



# EASING THE WAY FOR INVESTMENT IN NAMIBIA



Institute for Public Policy Research (IPPR) Research Report

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# EASING THE WAY FOR INVESTMENT IN NAMIBIA



IPPR Research Report

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## ABBREVIATIONS AND ACRONYMS

BEE	– Black Economic Empowerment
BIPA	– Business and Intellectual Property Authority
CC	– Close Corporation
GCI	– Global Competitiveness Index
IFC	– International Finance Corporation
IP	– Intellectual Property
IIP	– Infant Industry Protection
LaRRI	– Labour Resource and Research Institute
M&E	– Monitoring and Evaluation
MoF	– Ministry of Finance
MTI	– Ministry of Trade and Industry
NambIC	– Namibia Business and Investment Climate Survey
NaCC	– Namibia Competition Commission
NAMCOR	– National Petroleum Corporation of Namibia
NCCI	– Namibia Chamber of Commerce and Industry
NCRST	– National Commission on Research, Science and Technology
NDC	– Namibia Development Corporation
NDP4	– Fourth National Development Plan
NEF	– Namibia Employers’ Federation
NEEEF	– New Equitable Economic Empowerment Framework
NFSS	– Namibia Financial Sector Strategy
NIC	– Namibia Investment Centre
NIDA	– Namibia Industrial Development Agency
NMA	– Namibian Manufacturers’ Association
NPC	– National Planning Commission
NTA	– Namibia Training Authority
NUNW	– National Union of Namibian Workers
ODC	– Offshore Development Company
OECD	– Organisation for Economic Cooperation and Development
R&D	– Research and Development
SACU	– Southern African Customs Union
SADC	– Southern African Development Community
SMEs	– Small and Medium Enterprises
TESEF	– Transformation of Economic and Social Empowerment Framework
UPOV	– International Union for the Protection of New Varieties of Plants
VET	– Vocational Education and Training
WEF	– World Economic Forum

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## SUMMARY AND RECOMMENDATIONS

By Graham Hopwood

**“By the year 2017, Namibia should be the most competitive economy in the SADC region, according to the standards set by the World Economic Forum”**

- Desired Outcome, Namibia’s fourth National Development Plan (NDP4)

Namibia’s reputation as a business-friendly country has been in decline for some years. Numerous media reports have cited how the country has slid down the best-known international assessments – the World Economic Forum’s Global Competitiveness Index (GCI) and the World Bank’s Ease of Doing Business rankings. The locally-produced Namibia Business and Investment Climate Survey has corroborated these findings while confirming that problems have remained unaddressed for years. Domestic and foreign investors already here know the situation – many of them are the respondents for the Executive Opinion Survey that forms part of the GCI. Serious investors looking at Namibia from outside will pick up on these negative indications before they make a decision about coming here.

But it is not only business that senses something is wrong. The situation has long been recognised as being far from ideal by government. Back in 2005 the Namibia Investor Roadmap set out 51 objectives to be achieved within five years as “part of the Government of Namibia’s commitment to attract foreign investment and encourage domestic investment”. A follow-up report on the Roadmap, published in 2010, found that in many areas only minimal progress had been made. Perhaps in an effort to re-energise government’s commitment to easing the way for investment, the Fourth National Development Plan (NDP4), covering the years 2012/13 to 2016/17, set an ambitious target: that Namibia would be the most competitive country in the SADC region by 2017.

NDP4 recognised a number of key stumbling blocks and issues that had to be tackled:

- the high cost of doing business in Namibia
- the low quality of skills
- inadequate access to finance
- low productivity, and
- inflexibility in the labour market.

Suggested strategies and actions in NDP4 include:

- safeguarding the positive aspects of our institutional environment, such as macroeconomic stability
- reforming the business environment
- promoting access to various sorts of finance through implementation of the Namibia Financial Sector Strategy (NFSS), and
- lifting the constraint on the importation of the critical skills needed to enhance our industries’ performance.



Namibia has a number of distinct advantages. Most surveys and assessments of the investment climate find that the country has institutions that function relatively well, the rule of law and an independent judiciary, protection of property rights, and its much vaunted peace and stability. Transport infrastructure is regarded as reasonably good by regional standards. Namibia's financial markets are developing and there is confidence in the country's financial institutions. In many ways the foundation has already been laid for major advances to be made. But it is a foundation that, despite being in place for some time, has not been built on.

Namibia's performance in terms of becoming more competitive has not been getting noticeably worse. One of the main reasons for Namibia's decline on the international rankings is that the country has been standing still while other nations have been catching up and over-taking it.

The table below illustrates just how much still has to be achieved if Namibia is to become the most competitive country in southern Africa within the next three years.

#### Top ten sub-Saharan African countries on the Global Competitiveness Index 2013-2014

Country	Position 2013-2014	Score	Position 2012-2013
Mauritius	45	4.45	54
South Africa	53	4.37	52
Rwanda	66	4.21	63
Botswana	74	4.13	79
Seychelles	80	4.10	76
Namibia	90	3.93	92
Zambia	93	3.86	102
Kenya	96	3.85	106
Gabon	112	3.70	99
Senegal	113	3.70	117

In order to achieve the desired outcome set in NDP4, Namibia would have to move up the Global Competitiveness Index by 45 places to eclipse Mauritius within three years. Even moving ahead of the second-placed Sub-Saharan African country, South Africa, would mean a climb of at least 37 places. A more realistic target may be to come within the top 70 on the rankings by 2017.

Some of the factors that hold Namibia back cannot be solved by quick-fixes. Namibia is often cited for its poor-performing health and education systems. Other aspects require a shift in mindset. Countries like Kenya are now forging ahead on the rankings partly because they are boosting their capacities for research and innovation and ensuring strong coordination between the private sector and government. Such countries have the potential to pass Namibia in the next rankings if determined efforts are not made. Namibia scores badly in areas like research and development (R&D) and the harnessing of new technologies to improve productivity. Innovation and scientific endeavour are often lacking. The National Commission on Research, Science and Technology could play a crucial role in this respect – instead at the moment it is expected to act as a 'research police' thereby further constraining the research environment.<sup>1</sup>

<sup>1</sup> Civil society in Namibia has objected to the regulations governing research, calling them 'draconian'.



Namibia's perennial problem is implementation. Policy documents are often commendable but, as the history of the 2005 Roadmap indicates, concerted action is often lacking. Despite the commitments on paper, there may be a lack of political will to achieve certain goals – which are either not understood or not supported by key political actors. There is even sometimes ambivalence about whether 'competitiveness' is a desired outcome and whether Namibia should be concerned about international rankings.

According to the WEF,

*"Competitiveness is how countries create the best economic, social and environmental conditions for economic development. It measures what makes up this development. Things like policies, institutions, and productivity. Striving for competitiveness is striving for rising prosperity. It means creating more opportunities to improve the way people live."* - What is competitiveness?, World Economic Forum<sup>2</sup>

In short, in order to solve its most pressing problems – poverty, unemployment, inequality – Namibia needs to become more competitive.

Certainly, there are parts of government that realise what needs to be done, but this is also indicative of a problem – ministries and agencies often act in isolation and there is a lack of coordination. When legal changes are required, the process can become bogged down for years. Namibia faces a series of systemic challenges when it comes to developing and passing new legislation. The drafting process is in most cases extremely slow and sometimes inadequate. Proposed laws linger in various stages of 'development' for years – as they pass between the Ministry of Justice, the Attorney General's Office and the Cabinet and are occasionally issued for consultation in draft form. Even laws that have been passed can take years before they are made operational.

To some extent reforms related to improving competitiveness appear to have been caught in this malaise.

Therefore the recommendations that follow cover two areas: steps that can be taken in the short-term and medium-term to improve the investment environment and see Namibia move up the rankings, and more fundamental measures aimed at changing a public service culture that sometimes only 'goes through the motions' rather than focusing on delivery.

This research report is split into two sections – one that focuses on insights from key stakeholders both within government and the private sector (obtained through a series of face-to-face interviews) and a second section that considers the lessons that can be learnt from the literature available on competitiveness and the ease of doing business in Namibia, in particular the recent rankings from global reports issued by the World Bank and WEF. At the end of this publication is a keynote interview with the Minister of Trade and Industry Calle Schlettwein in which he comments on many of the issues raised in the report and points out programmes that government has underway and is planning.

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2 <http://www.weforum.org/issues/global-competitiveness>

## Recommendations

### 1. Get BIPA up and running

Make the Business and Intellectual Property Authority (BIPA) fully operational as soon as possible. In the short-term, getting this vital agency up and running is the greatest hope for dealing with long-outstanding issues concerning the registration of businesses. However, at the moment there appears to be little urgency about ensuring that BIPA operates in its optimal form.

### 2. Make the 'single window' happen

Expedite the 'single window' for business services at the Namibia Investment Centre (NIC). This is also likely to go a long way towards dealing with current delays and impediments picked up in the World Bank's Ease of Doing Business report. It is not yet clear what a 'single window' or one-stop shop could offer as services. Ideally, it should provide all services related to establishing and running a business. Also there will be a need for the NIC to cooperate closely with BIPA to ensure a synergy between the two organisations.

### 3. Finalise and introduce the new Investment Bill

Prospective investors have been told for years that this piece of legislation is on the way amid talk that it may seek to limit foreign investment and reserve sectors of the economy for Namibians or just previously disadvantaged Namibians. The lack of clarity and time lag creates uncertainty for all investors. Following consultation and any necessary refinements, the Bill should be brought to parliament so that investors are no longer uncertain about the policy and legal environment in which they are expected to operate.

### 4. Make M&E and performance management a reality

Introduce Monitoring and Evaluation (M&E) systems as envisaged in NDP4 with clear 'enforcers' – officials who will be responsible for implementation within set timelines. This could include the establishment of government's own internal competitiveness index which would measure on a six-monthly basis Namibia's progress towards becoming the most competitive country in SADC. As also promised in NDP4, performance management across all levels, agencies and functions of government should be introduced and enforced.

### 5. Undertake a nationwide skills audit

Decisions on work permits often appear to be made in an arbitrary manner and without the necessary information on what skills the economy needs if growth is to be realised. It is vital then that government establishes the areas in which Namibia needs to import skilled labour. This would then be used to allocate set numbers of work permits to particular areas of the economy and industries, thus speeding up the work of the Ministry of Home Affairs while effectively targeting the allocation of permits. Granting of work permits should also be expedited in sectors that have the most potential for job creation.

### 6. End the mismatch between the education system and the job market

The results of the skills audit should also be used to ensure Namibia's education system is fit for purpose when it comes to producing school-leavers and graduates capable of meeting the economy's needs and potential.



### 7. Finalise the Black Economic Empowerment policy

Various versions of an empowerment policy, most recently called the Namibia Equitable Employment Framework (NEEEF), have been drafted throughout the ten years of President Pohamba's time in office. The policy should be finalised and adopted so that companies are aware of what is expected of them in regards to mandatory and voluntary commitments and reporting requirements.

### 8. Re-introduce the public procurement bill

Due to the sheer size of the state in Namibia, a great deal of business takes place at the interface between the private sector and government. This should be managed through an effective public procurement law. At the moment it is not – most government contracting evades proper procurement procedures through exemptions often granted for dubious reasons. The current Tender Board is also not functioning in a manner that ensures contracts are granted to the company best able to complete work in a cost-effective manner. The Public Procurement Bill should be re-introduced in parliament with stronger anti-corruption and accountability components.

### 9. Reform concession allocation to ensure level playing field

Review and reform the systems for granting government concessions with a view to improving efficiency and reducing corruption risks. Introduce statutory committees that act transparently to allocate quotas, rights, and licences for minerals exploration, mining and fisheries, among others. In the case of petroleum exploration licences, re-introduce bidding rounds.

### 10. Step up private/public sector cooperation

Set up joint working groups with the private sector to discuss the implementation of the Growth at Home strategy. Topics on the table would be value addition/beneficiation, tax reforms and solutions for current problems relating to VAT refunds, the withholding tax, and the export levy among others; incentives for manufacturing, industrialisation and improved productivity; amendment of various impractical and unhelpful laws such as the Employment Services Act.

### 11. Improve cooperation between ministries, government agencies and other institutions

The National Planning Commission's ability to coordinate planning across ministries appears to be limited. Hence, the implementation of NDP4 is not assured. A single institution – whether it be NPC, MTI or another body – should coordinate the actions necessary to make NDP4's desired outcomes a reality.

### 12. Utilities need to deliver

NamPower, NamWater, Telecom Namibia, other key parastatals and local authorities need to improve the quality and timeliness of their services to customers, including businesses. Such improvements should be 'low-hanging fruit', which could see gains in the short-term on international rankings. But instead business surveys attest to the fact that customer service is often lacking.

### 13. Revitalise tri-partite formations

The issue of labour flexibility is a sensitive one. Critics, including unions, often see the phrase as a by-word for exploitation. At the same time the private sector can often find itself leading a 'race to the bottom' whereby minimum salary levels and other basic standards are pushed aside in a misplaced effort to

establish 'efficiency'. Whether certain aspects of labour law should be suspended or adapted for certain types of businesses (emerging SMEs for example), new investments promising major job creation, or as an element in manufacturing incentives should be discussed in tripartite forums such as the Labour Advisory Council to see which practical measures (that do not undermine workers' fundamental rights) might be possible. SME representation should be included on such bodies alongside formal business and employers' groups.

#### **14. Improve the quality and accessibility of data**

BIPA and the NIC should work together with the Namibia Statistics Agency to ensure investors have access to the latest data and statistics that will help them plan investments.

#### **15. Ease access to finance**

Access to and the cost of finance remain key challenges particularly for start-ups and micro and small-scale enterprises. High bank charges and a lack of appropriate and innovative finance products (e.g. microfinance) and instruments (e.g. venture capital, bridging finance) are key factors limiting business growth.

#### **16. Improve access to land**

There is a need to review existing legislation with the aim of streamlining and expediting the process of obtaining serviced and un-serviced land. Furthermore, the transformation of customary land rights and Permission to Occupy into freehold leases has to be accelerated. The lack of professional land surveyors and town planners compounded by the capacity constraints in local authorities hampers the supply of land.

#### **17. Overcome Namibia's small market size**

Namibia sometimes fares badly on indicators that assess market size mainly because of the country's small population and a middle class with limited purchasing power. To counteract this it is necessary to vigorously pursue the quest for regional integration, so that an investor feels that investing in Namibia presents a greater opportunity to access broader regional markets in both SACU and SADC.



# SECTION 1: INSIGHTS ON EASING THE WAY FOR INVESTMENT

*By Nangula Shejavali*

It is important to have an understanding of how the current regulatory framework works in practice. How do current policies play out in terms of encouraging or discouraging investment in Namibia, while spurring national development? How do the perceived impediments to the ease of doing business affect business in reality? How can policies and/or their implementation be reviewed to enhance the space for local and foreign investment in Namibia?

In order to answer these questions, a number of opinions were sought to inform how policy plays out in practice, and to provide insights on where ‘red tape’ can be cut to make Namibia more competitive where investment is concerned.

This chapter highlights a number of important insights on tackling the red tape that hinders investment, through interviews with various organisations, including the Business and Intellectual Property Authority (BIPA), the Namibia Competition Commission (NaCC), the Chamber of Mines, the Labour Resource and Research Institute (LaRRI), the Namibia Employers’ Federation (NEF), British Petroleum (BP), the Namibia Manufacturing Association (NMA), Weatherly Mining Namibia and the Namibia Chamber of Commerce and Industry (NCCI). The Minister of Trade and Industry, Calle Schlettwein, also provided some important insights into challenges that Namibia currently faces in encouraging greater investment alongside achieving the objectives of the Growth at Home strategy. A transcript of his interview is captured at the end of this publication.

The major themes addressed in these interviews include, amongst others, labour legislation, worker productivity, Namibia’s fiscal regime, the political and policy-making process, and Namibia’s black economic empowerment framework.

However, before looking at the opportunities for improvement, it is important to note the features of Namibia’s investment landscape that serve the country well, and which are attractive to both local and foreign investors.

## **Why invest in Namibia?**

When investors make decisions about whether or not to invest their money and resources in a country, they take a number of issues into consideration. Amongst others, they look at a country’s politics and the stability of and trust in its government; its market potential and the opportunities to export to large foreign markets; economics and the development of the market; the country’s legal environment; its infrastructural capacity; and cultural ‘fit’. As Zekiri and Agelova (2011) note, “The selection of markets to enter should be a strategic orientation that treats market entry selection as part of the firm’s overall strategy. Selecting an international market can impact on the other activities of the firm since a firm needs to be aware of its

internal capabilities, competencies and restrictions in order to select appropriate foreign target markets. International market entry barriers may include trade barriers such as tariffs, quotas, or local content requirements, exchange rate volatility or lack of currency convertibility, host country industrial policies that favour domestic firms, the existence of dominant competitors in the domestic market, or natural barriers such as geographical distance, transport accessibility, or language.” Naturally, many of these considerations are important for both foreign and local investors.

Namibia boasts a number of important features that make the country an attractive investment destination. In its 2013 Business and Investment Guide for Namibia, PWC highlights some key investor considerations in describing the Namibian business environment. The Guide states<sup>1</sup>:

- Government policy supports and encourages free enterprise.
- Various incentives are available, especially with regard to manufacturing and the export of manufactured goods.
- The country possesses a highly sophisticated banking system.
- There is an open government attitude toward foreign direct investment, with the exception of farmland.

PWC’s guide also highlights a favourable industrial climate, a “well-developed and formally regulated company law regime as well as a diversified informal sector”, a highly developed financial sector, and reliable infrastructure and public services.

These positives were confirmed by the insights provided in the interviews, wherein interviewees were asked to highlight the factors that they believe are important positive characteristics of Namibia’s investment profile. In line with PWC’s findings, they noted factors such as “a basic predictability in how the economy and government function”; Namibia’s stable political landscape; the relatively “low inflation rate”; the “stable monetary policy and stable politics”; and the “reasonably good transport infrastructure and efficient port”.

To this, Tim Parkhouse of the Namibia Employers’ Federation (NEF) adds the country’s stable political climate, as well as its well-developed IT and telecommunications infrastructure. He also notes that the crime rate in Namibia is not as high as in many other countries, the country is not threatened by any neighbour, there is generally “a good feeling of racial integration”, and there is freedom of the press.

Namibia’s membership of the the Southern African Customs Union (SACU) makes it an attractive investment location. As a member of SACU, along with South Africa, Botswana, Swaziland and Lesotho, Namibia enjoys duty-free trade with the other member states. One interviewee noted, “I am surprised that it is not seen by more domestic and foreign investors. They are not exploiting that advantage – when you think about someone who wants to do business in the SACU area – or mostly sell into South Africa – I think that Namibia has very low crime compared to the Gauteng Province (in South Africa) or to other countries in the SADC region.” This is important because the prevalence of crime may hike up insurance costs for investors, adding to the cost of doing business.

Tarah Shaanika of the Namibia Chamber of Commerce and Industry (NCCI) notes that “peace, political stability, enforcement of contracts, access to attractive markets and general availability of reliable services

<sup>1</sup> PWC Namibia, 2013. A Business and Investment Guide for Namibia. 2013 E-book Edition. [www.pwc.com/na](http://www.pwc.com/na)



(banking, telecommunications, health care, etc) are some strong features of our investment landscape.”

Interviewees also highlight the country’s generally good transport infrastructure, although they point out that there is room for improvement of the road and rail networks. Access to government officials was also highlighted as an important feature in making Namibia an attractive investment location, as in other countries gaining access to an official to present a concern is much more difficult.

Foreign investors who participate in the mining and extractive resources industries stated that a clear positive for them is Namibia’s “geological prospectivity”, although this comes with a serious lack of data that would be helpful for decision-making purposes.

So on the whole, there are some clear positives that make Namibia a sound investment location. But there is also room for improvement. The next section explores some of the obstacles in the way of investment and presents a number of views underscoring opportunities for easing the way for investment.

## EASING THE WAY FOR INVESTMENT

In summarising what he sees as the major challenges for investment in Namibia, Craig Thomas, Managing Director of Weatherly Mining Namibia (a “mining, development and exploration company focusing on copper in Namibia”) states that, “Generally our experience in Namibia has been very positive. However we have struck occasional challenges in terms of timely service delivery by certain government departments due to internal resourcing constraints, plus at times a lack of communication within individual government departments. High quality artisanship skills are in limited supply, as are some mining-specific technical disciplines. There remains a reluctance to import enough skills to generate growth, but as long as skills transfer is being carried out, it is still possible to import necessary skills temporarily. Pricing and certainty of power supply has deteriorated over the last couple of years.” These sentiments are echoed by several other interviewees, as will be seen throughout this chapter.

While there are several positives that make Namibia a strong prospect for investment, however, interviewees also highlighted various challenges that require redress in order to ease the way for investment – both foreign and local – in Namibia.

In order to encourage local investment, Hilma Shindondola-Mote of the Labour Resource and Research Institute (LaRRI) points to the need to restrict certain areas of business to Namibian companies, especially where local capacity is available, as well as the need to ensure that quota systems are implemented, particularly for locally-produced goods. “We need to invest in developing and producing locally produced goods, and campaign (e.g. through Team Namibia) to buy local,” she says. In order to boost local investment, Shindondola-Mote also points to the need to address issues around access to finance for local investors, as well as the need for enhanced market research to inform what people want and will pay for.

With respect to foreign direct investment (FDI), Shaanika notes that while the NCCI has had a generally good experience in terms of FDI, with Namibia boasting a relatively attractive FDI environment when compared to the rest of the continent, “a lot of improvements are required in our system to smoothen

**“ I would recommend that we finalise our revamped investment legislation and deliver land faster and cheaply to investors. We should also work on our labour environment.”**

Tarah Shaanika, NCCI

investment facilitation.” NCCI is a business representative organisation with a mandate to advocate for a business environment that is conducive to investment and profitable business activities in the country. Its work involves making inputs into policies and legislation which impact on the business environment. It also involves providing a supportive or complementary role in investment promotion and facilitation.

Among areas requiring improvement are land delivery, access to skills, business registration, cost of utilities and general productivity levels of our labour force. Many of the challenges that Shaanika mentions are faced by local investors too.

