



**VOTE 19:
MINISTRY OF INDUSTRIALIZATION, TRADE & SME
DEVELOPMENT**

BUDGET SPEECH

BY

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DEVELOPMENT**

NATIONAL ASSEMBLY, 31 March 2016

Honorable Chairperson of the Whole House Committee
Honourable Members of this August House

I am humbled at the opportunity to present to this August House, the estimates of expenditure for Vote 19: Ministry of Industrialisation, Trade & SME Development for the Financial Year 2016/17. As we all aware, 2016 has been declared by the Highest Office in our Republic as the year of **Implementation of Government Programmes and Projects** in order to make a positive impact on the scourges of poverty and unemployment.

My Ministry, through the Growth at Home Strategy is intent on implementing a number of projects in order to accelerate sustainable economic growth. We will continue to initiate and support projects aimed at value addition to meaningfully change the skewed structure of our economy from concentration on export of raw products to the production and export of finished products. Our intervention will be centred on three pillars namely;

- Initiation and support for value addition and upgrading of our factories;
- support for our products to access external market so that Namibian products are competitive; and
- Creating favourable investment and business climate locally.

During the financial year 2015/2016, the world over experienced economic distress. Several factors have contributed to this outcome. Economic growth in the developing and emerging market economies, which made up 70 percent of total worldwide growth in recent years, experienced a slowdown for the fifth consecutive year. Advanced economies have shown only a modest recovery. Namibia just like other developing economies has been affected by these major changes in the world economy.

Despite the aforementioned economic meltdown, in contrast to our neighboring countries, Namibia's economy is still growing at a reasonable pace with the growth rate for 2016 estimated at 4.5 percent, which is lower than in 2014 (6.4 percent) but above that of other countries encountering the same economic environment.

Let me now reflect on the details of the budgetary allocations to Vote 19 for the 2016/2017

fiscal year.

The total budget allocation to the Ministry of Industrialization, Trade and SME Development for the financial year 2016/2017 **amounts TO EIGHT HUNDRED AND FORTY MILLION SEVEN HUNDRED AND THIRTY THREE NAMIBIA DOLLARS (N\$840,733,000)**. This represents a decrease of **ONE HUNDRED AND FORTY NINE MILLION THREE HUNDRED AND THIRTY SEVEN THOUSAND NAMIBIA DOLLARS (N\$149,337,000)** or 15.08% from the 2015/2016 allocation.

This allocation is divided into **FOUR HUNDRED AND FORTY SEVEN MILLION SIX HUNDRED AND EIGHTY ONE THOUSAND NAMIBIA DOLLARS (N\$447,681,000)** FOR THE OPERATIONAL BUDGET AND **THREE HUNDRED AND NINETY THREE MILLION AND FIFTY TWO THOUSAND NAMIBIA DOLLARS (N\$393,052,000)** FOR THE DEVELOPMENT BUDGET.

Activities in this Ministry are grouped under five (5) main Programmes, namely:

- ❖ Trade Promotion;
- ❖ Industrial and Business Development;
- ❖ Investment Promotion;
- ❖ Special Industrialization Initiatives; and
- ❖ Supervision and Support Services.

The focus of the programmes indicated above and the specific allocations thereto are as follows:

1. TRADE PROMOTION PROGRAMME

An amount of **TWO HUNDRED AND EIGHTEEN MILLION, FIVE HUNDRED AND EIGHTY THOUSAND NAMIBIA DOLLARS (N\$218,580,000)** has been allocated to this programme.

This trade promotion programme consists of two main components, namely Domestic and External Trade Management.

1.1 Domestic Trade Management

This activity focuses on;

- improving the efficiency and effectiveness in the registration of companies,
- close corporations and intellectual property rights;
- develop the policy and legal frameworks for the protection of consumer rights, and
- promotion of competition in the market and ensure quality and standards of goods and services.

Under this, we intend to:

- consolidate the organizational capacity of the Business and Intellectual Property Authority (BIPA) to perform the registration of companies on behalf of the Ministry;
- finalize the drafting of the policy and legal frameworks on consumer protection and competition;
- review the Metrology Act, the Credit Agreements Act, and Liquor Act; and finally
- provide financial support to strengthen functional capacities of the Namibia Competition Commission on competition matters and the Namibian Standards Institution on standardization.

1.2 External Trade Management

Under this programme, the Ministry will continue to support activities aimed at trade promotion and facilitation of Namibian products to regional and international markets as well as to boost market diversification in terms of export destinations and import sources.

