Allowed to claim VAT inputs based on taxable activities.	Exemption	Allowed to claim VAT inputs based on taxable activities.
Customs & Excise Duties	None	None	None	Exemption	None
Stamp Duty and Transfer Duty Exemption	None	None	None	Exemption	None
Export Levy Exemption	None	None	None	None	None
Refund of Training Expenditure (Training Levy is administered by NTA)	None	None	None	None	None

ANNEXURE 3: BASIC GOVERNANCE REGIME FOR NAMIBIAN SEZ

Entity	Regulator	Owner	Developer	Operator
Role/Activities	<ul style="list-style-type: none"> -Plan the SEZ regime -Designate SEZ sites -Licensing -Monitoring and evaluation -Ensuring Compliance -One-Stop Shop 	Owner or Custodian to legal title of land	<ul style="list-style-type: none"> -Owner or separate entity under management contract. -Finance and develop site. -Ensure onsite infrastructure and facilities. 	<ul style="list-style-type: none"> -Owner or developer or third party under management contract. -Manage SEZ on daily basis. -Lease or sublease lots or buildings in SEZ. -Operate facilities and services.
Example	MIT SEZ Advisory Board	Public ⁵ /PE or Private Sector entity.	Public/PE or Private Sector entity.	Public/PE or Private Sector entity.

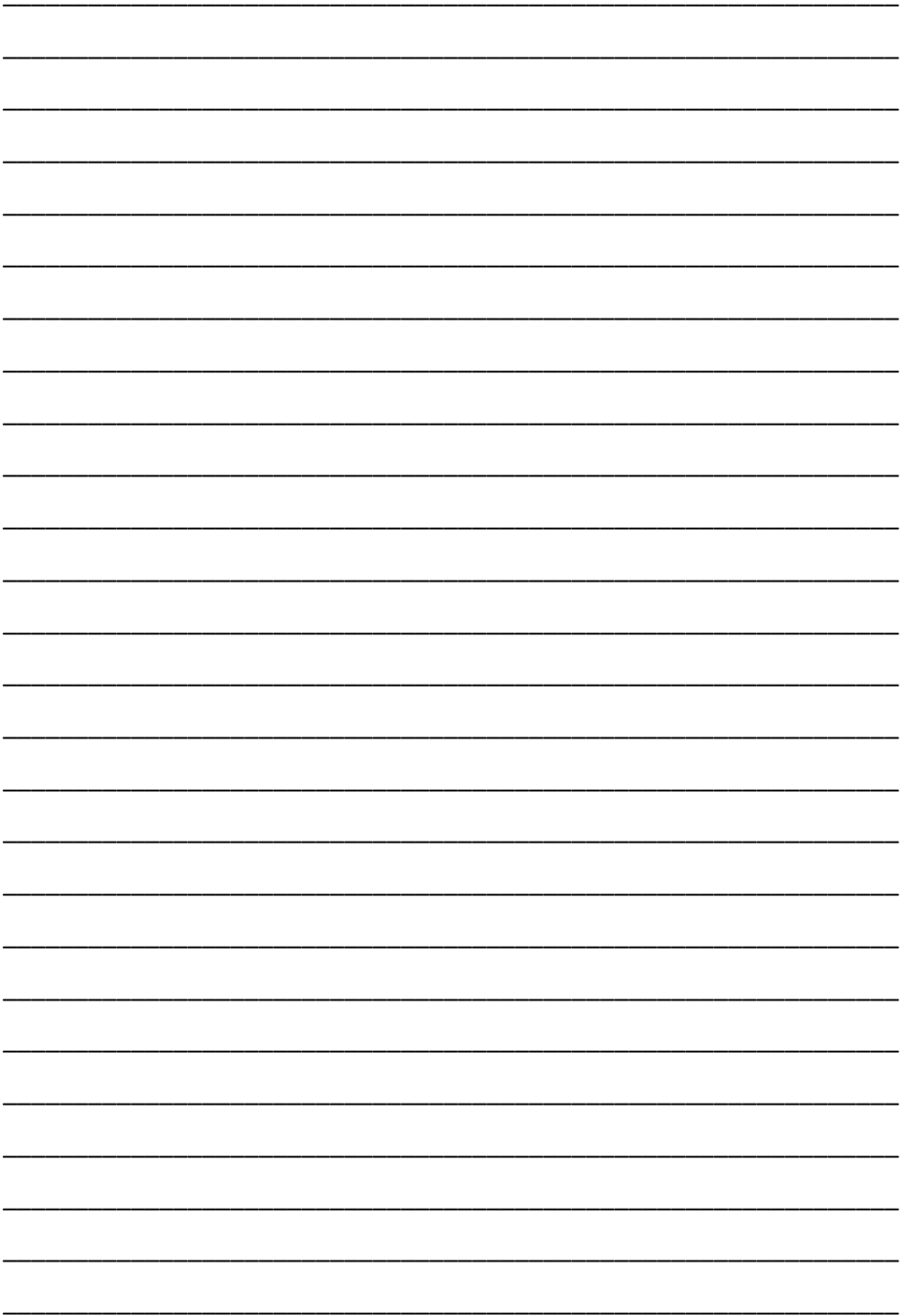
⁵ Public here may also denote Government-to-Government arrangements.