Both in terms of local and foreign investment, Namibia has various challenges to tackle. The challenges noted above, and others noted by interviewees, have been sectioned below under the general themes of red tape in registering a business, labour and productivity, the fiscal regime, the political process, unique industry issues, and black economic empowerment.

## BUSINESS REGISTRATION

The business registration process has long been raised as an issue that introduces a great deal of red tape into the process of local and foreign investment in Namibia, and which unnecessarily hinders the speed at which investment can begin to take place. In addition to the length of time involved in registering a business, several inefficiencies exist in terms of tracking the processing of applications.

The World Bank’s Doing Business report shows that it currently takes up to 66 days to register a business. The Ministry of Trade and Industry is currently working to reform and re-engineer the business registration process, and recently set up the Business and Intellectual Property Authority (BIPA) to modernise these processes, and to make them “shorter, faster and easier” by bringing several parts of the process online. Once it is fully functional, BIPA anticipates the business registration process being shortened to 24 to 48 hours. With regards to Intellectual Property (IP) rights, however, because there are various international statutory requirements for these rights to be issued, various elements of this reform process are out of the Authority’s control.

BIPA is currently set up as a state-owned Section 21 company, but it is intended that this will become a state agency once the legislation around its formation is enacted. Currently, BIPA is governed by the Draft BIPA Bill of 2013, and borrows some best practices from similar agencies in Kenya, Tanzania, Zambia, South Africa, Mauritius, New Zealand and Estonia. BIPA’s setup and functions are also under the advisement of the African Regional IP Organisation based in Harare and the World IP Organisation (WIPO), which input on specific areas on IP rights.

### **Part II (4(1) of the Draft BIPA Bill of 2013 outlines the functions of BIPA as follows:**

The functions of BIPA are:

- (a) to be the central focal point for the registration, administration and protection of business and intellectual property as provided for in this Act;
- (b) to be the registry of information, documents and data required to be lodged with and maintained by BIPA under the applicable legislation and to be responsible for the examination and



- safe and orderly custody thereof;
- (c) to implement, promote and continuously enhance, advance electronic business and intellectual property information and transaction systems;
  - (d) to maintain accurate, current and relevant information concerning business and intellectual property;
  - (e) to promote, expedite and simplify the flow of information between BIPA and the business community, users of business and intellectual property, general public, regulatory authorities and organs of State;
  - (f) to prescribe by rule fees and rates for business and intellectual property transactions and services offered and to collect such fees and rates in so far as such fees and rates are not covered under the applicable legislation;
  - (g) to determine legal and procedural requirements relating to its functions and its interaction with stakeholders and customers in so far as these are not provided for in this Act and applicable legislation;
  - (h) to promote education and awareness of laws relating to business and intellectual property and related matters;
  - (i) to promote and protect traditional knowledge systems and traditional culture and folklore as anticipated in the Swakopmund Protocol on the Protection of Traditional Knowledge and Expressions of Folklore;
  - (j) to provide guidance to the public by issuing explanatory notices outlining its procedures, its non-binding opinion on the interpretation of this Act or other applicable legislation or by applying to a court for a declaratory order on the interpretation or application of any provision of this Act;
  - (k) to advise the Minister, Government and public sector in general and, where relevant, the private sector, on all matters pertaining business and intellectual property falling within the scope of BIPA;
  - (l) to make recommendations to the Minister or any other Minister or organ of State as regards the amendment or promulgation of any law in order to promote the efficient operation of business and intellectual property;
  - (m) to perform any related functions assigned to it by legislation or reasonably necessary to carry out its functions under this Act and applicable legislation.

But while BIPA will have a profound impact on the registration process if it is able to function in the way that is envisaged, there are various levels of red tape that this entity itself will have to overcome in order to effectively carry out its services. The Authority's CEO, Tileinge Andima, notes that one of the stumbling blocks that BIPA is currently facing is that it will have to revise existing legislation – including the Companies Act and the Close Corporation Act – in order to make them compliant with the automation programme and the Financial Intelligence Act. “Once those processes have been done and we are allowed to do a lot of things online, then we anticipate having a registration process taking place within 24 hours to 48 hours or something in between there. That is our aim.”

Although face-to-face registration will still take place, the online registration process is anticipated to reduce administrative bottlenecks that currently exist in registering a business by ensuring the submission of all required documentation online; it will streamline the process by improving the ability of registrants

**“We do not feel that we need to improve the systems for purposes of competing with other countries in the world; we want to improve the system, service delivery to satisfy our market – that is why we are doing it; to make sure that Namibians are happy with the services that we are providing and to make sure that people who are doing business in Namibia, whether foreign or whatever, are also happy with us.”**

**Tileinge Andima,  
BIPA**

outside Windhoek to register efficiently without the delay and it will allow for better data capturing on business activity in Namibia.

To date, a computerised Integrated Companies Registration System (ICRS) has been developed and is being rolled out, and major aspects of the registration process can already be done through this new system, such as the registration of companies, close corporations, name reservation and name searches. The authority’s registration services will not be strictly online, however, and the MTI has given the directive to ensure that both online and face-to-face service delivery are running in parallel.

In relating the work that BIPA does to easing the way for investment in Namibia, Andima notes that “attracting investment is the mandate of the Namibia Investment Centre (NIC) and the Department of International Trade in the Ministry of Trade and Industry.” However, he adds that making the process of registering easier gives confidence to investors that their intellectual property rights are protected.

In addition to the establishment and functioning of BIPA, there are also ongoing efforts to restructure the Namibia Investment Centre (NIC) into a ‘single window’ service or ‘one-stop-shop’ for foreign investors. BIPA is yet to ascertain its exact role in this setup though. Foreign investors are regulated through the Foreign Investment Act, and while the requirements are the same in terms of business registration, they have to work within the confines of that Act.

## LABOUR

Labour forms an important component of the investment decision, as investors need to know that the skills required to effectively carry out a business are available. Additionally, the way in which labour laws are structured is also important for investment, because aspects such as minimum wages, work hours, dispute resolution, etc, can have major impacts on the costs of labour to the business. In this regard, Namibia’s Labour Act has been praised for its myriad of provisions for workers, including protections from loss of employment, but it has also been criticised for being highly restrictive for businesses, and for having a negative effect on job creation. Labour considerations are also critical because they can form a significant operational cost, not only in terms of salaries and wages, but also with regards to productivity, training needs, issues of labour unrest, and so forth.

### *Legislation*

Namibia has various pieces of legislation that impact how businesses relate with their employees, as well as the way they go about hiring and training their employees. The Acts mentioned during the interviews conducted include the Labour Act of 2007, the Employment Services Act of 2011, and the regulations regarding training levies under section 47 of the Vocational Education and Training Act of 2008.

Amongst other things, the Labour Act was created to “consolidate and amend the labour law; to establish a comprehensive labour law for all employers and employees; to entrench fundamental labour rights and protections; to regulate basic terms and conditions of employment; to ensure the health, safety and welfare of employees; to protect employees from unfair labour practices; to regulate the registration of trade unions and employers’ organisations; to regulate collective labour relations; (and) to provide



for the systematic prevention and resolution of labour disputes...<sup>2</sup>. However, while the Labour Act is a pro-worker law that is very comprehensive, some aspects of the Act have been described as restrictive for employers, and a “nightmare of control and red tape”, and raising concern for “the amount of additional administrative work”<sup>3</sup>.

Tim Parkhouse of the Namibia Employers’ Federation (NEF) says that the current legislation makes it “extremely difficult to fire someone” because of the strict routine that needs to be followed before a dismissal. The NEF has a membership of over 4,000 employers (including the membership of several multinational companies – especially in the oil and fishing industries, with others in packaging and construction coming on board), and provides insights from an employer’s perspective. Parkhouse says that while employers try to operate within the confines of the law, this can be very taxing, especially for SMEs. Noting that the “demands from workers are a major stumbling block”, Parkhouse pointed out that several complaints have ended up going to the Labour Court, but there have “been a number of appeals saying that awards had been poorly written, or had been biased (in favour of the worker).”

Phillip Schuler, Senior Country Economist at the World Bank, agrees that this challenge is often raised by business, and states that because it is difficult to fire people, “it is therefore costly to hire people” and companies would rather “invest in labour saving technologies or keep people and pay them overtime instead of hiring and training new staff. That is, it is a disincentive to invest in anything that requires much labour.” Pointing to the related component of worker productivity, he adds that in terms of the legislation, “It is costly if workers are not productive, not doing a good job or if there is a down turn in the economy and you have to let people go. That makes it very costly and that then means that you do not hire people in the first place.”

This is particularly the case for SMEs which often cannot afford a full-time human resources and/or legal team to deal with labour issues.

But while certain elements of the Labour Act may be strict, Shindondola-Mote asks: “What kind of labour system would we have if there was no regulation to protect the rights and health of workers?” She adds, “as a country with no national living/minimum wage, we can’t deregulate more.”

Clearly, there is a need to strike a balance between the protection of fundamental workers’ rights and the need to create jobs, ensure labour market efficiency and develop the economy.

In 2011 the Government gazetted the Employment Services Act, which amongst others, “provides for the establishment of the National Employment Service; (and) imposes reporting and other obligations on certain employers and institutions.”<sup>4</sup> Within the scope of the National Employment Service is the Employment Services Bureau, which is tasked with maintaining an ‘integrated employment information system’ or database with the “names, qualifications and occupations of job-seekers, vacancies in the labour market; training opportunities for retrenched workers and jobseekers; specialised skills and qualifications possessed by Namibian citizens and permanent residents; specialised skills and qualifications possessed by non-citizens residing in Namibia; and employers in Namibia.”

**“Namibia’s latent advantage is that it is a small economy and everybody knows each other, so policy should be moving faster and be able to respond more quickly to new opportunities. It should be nimble, but it is not.”**

Phillip Schuler,  
World Bank

<sup>2</sup> Labour Act, 2007 (Act No. 11 of 2007)

<sup>3</sup> NEF, “Restrictive Labour Legislation in Namibia and its Negative Effect on Job Creation”, 14 September 2011

<sup>4</sup> Government Gazette, 29 July 2011, No. 4764. Employment Services Act, 2011. No. 8 of 2011

**“Policies on their own are not enough. We need Monitoring and Evaluation systems in place to ensure implementation, monitor progress, and find alternative measures to address challenges.”**

Hilma Shindondola-Mote, LaRRI

The Act also compels employers to notify the bureau of vacancies within their establishment, provide the details and intended hiring dates for these vacancies before advertising the position, and to ‘consider in good faith any suitably qualified job-seeker referred to him or her by the bureau’. If a referral is made by the bureau, the employer is compelled by the Act to report to the bureau whether or not it employed the job-seeker(s) referred, and ‘provide such additional information as may be prescribed’. Employers who do not comply with these requirements are “liable to a fine not exceeding N\$20,000 or to imprisonment not exceeding two years, or both such fine and imprisonment.”

The bureau has come to be known as Namibia @ Work. It currently has a website ([www.namibiaatwork.gov.na](http://www.namibiaatwork.gov.na)), which, at the time of this report, stated that the system has 33,373 registered beneficiaries, 1,149 registered providers, and 324 opportunities across the country. Job seekers are able to register online, to generate a CV on the system, and to search for job opportunities and skills development programmes. Whether or not this system has worked in spurring employment has not been reported. However, there is a concern that creating requirements for employers to register with the system and to hire from this system could create a great deal of red tape and lengthen the hiring process.

Both NEF and LaRRI note that although the aims of the Employment Services Act are important – particularly in aiding job creation, in practice, it only adds additional miles of red tape to the hiring process, and is being poorly implemented. Rather than add an additional level of bureaucracy to the hiring process, interviewees believe that there is a need for more mechanisms to instil skills in people. “We need a better mentorship programme in Namibia, and government should incentivise companies to mentor,” said Hilma Shindondola-Mote. By compelling employers to work within the confines of the Act, instead of simply creating an employment bureau that employers have the choice to tap into, interviewees felt that government is being too restrictive on the private sector, and that this could backfire, thereby discouraging employers from hiring.

Another Act that impacts the cost of labour for companies operating in Namibia, is the Vocational Education and Training Act, which recently had certain regulations imposed in terms of training levies on employers. The newly imposed levies are in line with section 35 (1) of the Act, and are imposed on employers (except charities, faith-based organisations, NGOs and public education institutions) with an annual payroll of at least N\$1,000,000. The rate of the levy is 1 percent of the amount of the annual payroll of the employer concerned, which is payable to the Namibia Training Authority (NTA).

The NTA is entrusted with the effective regulation and funding of the provision of vocational education and training (VET) in Namibia. The funds from the Training Levy will be used to expand VET in the country.

Schuler notes that the impacts of the training levy (VET Levy) and the Namibia @ Work concept are yet to be seen, as people do not know much about them. “That is brand new. I am skeptical that that is going to help; it may end up just being an extra burden.” Again, the concern is the added levels of red tape to the human resource management practices of employers; the administrative and cost burden that is being imposed; and whether the use of this levy will go a long enough way to effectively address the skills gaps that the country faces.



### Skills

Interviewees noted concern with the dearth of Namibians who meet the requirements of the highly specialised industries in which investment takes place. Engelhardt Kongoro of BP, for example, expressed concern that “the market may not offer locals” with the specialised experience required for petroleum exploration. That said, he pointed out that when required, the requisite skills development would be conducted to ensure that locals are capacitated and employed. However, this could create a time lag of several years as it would take time to train a Namibian in a highly technical area.

In addition to the strict labour legislation, the red tape that exists in bringing in foreign skilled labour is also an area that requires some redress. In 2010, the Namibia Investment Roadmap Audit noted that Namibia continues to experience skills shortages in highly technical and specialised fields. This problem is not only indicative of a broader problem in Namibia’s tertiary education system, but it also brings about the need for hiring foreign skills, particularly because investment is often in industries (such as mining and other extractive industries) that require special skills.

In relation to the above, there is a concern that no skills audit currently exists. Parkhouse notes that “both the National Union of Namibian Workers (NUNW) and NEF have often asked for information on skills needs in the country, and how many engineering positions, for example, need to be filled”. Shindondola-Mote, too, notes that “foreign investors should also indicate not only how many jobs they fill with Namibians, but also the skills gaps that exist and how they plan to address these.”

Related to this skills gap, notably, is the issue of work permits for foreign workers. Parkhouse states that in terms of the requirement to ‘train a Namibian citizen as the under study of every non-Namibian citizen (including employees with permanent residence status)’<sup>5</sup>, the regulations are strict. In South Africa, they have used a blanket approach, whereby they asked the private sector how many people were needed in different positions, and issued the requisite number of work permits in ensuring these numbers were met. He proposes a similar approach in Namibia. A balance needs to be sought in attracting investment, while simultaneously ensuring that the skills of Namibians are developed in order to contribute effectively to the country’s economic development.

Parkhouse also cites a basic skills survey conducted in 2010<sup>6</sup>, which concluded that not only is Namibia faced with a skills shortage, but it also suffers from a poor work ethic amongst those employed.

Shindondola-Mote agrees that skills shortages exist, but questions “what is it that foreign investors are doing to improve skills? They are stating that Namibians are not skilled, they have low productivity, etc, but what are they doing to improve this situation? If investors care about the workforce, they will invest in some kind of (skills) development.” She proposes the creation of a skills development fund that could help in this regard. She states that, “Every year, we hear the NEF or NCCI complaining about these skills gaps. Are they mobilising their members to invest in a skills development fund, or something of the sort to address the skills gap? They need to put resources to it. It’s not just the responsibility of the state.” Furthermore, the LaRRI Director points to the need for Namibia to “identify areas with potential for sustainable job creation, and encourage investors to invest in those areas; then restrict some areas – for example retailing – to locals, while simultaneously developing skills.” She posits that this will help to set a foundation for local investors

<sup>5</sup> Employment Equity Commission, EEC Guidelines for an Affirmative Action Plan, Retrieved from [www.eec.gov.na/downloads/complete%20guidelines.doc](http://www.eec.gov.na/downloads/complete%20guidelines.doc)

<sup>6</sup> Namibia’s Skills Deficits: Cross-sectoral Perceptions and Experiences, IPPR 2010

to invest in manufacturing.

### *Work Permits*

According to a 2013 Investment Climate Statement by the US Bureau of Economic and Business Affairs, “The lengthy and administratively burdensome process of obtaining work permits is among investors’ greatest complaints in Namibia. Although the government cites the country’s high unemployment rate as its motivation for a strict policy on work permits, generally Namibia does not yet have the available skills capacity to fill the jobs which most foreigners currently hold.”

Interviewees agreed with this statement, noting that the amount of time it takes to issue work permits has been a constant source of frustration for investors that require skills from abroad. According to the PWC Guide, it takes 3 to 6 months to get a work visa. “Anyone intending to take up permanent employment or for a period exceeding 3 months in Namibia is required to apply for a work permit beforehand. Approval for a period of one year to a maximum of two years is granted at the discretion of Home Affairs. It takes approximately 3–6 months for approval by Home Affairs, subject to the availability of the approval committee.”<sup>7</sup>

Asked whether frustrations with the issuance of work permits were purely administrative, Schuler of the World Bank states that on the one hand, there are administrative inconsistencies – for example, having different requirements each time a person wants to renew their permit, the loss of paperwork, varied amounts of time to issue permits, and so forth. But on the other hand, there are also flaws with the decision making process in issuing work permits.

“The political decision making about who should or shouldn’t get a permit, I’m told, is based solely on whether or not there is someone in the country who can do that job. I think that what would make more sense would be to think about what is the impact on employment or investment. So if bringing that skilled worker in allows a firm to hire more people, and invest more money in the economy and contribute to growth and employment, then I think that is a good reason to get a permit. When you are trying to decide whether or not there are skills in the country, it puts the government in the position to first of all decide what skills a company needs and then what skills people have – and that is not something the government (or at least these particular agencies) are well suited to deciding. There is also very little private participation in that decision making – it’s Ministry of Labour, Ministry of Home Affairs – it’s a very inward looking group of people with not much familiarity with the private sector.”

In addition to these administrative and/or political decision making issues, the requirements that come along with bringing in foreign personnel are inhibitive. The Investor Roadmap notes that, “The Immigration Selection Board has also introduced a new requirement that compels companies applying for work permits for foreign nationals to provide a scholarship to train a Namibian for every work permit issued. While this may be well intended, it is not clear how it will be implemented as there are no known or published procedures that govern this requirement.”<sup>8</sup>

<sup>7</sup> PWC, 2013. A Business and Investment Guide for Namibia. 2013 E-book Edition. [www.pwc.com/na](http://www.pwc.com/na)

<sup>8</sup> Technical Report: The Namibia Investor Roadmap Audit, Paulina Elago – Consultant, Submitted by: AECOM International Development, Submitted to: USAID/Southern Africa, June 2010.



### *Education*

As noted earlier, the skills shortage in Namibia speaks to problems in the country's education system. As the 2010 Investor Roadmap Audit puts it, Namibia's "higher education and training systems perform poorly and thus do not enhance efficiency in the economy."

Speaking on the challenges that investors face in terms of finding skilled labour, Schuler states that "Part of that I think is a matter of the education system and that is a long-term issue. I think both a barrier to both domestic and foreign investors is that it is difficult to bring in foreign skilled labour and since in many areas skilled labour and unskilled labour are complements, if you cannot hire a skilled manager, you are not going to invest in expanding your business and hiring more unskilled workers. It is costly on the labour side... I should qualify that by saying that there is not a lot of good data on costs of production or productivity, but this is what appears to be the case."

Parkhouse agrees that the education factor is an important area for redress, and laments the country's education system by saying that "the quality of the education system is on the verge of total collapse." This, he adds, is evidenced in the employment process, through the poor quality of cover letters and job applications, the inability of job applicants to properly handle a job interview, and so forth. He notes that the "idea of free education for secondary schools seems to be a pie in the sky" and that vocational training colleges, too, face challenges in effectively equipping their students with the skills they need to succeed upon graduation. With regards to vocational issues, he adds that the systems and regulations are far too complicated, and that companies have reached a point where they would rather headhunt than train someone.

### *Productivity*

Productivity is an important aspect for investors, because it has a direct impact on return to investment.

It also has implications for development. As stated in the Ministry of Labour's description of its 'Productivity Promotion' sub-division (in the Labour Market Information division): "Productivity is a very important concept as it is considered as the main source of economic growth and competitiveness which highly contributes to the development of the country. Productivity improvement enables creation of job opportunities which lowers the unemployment rate and as a result improves the living standards of the citizens. Productivity growth is a crucial source for the improvement of the quality of life for the people as it strengthens the economy of the country, making it possible for equal distribution of income to all citizens. It is therefore, a collective responsibility for the public and private sectors as well as individuals to be more productive for the benefit of the country as a whole."<sup>9</sup>

Parkhouse states that employers often complain about the low productivity and poor work ethic of their employees, particularly with regards to the relatively high cost of labour in Namibia. This combination, he says, can be a deterrent to investment. He cites an insurance assessment done at the Ramatex site that pointed to limited productivity being a factor that may have contributed to the company's exit from Namibia.

With regards to the "high" cost of labour, however, Shindondola-Mote highlights the importance of looking at this cost from a different perspective, i.e. the cost of living, and how this in turn factors into labour unrest. To curb unrest, she proposes a national living wage that is automatically adjusted for inflation on an annual basis, such that employee wages are fair to both employees and employers. Currently, the only sectors with

9 Ministry of Labour and Social Welfare, 2014. [www.mol.gov.na](http://www.mol.gov.na)

minimum wages are agriculture/farm workers, construction and private security. Shindondola-Mote is an advocate for a national living wage. She also points to the fact that Namibia lacks conclusive data on labour productivity in the country, and contends that arguments with regards to “low productivity” are therefore made in the absence of a clear quantitative basis.

Overall, in terms of labour, interviewees agree that labour legislation, skills, productivity and education remain areas for concern in easing the way for investment. Labour unrest – while a cause for concern for employers – is not believed to be serious enough to pose much of a hindrance to local or foreign investment choices.

