REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

NAMIBIA'S INDUSTRIAL POLICY

This document outlines Namibia's Industrial Policy, which is aimed at achieving Vision 2030. Since it is a policy document, it is confined to principles and broad parameters that will guide Namibia's approach towards industrial policy over the next two decades. An accompanying document, Namibia's Industrial Policy Implementation and Strategic Framework, details the targets, strategies and action plans on industrialisation during the Fourth National Development Plan (NDP4) period, starting in the fiscal year 2012/13. In line with the objectives of Vision 2030, subsequent NDPs will be used to reflect on progress made and to attune policy in case of unforeseen events that might pose a risk to achieving the ultimate goals and targets.

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FOREWORD

The ongoing global economic crisis once again brought to the fore the importance of industrial policy in the economic development process. Countries around the world are rethinking their economic development models. China, for instance, which traditionally relied more on an export-led economic model, is in the process of fine-tuning policies toward a more balanced growth model with a stronger emphasis on domestic demand in the growth process. On the other hand, the United States of America and other advanced economies are hoping to increase the export contribution to their economic growth in the years ahead.

All industrialised nations, including newly industrialised nations, lump together an array of economic policies to promote their industries and even companies across the globe. Some of these measures have included the picking of so-called winning sectors; special incentives for manufacturing companies; export subsidies; infant industry protection, often under the pretext of such industries being strategic; and agricultural subsidies. The Namibian Government has also implemented some of these measures, such as the establishment of the export processing zone (EPZ) regime and the special incentives for manufacturing companies – to name but two. For the Namibian Government, industrialisation remains an essential objective in the context of sustainable wealth and job creation.

Namibia's industrial ambition is articulated in Vision 2030, which stipulates that the country should be an industrialised nation with a high income by the year 2030. We are a mere 19 years away from this goal, and some pessimists believe it is just a pipe dream, never to be realised. However, we believe that much progress has already been made, and, if we scale up our efforts and resources – which Government has already begun to do – our Vision is achievable. The current document, therefore, outlines the broad principles and parameters that will anchor the Government's industrial policies and programmes in our quest to achieve Vision 2030.

At the outset, it is important to note that this is a policy statement about the intentions of the State with respect to industrialisation, and not a blueprint for it. The latter template is provided in an accompanying document, Namibia's Industrial Policy Implementation and Strategic Framework, which details those programmes and projects whose implementation will be pursued over the medium term. The core objective of the current policy statement is to articulate Government's thinking on and approach towards industrialisation and how it intends to support the alignment of all stakeholders' policies and programmes to that effect.

It is also important to bear in mind that Namibia's Industrial Policy does not intend to replace Vision 2030, but will merely magnify in finer detail the steps towards achieving that vision.

Industrial policy is not the domain of a single government organ – in Namibia's case, the Ministry of Trade and Industry. Instead, that domain spans across a range of Government Offices, Ministries and Agencies, as well as across various institutions and private sector stakeholders. In this regard, Government continues to believe that the private sector, in particular the domestic private sector, remains the engine of economic growth and job creation. Government, will, therefore, do whatever is necessary to support the private sector and allow it to flourish within the context of an equitable distribution of wealth and corporate social responsibility.

The rest of this document outlines the specific principles, vision, aims and objectives that will guide Namibia's industrialisation efforts over the next two decades. The accompanying Namibia's Industrial Policy Implementation and Strategic Framework, which specifies Government's approach to industrialisation and its strategies, and sets out the short-, medium- and long-term goals and action plans for the Fourth National Development Plan (NDP4) period, commencing in the 2012/13 fiscal year.

Hage G Geingob, MP
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VISION

1. The vision of Namibia's Industrial Policy is anchored in Vision 2030. Accordingly, by the year 2030, Namibia should be characterised as "a prosperous and industrialised country, developed by her human resources, enjoying peace, harmony and political stability". As an industrialised nation, Namibia should be characterised by –
   (a) a high level of household income, based on purchasing power parity exchange rates to take into account that one US dollar at market-based exchange rates does not have the same value in all countries
   (b) a more equitable distribution of income, as reflected in a reduction of the Gini coefficient, while at the same time growing the size of the Namibian economy, and
   (c) a high human development index, reflecting high standards of education, health and other social development indicators.

2. In terms of the production and export structure, Namibia would have built the bridge from producing and exporting predominantly primary commodities to offering value added and service-orientated products. The production and export structure would also be more diverse, enabling the economy to better withstand exogenous shocks. Moreover, Namibian society will be characterised as being knowledge- and innovation-based, and as having a competitive and sustainable 'green' economy, with high employment levels and social justice. In other words, wealth would be shared equitably. In a nutshell, our future will be characterised by a significant improvement in quality of life for all our people, and our economy will be competitive and resilient enough to adapt quickly to rapid changes and external shocks.