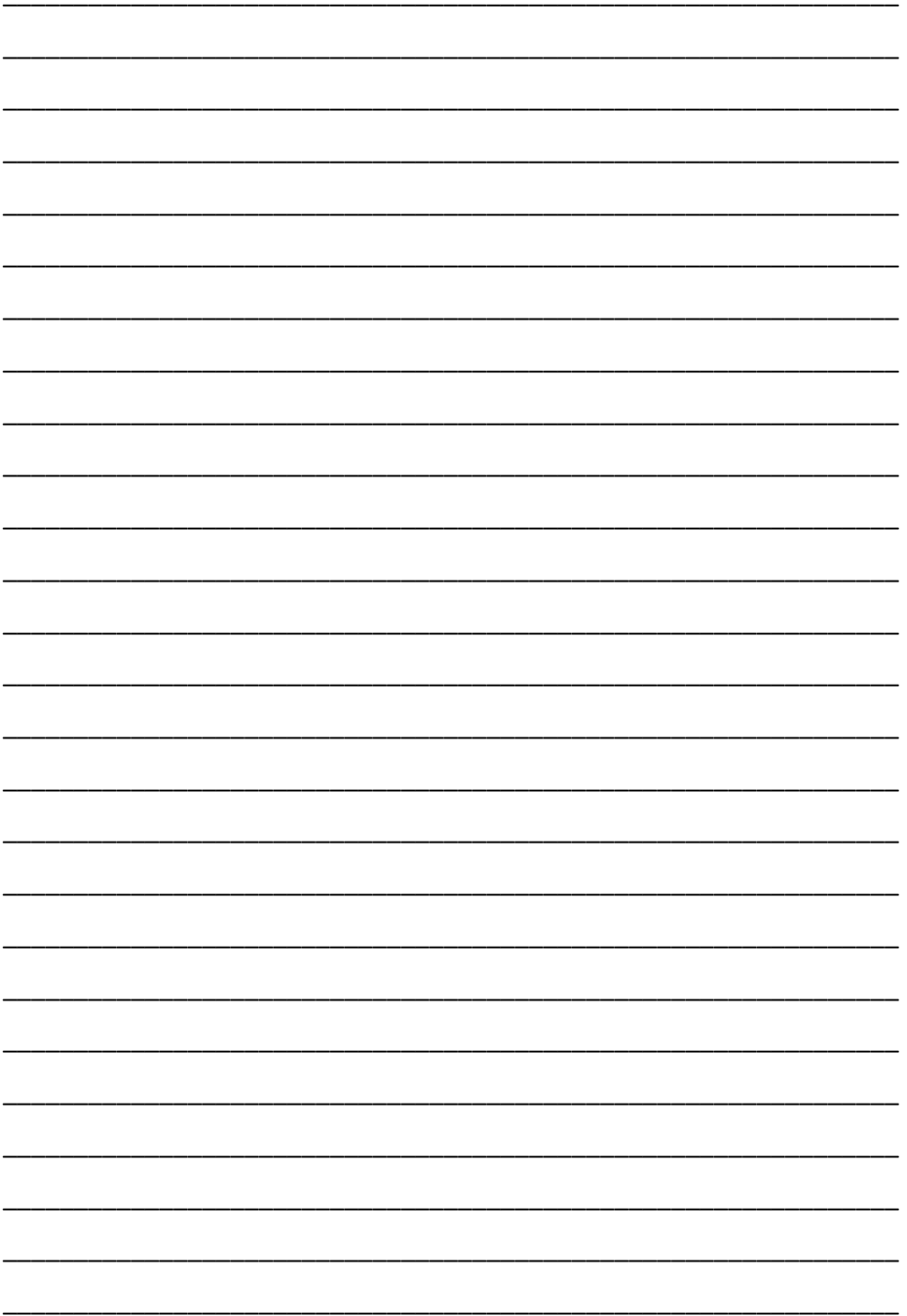
ANNEXURE 4: COMMON TYPES OF SEZ

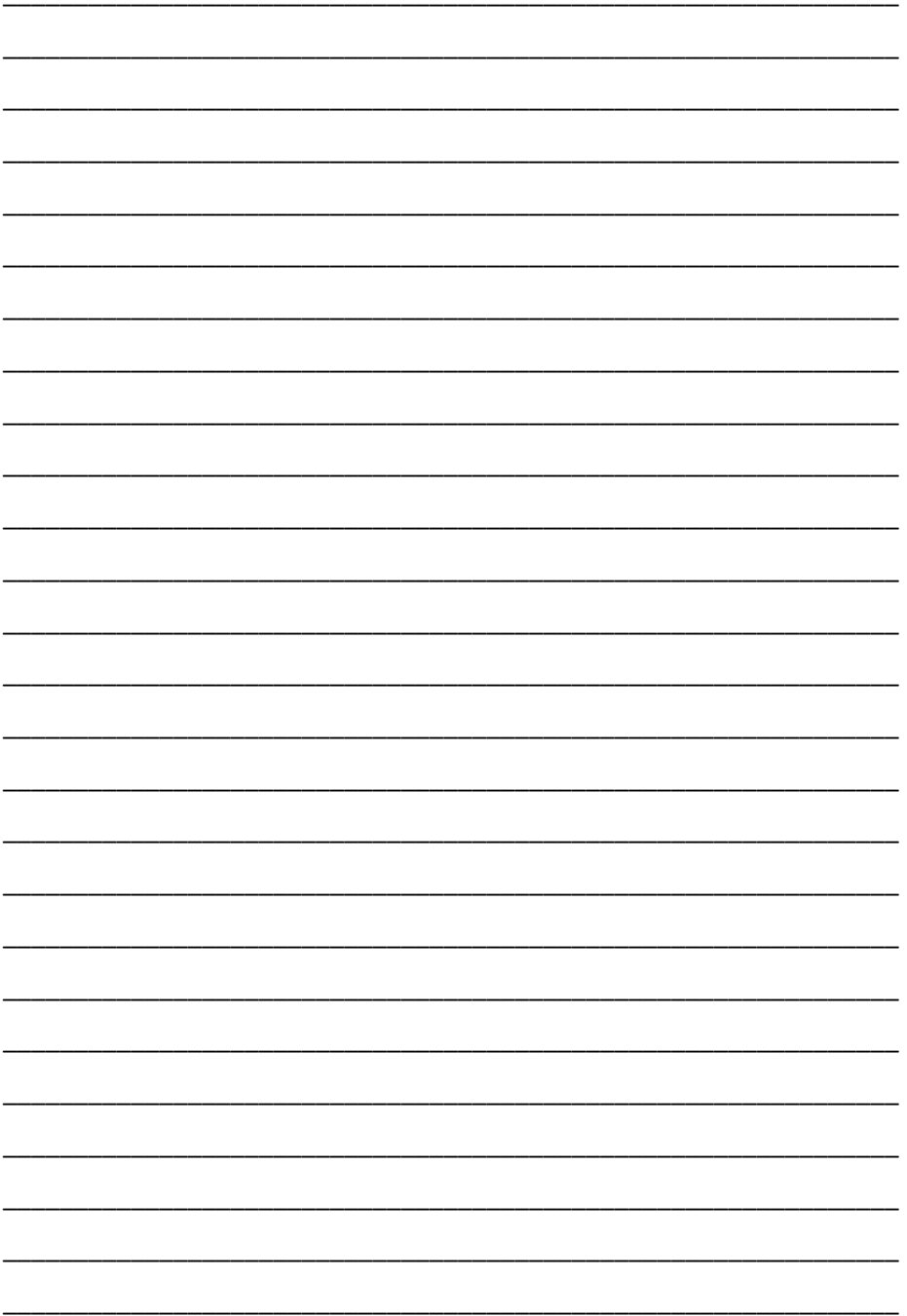
Name	Definition
Free Trade Zones	Fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations.
Export Processing Zones	Industrial estates aimed primarily at attracting export-oriented investments. They cover usually a wide array of manufacturing industries.
Comprehensive Special Economic Zones	Larger estates and could be considered cities on their own. They usually cover all industrial and service sectors and target both foreign and domestic markets. They provide an array of incentives ranging from tax incentives to regulatory incentives. In addition, they permit on-site residence.
Industrial Parks/Single Factory Processing Zones	Provide incentives to individual enterprises regardless of location.
Bonded Warehouse	A bonded warehouse, or bond, is a building or other secured area in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty.
Specialised Zones and Special Service Zones	Targeted at specific sectors or economic activities. Examples of SZs include science/technology parks, petrochemical zones, logistics parks, airport-based zones, and so on. They may restrict the access of companies in non-priority sectors, and their infrastructure is mostly tailored according to their sectoral targets
Eco-industrial Zones or Parks	Dedicated area for industrial use at a suitable site that ensures sustainability through the integration of social, economic, and environmental quality aspects into its siting, planning, management, and operations.
Transnational & Extraterritorial Zones (TEZs) and regional economic zones.	Established to foster regional economic cooperation and to exploit economies of scale associated with regional markets.

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