Main activities in this regard are:

- Engagement in bilateral, regional and multilateral trade and economic integration arrangements, particularly to finalize the negotiations towards the Tripartite Free Trade Area amongst Common Market for East and Southern Africa (COMESA), East African Community and Southern African Development Community (SADC), which itself will be a stepping stone towards the Continental Free Trade Area. Furthermore, the Ministry will continue to be actively involved in the WTO process geared towards advancing further multilateral engagement on the “recalibrated” Doha Development Agenda; as well as develop Namibia’s Trade Policy in collaboration with UNCTAD, based on the

adopted Industrial Policy and the Growth at Home Strategy.

- Securing market access to mitigate the challenge facing Namibia in terms of the small size of its domestic market and small industrial base, the Ministry will continue to lead negotiations and trade missions for market access to markets such as USA, Africa, China, the United Arab Emirates and others.
- Developing External Trade Centres in neighbouring countries to facilitate exports of Namibian consumer products such as meat, beer and beverages, fish, dairy, cereal and other goods.
- Establishing Namibia's National Convention Centre to provide the country with the much needed infrastructure to promote trade in services and market Namibia as a Meetings, Incentives, Conferences, and Exhibitions (MICE) destination.
- Promoting Trade Facilitation through the National Single Window Project to facilitate and streamline import and export procedures which will reduce transaction costs in the conduct of business and cross border trade.
- The Ministry will also continue to support SMEs participation in local, regional and international trade promotion events and other related activities.
- To deal with issues related to unfair trade practices, tariff investigations and tariff setting the Ministry will fast track the establishment of the Namibia Board of Trade being the national body required under the 2002 SACU Agreement. This is an important obligation on which work has started with the next step being to review and finalize the draft Bill for consideration by Cabinet and Parliament.

2. INDUSTRIAL AND BUSINESS DEVELOPMENT PROGRAMME

An amount of **FOUR HUNDRED AND TWENTY SEVEN MILLION SEVEN HUNDRED AND EIGHTY TWO THOUSAND NAMIBIA DOLLARS (N\$427,782,000)** has been allocated to this Programme.

This programme consists of two main components, namely Industrial Planning and Development and Small Business Development. Current efforts are being made to create an appropriate institutional set-up through the creation of a Department of Industrialization and Enterprise Development.

2.1 Industrial Planning and Development

The purpose of this activity is to create conditions necessary for robust and competitive industrial sector and subsectors in the country. These activities are aimed at building and enhancing the capacity of local industries to efficiently produce and supply goods and services to meet both local and export demand. Some of the major interventions will be the following:

- Continuous support to local industries in the process of upgrading their production capacity through the Pilot Industrial Upgrading and Modernisation Programme (IUMP) whilst also ensuring an appropriate monitoring and evaluation framework;
- Continuing research on resource availability in the country and value chains in strategic sectors;
- Funding the Namibia Development Corporation (NDC) on its current development projects, infrastructure upgrading, and its transformation into the Namibia Industrial Development Agency (NIDA). NDC/NIDA will implement key programmes for MITSMED in the new financial year 2016/17, and therefore the MITSMED will ensure to manage its project pipeline very closely;
- Focused research on the identification of rural and regional industrialisation initiatives across all 14 regions of the country.
- Development of the Industrial Development Infrastructure Masterplan to ensure a more coherent approach to the existing Sites & Premises programme in order to ensure effective structural transformation.

2.2 Small Business Development

The Ministry in its drive to execute its mandate as directed by the SME Policy of 1997 has formulated a number of Business Support Services Programmes (BSSP). These interventions were directed to promote manufacturing, value addition, and entrepreneurship throughout the country in particular, targeting the rural areas and those who can generate income regardless of their academic background and in return, creating more job opportunities.

This programme, among others, avails industrial sites or operating space to entrepreneurs to stimulate local economic activities at regional and local levels. It also assists aspiring entrepreneurs in accessing finances to conduct feasibility studies and develop business

plans, provision of capacity building interventions to stimulate and nurture entrepreneurship, creativity, and innovation especially amongst the previously disadvantaged Namibians.

Other support services available to SMEs are in the form of the provision of productive equipment, machines, and inputs through the Equipment Aid and Group Purchasing Scheme to enhance business production capacity, productivity and competitiveness, quality and standards compliance in the world market place.