OBJECTIVES

3. The specific objectives of industrialisation are also outlined in Vision 2030. The Vision emphasises the importance of a change in production structure, a change in export structure, and the contribution to be made to wealth creation by small- and medium-scale enterprises (SMEs). Vision 2030 also emphasises the need for job creation and labour-intensive growth strategies. More specifically, the Vision states that, by 2030, the following targets with respect to industrialisation would have been achieved:

(a) The manufacturing and services sectors constitute about 80% of the country's gross domestic product (GDP)

(b) The country largely exports processed goods, which account for not less than 70% of total exports

(c) Namibia has an established network of modern infrastructure that includes railways, roads, telecommunications and port facilities, and

(d) Namibia has a critical mass of knowledge workers, and the contribution of SMEs to GDP is not less than 30%.

A BRIEF REVIEW OF NAMIBIA'S ECONOMIC PERFORMANCE SINCE INDEPENDENCE

4. Namibia's socio-economic performance since Independence has been more than satisfactory in many respects, and our achievements have been manifold. The real GDP growth rate has been positive for all but two years, when moderate contractions were recorded. The economy's average annual growth rate during the period under consideration was 4.0%, which is quite respectable in the context of sub-Saharan Africa, and in comparison with global growth on average during the same period. However, when compared with more dynamic and faster-growing economies in South-East Asia, Namibia's economic development has not been that impressive. Nevertheless, since the real economy expanded at a stronger rate than the population growth rate, GDP per capita – or income per head – increased from about US$2,000 in 1990 to just over US$4,000 by 2009, thereby propelling Namibia into the league of so-called upper-middle-income countries, as classified by the World Bank and United Nations agencies. While this is a worthy achievement, it should be noted that GDP per capita hides a considerable level of inequality in Namibian society. According to the latest available Gini coefficient, which measures distribution of income, about 70% of the wealth in Namibia is concentrated among 10% of the population.

5. Moreover, while the economy expanded at a healthy pace, its structure remained virtually unchanged during the period under consideration. In this regard, the total contribution by primary industries, comprising agriculture, fishing and mining, declined only moderately to 21.2% by 2010, from 23.9% in 1990. During the same period, secondary industries – including manufacturing, electricity and water, and construction – increased their contribution from 14.4% to 20.3%. While this increase is a step in the right direction, it is of concern that the industrial structure of the

Namibian economy remains relatively narrow, thereby making it vulnerable to exogenous shocks. This vulnerability to external shocks was again demonstrated during the 2008/09 global economic crisis that led to a sharp contraction of Namibia's mineral sector and, hence, an overall contraction of the economy in 2009. The shallow economic structure also poses a challenge for the creation of sustainable job opportunities.

6. Another key measure of economic performance is price stability. Without low and stable prices, economic development is difficult – if not impossible. In this connection, Namibia did not do badly, as the average annual inflation rate was below 10% between 1995 and 2010. The only exceptional years were 2002 and 2008, when annual inflation hit 11.3% and 10.4%, respectively. The increase in inflation during 2002 can be attributed to the sharp depreciation of the South African Rand at the time. Because the Namibia Dollar is linked to the Rand, its depreciation led to a higher imported inflation. The increase in 2008, on the other hand, was attributed to the global spike in food and fuel prices. During 2010, the annual average inflation rate declined to 4.5%, from 8.8% the year before. Unlike other central banks, the Bank of Namibia does not have an inflation target; instead, it targets the exchange rate with the ultimate aim of achievement stable prices. In the context of a fixed exchange rate, stable and lower prices are important in respect of achieving a competitive real effective exchange rate.

7. An additionally vital component of macroeconomic performance is the Central Government's overall fiscal position and debt sustainability. Again, in this regard, Namibia did not perform poorly. The country's fiscal policy is governed by two core fiscal rules, namely that the budget deficit in relation to total GDP should not exceed 3% over the medium term, and that total debt should not exceed 25% over the medium term. Government has been able to adhere broadly to these rules, and was, in fact, able to record budget surpluses in the 2007/08 and 2008/09 fiscal years, enabling it to significantly reduce the overall debt level to below 20% by the 2009/10 fiscal year. This enabled Government to pursue an expansionary fiscal policy during the global economic crisis of 2008 and 2009. Moreover, earlier in 2011, in view of the high unemployment rate, the Government adopted another expansionary budget over the medium term. Thus, the budget deficit is expected to average about 7% over the medium term, and total debt would amount to about 30% of GDP. Despite this, the fiscal position is expected to remain sustainable. In this regard, confirming

confidence in the Namibian economy and against international trends, the rating agency Moody awarded Namibia an investment grade sovereign rating in September 2011. This came on top of the investment grade rating by Fitch, another rating agency.

