



Republic of Namibia

MINISTRY OF TRADE AND INDUSTRY

STATEMENT

BY

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MINISTER OF TRADE AND INDUSTRY,**

**ON THE GROWTH AT HOME STRATEGY,
NAMIBIA'S EXECUTION STRATEGY FOR INDUSTRIALISATION**

**IN THE
NATIONAL ASSEMBLY,**

**ON
TUESDAY, 17 FEBRUARY 2015**

Hon. Speaker;

Hon. Members of the National Assembly;

I am here today to present you the proposed implementation strategy for Namibia's Industrial Policy which we have named "Growth at Home" and the potential implications of these interventions.

Looking at the experience of the region that has in recent decades undergone the most dramatic economic transformation – East Asia – shows that its success was to a great extent driven by rapid expansion of countries' industrial capacity, coupled with a rapid integration into international trade flows and global value chains, followed by the accumulation of financial and physical, and the improved quality of human capital. This allowed the region not only to become a manufacturing hub thanks to its low-paid extensive labor force, but also to upgrade and climb up the global value chains and create shared value addition, after the wage cost rose.

Therefore, the debate on the industrial policy has shifted in recent years from the question of whether developing countries should or not seek to industrialise, to the question of how to best design strategies and subsequent intervention tools which can promote a process of inclusive and sustainable industrial development.

Namibia should therefore internalize the positive experience of the best performing countries in the world and become one of them, by turning into an industrialized nation by the year 2030. In order to achieve this ambitious but realistic target we must make a significant advancement in boosting the development of our manufacturing sector within a holistic and inclusive growth of the whole economy. This can be done, firstly, by creating the forward, but also backward linkages, from the extractive industries into the rest of the economy; secondly, by exploiting the existing and exploring the new opportunities for the expansion of the manufacturing sector where we already have a comparative advantage, amongst others, in fish, meat and agro-processing; and thirdly, by entering into entirely new but promising market niches and creating industries where we have a good potential to succeed. All these efforts should jointly contribute to structural transformation of the Namibian economy by diverting economic activities from low productivity to higher efficiency

and productivity sectors, and repositioning our country onto a superior growth path.

It is important to note that the tertiary sector along the secondary sector is also considered an important driver for modern economies, and Namibia should certainly develop its service industries, for instance, banking, telecommunications, logistics higher education, retail and tourism. However, in such a resource abundant economy as our country the growth of the service sectors should be closely linked to the value addition in the extractive industries and the development of the manufacturing sector.

While there have been notable investments in manufacturing and other non-primary sectors in Namibia over the past years, the growth of our economy is still predominantly primary sector-driven and our industrial base is still narrow.

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The key document that lays out Namibia's detailed industrialization plans is the Execution Strategy for Industrialization, named "Growth at Home", developed to actualize our Industrial Policy which has been approved by the Cabinet and eventually ratified by Parliament in 2012.

"Growth at Home" outlines specific goals, intervention areas and priority actions, in the context of Vision 2030 and the Fourth National Development Plan (NDP4).

The three Strategic Intervention Areas derived from extensive sector consultations with stakeholders serve as a holistic frame for the policy. These are, firstly, the interventions to **support value addition, upgrading and economic diversification** through a needs-oriented and comprehensive approach to industrial development and structural transformation of the Namibian economy towards more productive economic activities. The concrete reforms include the extension of the Industrial Upgrading and Modernisation Programme (IUMP) and the realignment of incentive schemes and financing instruments for promoting industrial development and value addition projects.

Secondly, interventions are planned to **promote market access at home and abroad** to stimulate the development of local industries, and create conditions that will boost Namibian exports on international markets. These efforts include making use of the current trade agreements, particularly the Free Trade Area with SADC and the EPA with the EU. Given the size of domestic market, strengthening the existing and launching new relationships with trade partners and investors are of paramount importance. Increasing the competitiveness and capacity of Namibian firms through improved variety and quality of local products and enhanced productivity and efficiency are also amongst our top priorities. As part of these objectives, certain industries with high growth and employment creation potential at early stages of development may be supported through infant industry protection measures on a temporary and performance-based case-by-case basis.

