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MANUFACTURING SECTOR IN NAMIBIA

WHAT ARE THE FACTORS HAMPERING THE MANUFACTURING SECTOR PERFORMANCE IN NAMIBIA?

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Abstract

The Namibian manufacturing sector has seen very little growth over the years. However, the country's Vision 2030 is premised on becoming an industrialised nation which puts greater emphasis on the expansion of the manufacturing sector. Government has initiated efforts aimed at ensuring the achievement of the much-needed sustainable growth of the sector in view of contributing to high and sustainable growth, increased income equality as well as creation of employment opportunities. However, the performance of the manufacturing sector has not lived up to those expectations. Although the sector has performed dismally for the period under review (1990 – 2015), there is still room for expansion towards the attainment of high and sustainable growth and sector contribution to GDP, increase in income as well as employment creation.

The aim of this study was to investigate the factors hampering the performance of the manufacturing sector from achieving the expected results for the period 1990 to 2015. Moreover, the paper talks about the concept of value-chains in the sector. It is a desk research which used secondary data from the Namibia Statistics Agency (NSA) and face to face interviews with the Namibian Manufacturers Association. Moreover, questionnaires were also sent to Offshore Development Company (ODC), Export Processing Zones (EPZ) and Ministry of Industrialisation, Trade and SME Development (MITSMED).

The study found that issues of land, access to finance, utility costs, investment incentives, manufacturing status, unfair trade practices and skills shortages are the critical factors constraining the manufacturing activities in Namibia. The study further found that the existing policies in place plays a major role in boosting the performance of the manufacturing sector, they just need to be executed fully and faster. The paper recommends the need for initiatives to improve skills and knowledge transfer as well diversification in the manufacturing activities in the country.

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Abbreviations

BLNS:	Botswana Lesotho Namibia Swaziland
CEO:	Chief Executive Officer
EPZ:	Export Processing Zone
EU:	European Union
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
GFCF:	Gross Fixed Capital Formation
KPMG:	Klynveld Peat Main Geordeler
MITSMED:	Ministry of Industrialisation, Trade and SMEs Development
MoF:	Ministry of Finance
MSME:	Micro Small Medium Enterprises
NDP4:	National Development Plan
NMA:	Namibia Manufacturing Association
NODSOM:	Namibia Occupational Demand and Supply Outlook Model
NPC:	National Planning Commission
NSA:	Namibia Statistics Agency
ODC:	Offshore Development Company
SACU:	Southern African Customs Union
SADC:	Southern Africa Development Community
SMEs:	Small Medium Enterprises
VAT:	Value Added Tax

1. Introduction

The Namibian economy is driven by the extraction and production of important raw materials. The Country remains a net importer of capital and consumer goods and exporter of largely unprocessed goods. Of the three industries of the Namibian economy, the tertiary industry has been and remains the largest contributor to Gross Domestic Product (GDP), contributing over 50.0 percent annually. The secondary industry's contribution to GDP has remained stagnant varying between 11.6 and 22.3 percent from 1990 to 2015 respectively. Therefore, this dismal secondary industry contribution to GDP suggests that there is still a challenge to further expand it. In view of this, there is thus a need to work hard and expand the industry especially through the manufacturing sector on which the country's Vision 2030 of industrialization is premised. The secondary industry is the focus of this paper for it is under which the manufacturing sector falls.

Manufacturing sector has been identified as a key driver with high value for job creation and raising standards of living for the emerging economies of the world in countries such as China, India, South Korea, Mexico and Brazil. Similarly, developed economies have also seen and realized evident benefits from the manufacturing sector given its potential in driving high value job creation. The manufacturing sector is also given some greater weight in developing countries as it is viewed and recognized as an engine for economic growth. This sector's growth is conducive for economic growth as it has higher spill-over effects in the economy. In Namibia, this sector is known for its significant multiplier effect in the economy (The Economist, 2013). Accordingly, for each and every one Namibia dollar spent on this sector's development, it yields about N$1.50 to N$2.50 in rest of the economy through the products and services that it provides.

The manufacturing sector is more sustainable and less vulnerable to external shocks than commodity exports (ADB, 2016[1]). In addition, growth in the manufacturing sector leads to a positive impact on trade balance while by increasingly adding value to products before they are sold, revenue is boosted. Manufacturing remains key in the country's quest to industrialise thus manufacturing sector presents significant opportunities for high and sustained growth. Namibia has its long term vision (Vision 2030) of being an industrialised country whose realization calls for GDP to grow at 6.0 percent annually with the manufacturing sector projected to grow at above 7.0 percent per annum. These targets are in line with the structural transformation that has to happen in the economy where manufacturing sector should play an increasingly pivotal role in economic development.