8. Nonetheless, despite Namibia's macroeconomic performance having been positive since Independence, the country continues to face some daunting challenges. Some of the key concerns remain. These include the economy's shallow production and export structure; the high unemployment rate; pockets of poverty that are quite deep in some cases; and the huge disparity in income distribution. Indeed, according to the latest labour force survey, carried out in 2008, the recorded unemployment rate for Namibia was 51%. While the accuracy of the figures may be questioned, and there is a likelihood of overstating, the fact of the matter remains that unemployment is too high. The Government is gravely concerned about the status quo and is addressing unemployment head-on. To reduce the high unemployment rate, Government has introduced a new programme – the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). Government also realises that more needs to be done to increase the competitiveness of the economy in order to ensure sustainable job creation.

PRINCIPLES OF INDUSTRIAL POLICY

9. The first of the principles underpinning Namibia's Industrial Policy is that it is anchored in Vision 2030. Thus, the Policy takes due cognisance of our ambitions to become a developed and industrialised nation by 2030. In the same vein, industrial development will not replace the National Development Plans (NDPs), but it is important to ensure that NDPs are aligned to industrial policy objectives which, in turn, should be aligned with Vision 2030 goals and objectives.

10. The second principle of the Policy is that macroeconomic stability is recognised as a necessary condition for sustained economic growth and development. In this regard, our fiscal policy will continue to be implemented in such a manner as to ensure overall fiscal and debt sustainability. Equally, monetary policy will continue to be conducted in the context of the exchange rate peg to the South African Rand, which has served Namibia well since Independence. This notwithstanding, there may be times where it will be necessary to temporarily relax the macroeconomic stability

condition in order to accelerate economic growth and job creation. Due consideration will, however, be given to total economic costs and long-term sustainability.

11. Due to the small population size and the need to benefit from economies of scale, the third principle underlying Namibia's Industrial policy is hat the country's economic policy will be geared towards openness. This will ensure market access for domestically produced products and services. Regional economic integration and our World Trade Organization (WTO) commitments towards economic openness will continue to comprise a key element of Namibia's industrialisation agenda and programmes. However, the objectives of regional integration and globalisation cannot and will not supersede the objectives of our own national economic development goals. Government is aware that opening the economy too much or too quickly might come with additional regulation and control, which may, in turn, result in undesirable investment and unintended consequences that may thwart and negate local industrialisation efforts and initiatives. When and where necessary, therefore, Government will negotiate for opt-out or exemption clauses to promote infant industry protection, where feasible, as well as for the protection of strategic industries, as identified from time to time.

12. Since resources are limited, Namibia's Industrial Policy may, at any point, follow a targeted approach. In terms of this underlying principle of the Policy, clear framework documents will highlight priority areas, and support to such areas will be designed according to the specific needs of identified sectors during the particular framework period concerned, rather than in terms of a one-size-fits-all approach.

13. Industrialisation in Namibia will also follow the principle of integrated development. In this regard, it will be built on the following three interrelated pillars, namely market integration, infrastructure development, and industrial development. It is realised that without any of the three no meaningful industrial development will be possible.

14. A further principle on which Namibia's Industrial Policy is founded is that of equitable economic empowerment, as advocated in the New Equitable Economic Empowerment Framework (NEEEF), in order to ensure that all our people benefit from rapid economic development. Government is aware that a legal vacuum exists in the country at present in respect of enforcing broad participation in the economy by all inhabitants. Economic empowerment is currently being facilitated though voluntary

industry charters in select sectors, including mining, tourism and finance. To better anchor economic empowerment, Government will, in parallel to this Policy, expedite the finalisation of a legal framework for broad-based economic empowerment that will also benefit from the directives of this Policy.

15. A stable and predictable regulatory environment is necessary for industrial development. A further element of principle governing Namibia's Industrial Policy, therefore, is the commitment that Government will continuously review the industrial regulatory environment to ensure it is aligned to best practices worldwide with a view to enhancing the competitiveness of the Namibian economy from a regulatory perspective.

16. A final underlying principle concerns the fact that the world is increasingly 'going green', with an increased emphasis on sustainable manufacturing and development practices. Namibia may currently be viewed as a 'green economy' since the level of greenhouse gas emissions is relatively low. This benefit should be locked in and protected by our plans for industrialisation.