#### CASE STUDY: Mining Industry

The mining industry is a major contributor to the national GDP, accounting for about 11.5% of GDP, not including the 8.5% from diamond mining activity. Ownership in Namibia’s mining industry, however, is dominated by foreign investors, mainly because the industry is highly capital intensive, and few local firms are able to afford entry into this industry. In diamond mining, the government holds a 50% stake in Namdeb and DebMarine Namibia, and benefits from profits, dividends and taxes within this relationship. Most other mining activity in Namibia is foreign owned. Government participates in the mining and extractive industry through the state-owned Epangelo Mining Company.

During 2013, when the Navachab Gold mine was on sale, for example, no Namibian participation was apparent because of the lack of capital to do so. Additionally, according to Chamber of Mines Director, Veston Malango, “in the last year there were some major investment decisions. In fact, history was broken, with three new mines going under construction, including the Husab Mine, which will be the 2nd largest uranium mine in the world, and will produce 15 million pounds or 6,800 metric tonnes of uranium per annum.” Namibia is currently the 5th largest uranium producer in the world, and with the ongoing investments in uranium, by 2017 it will be the 2nd largest producer.

Other mines coming into production include the B2 Gold mine on the way to Otavi, which will begin activity in December 2014 and plans to produce 4 metric tonnes of gold p.a. (Navachab produces approximately 2.2. to 2.3 metric tonnes p.a.) Malango says that with B2 Gold’s production, Namibia will move up from its 18th spot on the African continent, to 8th position in Africa.

The Tschudi Copper Mine in Tsumeb, owned by Weatherly International will soon start producing refined copper, thereby adding a new level of value addition for the first time in the mine’s approximately 50 year history.

Malango says that overall, there has been new investment of over N\$22 billion in mining, creating about 8,000 jobs during construction, and about 3,000 long term employment positions with a multiplier effect of about 7 – i.e. 21,000 people could be employed through these investments.

“Because of industry growth, the good news is that there is impetus for upstream value addition activities in manufacturing inputs into mining industry, such as the sulphuric acid plant at the Tsumeb smelter.” He notes that downstream value addition is also important, but points out the need for investors who are able and willing to put down the capital, for example, in the galvanising industry to create roofing material, etc. “Value add beyond mining is very important. This is the essence of the Growth at Home Strategy with respect to mining. We need more investments to see increased value addition, but we also need to see it taken further into finished products. The issue is who’s prepared to put down the requisite millions, skills and technology.”



### Policy not the issue

With regards to easing the way for investment in the mining industry, Malango says that policy is not the major issue at the moment, as “recent policies in the last 2-3 years have attended to any policy gaps.” He says that government has addressed most of the major issues faced by the mining industry. “We are on talking terms with the government, and there are no further concerns.”

However, although the industry does not face major policy issues at the moment, it does have to deal with various challenges that may also hinder investment, but which are part and parcel of the business reality. Examples include the rising costs of water and power, which add to operating costs and eat into margins of mining companies in the country. Additionally, the movement of skills from existing mines to new ones demands that players in the industry invest heavily in human capital; fluctuations in market/commodity prices make things unpredictable; and as the mines get deeper, it becomes more expensive to extract minerals, which may also be of lower grade at such levels, thus eating into operating costs.

“These are all economic challenges, but the industry must survive, and we are therefore trying to work with government to see that costs that can be contained or kept stable. We can’t change the grades, and we can’t change price, because we are price-takers,” says Malango.

## TAXES

In the case of the mining industry, Malango says that the Chamber of Mines has engaged government in reviewing various tax rates, and notes that these issues have now been dealt with or are currently being addressed. “The withholding tax is a work in progress, and the Minister of Finance announced that she would reduce it from the 25 per cent rate (for foreign consultants) to a rate yet to be determined. Export levies are also a work in progress. We have taken them around to see what is happening in mining, and they have come to understand what we do, and have capped the levy at 2 per cent, but this will be differentiated between 0 to 2 per cent. On this matter, we have exhausted the consultation process.” In her 2014-2015 budget statement (February 2014), the Minister of Finance made no mention of a reduction in the withholding tax rate.

With regards to withholding taxes, the Minister of Trade and Industry, Calle Schlettwein, noted that government feels that consulting services are readily available from Namibians, and that consulting is a sector with substantial growth prospects. He notes that the withholding tax does not necessarily present a higher tax rate for foreign consultants, but rather, that it ensures that this tax is paid upfront. “I do not think, in fact, that we should relax the withholding tax. It helps us to become more competitive by utilizing our own skills in the consultancy profession and on the other side, it eases the Ministry of Finance’s ability to collect what is due through a withholding provision. It is not so much a provision that increases tax, it just changes when and how it is collected.”

## RED TAPE IN THE POLITICAL PROCESS

Another area that poses challenges for investment in Namibia is the slow political process.

Schuler notes that “I think that the political process and policy making process move very slowly. That means that laws, regulations, policies are developed very slowly and implemented very slowly. For a business that wants to invest, whether it is foreign or domestic, that can be a disincentive because you are not sure what is going to happen. You are told a new policy will come into place but you do not know when. It also moves very slowly because the political system is not designed to move quickly. Ministries operate pretty much on their own. For many businesses that have to deal with many different ministries – whether it is on taxes, registering a business, dealing with different government departments including dealing with the City of Windhoek – because there is not the good communication and coordination across ministries and levels of government, that also makes it costly.”

This lack of synchronicity between the different ministries and local government was a theme raised by several other interviewees.

However, there are some efforts to address this problem. For one, there are ongoing efforts to make the Namibia Investment Centre (NIC) into a one-stop shop supplying various services for business. Schlettwein explains in the interview in this publication:

“The NIC will be the implementer of our single window, which has been approved by Cabinet. The NIC will be reconstructed into an organisation that is the implementer of the single window approach. If an investor comes, it is a one-stop shop or single window where they go and everything will be covered by that single window for the investor. It will reduce establishment costs by a significant margin, where you do not as an investor have to go to all the different institutions but you have one window that you approach and everything is done by that and you come back when everything is settled and done. It is part of the initiative that we have now with the World Bank or with the IFC where we start with a stakeholder conference to see how we can and what needs to be amended in terms of a legal framework and policy framework to implement the single window. That is the main function of the Investment Centre.”

According to Shaanika, the NCCI also has “regular joint investment promotion initiatives with the NIC” and works closely with the Centre in investment facilitation. The NCCI also has a close working relationship with the Namibia Manufacturing Association, the Bank of Namibia, and the banking sector, as a means of facilitating investment.

Another issue relating to the slow political process in the context of investment, is the concern that economic policies and processes are based on political decisions rather than on economic sense.

Schuler explains this point by stating that: “...when you look at many government policies that are economic policies, decisions are not made about economics, they are made about political considerations. Take some examples – there is a lot of pressure from government on the meat and horticulture (grapes, fish) to find new markets, which is not bad. But it is trying to sell to countries that are politically friendly because of



relationships during the liberation struggle – which are maybe markets where people are not paying much for beef or for fish. So instead of trying to diversify into markets where they will fetch a high price, it's trying to pressure businesses into selling to countries that pay a low price, because of political relationships. When sending people out to be doctors, they go to Cuba, Russia and China because they were friendly during the struggle – not necessarily where they will get the best education.”

The sluggishness of the political process is further exacerbated by inefficiencies within government structures. Schuler notes that at the middle management level within government, “there is a somewhat weak capacity and that means that different business processes - registering a business, filing taxes, getting VAT refunds – can be very very inefficient.” He goes on to explain that “just the simple process of bringing papers in for registering a business or dealing with vehicle registrations can be a very slow and inefficient process. If there were better skills at that middle management layer, I think that they would look at themselves and say ‘we can do this more efficiently’ but since it is fairly weak there, I think that inefficient systems stay in place over years and years.”

In terms of BIPA becoming a fully-functioning, effective agency, there are other pieces of legislation and/or government entities with which the authority will have to engage in order to truly overcome red tape and to ensure that the business and IP rights registration processes meet their full potential. In this regard, the Department of Commerce at the MTI will have an important role to play. Pieces of legislation with which BIPA may need to work in sync include those governing Cooperatives, the Copyrights Act under the Ministry of Information, and the Industrial Property Act under the Ministry of Lands. Other issues that BIPA will need to consider in terms of intellectual property rights includes rights around traditional knowledge.

In terms of cross-Ministerial or cross-agency efforts, the International Union for the Protection of New Varieties of Plants (UPOV) is in talks with the Ministry of Agriculture to protect plant and animal breeders, and this mandate could fall under BIPA. Additionally, working with the Ministry of Education – as the custodian of traditional (oral history and folklore) knowledge – as well as the NCRST or other research organisations that need to have their IP rights registered– would be important for BIPA as part of its mandate to provide IP rights.

#### **CASE STUDY: Petroleum**

Namibia's extractive industries face some unique challenges on the investment landscape. For one, because the country is “underexplored”, there is “very little data” on the investment potential of prospective sites, despite the country's positive “geological prospectivity”.

Moreover, local investment in these industries is limited due to the high cost to entry as well as the high level of technical capabilities required, and where local investment does exist, local partners often “have to be carried by (the foreign) oil companies”.

In the oil industry, prospecting licences have been issued to individuals; and where they are in the names of companies, it is because these companies have approached these individuals to buy into the licences. And since most of the licences in prospective areas have been issued, any foreign investors who wish to take part in any prospecting or extracting activity in these areas have to enter the industry through these licence holders. Simply finding out which blocks are open for foreign investment, and conducting due diligence is a tall order for potential investors.

Engelhardt Kongoro of BP Namibia says that while the investment environment is “fair” and

the fiscal regime is clear and “comparable to other jurisdictions where we do business”, the major challenge faced by the company is that there are no open bidding rounds, where, for example, exploration blocks are put on tender.” He says that, “Given that all the licences in the most highly prospective areas have been issued, I’m seeing very little activity taking place. What I would have wanted to see, is something that says we have gone through bilaterals where people could walk into the Ministry, and they could negotiate a licence. That period has probably not yielded enough results. Maybe what we need to do is go back to bidding rounds where the Ministry then sets out these things in a bid form, and people then bid for these licences.”

He suggests that in terms of investment in Namibia’s oil industry, “it would make it easier if NAMCOR were to be the warehouse for any local interest that the state would want”, as it would make it less complex to conduct due diligence on a national entity like NAMCOR than on individuals. He cites Angola as an example of where this is happening through Sonangol.

## INVESTMENT INCENTIVES

According to PWC’s investment guide, various incentives exist for investors, particularly in manufacturing. These incentives are applicable to both local and international investors.

“Incentive regimes are designed to give Namibian-based entrepreneurs who invest in manufacturing and export trade a competitive edge. These tax and non-tax incentives are accessible to both existing and new manufacturers. Manufacturing activities in all sectors, including local value-added processing of Namibia’s minerals, fish and agricultural products currently exported largely in raw form, stand to benefit from these incentives. Tax incentives are also available to exporters when exporting Namibian manufactured goods.”

It goes on to list various incentives offered by the NIC:

- Subsidised loans from the Namibian Development Corporation;
- Cash grants for exporters of locally manufactured goods of up to fifty percent of the real cost of specified export promotion and marketing expenses incurred;
- Industrial studies that can be bought from the government at below cost.

Special non-tax incentives for manufacturers include:

- Export promotion funding of certain export promotion activities, up to a maximum of 50% of direct costs;
- Industrial studies undertaken by the government available at 50% of their production costs to companies that wish to develop investment opportunities.

Other incentives currently under investigation include:

- Reduced airfreight for exporters;
- Subsidised transport;
- Subsidies on electricity, housing, training and relocation costs;
- Price preference on tenders.



Below is a summary of incentives available to registered manufacturers, exporters of manufactured goods, and EPZ enterprises.

	<i>Registered Manufacturers</i>	<i>Exporters of Manufactured Goods</i>	<i>Export Processing Zone Enterprises</i>
<b>Eligibility and Registration</b>	Enterprises engaged in manufacturing. Application to the Ministry of Trade and Industry and approval by the Ministry of Finance.	Enterprises that export manufactured goods whether produced in Namibia or not. Application and approval by the Ministry of Finance.	Enterprises engaged in manufacturing, assembly, packaging or break-bulk and exporting mainly to outside of SACU markets. Application to the EPZ Committee through the ODC or EPZMC.
<b>Corporate tax</b>	Set at a rate of 18% for a period of 10 years, whereafter it will revert to the general prevailing rate.	80% allowance on income derived from exporting manufactured goods.	Exempt.
<b>VAT</b>	Exemption on purchase and import of manufacturing machinery and equipment.	Normal treatment.	Exempt.
<b>Stamp &amp; Transfer Duty</b>	Normal treatment.	Normal treatment.	Exempt.
<b>Establishment Tax Package</b>	Negotiable rates and terms by special tax package.	Not eligible.	Not eligible.
<b>Special Building Allowance</b>	Factory buildings written off at 20% in first year and balance at 8% for 10 years.	Not eligible.	Not eligible.
<b>Transportation Allowance</b>	Allowance for land-based transportation by road or rail of 25% deduction from total cost.	Not eligible.	Not eligible.
<b>Export Promotion Allowance</b>	Additional deduction from taxable income of 25%.	Not eligible.	Not eligible.
<b>Incentive for Training</b>	Additional deduction from taxable income of between 25% and 75%.	Not eligible.	Substantial, issued by Government on implementation of approved training programme.
<b>Industrial studies</b>	Available at 50% of cost	Not eligible.	Not eligible.
<b>Cash Grants</b>	50% of direct cost of approved export promotion activities.	Not eligible.	Not eligible.

**“ One challenge is that the support structures of parastatals - such as NamPower and NamWater – are not 100% on par with supporting Growth at Home...If government can make sure that the services and administration of these parastatals are efficient and supported, then this will have a huge positive impact on manufacturing.”**

Ronnie Varkevisser,  
NMA

These incentives are all very important on paper, but whether they work to inspire manufacturing, and how well these incentives are implemented is questionable.

Parkhouse points to a need “to make investment and manufacturing incentives work”, adding that manufacturing incentives have not borne much fruit in terms of diamond beneficiation, for example. “There are only about 12 (sightholder) companies, of which 10 are diamond polishing.”

Ronnie Varkevisser, CEO of the Namibia Manufacturers’ Association (NMA) says that the incentives available to manufacturers and exporters of manufactured goods are not sufficient”. He notes that one of the many big challenges for manufacturers is simply getting “manufacturer status” from the relevant ministries. This issue is two-pronged.

- Firstly, several industries – including the fish and meat processing, textiles, pharmaceuticals and automotive industries – are excluded from being eligible for this status.
- Secondly, because of the bureaucracy and red tape involved in getting this important status from two Ministries (MTI and MoF), whose requirements appear to be out of sync as a good balance between revenue protection and enhancing manufacturing activities is not always maintained. At times manufacturers do obtain manufacturer status (on merit) from the MTI, but they don’t always get the much needed confirmation from the Ministry of Finance in time. (For manufacturing benefits, manufacturers are required to apply to the MTI first, and then get further approval from the MoF) This process results not only in long delays, but also prevents manufacturers from immediately starting to benefit from the incentive framework.

“The NMA is of the view that the Ministry of Trade & Industry and the Ministry of Finance should align their definitions and activities so that a person who gets manufacturing status from MTI should only have to go to MoF as a mere formality.” He says that improving the communication structure between the two ministries in this regard “would have a huge (positive) impact on manufacturing, investment, capacity building and job creation”, given the varied incentives that manufacturers can benefit from, especially within the crucial initial stage of the business. This in turn would not only allow the company to further invest in the country (and as displayed in the table above), but also help to attract more investors.

In addition to cutting the red tape in gaining manufacturer status, Varkevisser believes that several key pieces of legislation need to be implemented or addressed in order to incentivise local investment in Namibia, and for the country’s development objectives to be realised. He highlights a few key tools to complement and complete the incentive framework:

- the need for a more effective and responsive VAT refund system, as receiving a refund can take several months or even years;
- the streamlining of government procurement through the speedy implementation of the new Procurement Bill – which provides for a transparent preferential procurement of locally manufactured goods;
- the implementation of the Industrial Policy, which “would have a huge accelerating effect on manufacturing”;
- the completion and implementation of the draft Investment Incentive Regime;
- the simplification/streamlining of border procedures; and
- the implementation of the Retail Charter, which will help to encourage local value chains by ensuring that retailers buy local, and by giving preference to local producers.



## COMPETITION & INVESTMENT

As noted earlier, Namibia's internal market is a small one, and both local and foreign investors – particularly outside of the mining and extractive industries – can often be heard complaining that this limits growth substantially. “From the perspective of foreign investors, Namibia competes with other countries in the region for FDI's. There are other much bigger markets in the region, such as South Africa, and sometimes investors see these markets as more appealing compared to Namibia,” says Mihe Gaomab, CEO of the Namibia Competition Commission.

Competition is therefore an important topic of concern for investors, particularly in a market of this small size. In this regard, Shaanika notes that, “One way of increasing the availability and consumption of Namibian products would be to ensure that more investment is made in the local manufacturing of products. NCCI promotes and facilitates investments in this sector and we do this in collaboration with established bodies such as the NMA.”

The Namibia Competition Commission (NaCC) was established through the Competition Act 2 of 2003, and regulates competition issues across all sectors of the Namibian economy. The NaCC's mandate is to “promote and safeguard fair competition in Namibia by promoting the efficiency, adaptability and development of the Namibian economy. The Commission is tasked with providing consumers with competitive prices and product choices; promoting employment and advance the social economic welfare of Namibians; expanding opportunities for Namibian participation in world markets while recognising the role of foreign competition in Namibia; ensuring that small undertakings have an equitable opportunity to participate in the Namibian economy; and promoting a greater spread of ownership, in particular to increase ownership stakes of historically disadvantaged persons.”<sup>10</sup>

Related to this, for example, is the issue of mergers and acquisitions, which Mihe Gaomab states “have potential implications for changing the competition landscaping in any economy because they inadvertently reduce the number of market players.” He goes on to say that “Merger review under competition policy and law allows the Commission to examine the positive and negative implications of any merger and does look at criteria whether it lessens competition, promotes abuse of dominance, stifles SMEs, or dislocates regional or industrial sectors or leads to unemployment or has efficiency gains. Some mergers are allowed to go ahead, some are conditionally approved and some are prohibited.”

Competition, naturally, is important for keeping business on their toes, making sure they constantly improve, and getting them to bring in new equipment and produce products that are competitive, thereby offering a wide range of choice for consumers. “The competitive dynamics ensure that new firms come into the market and prosper if they perform well in the marketplace and less efficient firms become unprofitable and are forced out or close down. These have implications for the industrialisation policy for the economy and industrial growth in general,” says Gaomab.

However, although competition is usually healthy for the benefit of consumers, in Namibia's case, where the market is small, and emerging industry can easily be stifled in its tracks by such competition, infant industry protection is also sought on many occasions. Recent examples where Government has granted IIP include

<sup>10</sup> <http://www.nacc.com.na/index.php>

the cement, chicken processing and dairy industries, which government argues “add value to Namibian products and create jobs for the economy.”<sup>11</sup>

According to Gaomab, “the purpose of the Competition Act revolves around expanding opportunities for Namibian participation in world markets while recognising the role of foreign competition in Namibia. By that the Commission is entrusted to ensure that domestic investors or businesses are in a position to have an opportunity to expand into regional and global markets.”

In terms of feeding into investment, and in line with the idea that Namibia should better position itself as an entry point to the region, Gaomab notes that the NaCC “recognises potential foreign investors such as Wal-Mart retail and EBH DCD docking shipping as investors who not only would be termed foreign investors interested to do local businesses but also would extend its commercial interests beyond the borders of Namibia using our economy as a ideal gateway.”

**Some high-profile cases with which the NaCC has dealt:**

- Afrisam-Ohorongo merger (which was prohibited or declined),
- Wal-Mart MassMart merger (which NaCC won as a landmark judgement at the Supreme Court),
- Capricorn Investment Holdings-ABSA merger (banking, which was withdrawn)
- Leo (Powercom) - Telecom merger (conditions imposed to ensure market reform and behaviour of the ICT players),
- Exxaro Base Metals and Wilrou-Glencore merger (to allow for local value mineral beneficiation)
- EBH-DCD merger (to allow for a more market level playing field and participation for docking facilities and employment protection at the Walvis Bay port).
- SOS – EMED medical emergency services (which was prohibited or declined)
- Agra Limited and A. Rosenthal (Pty) Ltd and Kalahari Arms and Ammunition (Pty) Ltd trading as Safari Guns and Outfitters which was approved with behavioural and structural conditions.
- Namox Namibia (Pty) Ltd (“Namox”) and the LPG business of Puma Energy (Pty) Ltd which was prohibited or declined as it would have created near monopolisation in the market.
- Colas South Africa Roads Contractor Company Ltd, which was declined or prohibited as it was to have created a situation of marked market power and dominance which would have adverse implications smaller contractors.
- Camelthorn Brewing Company and Namibia Breweries Ltd (NLBL), which was approved as Camelthorn as a failed undertaking was not able to survive and that by commercial necessity was appropriate to be sold to the interested party, in this case NBL.

While the NMA welcomes foreign competition, it believes that local manufacturers must always enjoy preference in order to be able to compete with foreign investors. In this vein, the Association welcomes the government’s recent provisions on Infant Industry Protection, on the conditions that this does not result in the shortage of the product/service, and that consumers should not have to pay much more. Varkevisser feels that in the application of this protection, even once the ten year period for such protection is completed, “there should always be a lower corporate tax to the one applied to the regular company tax in order to attract more migration to manufacturing.”