Thirdly, there are interventions that are aimed at **promoting a favourable investment and business climate**. The reforms cover industrial infrastructure, the review of the SME Policy, legislative amendments to Investment, Credit Agreement and EPZ Acts, the re-design of registration processes for businesses and intellectual property rights, and the establishment of a regular Public Private Dialogue Platform.

Ensuring the availability and close match of skills, streamlining of processes for the import of skilled labor in areas experiencing deficit, provision of land, sites and premises for businesses, and support to firms, particularly in accessing finance and credit also form an important part in improving business climate.

The Special Industrialization Programme constitutes the second layer of Growth at Home. Its purpose is to increase the contribution of manufacturing to GDP by promoting growth in priority sectors, expanding industrial output, diversifying products, enhancing value addition, and facilitating the access to the new and strengthen the integration into the existing regional and global value chains.

The priority sectors under the Special Industrialization Programme, defined along the Fourth National Development Plan priorities, are the agro- and fish-processing, steel and other metal fabrication, automotives, chemicals and general mineral

beneficiation. Some of the examples of major projects in these sectors include, amongst others, new beef cold storage export facility in Walvis Bay; NDC Kavango Cattle Ranch value addition project; dairy product development programme; leather, wool, pelts, silk and textiles development programme; fish processing support programme; fish product certification scheme; steel processing and product development programme; automotive sector industrial parks and several others the details on which are included in the Growth at Home document.

The further opportunities for the establishment or future expansion of these sectors will be identified thorough detailed value chain analyses, some of which have already been completed by the MTI.

To provide a comprehensive road map for execution, Growth at Home also outlines the necessary **organizational structure**. A core element is the establishment of the Namibia Industrial Development Agency (NIDA) which will drive the economic transformation process between all relevant partners: the Ministry of Trade and Industry, other Ministries, the private sector and other stakeholders. Another key function under the execution of the Growth at Home strategy is the **monitoring, reviewing and updating** of the policy. Monitoring the impacts of the strategy is crucial, as experiences from home and abroad show that not all interventions fully generate the expected outcomes. It is therefore essential to recognize the deviations when they occur, in order to respond to them promptly and accordingly. Progress reports will thus be produced on an annual basis, to capture the progress made against the indicators and shall include the planned adjustments.

For instance, we recognize that there is a risk that, if not properly implemented, some policy measures, such as infant industry protection or quantitative restrictions, may result in unintended undesirable consequences.

We are aware that the industries that have been granted infant industry protection status or where quantitative restrictions have been applied have increased the prices of the goods they manufacture. However, it is important to understand the reasons for such increases. As part of the policy monitoring efforts, I have therefore tasked the Namibian Competition Commission and Namibia Trade Forum to verify actual

cost structures and production levels as well as to collect data on farm gate or ex-factory and retail prices in the country, and compare them to the trends in the region.

Accurate and detailed information will allow for timely corrective measures when required. Information made available to us to date indicates that producer prices are driven by exogenous factors that are beyond the control of local producers. These are increases in the cost of inputs - such as water, electricity, rates and taxes and fuel. These increases in cost are eventually passed on to the retailers, who in turn transmit them to the end consumers. While the rationale behind such cost increases is clear, I believe we should not tolerate spiraling prices and urge greater productivity and cost savings in the sectors supported by the government.

Similar cost-benefit analysis and evaluation of policy instruments will be conducted along all other interventions and the results communicated to the Cabinet, National Assembly and public, in order to support transparency and accountability.

Hon. Speaker;

Hon. Members of the National Assembly;

I therefore now move and request the House to consider perusing, discuss and endorses the "Growth at Home" strategy to ensure full effective implementation of the Industrial Policy execution.

I thank you for your attention, and past and future cooperation in achieving Namibia's industrialization objectives!

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