I am pleased to report that in terms of impact of our overall activities under our industrialization and enterprise development efforts:

- Two Hundred and seventy four (274)) entrepreneurs were assisted to acquire productive equipment under the Equipment Aid Scheme where they have created an estimated five hundred and fifty four (554) jobs;
- Over three hundred and fifty three (550) SMEs were provided with financial assistance and other related services through the capitalization of the SME Bank;
- Twenty nine (29) business premises are under planning and construction of which nine hundred and sixty (960) jobs were created during construction; and
- Over forty five (45) SME Industrial parks are in operation country wide, which accommodate six hundred and seventy six tenants (676). These 676 tenants have created over five thousand and eighty eight (5088) jobs in these occupied parks;
- A related intervention, the Industrial Upgrading and Modernization Programme (IUMP) is aimed at improving production and supply capacity, efficiency and competitiveness of Namibian-owned manufacturing firms. To date fifty- two (52) beneficiaries were assisted in ten regions of Namibia, in four sectors. These interventions have created job opportunities and increased export sales.
- 177 entrepreneurs have received training through various enterprise support programmes of the Ministry.

A further crucial intervention to support small business development has been the creation by Government of the SME Bank, which is in the process of rolling out and expanding its services. Further capitalization of this bank is required in this financial year and is provided for in this budget. The Bank's loan book grew by 138.8% from N\$142.7million as at February 2015 to N\$340.8million as at February 2016. The Bank was able to achieve 64.94% of its Business Plan target of N\$524.8million. Customer deposits increased by

101.8%; from N\$489.5million as at February 2015 to N\$983million as at February 2016. The Bank was able to surpass its Business Plan target of N\$937million by N\$46million. The Bank opened 8,870 customer accounts during the period from March 2015 to February 2016 bringing the total customer accounts to 15,359. The Bank improved its service delivery channels through the opening of three (3) branches i.e. in Katutura, Ongwendiva and Rundu in addition to already existing Main Branch in Windhoek. The Bank also improved its service delivery channels to include ATM machines, Cell phone Banking, Internet Banking and the soon to be launched; Point of Sale machines.

Finally, as mentioned already, despite these major achievements we have engaged in the review of the current Micro, Small and Medium Enterprises (MSME) policy with the aim of making further improvements. A chief outcome of the MSME National Policy is the creation of an appropriate institutional framework in the form of an MSME Development Agency to integrate and coordinate the various support programmes. We will finalize the business plan and operational and funding strategy for the Agency in this new financial year. In the new financial year 2016/17, we will complete the MSME Bill and Implementation plan whilst starting to look at formulating a National Informal Economy Policy to cater for policy and regulatory interventions to help our informal traders and their associated platforms of support such as informal traders associations.

4. SPECIAL INDUSTRIALIZATION INITIATIVES

An amount of **SIXTY FIVE MILLION NAMIBIA DOLLARS (N\$65,000,000)** has been allocated to this programme.

In order to fast track the attainment of Vision 2030, the Ministry has decided to support research and implementation of projects. This activity is aimed at the implementation of the manufacturing strategic initiative in NDP4, through expansion of industrial capacity and value chain development. The Growth at Home initiative aims to develop local and regional value chains on the basis of the raw material resources available in Namibia.

The rationale for this programme is to give effect to the implementation of industrial development priority projects identified in the just approved Growth at Home Strategy, Namibia's execution for industrialization and the 4th National Development Plan and other

planning processes of the Ministry of Industrialization, Trade and SME Development.

In this regard, the Ministry has, in addition to two overview scoping studies done on value addition of Namibia's mineral resources together with the Ministry of Mines and Energy and the Chamber of Mines, commissioned sector wide studies under the following sectors:

- Agro food processing
- Chemicals and salt products
- Semi-precious stones and jewellery processing
- Leather and leather products
- All sector studies are expected to be completed during the second quarter of the new financial year

Parallel to these developments, our focus in this coming year is to ensure the initiation of specific key projects that are aimed at realizing our industrialization agenda. To this end, the Ministry will immediately commence the implementation phase for projects such as the Kavango Cattle Ranch, Pharmaceutical Plant in Okahandja, Brakwater Industrial Land, Northern Tannery in Ondangwa and the construction of a small miner's valuation hub in Erongo, amongst other initiatives. The establishment of a thatch grass centre at Rundu at a project cost of approximately N\$37 million is now 85% completed and will be operational soon.

The establishment of the Centre is aimed at providing a platform for skills transfer programmes, aimed at training members of the local community in the sustainable practice of cultivation, harvesting and management of thatch as a natural resource to the Kavango West, Kavango East and Zambezi regions. Similarly for the Kavango Cattle Ranch, the local economy stands to benefit through value-addition as a consequence of diversified economic activities implemented on the available land.