However, the GDP growth has not been growing at the set target while the manufacturing sector growth for the past 26 years has been volatile and relatively small, averaging 3.4 percent (National Accounts, 2015). These statistics are indicative of the volatility of the manufacturing sector and as such may hinder the goal of improving the manufacturing sector growth to the achievement of the target of above 7.0 percent per annum. Now the question is: what determines the manufacturing sector performance in

[1] Asian Development Bank(2016) INDONESIA: INCLUSIVE AND SUSTAINABLE GROWTH ASSESSMENT, Country Partnership Strategy: INO, 2016–2019

Namibia? Put differently, what are the factors that hamper or constrain the manufacturing sector performance in Namibia?

Manufacturing value chains, though changes every now and then, are complex and interlinked, therefore raising a series of challenges for policy makers and business (or manufacturing) leaders alike in studying and recommending policy measures for the sector (World Economic Forum, 2013). While policy makers would want to see more jobs created by the sector as well as the sector's contribution towards improving economic development, the manufacturing leaders are more interested in attracting global pool of resources (or talents), capabilities and consumers to the sector. With this in mind, it is therefore necessary to examine the value chains of the manufacturing sector products to determine how they influence consumers, job creation and their supply base.

Following the above introductory section, the remaining parts of this paper are structured as follows: section 2 provides the objectives of the paper, section 3 provides the study methodology, section 4 provides the background of the manufacturing sector in Namibia, section 5 reviews related literature; section 6 presents factors that are hampering the manufacturing sector in Namibia, Section 7 is regional experience-a case of SACU economies, sections 8 discusses the concept of value chain analysis, while section 9 concludes the study and gives policy recommendations while the last section consists of references.

2. Objectives

The main objective of the study is to identify the factors that are hampering the manufacturing sector growth in Namibia. The paper aims to identify various value chains in the Namibian manufacturing sector. The paper also aims to establish which of the sectors in the manufacturing industry employ more people and which sectors contribute more to GDP. The main question guiding this research paper thus remains: What are the factors hampering the manufacturing sector performance in Namibia?

3. Methodology

The research is a desk study which used secondary data from publications by Namibia Statistics Agency (NSA) and an interview with the Chief Executive Officer (CEO) of the Namibia Manufacturers Association (NMA). Additionally, questionnaires based on the study's objectives were sent to solicit their input to the following key institutions in the manufacturing sector: Offshore Development Company (ODC), the Walvis Bay EPZ Company and Ministry of Industrialization, Trade and SME Development (MITSMED).

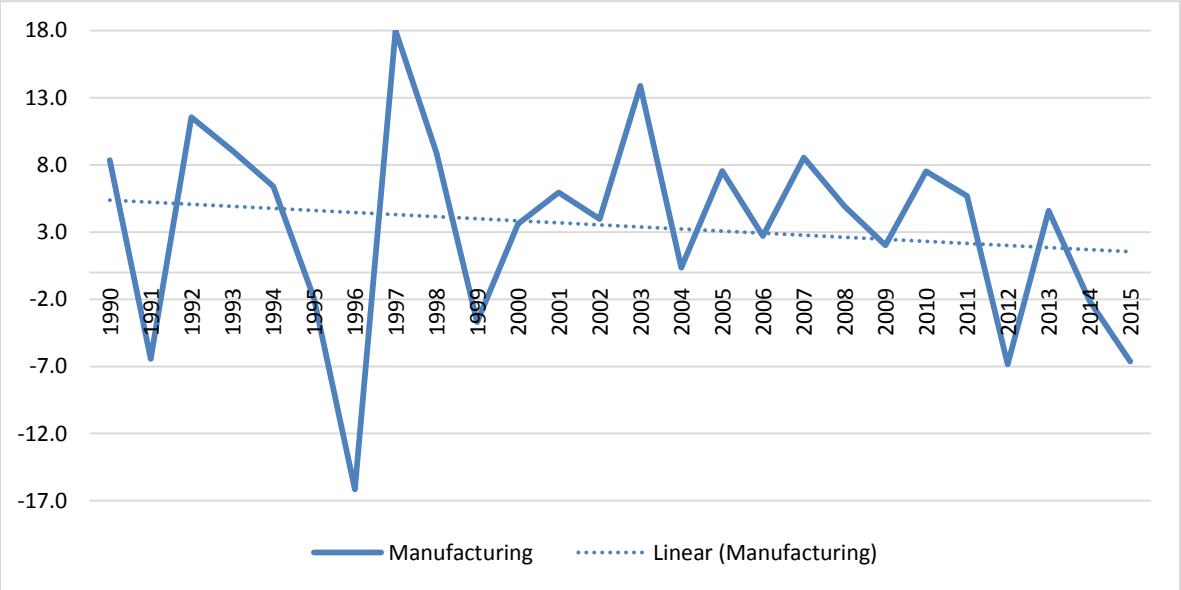
4. Background trend to Namibia manufacturing sector

The Manufacturing sector and services is the main focus of Namibia's Industrial Policy and Fourth National Development Plan (NDP4) in achieving the goals of Vision 2030. The main objectives are three-fold: to specifically increase the share of manufacturing in GDP, focus on domestic value addition and enhance competitiveness in the sector. The Manufacturing sector in Namibia is dominated by fish processing, meat processing, other food and beverage and other manufacturing. Other manufacturing includes basic non-ferrous metals, fabricated metals, diamond processing, leather and related products, non-metallic mineral products etc.