<sup>11</sup> <http://allafrica.com/stories/201309050762.html>



## ECONOMIC EMPOWERMENT

### *Black Economic Empowerment*

With regards to black economic empowerment, although the government has had various draft policy versions to address the economic conditions of the ‘previously disadvantaged’ and to spur Namibianisation, there is still no final legislation in this regard. The latest rendition of the policy is the New Equitable Economic Empowerment Framework, which seeks to redress the way in which many Namibians were socially, economically and educationally disadvantaged by past discriminatory laws and practices (i.e. particularly colonialism and apartheid). Specifically, economic empowerment is focused on the private sector in the context of the NEEEF, with the stated objective to “encourage the private business sector to become more equitable and to make a greater contribution towards national economic empowerment and transformation.”<sup>12</sup>

The application of the NEEEF is, however, voluntary. As the document notes: “The NEEEF will be based on voluntary business practice. However, Government expects all businesses to proactively embrace national transformation and to participate whole-heartedly in the transformation of ownership and empowerment.”<sup>13</sup>

In this regard, it is the policy-writing process itself that leaves some level of uncertainty for investors with regards to the requirements they may face concerning their hiring processes, partnering with local companies, and so forth.

Government’s stance on empowering previously disadvantaged Namibians is no secret for investors. However, while the intent is clear, the specifics of how this will be implemented remain hazy. Schuler states, “I think that any investor knows that the stance of the government on the political establishment of the country is to encourage black ownership of firms, encourage more blacks in senior management and all these kinds of things and I think that that is well known and that any sensible business is going to take that into account.”

Some interviewees opined that foreign businesses simply see the need for a previously disadvantaged partner - who may or may not be bringing anything to the table – as an extra cost they have to pay that might not be helping the business at all. “It is as if there was an extra tax,” said one interviewee.

It is understood that the draft Investment Act and the draft Procurement Bill are clear that more government procurement and more sectors of the economy will be reserved for Namibians, for black Namibians, and for small Namibian firms.

But the lack of a law, in terms of black economic empowerment, complicates how various policies and agencies come together. For example, the Namibia Competition Commission states that its role is complementary to government policy. With regards to the empowerment framework, Mihe Gaomab notes that “The role of the Competition Commission needs however to consider public interest issues and one of them is a special requirement of its economy - the protection and promotion of small undertakings as well as promoting a greater spread of ownership among historically disadvantaged persons. The purpose of the Act speaks to BEE hence there is an element of BEE or NEEEF. The purpose is clear for the Competition Act to take into

<sup>12</sup> Office of the Prime Minister, Namibia, 2012, The New Equitable Economic Empowerment Framework (NEEEF)

<sup>13</sup> Ibid.

account such a provision on promoting greater spread of more people, particularly the previously disadvantaged. But the level of instrumentation to make that happen within the Act is missing. The Competition Act cannot do this. It would be significant if the NEEEF as a framework is transformed into law to ensure legal provisions to make empowerment a reality in Namibia.”

### *Government Participation*

In the mining industry, on 8 July 2008, the government registered the Epangelo Mining Company, as a means of bringing about greater participation by government in the mining industry. Epangelo is a private company with the government as the sole shareholder. The company’s mission is “To ensure national participation in the discovery, exploitation and beneficiation of Namibia’s mineral resources whilst developing and consolidating a portfolio of high quality assets and services for the benefit of its stakeholders.”<sup>14</sup> Epangelo is one very few Namibian companies participating in the mining and extractive industry.

The company’s mandate is<sup>15</sup>:

- To target the acquisition and holding of exploration and mineral rights in respect of all strategic minerals and engage in the mining thereof
- To explore, mine, process and market the strategic minerals through proper allocation and management of mining rights
- Epangelo is expected to be a vehicle for meaningful acquisition and exploitation of all strategic minerals in collaboration with strategic partners, joint ventures and public private partnerships between the state, which owns the resources, and the private sector.
- To expedite meaningful empowerment of the Namibian Society at large; to benefit from their rich endowment of minerals.
- To create employment opportunities for Namibians

Asked whether the presence of the company had impacted investment in mining, Malango responded that the company “hasn’t changed the mining landscape in terms of investment. Government just needs to play fair, as it serves both as a regulator and as a player.”

On the policy side, because of the slow development of a clear and finalised economic empowerment policy, the mining industry took its own initiative to create a draft mining charter, which has been approved by the Ministry of Mines and Energy. The Charter is made up of five essential pillars: namely (1) Ownership, (2) Education & Skills Development, (3) Affirmative Action, (4) Procurement & Enterprise Development, and (5) Communities & Infrastructure. Malango says that empowerment along many of these pillars is already being implemented, including in skills development and procurement. “There are a lot of initiatives in the empowerment sector as well, but it would be nice if this was guided by an official policy that makes it law. Right now, this is being done in good faith; but there are no benchmarks, and nobody sees all the work that is being done, which is a concern,” he adds.

### *Beneficiation*

The government has also long been speaking to the issue of beneficiation, and investment into downstream value addition in various sectors, but especially in mining.

<sup>14</sup> [http://www.epangelomining.com/?page\\_id=47](http://www.epangelomining.com/?page_id=47)

<sup>15</sup> Hawala, Eliphaz. Mining Expo,



Beneficiation refers to the drive to increase the local benefit of Namibian minerals to the Namibian economy by creating a downstream industry, for example cutting and polishing factories in the diamond industry.

But beneficiation has yet to reach its full potential in Namibia. Shindondola-Mote says that in the mining and other extractive industries, Government's beneficiation drive to enhance downstream value addition has only borne modest results for local investment. In the diamond industry, for example, although beneficiation has helped to create jobs and enhance skills locally, many of the locally-based diamond cutting and polishing firms are still foreign owned. "We need to restrict the percentage of raw materials being exported and finished elsewhere; and we need to build industries that add value and process into finished products, otherwise we will keep exporting jobs," she says.

### DATA/INFORMATION SCARCITY

The lack of data on various business-related issues is another challenge for local and foreign investors in Namibia, because it limits their access to complete market research, and raises the uncertainty of whether or not to invest in the country. This scarcity is present in the labour sector in terms of skills availability and productivity, in grasping the actual cost of utilities, in the cost of land and office rentals, and so forth.

Schuler states, "The basic information on productivity (and) on firm costs is not around, so it is anyone's guess. How big of a problem electricity costs are, and whether firms are introducing energy saving technologies when the electricity costs go up - nobody knows because that basic data is not around. How much do firms actually spend on rentals? We do not know. And how does that vary across industries? If you were the Ministry of Finance trying to decide on taxation policies, this is the kind of information you would need to know." He goes on to say that while this information might not completely deter an investor from doing business in Namibia, the lack of data makes it difficult for firms to gain a full understanding of what markets are like. Furthermore, if more data was available – e.g. an economic or business census – then consulting firms that conduct economic and market analyses would also be able to do better market research.

Interviewees noted that in the mining sector, because Namibia is underexplored, little data exists on the prospectivity of the country. Because of this limited data, a greater risk is posed to the investor and the onus is placed on the investor to conduct the necessary research. The Chamber of Mines is cognisant of the challenges that come with limited data availability for potential investors, and recently created a research unit to collect and analyse data related to the mining industry.

In addition to data scarcity, the paucity of information on certain processes is also a challenge. During the interview process, the lack of clarity on how prospecting licences are issued, for example, was raised.

### OTHER CHALLENGES

#### *Corruption*

The extent to which corruption poses a challenge for investment in Namibia is unclear. But some interviewees did comment that "low level or petty corruption/ bribery" appears to be limited (compared to other countries in the region), while there seems to be clearer evidence – at least in terms of media reportage – of higher level corruption and collusion. "It seems like it is in very large tenders, where there are awards

where it would appear decisions are motivated by politics and probably some personal connections,” said one interviewee.

Varkevisser notes that there is a perception in the private sector that corruption exists in some of the government tender processes, which have a detrimental effect on supporting local procurement. “Government needs to look into this, and stamp out corruption.” The NMA is currently exploring ways to engage the private sector to join the fight against corrupt activity through a code of ethics.

#### *High cost economy*

Additional challenges noted by interviewees include the problem that “Namibia is a high-cost economy”, wherein the costs of both imports and locally sourced materials are expensive.

#### *Access to land*

Access to land is another challenge for investment in Namibia – particularly in the agricultural and agribusiness sector. “If you are looking at something as simple as office space, I have heard of some South African companies that have moved back to South Africa and will fly in and out because it is cheaper than having an office here. So it is things like land costs. And thinking of agribusiness, it is difficult to get access to using land in the northern communal areas where there might be more potential to grow things and process high value products because there is water there. It is difficult to get access to land,” said Shaanika. He added that with regards to land, “I would recommend that we finalise our revamped investment legislation and deliver land faster and cheaply to investors.”

#### *Rising input costs*

Another challenge that manufacturers face is ever-rising input costs, such as transport, labour, land, electricity and water. The NMA is currently conducting a study/exercise to highlight the real cost of some of these utilities as a proportion of turnover, and its findings so far demonstrate that this cost component may be significant.

Varkevisser notes that “One challenge is the ever-high cost recovery which parastatals - such as NamPower and NamWater - are implementing for their support structures which are not on par with government’s Growth at Home initiative.” He believes that making these services more efficient and manufacturer-friendly/ focused “will have a huge positive impact on the enhancement of manufacturing activities.”

## **CONCLUSIONS**

Although there has been some progress over the past few years in the form of BIPA, revisions of the Investment Act, efforts to make the NIC a single window service, and other initiatives to improve cooperation between ministries, government agencies and other institutions, there remains some room for improvement.

Interviewees noted a number of issues that could be addressed in order to counter the obstacles to both local and foreign investment in Namibia. Shindondola-Mote, perhaps, captures the general feeling best when she says that “Policies on their own are not enough! We need Monitoring and Evaluation systems in place to ensure implementation, monitor progress, and to find alternative measures to address challenges.”



Craig Thomas of Weatherly Mining Namibia – also reflecting the general sentiment - adds the following recommendations as means of easing investment in Namibia: “Ensure that communication, planning and resourcing for changes in legislation are ready well in advance of implementation. Consider targeted promotion of importation of key skills in consultation with selected growth industry sectors. Prudently invest in power infrastructure to ensure cost effective and reliable supply in the future.”

Several more recommendations from those interviewed are captured below.

### *Beyond Competitiveness*

In looking at Namibia’s defined goal to become the most competitive country in SADC by 2017, both Andima and Schlettwein note that competitiveness and is not the end in itself. Instead, they say, the improvement of service delivery as a whole is critical. Says Andima of BIPA: “We do not feel that we need to improve the systems for purposes of competing with other countries in the world; we want to improve the system and service delivery in order to satisfy our market – that is why we are doing it: to make sure that Namibians are happy with the services that we are providing, and to make sure that people who are doing business in Namibia, whether foreign or whatever, are also happy with us.” He notes that to date, various ministries and agencies have proposed numerous ideas for improving the investment landscape, and points out that better coordination and implementation is what is key for progressing positively. “The government as a whole has a number of initiatives and every ministry and every agency is every time coming up with ideas. So what will now have to be done is for us to come together and coordinate our activities to ensure that we eliminate duplication and to ensure that we know what the left hand is doing and what the right hand is doing. That is the recommendation that I can give at the moment. All stakeholders must come together and must play their roles – that, I know, everyone is doing but we are doing it in isolation.”

### *Maintain the Vision*

Mihe Gaomab provides some strategy-related recommendations. He says that “It would be prudent that Namibia identifies niche investments suited for the Vision 2030, the Growth at Home strategy and the industrial policy of the country and pursue them at regional and global level to ensure such investments are targeted for the identified sectors around logistics and transport, agro business processing, housing construction, and value-enhancing manufacturing.”

Gaomab adds that Namibia should ensure “that we take advantage of domestic investment in Namibia for productive enterprise and SME development. We should also ensure reservation for certain non trade-able sectors in Namibia which are labour intensive such as hair salons, *kapana* cooking and handicrafts. This should be done by Namibians and foreign investments should be targeted to focus on mega projects which have a wider economic impact.”

### *Refine Growth at Home for local investment*

The Growth at Home strategy has been receiving much publicity in terms of what it means for local investment. However, based on perspectives from the interviews, its implementation is lacking, and the strategy (spurred by MTI) has not been well-aligned with the activities of other ministries and parastatals. Varkevisser advises that there is a need for all ministries that impact on investment (particularly the ministries of Trade and Industry, Finance, Home Affairs, and Education) to share the same focus on the strategy internally for a more consistent implementation of this strategy. He says “the incentive policy must be very clear

to investors.”

He adds that in order to achieve this, better support structures for key parastatals such as NamPower and NamWater (which have a large impact on local investment given the cost of utilities, particularly for manufacturers), as well as TransNamib (as the key transport logistics service provider) are required to act as a major catalyst for supporting Growth at Home. For example, many manufacturers would like to use rail for transport, but because of the bad conditions of the rail lines and rail transport costs which are higher than those applicable to road, manufacturers are forced to use road transport instead. “If government can make sure that the services and administration of these parastatals are efficient and cost effective, then this will have a huge positive impact on manufacturing.”

To more actively implement the Growth at Home strategy, Varkevisser also points out that diversifying manufacturing activity to include the fish- and meat-processing, textiles, pharmaceuticals and automotive industries could have a “huge positive effect” in terms of increasing opportunities for employment creation and the expansion of manufacturing activity, in line with the NDP4.

#### *Implement laws that make local investment attractive*

In line with Namibia’s development objectives, interviewees felt that it is important that local investment be made more attractive. A number of incentives already exist for local and foreign investors that are manufacturers or exporters of manufactured goods. However, a great deal of red tape affects the process of gaining manufacturer status, and then seeing the fruits of these incentives. This needs to be addressed. Of concern to manufacturers is government’s continuous preferential treatment for newcomers, which perpetuates an unlevel playfield.

Furthermore, in order to make local investments in manufacturing even more attractive and to incentivise existing local investors, there are four areas – according to Varkevisser – that still require better implementation or redress. These include the finalisation and implementation of the long-awaited Procurement Bill; addressing the high cost of utilities; improving the VAT refund system; and ensuring the manufacturing incentives are properly aligned across ministries, and implemented.

With regards to retail, Shindondola-Mote adds that “there is a need for the availability of local goods in the local market.” She says that given that much of Namibia’s retail industry is South African owned, government needs to ensure that policies and legislation are set in place to stock Namibian goods, as a means of creating the space for local manufacturers to survive.

#### *Data-driven development*

Schuler recommends that more economic analysis be brought into economic policy-making to inform these policies. To do this, he notes, “we need better economic data.”

Most other interviewees noted the need for improved data availability for informed decision-making. In terms of labour, this could mean creating systems “to track productivity and reward where necessary”, conducting a skills audit to better understand where skills mismatches lie, and “identifying areas with potential for sustainable job creation,” amongst others.



With respect to mining, the Chamber of Mines has opened a research unit to help fulfil industry research needs, and is part of a “joint value addition committee” that it proposed to government in 2012 to “investigate the possibilities of further value addition to each and every mineral we produce now and that we will be producing in the future.” The committee has been enshrined in NDP4.

With regards to manufacturing, remaining relevant in terms of innovation requires research and development (R&D). Varkevisser maintains that “there is not enough R&D being done. Without R&D, how do you innovate to compete internationally?” He suggests that government enhance its contribution to research and development, while recognising that this responsibility is also vested in the private sector itself.

#### *Education needs redress*

The challenges highlighted earlier in terms of skilled labour remains a major issue for investors. Gaomab states that “as a nation we have to make a conscious decision to invest in skills development. That is a mammoth undertaking but we need to overhaul our education and training system so that it responds to the needs of industry. We need to invest in science and technology and vocational training and make our workforce competitive so that we compete with other nations. This should be our aim.”

Shindondola-Mote agrees that education and skills development are important areas of concern, and adds that the private sector should also play a role in enhancing the capacity of Namibian workers. She says that skills development “is not just the responsibility of the state”, and questions whether private sector organisations are “mobilising their members to invest in a skills development fund, or something of the sort to address the skills gap. They need to put resources to it.”

#### *Highlight Namibia’s regional advantage*

Both Schuler and Gaomab note that given Namibia’s small internal market size, relative to other nations in the region, more should be done to highlight the country’s regional advantage. Gaomab notes that the small size “is a demographic issue and therefore not an easy obstacle to solve. One way of minimising the effects of this obstacle is to vigorously pursue the quest for regional integration, whereby an investor would feel that investing in Namibia would present a greater opportunity of access to a broader regional markets in both SACU and SADC.”

#### *Be nimble!*

Schuler advises that government needs to be more nimble to be faster and more effective in getting things done. “Namibia’s latent advantage is that it is a small economy and everybody knows each other so policy should be moving faster and be able to respond more quickly to new opportunities – it should be nimble but it is not, and then that has an effect. As I mentioned, it takes a long time for laws and regulations and policies and everything to be developed. It takes a long time for government to get things done. It should be very fast – I think that is one recommendation – that government should be more nimble.”

He adds that in order to get things done, government should tackle one problem at a time. “Pick one thing. Fix it and then take something else but at least get something fixed. I do not know if there is one big thing that needs to happen but there are certainly things, like there has been talk of a national single window for international trade transactions – where if you are an importer or exporter, you go to one place and all the

things you have to do (all the paperwork, all the approvals, all the taxes) you can access at one place but that has been talked about for a long time.”

**The following people were interviewed:**

<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Calle Schlettwein	Minister	Ministry of Trade & Industry
Craig Thomas	Managing Director	Weatherly Mining Namibia
Engelhardt Kongoro	Country Director	BP (Namibia)
Hilma Shindondola-Mote	Director	Labour Resource and Research Institute
Mihe Gaomab	Chief Executive Officer	Namibia Competition Commission
Phillip Schuler	Senior Country Economist	World Bank
Ronnie Varkevisser	Chief Executive Officer	Namibia Manufacturers' Association
Tarah Shaanika	Chief Executive Officer	Namibia Chamber of Commerce & Industry
Tileinge Andima	Chief Executive Officer	Business and Intellectual Property Authority
Tim Parkhouse	Secretary General	Namibia Employers' Federation
Veston Malango	Chief Executive Officer	Chamber of Mines



## Doing Business rankings 2014-03-24

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	3	3	6	28	3	2	5	1	12	4
Hong Kong SAR, China	2	5	1	5	89	3	3	4	2	9	19
New Zealand	3	1	12	45	2	3	1	23	21	18	12
United States	4	20	34	13	25	3	6	64	22	11	17
Denmark	5	40	8	18	7	28	34	12	8	32	10
Malaysia	6	16	43	21	35	1	4	36	5	30	42
Korea, Rep.	7	34	18	2	75	13	52	25	3	2	15
Georgia	8	8	2	54	1	3	16	29	43	33	88
Norway	9	53	28	17	10	73	22	17	26	4	2
United Kingdom	10	28	27	74	68	1	10	14	16	56	7
Australia	11	4	10	34	40	3	68	44	46	14	18
Finland	12	55	36	22	26	42	68	21	9	8	3
Iceland	13	52	41	1	12	42	52	37	50	3	11
Sweden	14	61	24	9	38	42	34	41	6	25	20
Ireland	15	12	115	100	57	13	6	6	20	62	8
Taiwan, China	16	17	7	7	31	73	34	58	18	84	16
Lithuania	17	11	39	75	6	28	68	56	15	17	44
Thailand	18	91	14	12	29	73	12	70	24	22	58
Canada	19	2	116	145	55	28	4	8	45	58	9
<b>Mauritius</b>	20	19	123	48	65	42	12	13	12	54	61
Germany	21	111	12	3	81	28	98	89	14	5	13
Estonia	22	61	38	56	15	42	68	32	7	26	66
United Arab Emirates	23	37	5	4	4	86	98	1	4	100	101
Latvia	24	57	79	83	33	3	68	49	17	21	43
Macedonia, FYR	25	7	63	76	84	3	16	26	89	95	52
Saudi Arabia	26	84	17	15	14	55	22	3	69	127	106
Japan	27	120	91	26	66	28	16	140	23	36	1
Netherlands	28	14	97	70	47	73	115	28	13	29	5
Switzerland	29	104	58	8	16	28	170	16	35	20	47
Austria	30	138	94	28	36	28	98	79	19	6	14
Portugal	31	32	76	36	30	109	52	81	25	24	23
<b>Rwanda</b>	32	9	85	53	8	13	22	22	162	40	137
Slovenia	33	38	59	32	83	109	14	54	48	52	41
Chile	34	22	101	43	55	55	34	38	40	64	102
Israel	35	35	140	103	151	13	6	93	10	93	35

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Belgium	36	49	100	90	180	73	16	76	28	16	6
Armenia	37	6	79	109	5	42	22	103	117	112	76
France	38	41	92	42	149	55	80	52	36	7	46
Cyprus	39	44	86	108	103	55	34	33	27	110	24
Puerto Rico (U.S.)	40	18	172	38	131	13	16	110	87	101	21
<b>South Africa</b>	41	64	26	150	99	28	10	24	106	80	82
Peru	42	63	117	79	22	28	16	73	55	105	110
Colombia	43	79	24	101	53	73	6	104	94	155	25
Montenegro	44	69	106	69	98	3	34	86	53	136	45
Poland	45	116	88	137	54	3	52	113	49	55	37
Bahrain	46	99	4	52	32	130	115	7	81	122	27
Oman	47	77	69	58	21	86	98	9	47	107	72
Qatar	48	112	23	27	43	130	128	2	67	93	36
Slovak Republic	49	108	53	65	11	42	115	102	108	65	38
Kazakhstan	50	30	145	87	18	86	22	18	186	27	54
Tunisia	51	70	122	55	72	109	52	60	31	78	39
Spain	52	142	98	62	60	55	98	67	32	59	22
Mexico	53	48	40	133	150	42	68	118	59	71	26
Hungary	54	59	47	112	45	55	128	124	70	15	70
Panama	55	25	62	16	74	55	80	175	11	127	112
<b>Botswana</b>	56	96	69	107	41	73	52	47	145	86	34
Tonga	57	42	35	30	146	55	115	51	63	48	118
Bulgaria	58	65	118	135	62	28	52	81	79	79	92
Brunei Darussalam	59	137	46	29	116	55	115	20	39	161	48
Luxembourg	60	103	37	66	124	170	128	15	41	1	53
Samoa	61	33	73	37	39	130	34	86	58	77	139
Fiji	62	141	74	81	63	55	52	88	111	63	50
Belarus	63	15	30	168	3	109	98	133	149	13	74
St. Lucia	64	57	11	31	129	130	34	45	104	170	56
Italy	65	90	112	89	34	109	52	138	56	103	33
Trinidad and Tobago	66	67	77	10	178	28	22	97	73	174	114
<b>Ghana</b>	67	128	159	85	49	28	34	68	109	43	116
Kyrgyz Republic	68	12	66	180	9	13	22	127	182	70	132
Turkey	69	93	148	49	50	86	34	71	86	38	130



Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Azerbaijan	70	10	180	181	13	55	22	77	168	28	86
Antigua and Barbuda	71	92	21	20	128	130	34	151	93	65	80
Greece	72	36	66	61	161	86	80	53	52	98	87
Romania	73	60	136	174	70	13	52	134	76	53	99
Vanuatu	74	126	50	129	110	55	80	30	119	72	57
Czech Rep.	75	146	86	146	37	55	98	122	68	75	29
Mongolia	76	25	107	162	27	55	22	74	181	30	133
Dominica	77	51	22	64	119	86	34	75	88	172	105
Moldova	78	81	174	165	19	13	80	95	150	23	91
Guatemala	79	145	61	34	23	13	157	85	116	97	109
<b>Seychelles</b>	80	118	68	147	69	170	68	19	29	82	65
San Marino	81	155	120	10	158	186	52	40	75	34	49
St. Vincent & Grenadines	82	68	6	25	153	130	34	72	38	90	189
<b>Zambia</b>	83	45	57	152	102	13	80	68	163	120	73
Bahamas	84	83	75	45	182	86	115	45	72	125	32
Sri Lanka	85	54	108	91	145	73	52	171	51	135	59
Kosovo	86	100	136	121	58	28	98	43	121	138	83
Morocco	87	39	83	97	156	109	115	78	37	83	69
Uruguay	88	43	154	23	167	73	98	146	90	105	51
Croatia	89	80	152	60	106	42	157	34	99	49	98
Albania	90	76	189	158	119	13	14	146	85	124	62
Barbados	91	77	56	83	142	86	170	112	30	110	28
Russian Federation	92	88	178	117	17	109	115	56	157	10	55
Serbia	93	45	182	85	44	42	80	161	98	116	103
Jamaica	94	23	52	132	114	109	80	168	118	131	31
Maldives	95	71	18	131	161	109	80	115	138	90	40
China	96	158	185	119	48	73	98	120	74	19	78
Solomon Islands	97	82	81	130	172	86	52	30	78	109	127
<b>Namibia</b>	98	132	31	72	178	55	80	114	141	69	85
Vietnam	99	109	29	156	51	42	157	149	65	46	149
Palau	100	129	45	78	20	86	178	84	96	141	96

## SECTION 2: ASSESSING THE INVESTMENT LANDSCAPE

By Frederico Links and Graham Hopwood

### WHAT MAKES NAMIBIA AN ATTRACTIVE INVESTMENT DESTINATION?

Namibia has an inbuilt advantage when it comes to assessments of its business environment, and in particular, its competitiveness. Functioning institutions, the rule of law, an independent judiciary, the protection of property rights, and 24 years of peace and stability, among other factors, stand the nation in good stead.