At national level, employment creation and consequent poverty reduction are the intended positive consequences of this new approach. Additional jobs will be created and youth employment is envisaged with intensified training of employees. Finally in terms of ensuring competitive industrialization environment, efforts will be applied to the development of a Special Economic Zones Policy whilst at the practical level the work to finalize the Private

Public Partnership (PPP) framework for the !Nara Free Economic Zone, which is a 400 hectare economic zone is being finalized. Associated with these efforts is an explicit strategy by the Ministry to introduce an Industrial Land Purchasing Strategy to ensure that requisite and properly serviced industrial land is widely available for our industrialization efforts.

3. INVESTMENT PROMOTION PROGRAMME

An amount of **SIXTY EIGHT MILLION THREE HUNDRED AND FOUR THOUSAND NAMIBIA DOLLARS (N\$68,304,000)** has been allocated to this Programme.

The purpose of this programme is to achieve an increase in number, value and nature of domestic and foreign direct investment in Namibia. This objective is to be achieved by, among others, creating an enabling and competitive environment for investment, which involves having in place an appropriate legal and regulatory framework; a proper plan and strategy for marketing Namibia as a preferred investment location and enhancing a positive competitiveness ranking of Namibia

The activities under this Programme, some of which will be pursued in the 2016/17 fiscal year include:

- Finalisation and implementation of the Investment Promotion Bill and its regulations to replace the existing Foreign Investment Act, 1990, once approved by Parliament. Due to equally important Bills that needed to be discussed by Cabinet, this Bill could not be finalised during the 2015/16 financial year despite its submission. Although it could not be finalised as planned, it is currently with receiving the highest priority from the Legal Drafters. Once this process has been concluded during the 1st week of April, 2016, we will commence with the process of obtaining constitutional clearance from the Office of the Attorney-General.
- Part of the Investment Promotion Bill is the establishment of an Integrated Client Service Facility (ICSF) or One-Stop-Shop which is a critical business reengineering process in setting up a company. It entails the adaptation of e-governance solutions as well as setting up several centres for investors to have easier access to investment promotion officials from Namibia Investment Centre. The One Stop Shop

facility will ensure that there is a database which records or addresses the challenges currently faced; including the facilitation of all business permits.

- The revision of current incentives to ensure their continued relevance as an effective tool for attracting the required quantity and quality of investments especially into the priority sectors of manufacturing, agro-processing, transport and logistics and tourism. This activity is carried over from the 2015/16 financial year due to challenges in implementing it as proposed by my Ministry in consultations with key stakeholders. We are guided to implement a phased approach where Phase One will focus on the concept of Special Economic Zones while Phase Two will aim at general incentives.
- Marketing Namibia to ensure its competitiveness as an investment location of choice;
- Organisation and facilitation of inward and outward investment missions as well as business linkages and partnerships;

4. POLICY SUPERVISION AND SUPPORT SERVICES

An amount **OF SIXTY ONE MILLION, SIXTY SEVEN THOUSAND NAMIBIA DOLLARS (N\$61,067,000)** has been allocated to this programme. The programme is divided into two main components, namely Policy Supervision and Coordination and Support Services.

5.1 Policy Supervision

This activity deals with ministerial leadership and overarching oversight to ensure that the required policy and legal framework is in place for the formulation, implementation and evaluation of the programmes and projects of the Ministry and that these are aligned to other national development objectives and plans.

5.2 Coordination and Support Services

The activity entails the oversight roles by the Accounting Officer and the provision of administrative/support services to other ministerial units and agencies to facilitate the attainment of key objectives as per the mandate of the Ministry.

Honourable Chairperson of the whole House Committee
Members of this August House

I herewith extend my appreciation to the Honorable Minister of Finance, Hon Calle Schlettwein for ensuring that the Industrialization Ministry received appropriate allocations in the face of a tightening fiscal space and also the extending the same to the Economic Planning Minister, Hon Tom Alweendo and Agriculture Minister, Hon John Mutorwa for fruitful deliberations over the course of the year in terms of highlighting and profiling a key agroprocessing project, the Kavango Cattle Ranch. Similar gratitude are extended to the Attorney General, Hon Sackey Shangala and the Minister of Justice, Hon A. Kawana, for the always timely support and assistance as we develop key legislations and policy to drive our industrialization ambitions.

In conclusion, I move by requesting this August House to consider and approve the sum of **EIGHT HUNDRED AND FORTY MILLION, SEVEN HUNDRED AND THIRTY THREE THOUSAND NAMIBIA DOLLARS (N\$840,733,000)** for the recurrent and development budgets of the Ministry of Industrialization, Trade and SME Development: Vote 19.

I THANK YOU FOR YOUR ATTENTION