

GEARING THE NAMIBIAN PRIVATE SECTOR FOR THE OPPORTUNITIES OFFERED BY THE AfCFTA: PUBLIC AND PRIVATE SECTOR COLLABORATION

By

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To prepare certain parts of this presentation, I have consulted various Leadership Teams; highly knowledgeable individuals that bring a huge spectrum of experience to the table.

The question, whether Namibia's Manufacturing and Private Sectors are strong enough to reap adequate advantages from the AfCFTA, was strongly debated.

We identified the strengths of the sectors versus the obvious weaknesses and came to a staggering awareness. Subsequently, we identified opportunities as well as possible stumbling blocks, which I wish to share with you during my presentation at this Bank of Namibia Annual Symposium.

I am honoured to be included in the panel of guest speakers at this event and trust that meaningful discussions will path the way forward for our beloved country as a member of the African Continental Free Trade Area.

STRENGTHS

► Political Stability

A country at peace can grow its economy and safeguard its people to become a strong player in national and international trade. Namibia's long term of peace and political stability since Independence are noteworthy strengths that should encourage highly desired foreign investment;

► Climate

Our climate allows for mild conditions throughout the year. This increases the possible production periods in almost all manufacturing businesses.

► Natural Resources

The vast diversity of our natural resources makes Namibia a powerful and sought-after country. Namibians should aim at manufacturing most of its raw materials itself, for export purposes.

► Trading Infrastructure

Namibia's trading infrastructure is well-developed. Our road network needs to be re-vamped in many places, but the original planning and groundwork was sound and offers an easily accessible route to the well-established harbor at Walvis Bay and the Hosea Kutako International Airport, where, as we know, refurbishments are ongoing. Our rail network, even though it requires some major attention, still offers a more cost-effective means of heavy-load transportation.

VS WEAKNESSES

Many of Namibia's strengths are simultaneously weaknesses if not managed appropriately and with Namibia's own interests always foremost in mind. While some factors make Namibia truly unique, they also create a certain vulnerability that invites exploitation.

► Population Size

Namibia is one of the smallest countries on the African continent by population. Thus, the inherent constraint the manufacturing sector specifically faces is the small scale and lack of domestic consumption.

► Aridity vs. Fertile Lands

The Namibian farmer is at all times subjected to one or the other drawback of our mild climate: severe droughts alternate with floods, fires, locusts, sandstorms, frost and heat waves. Having to adapt to constant change quickly hampers efficient long-term planning.

► Unemployment

High taxes, unfavourable slaughter conditions and levies have caused a momentous decline in industries that were contributing greatly to the GDP before, causing a dramatic increase of unemployment and poverty. I am thinking here especially of dairy production, small livestock farmers and the beef industry. These industries dwindled

before the outbreak of the pandemic, 2020 has given them yet another big, if not final, blow.

► Urbanization

Mostly employees in rural areas were affected by the declining dairy and beef production industries, resulting in an unsustainable influx of job seekers into major cities.

► Weak education system

Namibia's education system faces many issues. The constant lack of funds for higher paid, better trained teachers as well as well-maintained and equipped schools have caused a decline in the standard of education. Lowered pass rates, reduction of school fees, the lack of schoolbooks and many other logistic difficulties make this one of the sectors that require most attention.

► Lack of skilled labour

Direct results of Namibia's weakening education system with its low pass rates, but also a lack of institutions offering skill schooling for graduates and the lack of student's funds for tertiary education, year by year irrevocably increase Namibia's pool of unskilled workers.

► Decrease of foreign Investors

Unattractive laws for investors/landowners, arbitrariness in the issuing of work, study or residence permits, prosecution red tape and the general attitude to certain foreign investors have caused a decrease in foreign investments and the more valuable foreign currencies. For the past decade or two it has been immensely difficult for European immigrants to become residents of this country and build livelihoods.

► Weak health system

Unfortunately, the prevailing conditions in Namibia's state hospitals are well known and make headline news on a far too regular basis.



- ▶ Ailing Airline/Railway

- ▶ Unwelcome attitude towards skilled immigrants

Over the past decade or so, the work permit application process has become very cumbersome. Rather than this, Namibians should be embracing every opportunity of skills and knowledge exchange, to empower themselves, but also to be able to teach others.

- ▶ Exploitation of natural resources and environment by foreigners

Rather than allowing foreign exploitation of raw materials, why are we not able to establish a manufacturing sector that can export the sought-after finished product world-wide, thereby reducing unemployment, enhancing the lives of so many Namibian families, contributing to the GDP and creating a self-sustaining Namibia that is not reliant on the provision of most of its requirements.