Much of this success can be traced back to the manner in which the country achieved independence on March 21 1990 and in particular the much-lauded Constitution, which establishes Namibia as a “sovereign, secular, democratic and unitary state founded on the principles of democracy, rule of law and justice for all” (Article 1).

The Constitution makes provision for different types of economic activity and a “mixed economy” (Article 98). The Constitution also explicitly guarantees property rights (Article 16) and welcomes foreign investment (Article 99). Ownership of natural resources is vested in the State (Article 100).

#### Chapter 11: Principles of State Policy

##### Article 98 Principles of Economic Order

The economic order of Namibia shall be based on the principles of a mixed economy with the objective of securing economic growth, prosperity and a life of human dignity for all Namibians.

The Namibian economy shall be based, *inter alia*, on the following forms of ownership:

- a. Public
- b. Private
- c. Joint public-private
- d. Cooperative
- e. Co-ownership
- f. Small-scale family

Just a few months after the Constitution became Namibia’s supreme law, the National Assembly passed the Foreign Investment Act. This legislation allows foreign nationals to “invest and engage in any business activity in Namibia which any Namibian may undertake”. Furthermore, “no foreign national shall be required to provide for the participation of the Government or of any Namibian shareholder or as partner in such business or for the transfer of such business to the Government or any Namibian.” However, section 3 (4) also gives the Minister of Trade and Industry the power to prohibit foreigners becoming engaged in any business or category of business that can be provided adequately by Namibians



while Section 3 (5) makes special provision to allow favourable treatment of Namibians in the exploitation of Namibia's natural resources. The Minister of Trade and Industry did invoke Section 3 (4) in 2010 by declaring that foreigners were not allowed to become involved in retail businesses, taxi and shuttle services, and hairdressing and beauty treatment.

The Foreign Investment Act also makes provision for the establishment of the Namibia Investment Centre (NIC) in the Ministry of Trade and Industry.

The Investor Roadmap of 2005 recommended the Act be thoroughly revised and updated and a new Investment Bill has been on the cards for a number of years. As of March 2014, the Bill had not appeared and rumours as to its content have caused some uncertainty among both local and foreign investors. The future of the NIC and its relationship to BIPA is probably bound up in the terms of the new law. It is also expected that the Bill will address empowerment issues and possible reservation of sections of the economy for Namibians beyond the 2010 announcement mentioned above. The nature of the Bill is also closely linked to Namibia's empowerment policy, which has never been finalised and adopted despite being issued for consultation and even debated in parliament.

Namibia's strong record on rule of law and good governance, particularly when compared to the broader sub-Saharan Africa, have been recognised by various continental and international indices and surveys.

On balance, as illustrated by various international and continental indices and surveys, Namibia is well governed in comparison to other states in the Southern African Development Community (SADC) and the broader sub-Saharan Africa.

Since 1990, the dawn of independence, Namibia has maintained its 'free' status in Freedom House's annual Freedom in the World report – described as the “standard-setting comparative assessment of global political rights and civil liberties”<sup>1</sup> – in which 195 countries and 14 territories are compared. Not only that, Namibia consistently ranks as one of the best in terms of media freedom in the world and on the continent<sup>2</sup> – according to the Reporters without Borders Press Freedom Index for 2014 Namibia rated as having the freest media environment in Africa.

#### Why invest in Namibia?

Namibia is often described as Africa's optimist –and with good reason. Not only does it enjoy one of the continent's most pleasant, peaceful and politically stable environments, but also an infrastructure to rival many developed countries.

Namibia has an abundance of natural resources, among them, a wide range of mineral deposits including world class diamonds and uranium, copper, lead, zinc, gold, semi-precious stones, industrial minerals, salt and fluorspar.

Namibia has rich fishing grounds, with their stock of both demersal and pelagic species, which place the country among top 10 nations in the international fishing sector.

Namibia's agricultural sector is also imperative to the country's economy with a thriving red meat industry and the cultivation of crops such as maize, wheat, pearl millet, groundnuts, beans and cotton.

1 <http://www.freedomhouse.org/report/freedom-world/freedom-world-2014#UxyMAueSwVo>  
 2 <http://rsf.org/index2014/en-africa.php>

Namibia's Tourism sector continues to be a booming industry.

Namibia has preferential trade links to the 190 million inhabitants of the Southern African Development Community (SADC) as one of the 14 member states.

Namibia belongs to the Southern African Customs Union (SACU) affording duty and quota free access to the South African market and others.

Namibia is signatory to the Cotonou Agreement, giving duty free access to the European Union for a wide range of manufactured and agricultural products.

Namibia has duty and quota free access to the lucrative US market under the Africa Growth and Opportunity Act (AGOA).

Namibia offers among the attractive fiscal incentives in Africa via its Export Processing Zone (EPZ) regime.

Namibia has a wealth of attractions and advantages for foreign-owned companies looking for business opportunities.

Namibia has an advantageous legislative and fiscal environment and a government keen to foster the engines of economic growth and prosperity.

Source: <http://www.mti.gov.na/invest.html>

The Ibrahim Index of African Governance (IIAG)<sup>3</sup> is arguably the most credible continental perception survey and is well-regarded amongst African governments and bureaucrats. The IIAG looks at the same aspects as the GCI, but lumped into fewer categories, and its purview is very much Africa.

That said, Namibia's overall performance on the IIAG is very good. The country has never been outside the top ten in the overall standings and places well inside the top ten in most categories and sub-categories. In the 2013 IIAG, Namibia came in at sixth out of 52 countries.

Furthermore, as with the WEF GCI and the WB Doing Business report, Namibia scores high in the rule of law aspects. In 2013 the country held fourth spot in the 'Safety and Rule of Law' category on the overall ranking, underscoring the favourable impression of the judicial and property rights protection landscape.

Similarly, in the sub-category 'Infrastructure' under the 'Sustainable Economic Opportunity' category, the country comes in third (behind Seychelles (1) and Mauritius (2)).

By the same token, Namibia scores well, placing fourth, in the 'Accountability' category. Under this category the indicators broadly deal with issues of transparency and accountability, corruption and diversion of public funds.

As already stated, on the whole Namibia has consistently been amongst the best performers on the continent since the inception of the IIAG.

## ASSESSING THE ASSESSMENTS

This section of Easing the Way for Investment considers how Namibia is viewed by three different measures – the World Economic Forum's (WEF) Global Competitiveness Index (GCI)<sup>4</sup>, the World Bank's Doing Business report and the Namibia Business and Investment Climate (NamBIC) survey.

<sup>3</sup> <http://www.moibrahimfoundation.org/interact/>

<sup>4</sup> [http://www3weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://www3weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf)



### Economic Freedom & Business Environment in Namibia<sup>5</sup>

RANKING	2004	'05	'06	'07	'08	'09	'10	'11	'12	'13
WEF GCI (out of)	52 (104)	63 (117)	72 (125)	89 (131)	80 (134)	74 (133)	74 (139)	83 (142)	92 (144)	90 (148)
Doing Business (out of)	71 (130)	71 (141)	78 (141)	63 (141)	68 (141)	66 (141)	94 (144)	106 (152)	90 (185)	98 (189)

### World Economic Forum Global Competitiveness Index

The WEF GCI is the most comprehensive of the international and continental perception surveys and enjoys a high level of respectability and credibility. It is made up of over 110 variables, of which two thirds come from the Executive Opinion Survey, and one third comes from publicly available sources such as the United Nations' reports. Namibia's standing on the WEF GCI can be viewed as a mixed-bag performance across the twelve pillars (over three categories), which cancel each other out, something that is reflected in the country's less than impressive placements in the rankings which have seen Namibia drift down from 52nd to 90th over the last decade.

The pillars where Namibia records overwhelmingly positive scores are the 1st (Institutions), 2nd (Infrastructure), 3rd (Macroeconomic environment) and the 8th (Financial market development). The box below illustrates Namibia's scores and standings under the 1st pillar of the latest WEF GCI.

#### WEF GCI 2013/14:

##### 1st Pillar: Institutions

- 1.01 Property rights 5.1\* (36)\*\*
  - 1.02 Intellectual property protection 4.3 (41)
  - 1.03 Diversion of public funds 3.2 (71)
  - 1.04 Public trust in politicians 3.3 (51)
  - 1.05 Irregular payments and bribes 4.1 (64)
  - 1.06 Judicial independence 4.7 (41)
  - 1.07 Favoritism in decisions of government officials 2.9 (87)
  - 1.08 Wastefulness of government spending 3.3 (65)
  - 1.09 Burden of government regulation 3.5 (67)
  - 1.10 Efficiency of legal framework in settling disputes 4.5 (32)
  - 1.11 Efficiency of legal framework in challenging regulations 3.9 (42)
  - 1.12 Transparency of government policymaking 4 (79)
  - 1.13 Business costs of terrorism 6 (40)
  - 1.14 Business costs of crime and violence 3.9 (112)
  - 1.15 Organised crime 4.9 (74)
  - 1.16 Reliability of police services 4 (78)
  - 1.17 Ethical behaviour of firms 4.2 (53)
  - 1.18 Strength of auditing and reporting standards 5.4 (30)
  - 1.19 Efficacy of corporate boards 4.4 (83)
  - 1.20 Protection of minority shareholders' interests 4.7 (35)
  - 1.21 Strength of investor protection, 5.3 (69)
- \*0 (worst) –10 (best) \*\* (country rank)

<sup>5</sup> Years indicate the period in which research and surveys took place not necessarily the year of publication

It is clear that Namibia scores well on some of the more salient indicators – property rights, intellectual property protection, judicial independence, efficiency of legal framework in settling disputes, and efficiency of legal framework in challenging regulations, and strength of investor protection to some degree. As is evident by the scores and rankings, on some of these individual indicators Namibia scores within the top quartile in the world while almost half of indicators score in the top half of the individual indicator rankings. And as these positive are arguably among the initial considerations of investors when looking at and enquiring about a jurisdiction or country, this is significant.

Namibia's judiciary, legal environment and maintenance of rule of law are viewed in a positive light while the legislative dispensation governing business interactions is considered to be functioning adequately. However, it has to be pointed out that the Namibian justice system has come in for some considerable criticism over the last few years as a result of long case delays, confusing case scheduling, long outstanding judgements and other administrative failings. The Ombudsman, in a strongly worded report in 2013<sup>6</sup>, pointed out the failures in the system.

**WEF GCI 2013/14:**

**2nd Pillar: Infrastructure**

- 2.01 Quality of overall infrastructure 5.2 (32)
- 2.02 Quality of roads 5.3 (30)
- 2.03 Quality of railroad infrastructure 3.5 (45)
- 2.04 Quality of port infrastructure 5.3 (27)
- 2.05 Quality of air transport infrastructure 4.8 (58)
- 2.06 Available airline seat km/week, millions\* 31 (111)
- 2.07 Quality of electricity supply 5.5 (45)
- 2.08 Mobile telephone subscriptions/100 pop.\* 103 (88)
- 2.09 Fixed telephone lines/100 pop.\* 7.2 (103)

With regard to infrastructure roll-out and maintenance, Namibia again scores positively (box above). Aside from the indicators dealing with access to telecommunications, and the availability of airline seats, on the whole the country scores well within the top half in the world on the individual rankings under this pillar.

**WEF GCI 2013/14:**

**3rd Pillar: Macroeconomic Environment**

- 3.01 Government budget balance, % GDP\* -4.1 (101)
- 3.02 Gross national savings, % GDP\* 19.5 (73)
- 3.03 Inflation, annual % change\* 6.7 (109)
- 3.04 General government debt, % GDP\* 26.6 (32)
- 3.05 Country credit rating, 0–100 (best)\* 52.3 (63)

<sup>6</sup> <http://www.ombudsman.org.na/reports/special-reports/finish/4-special-reports/23-ombudsman-special-report-delay-in-appeals>



Even though the 3rd pillar (box below) is much more of a mixed bag and could be interpreted to lean more towards the negative, nevertheless it should be considered as slightly in favour of the positive, as the significance of the good scores outweigh the negatively scored elements. It should be emphasised that government's handling of national debt has allowed Namibia to maintain a respectable Fitch Ratings BBB- investment grade rating since December 2005<sup>7</sup>.

#### WEF GCI 2013/14:

##### 8th Pillar: Financial Market Development

- 8.01 Availability of financial services 4.8 (55)
- 8.02 Affordability of financial services 4.2 (61)
- 8.03 Financing through local equity market 3.4 (68)
- 8.04 Ease of access to loans 2.9 (60)
- 8.05 Venture capital availability 2.5 (88)
- 8.06 Soundness of banks 5.9 (23)
- 8.07 Regulation of securities exchanges 4.6 (43)
- 8.08 Legal rights index, 0–10 (best)\* 8 (28)

That the banking, and entire financial, system enjoys such a high level of credibility, stands the country in good stead, and when considered with the other, already discussed, positively scored indicators, it combines for an altogether positive impression of some of the more important sections of the overarching politico-economic institutional dispensation, especially when compared to some of Namibia's SADC neighbours and the wider sub-Saharan region.

These factors combined create a positive impression that would be welcomed by would-be investors.

#### World Bank Doing Business Report

The World Bank's Doing Business Report has been issued since 2003. Doing Business is based on the premise that economic activity requires "good rules" that establish and clarify property rights and reduce the costs of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The Doing Business project attempts to provide objective measures of business regulations and their enforcement across 189 national economies and selected cities. Doing Business is different from other surveys. It ends to focus on domestic small and medium-size companies and measures the regulations applying to them through their life cycle. More fundamentally, the report examines regulatory practices rather than gathering perceptions. It depends on input from selected experts. For example, lawyers who deals with business registrations on a regular basis would supply the information on how many days and how many procedures are required to register a business.

Despite the difference in methodology, there is a great deal of correlation between the WEF GCI and the Doing Business Rankings. For example, in the 2013-14 WEF GCI rankings the following sub-Saharan

<sup>7</sup> See Sherbourne, *Guide to the Namibian Economy 2013/14* (Institute for Public Policy Research, 2013), p.31.

African countries are above Namibia at 90th - Mauritius (45th), South Africa (53rd), Rwanda (66th), Botswana (74th), and the Seychelles 80th). In the Doing Business rankings for 2014 Namibia at 98th comes behind Mauritius (20th), Rwanda (32nd), South Africa (41st), Botswana (56th), Ghana (67th), Seychelles (80th), and Zambia (83rd).

***Doing Business 2014 data for Namibia. Rankings out of 189 economies.***

TOPICS	2014 Rank	2013 Rank	Change in Rank
Starting a Business	132	132	No change
Dealing with Construction Permits	31	32	1
Getting Electricity	72	74	2
Registering Property	178	172	-6
Getting Credit	55	52	-3
Protecting Investors	80	80	No change
Paying Taxes	114	110	-4
Trading Across Borders	141	142	1
Enforcing Contracts	69	74	5
Resolving Insolvency	85	85	No change

The Doing Business 2014 rankings<sup>8</sup> affirm the sense that Namibia has strong advantages in certain areas. When it comes to the category ‘protecting investors’, Namibia ranks 80th out of 189 countries and territories (maintaining the same position as in 2013); concerning ‘enforcement of contracts’, Namibia comes in at 69 out of 189 (up from 74th in 2013). Similarly, looking at ‘dealing with construction permits’, Namibia ranks 31 out of 189 (up one place from 32 in 2013). Also, when it comes to ‘resolving insolvency’ Namibia scores in the top half of the ranking, coming in at 85 out of 189 (maintaining 85th spot from 2013).

On the infrastructure indicator, ‘getting electricity’, in the Doing Business 2014 rankings, Namibia ranks 72 out of 189 countries (up two spots from 74 in 2013). In a sense this particular rating illustrates the weakness of the Doing Business approach since it measures the time and procedures involved in linking to the power grid and does not take into account Namibia’s overall power situation – particularly its potential for future electricity shortfalls that could seriously stymie business development.

Namibia’s Doing Business rankings are slightly less impressive than its WEF GCI performance in recent years. It may be that it would be more appropriate for the government to peg its NDP4 Desired Outcome to the Doing Business rankings – simply because they are based on specific indicators that are measurable. Hence, any serious effort to reduce the time it takes to register a business from the present 66 days would in all likelihood see a rise in the rankings. The WEF GCI, being largely perception-driven, may only show improvement some time after measures have been taken when effects have filtered through to the business community. The WEF GCI is much wider in scope – taking into account macro-economic factors which may not be completely under Namibia’s control. Namibia is also dragged down in the WEF ratings by the huge challenges it faces in education and health – which are not directly factored in to the Doing Business assessment. Short-term gains, such as those to be achieved by 2017, could perhaps more usefully be linked to certain reforms identified in Doing Business that could be seen as

<sup>8</sup> <http://www.ombudsman.org.na/reports/special-reports/finish/4-special-reports/23-ombudsman-special-report-delay-in-appeals>



‘low-hanging fruit’ by policymakers and politicians. Longer-term goals could be benchmarked against the WEF GCI findings.

Targets that could be set from the Doing Business data are quite clear. For example the information on Starting a Business could be used to match or beat the sub-Saharan average and eventually the OECD average.

#### Starting a Business, 2014 Doing Business report

Indicator	Namibia	Sub-Saharan Africa	OECD
Procedures (number)	10	8	5
Time (days)	66.0	29.7	11.1
Cost (% of income per capita)	14.7	67.4	3.6
Paid-in Min. Capital (% of income per capita)	0.0	125.7	104

The country of Georgia illustrates the potential for rising rapidly up the Doing Business rankings. In 2006 it stood in 112th position in the world. By 2014 it was in 8th position. Some of this progress was achieved by simplifying procedures through a one-stop shop or single window approach – something which Namibia is also adopting (albeit at a very slow pace). Georgia has been seen as the top reformer on the Doing Business rankings since 2006. In comparison in the same period Namibia has slumped from 78th to 98th. But Georgia is not an outlier. Many countries are taking concrete steps to improve their ranking – with Africa dominating the reformers. Nine African countries are among the top 20 most improved in terms of business regulations since 2009: Benin, Burundi, Cote d’Ivoire, Ghana, Guinea-Bissau, Liberia, Rwanda, Sierra Leone, and Togo. Noticeably Namibia is not mentioned and while all but Rwanda and Ghana of these countries are currently ranked lower than Namibia – they are catching up while stasis or regression marks many of Namibia’s scores.

Countries that have improved the most since 2005 include China in East Asia and the Pacific, Colombia in Latin America and the Caribbean, Rwanda in sub-Saharan Africa, and Poland in the OECD high-income economies.

How could Namibia feature among these countries? Indications are that a strong track record on implementation (doing not just talking), an ability to coordinate efforts across government agencies, and a sense of partnership with the private sector are vital. The World Bank has also noted that good performers on Doing Business indicators are likely to be more inclusive. Countries with the fewest legal restrictions on women tend to do better in the rankings.

The Doing Business report is far more narrowly focussed than the WEF GCI. This in some ways makes it a more useful document for policymakers, but it also has its detractors. An independent review led by former South African Finance Minister Trevor Manuel criticised the “arbitrary” nature of the indicators last year<sup>9</sup>. It is possible that the nature of the Doing Business report will change in the coming years as the Panel Review was commissioned by the World Bank and some of its points may be incorporated in the 2015 version of Doing Business.