THE ROLE OF THE STATE

17. Governments have played a pivotal role in the industrialisation of countries such as Singapore, the Republic of Korea (South Korea), and other fast-growing dynamic economies such as Malaysia. Equally, governments have been vital catalysts in the development process of mature, developed economies like those of Germany, Japan, the United Kingdom and the USA, although their role is largely downplayed. The ongoing global economic crisis has again brought to the fore how important governments are in directing economic development. Europe, for instance, through the European Commission, is proposing a ten-year strategy entitled "Europe 2020" in order to ensure the European Union remains relevant in the rapidly changing global economy.

18. Thus, it would be wrong to believe the Namibian Government has no role to play in the country's industrialisation. At the same time, however, the Government is aware that ineffective and inefficient governance can seriously hamper economic development. Hence, the approach of the Namibian Government will be to intervene only where necessary. Government may, for instance, intervene in the broader public

interest. However, intervention will be based on the principle of sustainable and prudent economic management. In some instances, it might be necessary for Government to play a much more proactive role in economic development than what is currently the case.

19. Very closely related to the question of a government's role in economic development is that of ownership. Firms that are not locally owned might focus too much on a short-term profit objective, compared with domestically owned firms. Moreover, foreign-owned firms already form part of the globalisation strategy of their mother companies, and in most cases have only limited decision-making powers locally, even if they are good in spotting investment opportunities in other environments. In this regard, Government will use its Procurement Policy, as advocated under the NEEEF, to positively stimulate the development of local industries with potential.

20. Ultimately, industrial development is recognised as a shared responsibility between the private sector and the Government. This Policy, therefore, advocates for a smart partnership in Namibia's quest for industrialisation, including promoting public–private partnerships (PPPs) and other forms of cooperation between the Government and the private sector.

THE ROLE OF OTHER STAKEHOLDERS

21. Our industrialisation will be based on the principle of smart partnership. Partnership is recognised as a major prerequisite for the achievement of dynamic, efficient and sustainable development in the country. Partnership involves cooperation between the Government, communities and civil society; between different State institutions; between the Government, the private sector (the business community), non-governmental organisations, community-based organisations, and the international community; between rural and urban societies; and, ultimately, between all members of society in Namibia through the establishment of a social contract between all these parties.

22. The private sector, through organised and informal business, has a key function in Namibia's economic development and industrialisation. Vision 2030 envisages that the business community will make increasing contributions to the education and training sector, being the major recipient of the products of that sector. In addition,

the business sector is expected to respond adequately to the challenge of making realistic inputs into formulating development plans at a national and regional level, and contribute to the implementation of such plans. Government would like to see a profitable and flourishing private sector. Simultaneously, Government expects the private sector to contribute holistically to development through corporate social responsibility initiatives.

23. Government welcomes the contribution that organised labour makes to economic stability and the supply of skills to our industries. However, by comparison with its international counterparts, our labour market is perceived as being too rigid, and our labour force as being too under-productive to support the massive creation of jobs and rapid economic growth. In this regard, it may be necessary from time to time to introduce flexibility aimed at productivity enhancement in our labour practices, without necessarily infringing on workers' rights in our quest for industrialisation. Nothing should prevent us from creating more jobs and wealth for all Namibians. There is also a perception of growing conflict between organised labour and employers. While it is understandable that the interest of labour and capital will never be fully congruent, Government will continue its efforts to broker a true social compact between labour and employer to ensure a united approach to economic development.

24. Namibia is seen as the child of international solidarity. For this reason, the international community will remain a crucial partner in our industrialisation ambitions. We welcome the support of our international partners, but would like to see a situation where such support takes into account the aspirations and desires of the Namibian people. Our economic relations will be based on the principles of mutual respect, cooperation and development.

INCENTIVES FOR INDUSTRIALISATION

25. In its quest for industrialisation, Namibia can expect tough competition from a number of sources. It will come from fellow African countries as well as from companies outside Africa that would like to access the African market. Some of these countries, especially those overseas, have deep pockets and can afford to offer generous incentives to their companies to do business in Africa. Due to its limited resources, however, Namibia will not be able to compete for market access on the same scale

as some of these big economies. Therefore, our incentive regime will have to be very well targeted. Incentives also need to be time-bound and not extended indefinitely. In addition, Namibia's incentive regime should be reviewed regularly to ensure that we are sufficiently competitive in the global context.

26. The main aim of our incentive regime will be to develop our industrial competencies and capacities with the ultimate view to explore the frontiers of our production possibilities. In this regard, Government will deliberately strive to implement measures that will make it easier for businesses to set up and operate in Namibia. In addition, special purpose vehicles, export development programmes, and support schemes like spatial industrial zones or economic zones as well as certain allowances under the tax regime may form part of the incentives. Before NDP4 is implemented, therefore, the Ministry of Trade and Industry, in conjunction with the Ministry of Finance, will review the current incentive regime to ensure it is aligned with this Policy.