THE CHALLENGES THE SECTORS FACE

▶ Lack of protection of the local manufacturing sector

Opening our trade borders without protecting the local manufacturing sector will create competition in the market, making local businesses obsolete due to the inability to compete on price. It is imperative that the local manufacturing sector is bolstered before the borders open to free trade.

▶ 'Inequalities' among the countries

For AfCFTA to be an effective tool strengthening Africa as an intercontinental trading block, 'inequalities on the inside' must be eradicated. This may call for revised currency/monetary laws, tax regimes and labour laws.

▶ Challenges for competitive production

To be gaining from a bigger market, one must be able to produce competitively, which in turn for Namibia requires

- Technology investment
- An efficient and skilled workforce
- Planning (law) security
- Minimal government interference
- Availability of cost-effective Energy, Water and Electricity Supplies -
- Competitive cost of borrowing and an effective bank system supporting local entrepreneurship
- Good infrastructure (harbor/road/rail/energy/technology)
- Good governance with no opportunities for corruption
- State subsidies

While it is fair to say that Namibia does better than other African countries, there are a few ahead of us.



► Other limitations and hinderances

- NIPA (hinders technology investments)
- NEEEF (hinders local and foreign investment - uncertainties with regards to legal policies)
- Inflexible labour laws and high costs compared to other African countries
- Lack of offtake agreements to secure local sourcing

Policies that should be implemented for the Private Sector to increase production capacities for the export markets

▶ Enticing and incentivising exports

Enticing and incentivising exports will remove the barriers and risks associated with local manufacturers entering foreign markets to access a larger pool of customers/consumers and to create scale in order to be competitive.

▶ Allowing tax breaks and tax reductions

Tax breaks in terms of wear and tear allowances for capital spend

▶ Subsidising costs of logistics

Subsidising logistics costs for products to travel across borders would vastly reduce export costs and could be an offset for imports

▶ Bilateral negotiations with foreign countries to secure offtake

▶ Guarantees to provide bankable business cases to ease the funding requirements for capital intense industries

▶ Offtake agreements

Offtake agreements could be auctioned off to the private sector to provide a return to Government. Government in turn to guarantee offtake and loan funding to achieve preferential financing rates


▶ Resolve NIPA

▶ Get clarity on NEEEF

▶ Implement Independent Power Producers (IPP) on a bigger scale

▶ Infrastructural development to improve logistics

▶ Define Rules of Origin



The 'Rules of Origin' must be equalized across the AfCFTA block to prevent products from non-African origin to flood our market. For example Vietnamese, Bangladeshi or Chinese goods enter an African country that has low/zero import duties from Asia, and once in the block, get repacked and distributed duty-free inside the block.

Potential Winners at Sectoral Level due to the Operationalization of the AfCFTA

- ▶ **Local Namibian consumers** will be the overall winners, as more competition will lead to a wider selection and lower prices - at least in the short term.....
- ▶ **The Tourism Industry** may benefit from AfCFTA too, in that the regulations may simplify across-border travel for tourists from African countries
- ▶ **Natural Energy** and the generation thereof may become a successful game player in that Namibia can rely on its ideal solar conditions to enhance trading in sustainable energy
- ▶ **Agriculture** : chance for our prime beef/venison to explore bigger and wider markets

Potential Losers at Sectoral Level due to the Operationalization of the AfCFTA

- ▶ **The Mining industry** will be a potential loser as other countries offer more favourable investment conditions and environments, as well as more demand-products.
- ▶ **Agriculture** : Namibia may get flooded with products from other countries that have more favourable climatic conditions, e.g. maize
- ▶ **Manufacturing**
- ▶ **Other local value-adding industries**

Specific Strategies and Policy Options required to help the Private Sector to flourish

▶ Decrease overall costs of doing business

The cost of doing business in Namibia is prohibitively high compared to other countries and will lead to reduced competitiveness

▶ ‘Free’ nationalized assets

Certain nationalized assets should be set free to compete in the free market of supply and demand.