<sup>9</sup> see Doing Business Panel Review Report at <http://www.dbrpanel.org>

### Namibia Business and Investment Climate (NamBIC) survey

The Namibia Business and Investment Climate Survey is a tool for capturing the mood of the private sector and identifying the main challenges the sector faces. The fourth annual survey was published in early 2013. The survey, which is led by the Namibia Chamber of Commerce and Industry, consists of face-to-face and telephone interviews with business people around the country. In 2013 200 interviews were carried out in person with informal businesses in four locations: Oshakati, Rundu, Walvis Bay and Windhoek while 463 business people gave telephonic interviews. Based on the findings of the survey, NamBIC has made a number of recommendations since 2010. They have included calls for:

- Stepped-up dialogue between government and the private sector
- Urgent action on cross-border trade issues
- Establishment of a one-stop-shop and internet portal for investors
- Online registering of businesses
- Efficient and speedy handling of work permit applications based on clear criteria regarding skills shortages
- Private sector consultations with tertiary education institutions regarding their capacity to provide sought-after skills
- Speeding up of the process of obtaining serviced and un-serviced land for business
- Encouragement and support for innovation and Research & Development
- Introduction of a transparent, effective and business-friendly public procurement system.

In 2013 survey, the biggest obstacles to business growth were listed as access to and cost of finance followed by access to land and the cost of utilities. Border procedures on the Namibian side of the border were rated worse than on the foreign side.

It should be noted that most of the NamBIC recommendations have been made repeatedly since 2010. However, progress has been quite slow. Some of the recommendations, like calls for a more efficient, targeted work permit system, appear to have fallen on deaf ears. Others, like the call for a one-stop shop, have been the subject of planning but have yet to be implemented.

NamBIC's strength is that it backs up most of the main findings emanating from the WEF GCI and the Doing Business report with evidence that these issues are indeed concerns for a broad range of Namibian business people. In addition, it emphasises some points that are partially overlooked in the other assessments – such as problems with access to finance and access to land.

The 2014 NamBIC survey was published as this research report was being finalised. It largely re-emphasised points made in previous NamBIC reports on red tape, the need for a skills development strategy, intensified public-private dialogue, and land rights, amongst others.

### International trade law

Namibia is one of only a handful of countries in the world that has not signed the Convention and Enforcement of Foreign Arbitral Awards, also known as the New York Convention. This is one of the key instru-



ments in international arbitration. The Convention provides for a possible means of resolving disputes over cross-border commercial transactions.

The Convention on the Recognition and Enforcement of Foreign Arbitral Awards was adopted in New York, on 10 June 1958, and entered into force on 7 June 1959. As of April 2013, 146 of the 193 member states of the United Nations had adopted the Convention. Namibia's accession to the Convention would boost confidence in its support for international arbitration to resolve any cross-border disputes that could include trade and investment matters.

Namibia has been a member of the United Nations Commission on International Trade Law (UNCITRAL) since 2013. UNCITRAL promotes the modernisation and harmonisation of international trade law.

### The positive take-aways

When considered together, these surveys indicate that as far as the rule of law is concerned, Namibia is viewed relatively favourably, both from inside and outside. That judicial institutions and processes – governing, regulating and enforcing contracts, the protection of property rights, etc. – are broadly regarded, by locals, is arguably one of the chief reasons that Namibia continues to attract considerable foreign investor interest.

The same can be said of Namibia's basic infrastructure – roads, railways, ports, etc. – with the country placing high amongst its peers, especially those in the SADC sub-continent and the wider sub-Saharan Africa, on this indicator on all indices.

This positive perception of the infrastructure dispensation is further helped by the fact that the Namibian government continues to spend generously on capital projects and infrastructure roll-out and improvement initiatives proliferate at national, regional and local levels.

The same goes for the nature and quality of the financial system, which is also roundly greeted with a positive response from amongst investors, both local and foreign and has garnered praise and awards<sup>10</sup> for the performance of individual financial sector operators over the years. This is of course coupled with and enhanced by the Namibian government's relatively competent handling of the national debt situation. However, even though all these factors are cementing positive perceptions and outlooks around Namibia, this cement is by no means dry and set, as the other half of the story suggests that a lot more needs to be done if the country is to prevent experiencing a reversal in such positive sentiment.

Rowland Brown, Economic Association of Namibia (EAN) president, has warned<sup>11</sup>: “Maintaining and improving our competitiveness as a country is critical to drive and develop our economy and improve the livelihoods of our people. While the WEF Global Competitiveness Report (GCR) has many flaws, most notably that it is perception driven, it shows the same trends as most other indicators of competitiveness for Namibia. Overall, for a number of years competitiveness has remained largely unchanged in

<sup>10</sup> Both Standard Bank Namibia and Bank Windhoek have been awarded the title of 'Namibia Best Bank' and Standard Bank Namibia has been awarded 'The Banker's Bank of the Year' by Euromoney's Awards for Excellence.

<sup>11</sup> Quoted from a PowerPoint presentation, 'The Global Competitiveness Report 2013/14', by Rowland Brown delivered at a September 2013 briefing event, which was a collaboration between the Economic Association of Namibia, the IPPR and the Hanns Seidel Foundation.

terms of score in Namibia. However, in terms of rankings, Namibia improved from 89th in 2007/08 to 74th in 2009/10, before deteriorating again to 90th in 2013/14. This suggests that while Namibia is not getting notably worse in terms of score, it is failing to reform at the same pace as many other economies. As competitiveness is a relative concept, this is cause for concern. Namibia remains well placed, but if reform does not start to occur more rapidly, the country risks being left behind.”

It is the factors that speak to this caution that will be highlighted in the ensuing section.

### WHAT ISSUES HINDER INVESTMENT IN NAMIBIA?

A United Nations Partnership Framework (UNPAF) briefing document<sup>12</sup> of October 2013, succinctly summarised the situation as thus: “According to the recent Global Competitiveness Index Report, the leading constraints to doing business in Namibia, are an inadequately educated workforce (15 percent of respondents), poor access to financing (11.8 percent), corruption (10.7 percent), restrictive labour regulations (10.3 percent), inefficient government bureaucracy (9.7 percent), and a poor work ethic among the national labour force (8.4 percent). These issues hamper the attraction of potential investors to the country.”

The issues of “inefficient government bureaucracy” and “corruption” are linked in the sense that inefficient government bureaucracy opens the doors for both petty and grand corruption to infiltrate the various levels of the state institutional edifice, and that ultimately corruption is a factor which induces and entrenches government inefficiency.

Similarly, in largely focusing on these two issues, it has to be pointed out that, the other factors also necessarily come into the discussion, as government inefficiency and public sector corruption also has a lot to do with an “inadequately educated workforce” in the sector and “a poor work ethic” amongst civil servants, and the Namibian workforce in general, not to mention “restrictive labour regulation” probably hampering and limiting authorities’ ability to deal with these issues.

That said, when looking at “inefficient government bureaucracy”, as well as “corruption”, there are a number of factors to spotlight: Bureaucratic processes around starting a business and getting necessary permits and licences; the nature of the taxation dispensation (from the mix of taxes and the rates, to dealing with tax authorities, etc.); discretionary decision-making dispensations and the lack of codes of conduct governing state sector executives’ activities; inefficient and biased procurement practices; the vagueness around ‘black economic empowerment’ (BEE) schemes and measures; and the dysfunctional nature of official coordination and communication between some government departments and agencies. There are other factors – hostile statements towards foreign investors from senior officials and the sense of drift that can be discerned at various levels of government.

Furthermore, it is notable that such important policy documents as Namibia’s National Development Plan<sup>13</sup> significantly understates the importance of private investment, both local and foreign, as a critical driver of economic development, while the objectives and roles of the state are over-emphasised.

<sup>12</sup> United Nations Partnership Framework (UNPAF) 2014-2018: A Partnership for Growth, Job Creation and Equity, UN Namibia, 11 October 2013.

<sup>13</sup> Namibia’s Fourth National Development Plan 2012/13 – 2016/17, Office of the President, National Planning Commission.



This sort of policy thinking and approach, and the accompanying state actions, could be argued as being largely responsible for, compounded by structural factors, the lacklustre performance of the country in attracting and retaining meaningful investment outside the minerals extractive sector and for considerably contributing to Namibia's slide in competitiveness over the last half decade. It is important to view all this in the context of Namibia attempting to become a high-income economy by 2030<sup>14</sup>.

## STARTING A BUSINESS

When considering this particular concern, it is instructive to firstly consider the World Bank's *Doing Business* index. When it comes to the 'starting a business' topic on the *Doing Business* ranking, Namibia has maintained the 132nd spot, out of 189 economies, on the ranking for two straight years (2013-2014). Similarly, and related, concerning the topic 'registering property', Namibia comes in at 178, out of 189, a six-place drop from 172 on the 2013 rankings. Both these rankings place Namibia very much on the wrong side of the performance table.

According to the *Doing Business* report<sup>15</sup> it takes 66 days to register a business in Namibia, which is well above the sub-Saharan Africa average of 30 days, and way longer than the OECD high income country average of 11 days. Perhaps most pertinently for Namibia in Botswana it takes 60 days and South Africa just 19 days.

The issue of the ease of setting up a business in Namibia is a longstanding one and was one of the critical issues to be addressed through the 2005 Namibia Investor Roadmap<sup>16</sup>, which crystallised 51 objectives that had to be achieved over a five-year period, ending with the 2010-2011 financial year. The 51 recommendations formed "part of the Government of Namibia's commitment to attract foreign investment and encourage domestic investment".

Against this backdrop, and specifically concerning the 'starting a business' topic, a 2010 audit<sup>17</sup> of progress made on the recommendations of the 2005 Namibia Investor Roadmap, found that the situation in this regard had hardly changed over the intervening years and the audit report states: "The internal procedures in the Registrar of Companies [in the Ministry of Trade and Industry] are inefficient, casually organised, and entirely manual. A complete overhaul rather than incremental improvements will be required to ensure a business registration system that is responsive to increased demand in the future. At the present time, even a single computer with a word processing programme would reduce the time for a name search from hours or days to one minute and would maintain a cumulative value of revenue for instant reference. It would also reduce the possibility of error to improper data entry."

Further along, the report attempts to sound an optimistic note while cautioning against poor planning, stating: "The MTI intends to develop a computerised system for the Registrar of Companies. There is some indication that inadequate consideration has been given to rationalising procedures prior to creating the databases. There would be lamentable consequences to building a management information system that simply incorporates the procedures as they now exist."

<sup>14</sup> According to Namibia's Vision 2030 the country is to become an industrialised economy by 2030.

<sup>15</sup> <http://www.doingbusiness.org/data/exploretopics/starting-a-business>

<sup>16</sup> The 2005 Namibia Investor Roadmap was drawn up by the Ministry of Trade and Industry and was discussed at the very highest levels across government and during a consultative workshop convened by the Secretary to the Cabinet in Rundu in 2006, the recommendations were endorsed.

<sup>17</sup> Technical Report: The Namibia Investor Roadmap Audit, submitted by AECOM International

The computerised system in question was supposed to have been installed and functioning by the end of the 2010-2011 financial year.

In this regard the audit report ultimately finds: “Existing company registration procedures have not changed.” That was back in 2010, and the situation, regarding “procedures as they now exist”, is no different four years on, at the start of 2014.

To be fair, the Namibian government, through the Ministry of Trade and Industry (MTI), appears to have reinigorated efforts to smoothen the business registration processes – including the amalgamation of various permit and certification processes through a one-stop-shop or single window approach – with the creation of the Business and Intellectual Property Authority (BIPA), which was initially setup as a Section 21, of the Companies Act<sup>18</sup>, not-for-profit entity in the latter part of 2013, with enabling legislation to transform it into a proper regulatory and investment facilitating agency still being contemplated. Despite the creation of BIPA, the Namibia Investment Centre (NIC) will continue. The single window is supposed to cover a range of services from one location (i.e. investment information, immigration support, investment-related facilitation, customs assistance, the evaluation of incentives, etc.), provide a one-stop information source, as well as to assist investors with business registration. BIPA would assist at this single window at least with the registration issue.

According to the NIC website, the services of the NIC are to:

- act as the first port of call for any potential investors to Namibia
- offer investor services, e.g., application for work permits, assistance with search and identification of land/premises, etc.
- identify and advise on the elimination of administrative bottlenecks confronting investors
- promote investment opportunities to both local and foreign investors
- conduct research on investment climate and trends, sector studies, identify , profile and market investment projects and avail this information to interested investors
- promote and facilitate joint venture arrangements and encourage domestic participation in investment initiatives
- issue of the Certificates of Status

At the time of writing, it was still unclear when BIPA would become sufficiently operational to have a marked impact. Nor was it clear when the NIC would make the single window a reality.

## THE TAXATION DISPENSATION

In terms of the World Bank’s Doing Business ‘paying taxes’ indicator, Namibia ranks at 114 out of 189 economies for 2014, down four spots from 110 in 2013.

Development to USAID/Southern Africa in June 2010. The audit was commissioned by the Namibia Investment Centre in the Ministry of Trade and Industry and written by Paulina Elago.

<sup>18</sup> Companies Act, 2004 (Act No. 28 of 2004)



Namibia has a higher corporate tax rate, at 32 percent<sup>19</sup>, than most of its neighbours – South Africa’s is 28 percent and Botswana’s is 22 percent – and that the administrative and compliance environment is relatively burdensome. For a brief overview of Namibia’s standing see the box below ‘Getting The Picture’.

#### GETTING THE PICTURE<sup>20</sup>

##### Results for Namibia vs Africa

- The case study company has an average Total Tax Rate of 52.9% in the region, while Namibia has an average of 21.8%; it takes 320 hours to comply with its tax affairs (Namibia takes 314 hours) and makes on average 36.1 payments in contrast to 37 payments for Namibia.
- All three paying taxes indicators for Africa are above the global average.
- Other taxes are the biggest element of the Total Tax Rate for Africa while labour taxes are the smallest part which is the reverse of the global picture. This is also the case in Namibia.
- The average time to comply in the African region is 320 hours compared to Namibia’s 314 hours, which is also well above the world average and the second highest of any region.
- The time to comply in 29 economies around the region is above the world average with seven economies having hours in excess of 600 (over 15 weeks) in comparison to Namibia’s 314 hours.
- Consumption taxes take the longest to comply with in the region – 127 hours on average. Namibia is above the regional average at 228 hours. Only 3 of the 53 economies have implemented these taxes with an electronic filing and payment capability which is commonly used. Namibia does not yet have electronic filing.
- The average number of payments for the region at 36.1 is also well above the world average 26.7, and the highest of any region. Namibia is above this average at 37 payments, mainly due to the large number of tax returns filed for Import VAT and VAT. Additional returns for the new withholding tax on services are also attributed to this increase. With the proposed implementation of the Vocational Education and Training levy in 2014, Namibia’s ranking in this indicator can be expected to drop further.
- In Africa and Namibia, the majority of the payments relate to labour taxes and mandatory contributions stand at 12 for Namibia and ‘other’ taxes at 22 for the country.

In recent years, the private sector in Namibia has raised a number of concerns about tax, in particular: the withholding tax on services; the export levy; and delayed VAT refunds – all of which affect both the local and foreign investor.

The following discussion will quote extensively from an article<sup>21</sup> published at the end of 2013, and authored by Cameron Kotze, Tax Partner at Ernst & Young Namibia.

#### Withholding tax on services

In 2011 the Namibian Minister of Finance announced the introduction of a withholding tax on services.

<sup>19</sup> With the 2014/15 National Budget, the corporate tax rate has come down from 33 percent to 32 percent, a change already announced in early 2013.

<sup>20</sup> PWC (2013) ‘Paying Taxes 2014: The Global Picture – Africa’ - 5 December.

<sup>21</sup> Quotes from Cameron Kotze, ‘The Impact of Taxes’, Insight Namibia’s Mining in Namibia 2013, December 2013/January 2014.

“At 25 percent the tax rate is very high compared to other countries in this part of the world. It is common in service supply agreements of this nature to find a clause that stipulates that the non-residents will not be liable for any domestic taxes. This really means that the recipient of the service bears the cost of the withholding tax because the non-resident expects to receive the amount that has been invoiced for the service rendered. This is what has happened in many cases since the introduction of the tax on 30 December 2011. The effect of this practice is that the Namibian resident bears the cost of the withholding tax because the original cost must be grossed up so that the law is complied with. The 25 percent withholding tax rate then effectively becomes 33 percent,” Kotze writes, and continues: “Withholding tax rates are generally much lower because it is applied to the amount paid to the non-resident on the basis that the recipient of the amount has incurred costs to render the service. A tax rate of 10 percent would have been received much more favourably by all and sundry, in my view.”

Anecdotal evidence suggests that this particular tax is already proving unpopular, especially in the mining and oil and gas exploration sectors, where firms regularly make use of experts with specialised skills not available in Namibia.

In this regard, Kotze states: “The definition of the services which are subject to the tax is also problematic. While it is completely understandable that management and administration fees are subject to the tax, it is questionable why services that are specialised and which are generally not available in Namibia would be treated the same as services that are commonly available in Namibia for purposes of this tax.”

And he concludes: “Namibia’s attractiveness as an investment destination has declined significantly over the last 12 months and the introduction of this tax has definitely played its part.”

### Export levy

Kotze sums up the situation as: “The export levy is one of the new taxes that will be introduced soon. For those who will be liable to pay this tax it probably feels as if government is penalising them for unsuccessful policies of the past.

The tax rate will in all probability be capped at two percent (2%), but is levied on the selling price of certain goods, which are exported, irrespective of the costs incurred to get the goods ready for sale. In essence it is sales tax and ignores production and marketing costs to land the sale and generate the income. The export levy will be imposed on the export of minerals, fish, game, oil and gas. For the mining and oil and gas industry this comes on top of the mining levy which is also a tax on the selling price received for what is sold.” As to the impact of this levy, he states: “Namibia has declined in popularity as a first choice investment destination in recent times for various reasons and the introduction of this type of tax will not make it easier to compete for a place on the podium.”

He continues, however: “One of government’s goals with the introduction of this tax is that natural resources must undergo a beneficiation process in the country before the value-added good is exported to other countries. Government clearly wants to ensure employment opportunities are created by encouraging investment in value-added activities and in the long run this is to the benefit of the country as a whole. What is not fair is that the investor who is prepared to take the risk to produce the natural resource is being



penalised because there are limited facilities where these goods can be benefited so that the new tax can be avoided.”

### Delayed VAT refunds

On this topic, Kotze states straight off: “I hold the view that one of the inhibiting factors to ensure government’s success to improve economic growth is the impact that the delay in legitimate VAT refunds has on the economy. It is estimated that the multiplier effect can be as much as N\$3 for every N\$1 VAT that is locked up in Inland Revenue’s system. This means that businesses cannot and will not spend the VAT refund amount until such time as the refund is paid back.”

Underlining the problem, he continues: “In some cases businesses have pledged their VAT refunds as security to obtain additional credit from suppliers or bankers. This credit line obviously comes at a cost which limits the expenditure of businesses in one way or the other. This break on expenditure does the growth in the economy no good.”

As to why delays have become an issue, Kotze states: “Although the law provides for the compensation of delayed VAT refunds by means of interest if the VAT is refunded more than two months after the refund arises (the official rate of interest is 11%), officials at Inland Revenue have interpreted the provision that triggers the interest in a very peculiar way. It is Inland Revenue’s interpretation that interest on a delayed VAT refund is only payable once they are satisfied that the refund is due to the taxpayer. They are only satisfied that a refund is due to a taxpayer once the refund has been verified. The verification process at best can take a few months because of the volume of refunds that are subject to verification.”

While these are all worrying factors for investors to consider, a recent government approach to introducing taxes has also caused alarm bells to go off in the business community, especially the mining sector, and arguably has since had an impact on Namibia’s attractiveness as an investment destination.

Summarising the incident, Sherbourne<sup>22</sup> states: “In July 2011, ... the Minister of Finance announced a broad range of tax proposals ... The proposals included raising the tax rate on mining companies from 37.5 percent to 44 percent, imposing an export levy of up to five percent on unprocessed mineral exports, and subjecting mineral exports to VAT. The Chamber of Mines and diplomatic representatives immediately engaged with Government and forcefully put the case against a blanket export levy and VAT, arguing that these measures would effectively take 20 percent off the top lines of the country’s mining companies and render them unprofitable. Government listened carefully to these arguments and on 17 August revised its tax proposals ... and also agreeing to negotiate further with the Chamber on the issue of mining corporate tax. The outcome represented a victory for engagement and dialogue and showed Government was prepared to change its mind.”

### DISCRETIONARY DECISION-MAKING AND EXECUTIVE CODES OF CONDUCT

While the Namibian state sector made progress in terms of introducing effective regulatory structures, one thing that has become a concern is the lack of accountability and transparency in decision-making across the sector.

<sup>22</sup> Quoted from Sherbourne, *Guide to the Namibian Economy 2013/14*, p.169.

There are no legislative mechanisms which entrench transparency in decision-making and give interested parties, citizens or investors access to the machinations of decision-making at the highest levels in government. Institutional enabling legislation generally does not make provision for access to information or transparency enhancing elements.

This has especially stimulated a climate of suspicion around such critical administrative processes as the awarding of oil and gas exploration and various mining sector licences, environmental impact assessment compliance, and the awarding of procurement contracts by the state.

The IPPR, in a series of briefing papers<sup>23</sup> looking at the threat of corruption infiltrating various strategic licensing and public procurement dispensations, has identified as one of the threatening factors the discretionary decision-making powers granted Ministers and almost every senior executive below that level within government departments. Similarly, the issue of an absence of codes of conduct to regulate the activities and behaviour of senior state sector employees – including those in state-owned enterprises – is a significant contributory and compounding factor undermining the credibility of public sector decision-making and the integrity of vital administrative functions.

While government has continuously been pronouncing that oversight mechanisms within the public sector will be improved across the board, along with the enactment of access to information legislation, these measures have been long in the coming and do not appear close to being introduced. Just as an illustration of government's attitude towards accountability and transparency, National Development Plan (NDP) 4 makes provision for monitoring and evaluation schemes, but halfway through the NDP 4 period, no ministry or government agency has yet produced a public report assessing performance.