27. One of Namibia's principal strengths is our political stability and institutional factors such as the rule of law and protection of property rights. Globally, however, investors tend to put developing countries – particularly those in Africa – in one basket. We do not support this one-size-fits-all approach and will, therefore, emphasise the Namibia-specific issues and their uniqueness in our international marketing.

INDUSTRIALISATION AND SMALL BUSINESS DEVELOPMENT

28. The robustness of the SME sector as a vehicle for job creation and economic development is again being amplified in the ongoing global economic crisis. Countries like Germany and Israel, for instance, shed fewer jobs during the 'great recession' and also managed to bounce back faster. This was partly due to the flexibility of their SME business framework. International experience also shows that SMEs have the ability to create more jobs, and do not retrench easily during economic difficulties.

29. The development and promotion of SMEs will, therefore, form a core component of Namibia's Industrial Policy framework. Some of the specific issues to be pursued by the Namibian Government in this regard include –

    (a) the establishment of Namibia's first SME Bank

(b) advocating for the development of second-tier banking regulation that will make it easier for SME banks to set up business in Namibia, and

(c) the promotion of training and development programmes for SME entrepreneurs.

SKILLS AND INDUSTRIALISATION

30. Possibly the most important asset in the development process is human capital. However, human capital that is not continuously developed is akin to dead capital. For this reason, education and skills development will continue to be an area of sharp focus in our quest for industrial development. Moreover, skills development should be linked to the type of industrial structure that we envisage under Vision 2030. A key element in our capacity-building effort will be the development of vocational skills through the establishment of vocational training centres and technical institutions, including the establishment of regional centres of excellence. Apprenticeships and internships are also important in the process of functional skills development and transfer and in bridging the gap between classroom training and the requirements of the real work environment. These measures will greatly contribute towards addressing youth unemployment, accelerated skills development, and productivity. The following exemplify the type of actions that will be pursued in education and skills development:

(a) Develop partnerships between the worlds of education/training and work, particularly by involving social partners in planning for the provision of education and training.

(b) Facilitate the implementation of a strategic framework for cooperation that will involve all stakeholders in education and training. This should result in the implementation of the principles of lifelong learning and the creation of flexible pathways between the various members of the education and training sector and between the various levels of learning by reinforcing the attractiveness of vocational education and training.

(c) Ensure that the competences required for engaging in further learning and the labour market are acquired and recognised throughout general, vocational, higher and adult education, and that a common language and operational tool for education/training and work is developed, and

(d) Promote specialised training, including apprenticeships and internships.

INNOVATION, RESEARCH AND DEVELOPMENT, AND INDUSTRIALISATION

31. Namibia aspires to be an innovation-driven economy. To become more innovative we need to improve the level and quality of our education, strengthen our research performance, and promote innovation and knowledge transfer in all corners of the country. We need to make full use of information and communication technologies to ensure that innovative ideas can be turned into new products and services that create growth and quality jobs, and help address other societal challenges.

32. Current spending on research and development (R&D) is very low in Namibia. In some of the fastest-growing economies in the world, R&D spending is in excess of 3% of GDP. We should, therefore, aim to spend at least the same percentage on this crucial field within the next five years in order to enhance our capacity for innovation. It is, however, not only the absolute amounts spent on R&D that count: we will also have to focus on the impact and composition of such spending, particularly at our tertiary institutions, and improve the conditions for such spending in the private sector.

33. The focus of Namibia's policy on innovation and R&D should be closely linked to the challenges facing us as a society and facing the southern African region at large. For instance, these include the provision of basic amenities such as affordable housing; access to affordable and quality health services; access to affordable financial services; and overarching issues such as the mitigation of climate change by energy and resource efficiency. Every link should be strengthened in the innovation chain – from blue skies research to the commercialisation of products and services. In this regard, the Ministry of Trade and Industry, in conjunction with other line Ministries and partners, will spearhead the following initiatives:

    (a) Propose an innovation agenda focused on strategic R&D in the areas of resource efficiency, energy, transport, climate change, environmentally friendly production methods, land management, etc.

    (b) Improve the framework conditions for businesses to innovate, including through modernising the framework of copyright and trademark protection, improved access by SMEs to intellectual property protection, improved access to capital, and full use of demand-side policies through public procurement and smart regulation

(c) Launch nationwide innovation partnerships to speed up the development and deployment of technologies to meet identified challenges

(d) Strengthen and further develop existing innovation programmes through closer collaboration with development finance institutions, and streamline administrative procedures to facilitate access to funding, particularly for SMEs, and to bring in an innovation incentive mechanism for fast movers

(e) Promote knowledge partnerships and strengthen links between education, business, research and innovation, and promote entrepreneurship by supporting young innovative companies

(f) Ensure a sufficient supply of science, mathematics and engineering graduates, and focus school curricula on creativity, innovation and entrepreneurship, and

(g) Prioritise knowledge expenditure, including by way of tax incentives and other financial instruments to promote greater R&D investment.