▶ Privatize basic utilities

Privatizing companies that offer basic utilities such as water, electricity, air/rail/land cargo and IT (data & mobile) could lower these costs to manufacturers significantly. In turn, rather than far too many Government employees, these employees could be employed by the private sector, thereby vastly reducing taxes required by the Government and payable by the businesses

▶ Reduce Government expenditure

▶ Reduce taxes

▶ Enhance labour laws

We should evaluate whether our labour laws are adequately flexible in comparison to other countries in the block

▶ Intensify foreign skills transfer

We should make it easier for foreigners with expert technical knowledge or a certain high level of education to work in Namibia and enhance the cumbersome work permit process

▶ SME establishment and promotion

We need to re-energize a proper SME establishment and promotion strategy



▶ Efficient functioning of BIPA

We must strengthen and ensure the efficient functioning of BIPA

▶ Push digital innovation and roll-out

There is a great need to strengthen our digital innovation and roll-out (including a network infrastructure)

Policies that require Implementation for Innovation and Technological Progress

▶ Ensure a stable and safe policy framework for multinationals

The policy framework for multinationals entering our country is uncertain and currently extremely risky due to various outstanding decisions within Government, i.e. NEEF, Investment Act, etc. Namibia could be the gateway to Africa in terms of stability and political certainty, but to achieve this, the policy environment must be concise and favourable.

▶ Provide beneficial terms and tax incentives

Namibia needs to renegotiate Double Tax Treaties with certain countries to provide beneficial terms and tax incentives for big companies to invest into Africa, through Namibia.

▶ Digital innovation and network infrastructure

▶ Promote foreign investment

Make it attractive and easier for foreigners to partner up and invest in Namibia

▶ Reduce red-tape to set up business

Reducing the red-tape may result in favourable environments for foreigners (for example e-residency in Norway and Estonia)

▶ Improve Namibia's Education

We must do everything possible to improve our entire education system, from primary to tertiary. Not only bigger budget allocations are required, but also a vastly increased standard of quality basic education, higher student pass rates and a selective pool of qualified teachers, lecturers and instructors. Producing a well-educated workforce in the near future is imperative to empower Namibia to be a player of note in the tasks ahead.

Other Policies that can transform the Private Sector in Namibia

We have spent years building private sector's case with all relevant inputs to different forums but GRN seemed to just be in the mode of ticking off the hosting of these gatherings and then forget about all relevant inputs made

We hope that this BoN symposium will not just be one of those gatherings, but that these inputs are truly embraced.

► So how can Namibia position itself to gain from AfCFTA?

How can Namibia make itself more competitive in terms of

- Cost/Price,
- Quality,
- Input/Output efficiency,
- Delivery Speed,
- Reputation,
- Manufacturing Climate,
- Product Reliability/Durability

► How do we level the playing field so that Namibian Manufacturers can advance? Hinderances that would have to be optimized include:-

- Labour laws
- Extensive bureaucratic red-tape
- Multiple regulatory entities, all with their costs and lengthy processes
- Taxes, levies, and duties
- NEEEF
- NIPA and especially
- Corruption (preferential rules/regulations to, for example, the Chinese - no taxes, no spend in this country, bribery.

Private and Public Sector Collaboration

In view of the collaborations between the two sectors, we must ask ourselves a few questions and identify possible common areas of collaboration:

- ▶ Do our advantages as a country lie in manufacturing or should we prioritize other sectors where we have better advantage and in so doing, present conditions attracting manufacturing investments?
- ▶ Perhaps Namibia should use its assets :
 - our untouched, diverse wilderness,
 - our natural resources which need to be (extracted) in a sustainable manner,
 - A once-strong tourism industry that needs to be revived
 - fishing quotas, mining rights, building contracts, electricity supply, etc. marketed to locals - Namibians firstly for Namibia
- ▶ Perhaps we should focus on becoming THE hub for
 - the African tourist,
 - the African student seeking high quality, world-renowned education,
 - the African patient seeking the best medical care
- ▶ Perhaps we should become
 - a continental solar energy provider and
 - position Namibia as a functioning, efficient and cost-effective logistical hub
 - and maybe also an IT/communication hub?
- ▶ Perhaps we should first revive what we once had
 - A flourishing dairy production
 - A noteworthy sheep farming industry
 - Support structures for cattle farmers
 - Support of local manufacturers and producers
- ▶ Perhaps we should identify industries in which Namibia can already excel?

IN CONCLUSION:

Is the Private Sector ready to ensure a meaningful participation in the AfCFTA and harness the offered Opportunities?

I have now commented on the wide range of considerations we pondered during our discussions and communication and we agreed that:-

If all of these areas are NOT addressed, Namibia will NOT be able to create a favourable climate for local Namibian manufacturers and will not become competitive in trading on the continent.

Thus in view of all the afore-said, I and my teams of experts at O&L as well as stakeholders and members of the NCCI , strongly feel that Namibia is NOT ready to be a player in the AfCFTA.

However, a formalized Task Team to spearhead, monitor and report on the progress towards readiness will be welcomed and supported.