To highlight the danger, Sherbourne<sup>24</sup> stated the following in this regard: "The more discretion and the less transparency there is in any system, the more corruption there is likely to be."

This statement was made in the context of, and brings into focus, the sensitive issue of black economic empowerment (BEE) in Namibia.

## BLACK ECONOMIC EMPOWERMENT

Rightly all wrongly, public sector licensing and procurement maladministration and general corruption in Namibia have become closely linked to BEE, both in the national psyche and the perceptions of many potential foreign investors.

Given Namibia's history of racially skewed economic development and wealth, income and opportunity distribution under apartheid, it was natural that the new Namibian government at independence looked to finding ways of redressing the inequities entrenched in the pre-independence era. Namibia opted for a BEE approach similar to that introduced in post-apartheid South Africa, without the benefit of actually legislating anything, apart from an affirmative action law<sup>25</sup>.

<sup>23</sup> To view the list of briefing papers in the IPPR Anti-Corruption Research Series go to <http://www.ippr.org.na/?q=anti-corruption>

<sup>24</sup> Quoted from Sherbourne, *Guide to the Namibian Economy 2013/14*, p. 462.

<sup>25</sup> Affirmative Action (Employment) Act, 1998 (Act 29 of 1998)



While BEE has always been contentious and controversial, in Namibia as in South Africa, it has become even more so in recent times with widespread suspicions and perceptions of BEE opportunities having become little more than self-enrichment schemes for politically connected individuals through borderline corrupt transactions.

Arguably in an attempt to address the negative stigma attached to BEE, the Namibian government, in 2006, started a process of formalising the BEE landscape. This process ultimately produced the Transformation of Economic and Social Empowerment Framework (TESEF), which was in principle approved by Cabinet in 2008, before making its way to the Swapo Party Politburo. Sadly, this process stalled somewhere along the line and TESEF has completely fallen off the table.

However, in 2011, government, through the Office of the Prime Minister, announced the New Equitable Economic Empowerment Framework (NEEEF)<sup>26</sup> – which would establish the Commission for Equitable Economic Empowerment and create a scorecard system according to which companies would be rated on compliance with a BEE certification system. The NEEEF was supposed to have led to the creation of a proper legislative framework and, ambitiously, was set to start running from 2011<sup>27</sup>, for 25 years, to 2036. However, as was the case with TESEF, NEEEF already seems to be suffering from a lack of impetus and political commitment, and commentators have opined that the initiative appears to have been merely cosmetic and that political elites have no interest in seeing the BEE landscape formalised. Furthermore, it was reported in 2011 that the private sector expressed discontent with the lack of consultation preceding the announcement of the NEEEF initiative.

In the meantime, different sectors of the economy have attempted to come up with their own rules and BEE charters, but these initiatives have no legal standing and are largely voluntary compliance mechanisms. As it stands, the BEE landscape – cutting across all economic sectors – can be described as being one of ‘shotgun-weddings’, rampant ‘rent-seeking’, ‘fronting’ and ‘survival entrepreneurship’ and where arbitrarily determined targets and equity stakes are doled out, while no attempts are made to stimulate new black business.

A 2010 document<sup>28</sup> looking at attempts by government to stimulate investment in the country, expressed the following assessment on this state of affairs: “Several observers note that such requirements as making existing companies take on black Namibian partners not only represents an unproductive intrusion on the private sector but does little to help presently disadvantaged people. Rather, such policies create a class of privileged individuals and confuse the broader goals of affirmative action. Namibia will not create greater social justice by adding additional complexity to the affirmative action system, much less by allowing a concept not condoned by law to affect competition in the business world.”

Similarly, Sherbourne<sup>29</sup> aptly summed up government’s stance to date as follows: “Government claims to be attempting to make a fundamental shift in the way the economy is owned and managed without explicit policies, goals and transparent ways of measuring progress. This is clearly a recipe for chaos

26 The NEEEF document can be viewed at [http://209.88.21.36/opencms/export/sites/default/grnnet/OPMv2/DocArchive/StatutesBills/NEEEF\\_final.pdf](http://209.88.21.36/opencms/export/sites/default/grnnet/OPMv2/DocArchive/StatutesBills/NEEEF_final.pdf)

27 See Desie Heita, ‘Private Sector Unhappy With New Equitable Economic Empowerment Framework’, *New Era*, October 25, 2011.

28 Technical Report: The Namibia Investor Roadmap Audit, submitted by AECOM International Development to USAID/Southern Africa in June 2010. The audit was commissioned by the Namibia Investment Centre in the Ministry of Trade and Industry and done by Paulina Elago.

29 Quoted from Sherbourne, *Guide to the Namibian Economy 2013/14*, p. 462.

and corruption.”

And this then would appear to be the right place to bring corruption into the discussion.

## CORRUPTION

Whether corruption over the years has increased or decreased in Namibia, is hard to quantify or say either way, but a case could be made both ways, which arguably suggests that the situation is not as dire as some would have it, and not as rosy as others would make it out.

This situation also seems to be reflected by Namibia’s ranking on Transparency International’s Corruption Perceptions Index (CPI)<sup>30</sup>. When looking at Namibia’s position on the CPI, it is clear that over the period of the last decade, the country’s position has maintained a measure of stability – not dropping, not rising. Also, Namibia has managed a consistent ranking in the moderately corrupt range, just outside the ranking of the least corrupt, and in the more positive top third of the index. The following table illustrates this somewhat consistent ranking.

### Corruption Perceptions Index

RANKING	2004	'05	'06	07	08	09	10	11	12	13
Namibia	54 (146)	47 (159)	55 (163)	57 (179)	61 (180)	56 (180)	56 (178)	57 (182)	58 (174)	57 (175)

Considering the issue of local perceptions of corruption, in its fifth round, Afrobarometer<sup>31</sup> found that “for the first time more than half (56%) of respondents report that the government is doing a shoddy job in curbing the scourge of corruption”<sup>32</sup>.

However, even though most Namibians appear to have a negative view of government’s handling of corruption, most also still seem to have faith in the Anti-Corruption Commission (ACC).

In this regard Afrobarometer found that: “About 44% Namibians think that the ACC mostly go after petty offenders while avoiding the politically well connected. Conversely, just above half (51%) of the respondents posit that the ACC targets all levels of corruption including suspects who are politically powerful. Such public support keeps the ACC in the accountability game with the popular respect and legitimacy to carry out their mandate. Slightly more male (46%) compared to female respondents (41%) maintain that the ACC have a predilection to go after ‘small fish’. However, female respondents are somewhat more inclined to believe that the ACC targets all levels of corruption than males – with 52% compared to 48% respectively.”

When considering this situation, the aspect that needs significant illumination is the issue of ‘politically well connected’ individuals and groups appearing to benefit disproportionately from BEE initiatives, public and private sector procurement contracts, natural resources licensing and a range of benefits from land distribution and resettlement to overseas study bursaries. While many of the dealings around these activities do not constitute outright corruption, they do seem to come across as borderline illegal, or even just blatantly unfair and unjust. Some high profile corruption cases, involving ‘politically well-connected’ individuals, have

30 <http://www.transparency.org/research/cpi/overview>

31 The Afrobarometer is a comparative series of public attitude surveys, covering up to 35 African countries in Round 5 (2011-2013).

32 [http://www.ippr.org.na/sites/default/files/Nam\\_R5%20Corruption%20Perception\\_9Apr\\_Final.pdf](http://www.ippr.org.na/sites/default/files/Nam_R5%20Corruption%20Perception_9Apr_Final.pdf)



started casting light on how these elites corner opportunities for their own self-enrichment, and this has arguably only gone to strengthening the public perception that government is failing to rein in corruption.

One of the sectors that has especially come to be viewed with suspicion as a result of what appears to be widespread questionable dealings or near unlawful activity is the oil and gas exploration sector<sup>33</sup>, where it appears the licensing regime, managed from within the Ministry of Mines and Energy (MME), has become something of a money printer for local elites<sup>34</sup>. As far as can be deduced, many foreign exploration firms are coerced into tie-ups with local exploration block holders. What invariably happens is that the locals ‘flip’ the exploration block to the foreign concern for a large amount of money at the earliest opportunity. While it appears that some coercion is involved in many of these tie-ups, not just in the oil and gas exploration sphere but across the minerals extractive sector in general, it probably also is the case that many foreign firms seek out ‘politically well-connected’ individuals to facilitate the smoothening of and even by-passing of administrative processes, for a substantial fee paid to the local<sup>35</sup>.

That the mining and oil and gas exploration sectors, especially the licensing phases, are especially vulnerable to corruption as a global phenomenon. By all appearances, Namibia seems to have all the hallmarks of corrupt activity having infiltrated this strategic economic sector. In this regard it is also instructive to consider the findings of TI’s Bribe Payers’ Index (BPI)<sup>36</sup>. In the most recent BPI, out of 19 sectors (one being the least prone and 19 the most prone), the mining (15) and oil and gas (16) sectors come in as two of the most prone to bribe paying around licences and gaining approvals. Equally instructive is that out of 28 countries’ ranked (one being least likely and 28 most likely) on the occurrence of their multinationals being predisposed to paying bribes, China comes in at 27th, just ahead of Russia in last spot. In recent times, Chinese companies have started becoming prominent players in the Namibian mining and minerals exploration sector (as well as the highly lucrative construction sector), which brings this particular aspect – bribe paying – into sharp focus.

Much of what is happening and has been reported on in local media has to do with and speaks to the murkiness of the definitions and application of BEE in the sector, the discretionary decision-making powers and questionable conduct of MME senior officials, and the lack of public access to information and oversight in the sector. It can thus be reasonably asserted that legislative and institutional weaknesses are being exploited to benefit a coterie of ‘politically well connected’ individuals and interests.

And when it comes to ‘red tape’ concerns, it is obvious that commercial concerns or multinationals that wish to steer clear of bribe paying or other dubious and uncompetitive dealings run the risk of placing themselves in a disadvantageous position. At the same time, Namibia runs the risk of attracting the wrong sort of investors, as already appears to be the case in some respects.

A recently released Namibian Fraud & Corruption Landscape Survey, produced by Ernst and Young, contained some sobering figures.

Almost 80 percent of the 90 business executives interviewed said that fraud and corruption were a major risk for business in Namibia. Some 76 percent of respondents said they had suffered incidents of fraud and corruption in the last three years. To compound the issue, 27 percent of respondents indicated that they had been requested to pay bribes in the course of doing business in Namibia while 58 percent indicated that they

33 See ‘Business Unbecoming’, Insight Namibia, June 2012.

34 See ‘The other children of the struggle’, Insight Namibia, June 2013

35 For an overview of the situation see [http://www.ippr.org.na/sites/default/files/Extractive%20Industry\\_Mining\\_LOW.pdf](http://www.ippr.org.na/sites/default/files/Extractive%20Industry_Mining_LOW.pdf)

36 <http://www.transparency.org/research/bpi/>

are aware that bribes are being paid in their industry.

These figures indicate that corruption within the private sector may well be much higher than previously thought. Business executive said corruption was mainly experienced in the areas of asset losses and procurement. i.e theft and tender fraud.

Perhaps inevitably businesses do not have much confidence in the agencies that are supposed to fight corruption. Some 81 percent of respondents said they felt law enforcement agencies and the judiciary did not deal with corruption adequately.

More than half the businesses surveyed did not have fraud risk management programmes in place. Preventative efforts also appeared to be lacking. Some private businesses do blow the whistle and risk conflict with government when they point out irregularities in procurement procedures or licence allocation processes. Such efforts, when backed with evidence, are to be commended. But the private sector can do much more.

## COORDINATION AND COMMUNICATION

Another factor which has always been a serious 'red tape' concern is the prevailing poor state of coordination and communication between government departments and agencies in Namibia.

The 2010 audit<sup>37</sup> of progress made on the 2005 Namibia Investor Roadmap, found in this regard: "Despite these high level endorsements [of the Roadmap recommendations], follow up by individual agencies and institutions to ensure effective implementation of specific recommendations has had mixed results. Additionally, there has been very little coordination amongst the various agencies tasked to address specific recommendations in accordance with the action matrix that was adopted at the Rundu workshop. As a result, a significant number of recommendations have not been fully implemented. This problem is also compounded by the absence of an effective coordinator or lead agency, that oversees, keeps track of implementation of regulatory reforms and reports on any progress made."

It goes on to state: "Given the above, it is still not clear what roles the MTI and the Office of the Prime Minister are expected to fulfill in this regard. It is important that the institutional mechanism for the roadmap implementation and key leadership roles are clarified and communicated to all involved in order to ensure that the reform agenda is well managed and delivers desired results."

This ties into other concerns, which as of the beginning of 2014 still largely remain to be addressed, or to quote from the audit document again: "From immigration, business registration, land acquisition, licensing and other areas, there is still a lack of clarity on the processes and procedures, an element that continues to frustrate investors. There is a need to clarify the exact administrative procedures and to publicise such information in brochures/pamphlets and on the internet. As part of the Audit, several government websites were visited and it was found that, in most cases, information on processes and procedures was not available and several websites displayed outdated information." Much of this is still true four years on.

<sup>37</sup> Technical Report: The Namibia Investor Roadmap Audit, submitted by AECOM International Development to USAID/Southern Africa in June 2010. The audit was commissioned by the Namibia Investment Centre in the Ministry of Trade and Industry and done by Paulina Elago.



Furthermore: “Similarly, policy, legislative and regulatory changes that have occurred are not updated. This reflects a lack of regular update and optimal utilisation of the internet as a communication tool that also promotes transparency. Notably, more time and resources need to be invested in information communication tools.” Once again, this situation has not changed much, even though the Namibian government has been touting its e-governance and e-processing initiatives for a few years now, which, along with the promise of wholesale redevelopments and improvements to government websites, are slow in appearing.

Just to underline this particular concern and to demonstrate that the issue of poor coordination and communication undeniably persists, a 2013 report<sup>38</sup> on the state of Namibia’s rural development efforts, found the following: “Poor communication, inappropriate dissemination methods and inadequate access to information are critical issues noted by stakeholders during the situation analysis.”

How these latter factors contribute to and compound some of the already outlined difficulties and traps that investors have to navigate and wade through in order to set up, operate and manage an investment in Namibia is of course easily deducible.

## AGENDA FOR ACTION

In short, what this section illustrates is that there is plenty of evidence and pointers regarding what the obstacles to investment are in Namibia. What appears to have been lacking is a clear plan of action and perhaps most importantly a commitment to carrying such a plan out. For whatever reason much of the 2005 Roadmap has been either ignored or put on the backburner. NDP4 may suffer a similar fate. However, it still has to run its course for three more years. The hope is that this report will act as a spur for new commitment and action on these established issues of concern, which are featured in a range of surveys and assessments.

Investors, while sometimes frustrated, often find a way through the obstacle course. Take for example this oil and gas investor quoted in the British High Commission’s publication, *Doing Business* in Namibia:

“From the first impressions at passport control to negotiating with government, Namibia is a very pleasant country in which to do business, possibly the best in Africa. Dealing with government can at times be frustrating but, on the other hand, the government is often prepared to explain what the problems are and to work cooperatively to find solutions.”

What is needed is to expand this willingness to help on the part of individual officials into a broader and deeper culture of public service which would seek to close the current gaps, remove obstacles and genuinely promote investment and the positives that flow from it – improved jobs, incomes, and development.

<sup>38</sup> The document was produced in 2012 for the Ministry of Regional and Local Government, Housing and Rural Development and is titled ‘Consolidated situation analysis for the National Rural Development Strategy 2013/14-2017/18’.

*Section 2*



## INTERVIEW WITH CALLE SCHLETTWEIN,

*Minister of Trade and Industry*



**Looking at NDP4's target of Namibia being the most competitive country in the region by 2017 – how far along do you think Namibia is in reaching it?**

I think it is an ambitious target but if I look at the ratings that we have got so far – and we have gotten them rather consistently – we still rate in the top four or five in Africa depending on which reports you look at. We are grouped together with other southern African countries and the odd country outside of SADC. If you go through these rating reports you will see that we are not deteriorating – it is others that are improving – and that is why we are consistently in the top five but we have not moved up. Many of the reforms happened early in the day – early after independence – and then we stopped.

To move towards that goal of being the most competitive investors' home, the business climate is one component you have to look at. There are, of course, other components that would help you. Now to address that, we take these reports quite seriously. We have now established a task force with the World Bank and the IFC [International Finance Corporation] – that helped us to identify those areas that are the most pressing ones. Not that we did not know them – we knew them all along. Together we mapped out a road map regarding how we address those matters where we are falling behind. It is not in all areas that we are falling behind in fact. There are some strengths that we have and some weaknesses. It is our target to address these weaknesses so that we can – in relation to others – move up in the competitiveness scale. The NDP says that we must become the most competitive country in SADC. Of course we argue that competitiveness is not an end in itself; we must translate being more competitive into benefits that our citizens have at the end of the day. There must be an improvement in real terms for the people

who live in Namibia. We must improve our job creation capacity; we must improve our wealth creation capacity. We must distribute that wealth in a more credible way. Competitiveness is a measure – it is a good measure – but our preferred measure is seeing how the living standard of our people is improving. Now, are we getting there? Yes, I think so.

**What do you see as being some of the major obstacles to local and foreign investment at the moment?**

There are a number of them. The latest survey that we have from last year on the local business climate ranks accessibility to affordable financing as the most severe challenge to growing the economy and we agree with that. It is not only the small and medium enterprises but also the larger enterprises that this is a serious obstacle for in regards to progressing with investment. I think as government we have taken the step to reform the financial sector through the Financial Sector Reform programme that is driven by the Ministry of Finance, where we target inclusive financing across the spectrum. This is a good thing. We have taken the first concrete steps where we allow a creative framework where unlisted entities can be used for portfolio investment.

I think it is a very big step. A very important step that assists us in utilising our own savings for investments at home. The Financial Literacy Campaign has kicked off so on the financing side, I think we have taken concrete steps to do that. Equally, I think the Ministry of Finance has looked into its taxes and a Tax Reform Taskforce has been established that looks into the whole tax administration. What is important for us in the Ministry of Trade is that we have a number of tax incentives that make us an attractive home for investors. However, some of these incentives miss the target and we think that we have to review tax incentives so that we can be more relevant.

**Could you name some specific tax incentives that you would like to review?**

Yes, I can use the example of the EPZ Scheme. The EPZ Scheme was developed in the mid-90s and it was very popular. It offers total tax holidays to entities that produce/manufacture for the sole purpose of export. Export is defined as export outside the Customs Union. Now that we have joined and signed a new SACU treaty and now that we have developed the SADC Free Trade Area, we think that the limitation to produce for the export market other than the SACU and SADC market becomes a serious stumbling block. We want to change the EPZ Scheme – to amend and review it so that it is broadened into a concept of economic zones that can produce for the domestic market; that is the SADC/SACU market and have that as its prime target instead of having export markets beyond SACU and SADC as its export target.

It is a typical case where we are missing the boat because of the fact that our economy has moved on and we are now aligned differently in the global economy than we were in 1995. Equally, I think the EPZ Scheme allowed the extraction industry to be considered. We have now realised that it is in fact a below optimum utilisation of raw materials that pulls us down and to reward the exploitation of raw materials and the exporting of raw materials with a tax incentive appears to be too generous.

The new set of policy guidelines would be to optimise the use of raw materials in terms of value-adding and benefitting those that lend themselves to that - even those that do not lend themselves to value addition or beneficiation – then the returns we get in terms of monetary returns must be approved. We



cannot give them away for free or even forfeit tax revenue or royalties on them through an EPZ scheme that grips that sector. Those are two examples of where we think the tax incentive scheme was perhaps good at the time but it doesn't fit the shoe today. It must be changed. We must also have the ability, that if we give tax incentives, to enter into a performance-related arrangement with those who receive the incentive so that if those that enjoy these benefits and these regimes that are relevant to them; if they do not deliver on what we would expect them to – in terms of employment creation or wealth creation or exporting – then we would and we must have the ability to claw back on the incentive side as well. It must be a time-bound relation with claw-back provisions on either side.

Now there are other obstacles of course, but we are just touching on the base. We just talked about financing and tax incentives. I think another challenge that we have is that of a lack of policy space. We have, and are still in, a situation where we are suffering a captive market situation. Because of global trade policies we now have lost all or most policy space that developing countries have used to develop. We are now facing a situation where those that are up there are kicking the ladder that they used to get up there and we do not have it available anymore. The lack of policy space, perpetually being in a captive market of finished goods and, on the other hand, having the export of raw material as the main driver of the economy, is the stumbling block that needs to be removed. So we have to carve out that little policy space that is still available and protect that and make smart ways possible that are allowed in the international, multilateral trade arrangements which would facilitate our policy of manufacturing. Boosting manufacturing, posting value addition and boosting our productive capacity for finished goods. That is an aspect we must take on board when we negotiate bilateral trade arrangements and when we discuss multilateral trade arrangements like the Doha (Development) Round.

Policy space for industrialisation is a matter that we need to have at the forefront of our policy debates – be it bilaterally, multilaterally, but also domestically. We think that those productive capacities that we do have need attention and need a more participatory or interventionist state role in protection and taking the initial steps for the establishment of the manufacturing capacity. That, we believe, is a matter that the state must get more involved in instead of leaving it to the private sector.