FINANCING FOR INDUSTRIALISATION

34. Financing our industrial development will be costly, but the high expenditure is necessary. In this regard, our approach to financing or development will consider not only the accounting costs of projects, but also the overall economic costs. These include the opportunity costs of not implementing certain projects. Some projects – particularly certain infrastructure needed to enhance competitiveness in Namibia's private sector – will be very long-term in nature, which may contradict the sector's shorter-term profit motive and amortisation period. In such cases, the discount rate will need to be in line with the actual expected amortisation period and overall economic consideration. Moreover, Government realises that it will not only be costly but even altogether impossible to shoulder the burden of financing for development on its own. Therefore, Government will explore new and encourage existing innovative financing solutions to project implementation, including the promotion of PPPs.

35. Namibia needs to find ways to increase the impact of the national budget. Although the budget is relatively small, internationally speaking, it can have an important catalytic effect when carefully targeted. In this regard, the Ministry of Trade and Industry, in conjunction with the Ministry of Finance and other role players, will

propose innovative financing solutions to support the attainment of our industrial development goals by –

(a) fully exploiting all possibilities to improve the effectiveness and efficiency of the existing national budget through stronger prioritisation and better alignment of expenditure with industrial development goals

(b) designing new financing instruments in cooperation with, specifically, the Development Bank of Namibia, the SME Bank and the private sector, among others, in order to better respond to businesses' unfulfilled needs. An important aspect of this endeavour will be to raise additional capital for funding innovative and growing businesses

(c) making an efficient Namibian venture and private equity capital market a reality, thereby greatly facilitating direct business access to capital markets, and exploring incentives for private sector funds that make financing available for small start-up companies and innovative SMEs, and

(d) exploring the establishment of a sovereign wealth fund, if found to be feasible.

REGIONAL INTEGRATION AND INDUSTRIALISATION

36. Industrialisation is not only pursued at a national level: it has also assumed increasing prominence at regional level. An example is the new emphasis on industrialisation in the Southern African Customs Union (SACU) and the Southern African Development Community (SADC). There is also an increased awareness of developing cross-border industrial cooperation with neighbouring countries on a bilateral basis, such as the bilateral agreements between Namibia and South Africa, and Namibia and Angola. The purpose of cross-border industrialisation is to extend the supply and value chains across borders in order to deconcentrate industrial development. These initiatives will continue under Namibia's Industrial Policy framework.

37. It is recognised that a deeper and extended single market will be vital for growth and job creation. On almost a daily basis, Namibia's businesses and citizens are faced with the reality that bottlenecks to cross-border activity remain, despite ongoing efforts to facilitate regional economic integration. Networks are not sufficiently interconnected, and enforcement of the SADC Free Trade Area (FTA) rules remains uneven. While Namibian companies are still confronted with the day-to-day reality of

fragmentation and diverging rules, competitors from Brazil, China, the European Union, India and the US draw full strength from their large home markets.

38. To gear a common single market to serve our Vision 2030 goals requires markets that function well and are well-connected, and where competition and consumer access stimulate growth and innovation. Access for our SMEs to a single African market has to be improved. Entrepreneurship needs to be developed by concrete policy measures, including the simplification of company law and the institution of initiatives that will allow entrepreneurs to re-establish themselves after a business fails. Our citizens need to be empowered in order to play their full part in the common market, and this can be achieved through strengthening their ability and confidence to buy and sell goods and services across our borders.

39. Namibia will continue to work towards formulating and implementing a regional competition policy to ensure that the envisaged common market can be fully actualised and can present equal opportunities for all in the region – including for our domestic firms. However, this is not the only domestic benefit of a regional competition policy in terms of achieving Namibia's Vision 2030 goals: such a policy will also ensure that all regional markets provide the right environment for innovation, through ensuring that patent and property rights are not violated. Preventing market abuse and establishing anticompetitive agreements between firms also offer the kind of reassurance that incentivises innovation.

40. The Ministry of Trade and Industry will take action to reduce bottlenecks in our SACU common market and the SADC FTA by –

(a) reinforcing structures to implement single market measures on time and correctly, including network regulation, effective enforcement and speedy conflict resolution.

(b) improving the business environment in particular for SMEs, through pursuing market monitoring, reducing administrative barriers, removing tax obstacles and supporting entrepreneurship, and

(c) making it easier and less costly for Namibian business and consumers to profit from partnerships with SACU and SADC members by offering harmonised solutions for consumer contracts.

41. Apart from Namibia's immediate regional integration initiatives, industrial policy and planning within the country should take account of what the world will look like in 2030. Part of the growth that Namibia needs to generate to meet Vision 2030 will need to come from emerging economies, as their middle classes develop and import goods and services in which Namibia has a comparative advantage. As a small open economy, Namibia will need to pay close attention to what other developed or emerging economies are doing to anticipate or adapt to future trends. The world is moving fast indeed, and is expected to look very different by the end of the next decade. Countries such as Brazil, China and India are expected to share centre stage in the global economy in the next few years. However, sub-Saharan Africa is increasingly seen as the last frontier of foreign direct investment and rapid growth in the global economy.

42. Since 2009, Africa has emerged as the second fastest-growing economy on the planet, with six out of the ten fastest-growing economies located in Africa. This trend is expected to continue in the medium term; in the short term, Nigeria is expected to overtake South Africa as Africa's largest economy. Therefore, one of the critical objectives of Namibia's Ministry of Trade and Industry will be to build strategic relationships with these economies to discuss issues of common concern, promote regulatory and other cooperation, and resolve bilateral issues. In this regard, the Ministry will concurrently develop a trade strategy aligned to Namibia's Industrial Policy, and will include the following:

(a) Emphasising the conclusion of ongoing multilateral and bilateral trade negotiations, particularly those with the strongest economic potential, and on improving the enforcement of existing agreements, focussing on non-tariff barriers to trade

(b) Offering trade opening initiatives for sector identified in the Industrial Policy Framework Document, which tentatively include transport and logistics, tourism, and various manufacturing products

(c) Presenting proposals for high-level strategic dialogues with key partners, to discuss strategic issues ranging from market access, regulatory frameworks, access to our raw materials and general developmental issues. We will continue to reinforce our relationships with fellow SACU and SADC countries, our sister countries on the African continent, Brazil, China, the EU, India and the US, and other large markets, and

(d) Compiling an annual report on trade and investment barriers and ways to improve market access and the regulatory environment for Namibian companies.

POLICY COORDINATION, IMPLEMENTATION AND EVALUATION

43. Industrial policy is not the sole domain of the Ministry of Trade and Industry, but cuts across different Government Offices, Ministries and Agencies (O/M/As). However, it is proposed that the Ministry of Trade and Industry take full responsibility for formulating policy on and directing Namibia’s industrialisation. Other O/M/As, State-owned enterprises (SOEs) and relevant industry in the private sector bodies will be expected to play a key role in driving the implementation of industrial policy initiatives.

44. In respect of the public sector, Permanent Secretaries of the respective O/M/As will coordinate policy implementation at the operational level. These officers are expected to have better insight into the sectors involved. They will also be required to coordinate implementation with the assistance of SME Chief Executive Officers in their areas of jurisdiction.

45. In respect of the private sector, implementation will be coordinated by champions in the selected economic arenas.

46. The individuals responsible for implementing planning within O/M/As, SOEs and the private sector will be guided by terms of reference issued by an Industrial Policy Monitoring Committee (IPMC).

47. The IPMC should consist of the Minister of Trade and Industry, the Minister of Finance, and the Director-General of the National Planning Commission. Apart from setting the terms of reference for the implementing institutions in conjunction with the relevant stakeholders, the IPMC would also monitor progress being made in the execution of Namibia’s Industrial Policy Implementation and Strategic Framework – which will be updated every five years – as well as offer rewards and apply punitive measures to the implementing public and private sector bodies where necessary.

48. The IPMC should be chaired by the Minister of Trade and Industry. Within the O/M/As concerned, dedicated technical people would specifically ensure that the said Framework was being implemented. These people should consist of the Directors of relevant Directorates. Such Directors should then also carry out self-monitoring and evaluation functions.

49. A dedicated team of technical staff within the Ministry of Trade and Industry will carry out the function of monitoring operational implementation of the Framework, which should entail the frequent and ongoing recording of data on project operations, including the tracking of funds and other inputs and processes, the keeping of financial records, and the frequent assessment of project compliance with work plans and budgets. This technical team should also monitor results and fulfil other relevant administrative duties. Suitable candidates for this team will have the required technical background that relates to the implementation of the Framework. This team should report to the IPMC on a quarterly basis.

50. The evaluation of projects would take place at two levels, namely independent evaluation, and self-evaluation. The former should be outsourced to an independent research institution. Both self- and independent evaluations should be conducted once a year. The results of these evaluations will be provided to the IPMC as well as to the public and private sector agencies concerned. The fact that the external evaluation would be conducted by an independent research entity will strengthen public accountability and make the implementation process more transparent.