The private sector, in the last twenty-five years, did not manage to improve productive capacity significantly. It is not a blame game – there are reasons for that. One reason is unfair trade practices of importers. We have seen very aggressive tactics by importers that had the result of actually destroying our efforts to create productive capacity. Cheetah Cement is one example that springs to mind where when we tried to establish a cement factory that was under the Cheetah brand, the importers very aggressively changed pricing. They dropped the price so that Cheetah was not viable anymore and destroyed it. After they were destroyed, prices increased to levels much higher than before. We have seen that in price wars for other commodities like beer, dairy products, poultry products – there are many examples where the importers are not investing in productive capacity in Namibia, but only in distributing and retail activities. That is a matter that relates back to kicking away the ladder. Those importers actually came out of and grew in a very protected environment. Now we do not have that policy space anymore but we have to fend off entities (importers) that had the benefit and still have the benefit of subsidies. European dairy products are heavily subsidised. If we have to compete on an equal level that would be fine but the playing field is not level. We have to engage ourselves in a limited and time-bound industry protection scheme – whether they are quantitative reactions or tariff barriers that need to be used to develop these different industries. It is important to note that our SACU and SADC agreements had recognised that lack of policy space and there are provisions in each of these treaties that recognise the

need for them and allow for the utilisation of these provisions to implement Infant Industry Protection and to, in a restrictive way, utilise quantitative restrictions for that purpose. The quantitative restriction is more limited and may not be used to protect an industry but it can be used for socio-economic development. So if it creates jobs, if it creates wealth, if it avoids disturbance in the market, those things can be considered when you use quantitative restrictions and that is exactly what we do.

Another challenge that we are facing, which is a real challenge, are prices for utilities and services. I think it is our take that whether it comes to power, water, transport services or port services, most of our utilities have prices that are on the high side. The projected price increases of these utilities have the risk to spiral us out of competitive and other affordable ranges. We have to find ways to adjust so that our industries at least remain with some competitiveness in spite of the price increases that are projected.

**Investors and stakeholders that are looking at investment in Namibia complain about a skills deficit – especially in industries that demand specialised or technical expertise. How do we address this? Do you see this as a major concern?**

It is true. The skills gap is a serious matter that needs to be addressed. I think especially on the vocational side we are lagging behind. If you want to have industries growing, you need a lot of technology and experts but it is not only the skills level; I think it is the technology itself that is lacking so we have to enter into arrangements with investors where we support the import of technology, we support our whole innovative capacity because research and innovation is a matter that is not very strong in Namibia. We must see it as a package – you can have skills available but if you do not have the technology itself available and you do not advance new ideas that make you more competitive, I think you will remain weak. The skills gap in research, in development, in innovation, in vocational fields but also the lack of the very technology itself that needs to be brought on board, is a drawback that we need to address.

Things like the FabLab\* [fabrication laboratory], which we have now established, is a good step in that direction where we bring that technology into an affordability range for SMEs where we render that service and they can come and off-load that best technology that is available and use it in their process. We have discussed with India that they want to help us with IT solutions in the manufacturing processes and make that therefore more efficient. That is a good example of how technology and IT solutions make you more competitive in doing what you are already doing.

There is also the health and safety aspects as those are related battles. I think we are still served very well in terms of infrastructure availability in terms of IT technology but it is expensive. Health services are expensive, IT is expensive, access to the internet is expensive – not that the services are bad, but they are expensive for an SME. Legal services for an SME are de facto unaffordable. There are a number of services that we have to really look into and see whether we cannot have alternative ways to assist our SMEs. I, therefore, agree that the whole set of skills and services that are delivered are at stake here.

\* A FabLab is a small-scale workshop that is equipped with a wide range of computer-controlled tools that can produce “almost anything”. FabLab Namibia aims to empower local communities, education institutions, entrepreneurs and artisans, and SMEs to develop technological solutions as a means of solving local problems.



**In terms of some of the initiatives that are currently taking place, you mentioned one of them being the FabLab. Could you mention a few other initiatives that are taking place at the moment under your Ministry to address some of the challenges that you mentioned?**

We have got a number of schemes available that we offer to our SMEs. The first one I want to mention is the Modernisation Scheme where we assist existing SMEs in modernising their business concepts and processes whether it is manufacturing, marketing, labelling, public relations and so on. We assist them because we identified that it is difficult for SMEs to do these things on their own. It is an overhead that is very much needed but it is easily dropped because it is not seen as exactly what it is.

We have a similar scheme that we call the Sites and Premises Scheme where we develop sites and premises for businesses to get going whether there is trading or manufacturing, as both are covered. It is again an overhead where we try to reduce the costs for SMEs to get started; just to have a place to do business from which is fully serviced with power, water, IT connectivity and so on.

**That also addresses the issue of the lack of capital for start-ups.**

Yes, financing is a problem and if we can bring down initial costs that would help a lot. You are right; it talks not only to the financing – we said financing is the number one problem. Land availability for industries is a problem I think that we can add. Affordability of utilities is another problem. If we assist with some of these costs to establish, the others become easier to address. If you do not have high financing costs, maybe you can afford power – so the one feeds off the other.

We also have the Equipment Scheme where home-based industries are supported by getting the equipment – the means of production – at an affordable or assisted rate and that would make them immediately productive instead of remaining there waiting for the means of production to become affordable.

We also have, in terms of financing, some arrangements where we offer bridging finances through the SME Bank and the Development Bank, where SMEs that have a weak balance sheet can require bridging financing on the strength of a tender that has been allocated and that can be used as security so that their cash flow is supported. Of course we want to develop the SME Bank to address the number one problem. I think the Development Bank and Agribank, in their sector-specific approaches, do the same to address the financing problem. We have a fourth scheme where we assist manufacturers in marketing their products. We help them to participate in exhibitions, we bring them into contact with export markets and domestic markets where they can then sell and market their products. Those are the four main legs that our assistance programme stands on.

**In terms of foreign investors coming to Namibia, what sort of initiatives do you have ongoing? I know that there is BIPA [Business and Intellectual Property Authority], for example, that addresses both local and foreign investments at least in terms of the registration process. Are there any other specific initiatives for improving or easing investment from abroad?**

Yes, I think BIPA is one initiative where all the registration issues, whether it is a company registration or a CC (Close Cooperation) registration or a patent or intellectual property trademark or whatever, that

would be combined and it would be a facility that is available online. We already have three streams online: the registration of companies, the registration of CCs and the verification of these registrations – so some progress is made there.

We are also collapsing the NDC, which is the Namibia Development Corporation, and the ODC (Off-shore Development Company) into one body to be called the Namibia Industrial Development Agency (NIDA) that will focus on bringing about that industrialisation in partnership with a foreign investor or a domestic investor. That whole concept is based on the formation of industrial zones or industrial parks. We want to create these zones where investors can settle to manufacture and the Industrial Development Agency of Namibia will be that public institution that brings about the availability of land and service land. It will act as a kind of developer for the industrial zones so that industries do not have to have the burden to acquire land and get the necessary certificates – that will all be done by the Industrial Development Agency.

#### **When do you see this coming?**

The draft law that collapses NDC and ODC into NIDA is available in its draft form. We have had the initial consultations on it, so hopefully by this year (2014) we will proceed with the legal framework being tabled in the National Assembly. We have in certain centres received some positive reactions from local authorities in regard to land. I think in Walvis Bay we have reasonable land available that we can start to develop. We have started with a 130ha plot which is fully developed already and serviced already so we start there. We have got more land available there.

We have started, as government, with these fresh fruit hubs that are based on the ability to improve production and processing of fresh produce and cultural produce. Adjacent to these fresh fruit hubs, there is land for industrialisation that is for value-adding industries – whether it is juice, canning, jams; whatever you can do with the produce that is no longer suitable for the fresh market can be better used there. We can reduce waste and improve cash income for all the farmers by industrialising.

What is important, I think, to say about this concept is that we are not looking into a project-based approach. We want to take a value chain approach where we can accommodate SMEs but also accommodate large companies or big investors – to link up the small investors in a value chain so that we benefit not only from one type of value-addition to one type of raw material, but also from service provision into that value chain on the up and downstream of the value chain. The supply of other materials used in the process to create a finished product so it's a whole value chain that we want to develop. We want to actually also venture into the development of regional value chains where we improve SACU's productive capacity as a whole by creating a regional value chain where a finished good is then to become known as "made in SACU" instead of "made in South Africa" or "made in Namibia" or "made in Botswana" only. We all contribute to that value chain.

Otherwise regional integration has the risk to chase you into a spiral until the bottom, where you are out-competed by your neighbour. We do not want to do that, we want to complement each other. It is difficult because we all produce more or less the same things but if we can create a regional value chain on these similar raw materials that we have, then all of us have equal chance of gaining out of that. That is an important concept that we have discussed in SACU and that we have also discussed bilaterally with our neighbours – the development of regional value chains that complement each other's economies instead of feeding off each other. The risk is that if we develop industrial capacity, we take that capacity



from Botswana or South Africa. That is not what we want. We want to improve all our productive capacities. We have the same problems; we all suffer from unemployment, from skewed economies, from a very skewed distribution of wealth – we must address the same problems so that can only be done complementarily and by development of regional value chains.

**Where is the Namibia Investment Centre’s role in all of this? For example, looking at the NIC, how do they play into some of the initiatives you have ongoing?**

The NIC will be the implementer of our single window, which has been approved by Cabinet. The NIC will be reconstructed into an organisation that is the implementer of the single window approach. If an investor comes, it is a one-stop shop or single window where they go and everything will be covered. It will reduce establishment costs by a significant margin, where you do not, as an investor, have to go to all the different institutions but you have one window that you approach and everything is done by that and you come back when everything is settled and done.

It is part of the initiative that we have now with the World Bank or with the IFC where we start with a stakeholder conference to see how we can and what needs to be amended in terms of a legal framework and policy framework to implement the single window. That is the main function of the Investment Centre.

The other issue that we have is the amendment of the Investment Act itself. The former Investment Act will be amended to become a law that covers both domestic and foreign investment. We will have different categories of investments that attract their different sets of rules but it will all be a rule-based kind of situation that is to be regulated into the new Investment Act, which is also coming this year to Parliament. We have finalised the consultations now and the Act is now available in its draft form.

**Looking at the other Ministries that play a role in terms of facilitating local and foreign investment, what cross-ministerial initiatives do you have to help ease investment into Namibia?**

We talked about NDP4 that says that competitiveness is a high priority and of course saying that implies that it is a cross-sectoral matter. What we have done with it, therefore, is we have taken that mandate into the Cabinet Committee for Economic Development, where the stakeholders then must report what each of them are doing in terms of reducing blocks that are listed as uncompetitive. We also feel that it is a matter that must be addressed in a cohesive way and we must dovetail our interactions because the weakest link will remain the biggest block. We have taken it to the Cabinet Committee. We will start with a conference where we have all the stakeholders there. You ask who the main stakeholders are. It is the Ministry of Trade, Ministry of Finance, Ministry of Home Affairs, Ministry of Lands but it is also in a certain aspect local authorities and sometimes regional authorities. There are also serious blocks in the private sector. All the delays are not exclusive to the public sector.

Land acquisition for instance, it is not only the Ministry of Lands. The lawyers, through their conveyancing activity, have a role to play and sometimes – not always – but sometimes, it brings about a delay. It sits in an office and it is not processed. We have to look at each chain of events and see what are the necessary steps and the unnecessary steps which do not add value. Those that are required for either a regulatory purpose or a data collection purpose must remain but all those that do not add any value can safely be removed – the job of the Task Force is: in each chain, identify the weaknesses and remove them and if there are gaps, close them.

**“The NIC will be reconstructed into an organisation that is the implementer of the single window approach. If an investor comes, it is a one-stop shop or single window where they go and everything will be covered. It will reduce establishment costs by a significant margin, where you do not, as an investor”**

The conference will be reporting to the Cabinet committee and then eventually to Cabinet and instructions will go out to stakeholders to amend whatever needs to be amended. I think it is a large, comprehensive approach that we are taking.

#### **When is this conference set to take place?**

Cabinet has met already and we have agreed that we will have this initial conference. We have agreed that the IFC will help us in that we have agreed that the Ministry of Trade is spearheading the process but we have, most importantly, agreed that it is not a matter that any one ministry on its own can address – it is to have a comprehensive and collected approach. Again, it is the public sector on the one hand but the private sector must buy into that process and also solve those blocks that are within the private sector.

**Going back to the skills deficit issue we looked at, is there anything going on with the Ministry of Labour to identify some of those skills shortages and address those? At some point there was an initiative, especially to address unemployment, to take stock of the skills that are out there as well as people that were unemployed. Is there any initiative in that regard?**

Well, I think the whole effort concerning the demand for and supply of skills in the labour market is being addressed. I remember there was an effort by (the Ministry of) Labour to create a data base that established that. I think that needs to be strengthened and we need to get the buy-in of the private sector to tell us what the demand is. We need the educational system to tell us what is the output of their education system and how can that system be changed so that it satisfies the demand side. Then we must have a system where we have a data base of what skills are available and how can we best deploy them or how can we best retrain them – some skills that become outdated, as skills do not become outdated completely – it is only a certain upgrade or whatever that is needed and then the person is again properly skilled for the proper job. So that system needs to be strengthened.

What we have done on our side is we have created a directory of all SMEs available and all their products so that Namibians are aware of what it is we have in manufacturing capacity. NDP4 has identified the four sectors where we have to put our efforts instead of spreading our efforts too thinly and too widely. We think we should concentrate on these four. I think the parameters in which sectors grow are going to be driven, and must be matched, by skills development.

If we have tourism as a growing sector, which it is, the services that deal with tourism need to be focused on. It is not only tour guides but it must be the whole value chain of a tourist activity – whether it is self-drive tourism, hotels, guest farms, hunting, fishing, photography – they are all value chains that overlap. I think we should get into all aspects of the value chain also in our skills development. The same goes for manufacturing. We must know where the manufacturing is going to, what raw materials are the best and lend themselves the best form and your value-add or beneficiation.

In the mineral sector, for instance, we say jewellery making is a value chain that surely must be developed. We have got precious stones in terms of diamonds; we have got a whole number of very valuable semi-precious stones; we have precious metals – silver and gold – so we have the ingredients to create jewellery value chains, but it is not happening.



From the trade side, we have to address the skills. We created two schools where we train people in jewellery making but where we also offer the services that the stones that the small miners bring can be valued so that the small miner has an idea of the value of that stone and does not give it away for a giveaway price. We want to offer the valuation skills, training in jewellery making. And then we also have premises where these young jewellers can make their jewellery by making the equipment and premises available that they need to make that jewellery. One school is in Keetmanshoop and one school is in Karibib.

#### **Have these been set up already?**

Yes, they have. They are functioning. The one is in cooperation with a Swedish group so that we have the markets going out. It is going ok. That is the Keetmanshoop one. The Karibib one still needs to be linked to the whole setup. It is a good example of how a value chain is developed taking a number of raw materials into consideration, but then also the skills development and the services that must be available to produce finished goods.

#### **Looking at the Ministry of Home Affairs and the type of linkages they have with MTI. I know that there is some representation on the Immigration Selection Board.**

We actually deal with all applications from investors and make a recommendation through the Immigration Selection Board. That is taken on board but it is still a process that can be and should be improved. I think the time lags are the ones that are worrying – not so much the policy. The policy on required skills is receiving positive treatment by the Immigration Selection Board, it is how long it takes and the uncertainty maybe. One can look into the length of a permit that was given to a scarce skilled person so we avoid creating bureaucracy for ourselves. If you have a highly skilled engineer in a very specific trade in the manufacturing process, to give that one a permit for only one year while you know that person will probably be there for the next three years, you do not have to create that bureaucracy for yourself. You can just give it for three years right away. That is an example of these things that can be approved without losing value.

#### **On foreign consultants – some people thought that the withholding tax for foreign consultants might decrease – possibly. Is that something that your ministry looks into at all as one of the issues that investors raise?**

We feel that consultancy services can probably be provided by Namibians. At the moment foreign consultants out-compete our own because of assistance they receive from their home bases. We think that consultancy services is one of the sectors that can grow significantly. We say, therefore, that these people that earn their money on consultancies here, instead of avoiding paying tax through tax loopholes, they must pay a withholding tax. It is not a matter that they pay more tax than others, they are just paying upfront. I do not think, in fact, that we should relax it. It helps us to become more competitive by utilising our own skills in the consultancy profession and on the other side, it eases the Ministry of Finance's ability to collect what is due through a withholding provision. It is not so much a provision that increases tax, it just changes the when and how it is collected.

**“If you want to be an investor, you will have the Investment Act and its regulations – that is the game, those are the rules of the game – nothing else – and it’s equal for everybody.”**

### How does the growth-at-home strategy that you have spoken about in recent times address investment in Namibia?

I think that we have touched on some of the issues upfront but the growth-at-home strategy says we must industrialise if we want to grow the economy to levels that are in NDP4 and Vision 2030. Without industrialisation you will not achieve that. If you want to achieve these growth levels, it can only happen through an industrialisation process. It also says that that industrialisation process is best based on commodities that are available as raw materials in the economy already. Those are the minerals that are already available and also renewable resources like fish, agriculture. We are saying that because it is our competitive advantage – the availability of these resources. We do not limit it to it – we can also import resources, add value and sell them as intermediary products or finished goods. To roll out or to translate that industrialisation process into the improvement of living standards for our people, we think that SMEs can play a key role. The investment of SMEs into value chains, based on available commodities, that is where we see the state must play a more interventional role to bring that about – to create these ventures, identify them, initialise them and then wean them off once the private sector has found the ability to stand on their own.

It has to do with policy space. If we do not do anything about the policy space, then we will see what we have seen for the last twenty-five years. Something has to be changed and we think that is our new role; we have to assist initially – in that capacity. We must use the tools that we have in our tool-box very smartly. We must look at financing options so that we create an affordable, inclusive financing package for SMEs. We must look into our infant industry protection and what are the restriction tools that we have so that we do not distort the market to the extent that it becomes harmful for the consumer or harmful to the competition. I think that competition is so crucial in the game for industrialisation. We must use these tools smartly. If we do not use them, we will make it very difficult. In your question you asked what models do we use – if we look at what South Korea has done, or what Malaysia has done or what South Africa has done: they all did basically the same thing – they went through a phase where they developed their industries and manufacturing capacity under very protective regimes. So, that is not available to us anymore but whatever policy space we have, we should not give up. In fact, whatever policy space we have we must use very aggressively to bring about that manufacturing capacity. I think the concept of domestic value chains, where we link up SMEs with larger entities upstream and downstream in the value stream but also creating regional value chains, is an important policy matter that we have to address. We must create the necessary frameworks – be it legal or policy wise that enables us to do that.

Global value chains do exist – the iPhone is not made in one country. It is made in many countries. They say “made in the world”. Where are we in packaging in the global value chain? Which is the new way the world economy will go? We are at the bottom of the value chain – we are the supplier of the raw materials yet we do not benefit in either the up or downstream of the value chain. Through smartly created regional value chains, we can move up in that global value chain and we can play a more important role or more beneficial role in the value chain by trading more with finished goods or intermediaries and substitute our trading in primary goods only into the value chain. That is how a domestic, regional value chain can help us to move up the global value chain and it means that we have more value for our raw materials and that means we have more wealth at our disposal to distribute. Hopefully, that will translate into more jobs, into greater wealth for our people.



We talked about joint ventures that are structured in a way where we have and bring to the table the availability of raw material and, for instance, land or whatever we need, but where the joint venture partner brings in technology and the ability to manufacture to finished goods. And we then jointly export these intermediaries or the finished goods. We mentioned the skills, I think, we talked about the package – it must be technology itself. It must be the skills that can use that technology. It must be the raw material that is available at affordable rates. It's the utilities and services that are needed in the process that are to be there in affordable and competitive ways.

Lastly, I think we must also make sure that whatever we produce has a quality standard, that it is competitive. So we need to address the other side of the coin also. We must not out-compete ourselves so that our own consumers prefer imported goods because they appear to be either better or cheaper or more wanted. We should place ourselves standard-wise, quality-wise, image-wise on par with the best.

**Is there anything else that you wanted to add that we haven't touched on – especially in terms of easing the way for investment overall or recommendations that you have in terms of cross-sectoral efforts?**

I think somewhere we have said it. We have to do it collectively, we have to do it in a synchronised way, we have to have the same aim. We, of course, must remain the top investors' home for foreign investments but we must do that without going into the spiral to the bottom where we do not have any labour rights or consumer rights or our own inability to collect revenue to levels that are not affordable, that are not wanted anymore.

So I think a rule-based approach, where the rules are known up front to everybody and then are implemented equally – that is the way we want to go. If you want to be an investor, you will have the Investment Act and its regulations – that is the game, those are the rules of the game – nothing else – and it's equal for everybody.

*- Nangula Shejvali interviewed the Minister on February 24, 2014*

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## ABOUT THE IPPR

The Institute for Public Policy Research was established in 2001 as a not-for-profit, independent think tank with a mission to deliver critical yet constructive research on social, political and economic issues that affect development in Namibia. The IPPR believes that development is best promoted through open debate informed by quality research. The IPPR is governed by a board of directors consisting of Monica Koep (Chairperson), Bill Lindeke, Daniel Motinga, Ndiitah Nghipondoka-Robiati, Justin Ellis and Graham Hopwood.





In its latest national development plan the Namibian government has set the ambitious target of becoming the most competitive economy in southern Africa by 2017. To get there Namibia will have to reverse a declining trend in terms of its position on business environment rankings such as the World Economic Forum's Global Competitiveness Index (GCI) and the World Bank's Doing Business report.

As an investment destination Namibia is often seen as having a competitive advantage over its peers. Namibia has many of the prerequisites in place – peace and stability, the rule of law, an independent judiciary, protection of property rights, developed transport infrastructure and reliable financial institutions, among others. In many ways, the foundation has been laid for major advances to be made.

Despite this promising position, the prospective investor, whether foreign or local, still faces a number of discouraging factors: bureaucratic red tape, skills shortages, work permit delays, policy confusion, lack of transparency in the allocation of licences and concessions, lack of quality data, and problems accessing land to name some of the key issues featured in this report. Government has moved to deal with many of these issues, but at a rather slow pace, and not in a manner that will see the 2017 target being met.

This latest IPPR Research Report, *Easing the Way for Investment in Namibia*, gauges the views of key stakeholders and reviews the current literature concerning the investment landscape. The report suggests a number of ways in which Namibia can make itself more competitive and attractive for investment. Some of these are 'low-hanging fruit' – reforms that could be achieved in the near future while others would require longer-term responses. There is much that Namibia can do to ensure it makes substantial climbs on the international rankings that look at the ease of doing business. In turn, this would have beneficial effects on employment and quality of life in Namibia – the kind of progress Namibia needs to make if it is reach the targets in Vision 2030.



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