51. It is also critical that the evaluation process receive a significant proportion of its funding via resources from institutions that are perceived to be independent and, therefore, as not having an interest in interfering with the outcome of the evaluation. In this regard, it is expected that the larger share of the cost of conducting the evaluations be sourced from the private sector or from a fund specifically set up for such a purpose.

52. Evaluation studies should take the following issues into consideration:

(a) The Framework's effectiveness, i.e. whether projects meet set goals

(b) The efficiency of implementation

(c) The extent to which projects are executed within the given budget

(d) The projects' impact on the socio-economic well-being of the people affected by it

(e) The possibility of conducting the evaluation in three stages, namely determining the status quo before, during and after project intervention, and

(f) The possibility of the IPMC meeting four times a year in order to determine progress and brief Cabinet accordingly.

53. Accountability, transparency and quality in execution are enforced not only in the implementation of Namibia's Industrial Policy, but also with the monitoring and evaluation processes associated with such implementation.

54. In simple terms, *accountability* can be defined as the obligation or willingness to accept responsibility or to account for one's actions. This definition implies that responsible people should be willing to take responsibility for their actions or lack thereof. The principle of accountability will guide the implementation process by requiring institutions in charge of implementing Namibia's Industrial Policy to deliver on their promised activities and actions. Such institutions will be required by law to accept good and bad outcomes, own up to shortcomings and mistakes, and take responsibility for their own actions and inaction. Moreover, the principle of accountability entails that institutions should honour the obligations and expectations imposed on them by the Framework. In general, there need to be consequences associated with implementation, such as rewards for performing institutions, and punishment for non-performers. For instance, the budget allocation to institutions that achieve more than their set target should be increased by a specified factor. In contrast, budget allocations to non-performers will be reduced by a certain percentage or be kept at the same level.

55. To facilitate the implementation of the agreed plan, it is critical that transparency be adhered to in executing it. *Transparency* essentially involves sharing information and communicating openly with relevant parties executing the Framework. Transparency ensures that all relevant institutions are kept well-informed about the progress and latest developments relating to the Framework's execution. The information that would be available through practising the principle of transparency would enable those responsible to measure the relevant institutions' performance. Essentially, transparency serves to achieve accountability by ensuring that the individuals and institutions responsible can be seen to be accountable for their actions. In general,

without accountability and transparency as fundamental principles to guide the implementation of the new economic growth plan, there will be little trust between stakeholders – which would in turn impede implementation.

56. In addition to transparency and accountability, Namibia’s Industrial Policy has to be characterised by quality in its execution. This principle simply means that the outcomes of projects or programmes included in the industrial framework are to be of an acceptably high standard. For example, the quality of roads to be built under this Framework is to comply with the models set by the International Organization for Standardization (ISO).

57. Given that projects and programmes would be monitored on a continuous basis, problems in implementing them can be detected early and, therefore, provide a basis for corrective action to ensure that their respective objectives are achieved. Equally, the ongoing nature of monitoring would reveal areas of success, thereby enabling their reinforcement.

58. In addition, the monitoring and evaluation process itself would be subject to continuous review and adjustment as required by changes in the programmes and projects being implemented. The lessons derived from this exercise would in turn improve the overall quality of ongoing and future programmes and projects.

59. To ensure a high success rate, all programmes and projects approved under Namibia’s Industrial Policy will be subject to the following requirements:

(a) ***A cost–benefit analysis of all investment projects/interventions before they are implemented:*** This crucial step needs to be accompanied by an assessment of what interventions already exists on the ground, and what could be done to improve them before new interventions are contemplated.

(b) ***Clear performance indicators:*** International best practices in monitoring and evaluation demonstrate that a successful monitoring and evaluation system includes regular monitoring of performance indicators.

(c) ***Rigorous impact evaluation:*** This stage of the monitoring and evaluation process entails the collection and analysis of primary data, and the assessment of how specific project interventions have impacted the situation on the ground. A good example would be how many new and sustainable jobs were created in a given community due to the implementation of a community-based tourism project, and

(d) ***Frequent progress reports:*** The public and private sector bodies responsible for implementing the Framework are to compile quarterly progress reports for submission to a Monitoring Committee. These reports should detail the progress made in respect of programme interventions have met their stated objectives, the amount of resources spent to achieve those objectives, and any additional resources required to achieve project activities that may still be outstanding. Such reports should also identify any bottlenecks and shortcomings experienced in implementing specific projects, and should propose corrective actions to ensure that the intended results are achieved on a timely basis.