4.1 Growth in the manufacturing sector

During the 1990s the manufacturing sector experienced robust growth associated with larger fluctuations (figure 1). Thereafter, the sector recorded stability in growth characterized by less variations. The sector experienced a larger decline in 1996 due to small catches of pelagic fish which is used as a base for fish processing. This was the worst year in the manufacturing sector since 1990 in terms of growth. However, over the years the sector has grown at an impressive growth in 1997 when the rate peaked to 18.0 percent from a contraction of 16.2 percent in the previous year. After a series of some positive growths between the year 2000 and 2011, the growth went back in its negative territory in 2014 and 2015. The contractions in the sector over the recent year years are mainly attributed to other food products and livestock marketing resulting from drought, which consequently affected meat processing. Overall, the sector grew at an average of 3.4 percent between 1990 and 2015.

Figure 1: Growth in the Manufacturing sector (%) (1990 to 2015)



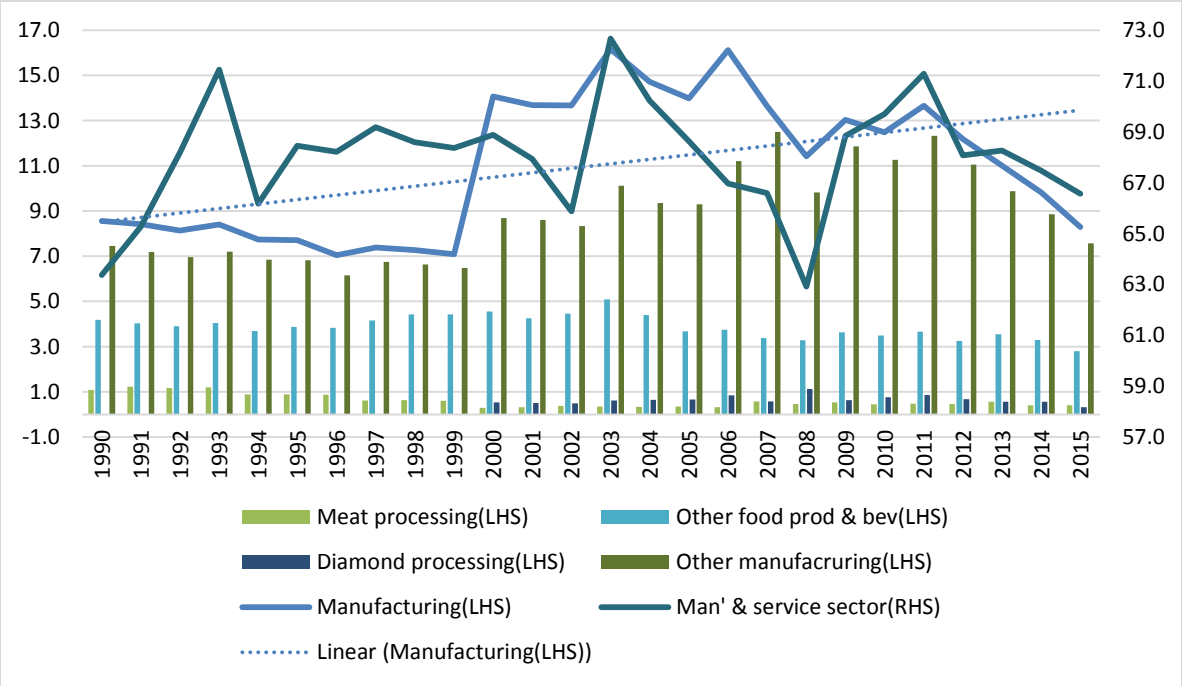
Source: Generated by author using data from Namibia Statistics Agency (2015)

Since the manufacturing sector is one of those sectors that are enjoying priority status in NDP4, it is expected to be a stronger contributor to the performance of the secondary industry. As such, the sector is expected to grow by an average of 7.5 percent during the 5-year period of NDP4. Nonetheless, the current situation shows a decline in the sector's (manufacturing) performance. Evidently, by looking at the downward linear trend line, it's a clear indication of a decline in growth by the manufacturing sector between 1990 and 2015. Despite major initiatives by the Government to make manufacturing sector an active and vibrant part of the economy, the manufacturing sector could not accelerate its growth to expected levels. This shows a negative picture for the economy that is envisioned to be an industrialized nation by 2030.Moreover, the figures gave a clear indication that the sector is relatively small and therefore more efforts are needed to increase the manufacturing output through the multiplier effects and associated linkages in the economy.

4.2 Manufacturing contribution to GDP

Figure 2 below shows that other manufacturing[2] is the main contributor to GDP growth and total manufacturing output from 1990 to 2015 followed by the sub-sector other food and beverages. Meat processing and diamond processing's contribution to GDP has remained the lowest for the entire period under review.

Figure 2: Manufacturing - % contribution to GDP (1990-2015)



Source: Generated by author using data from Namibia Statistics Agency (2015)

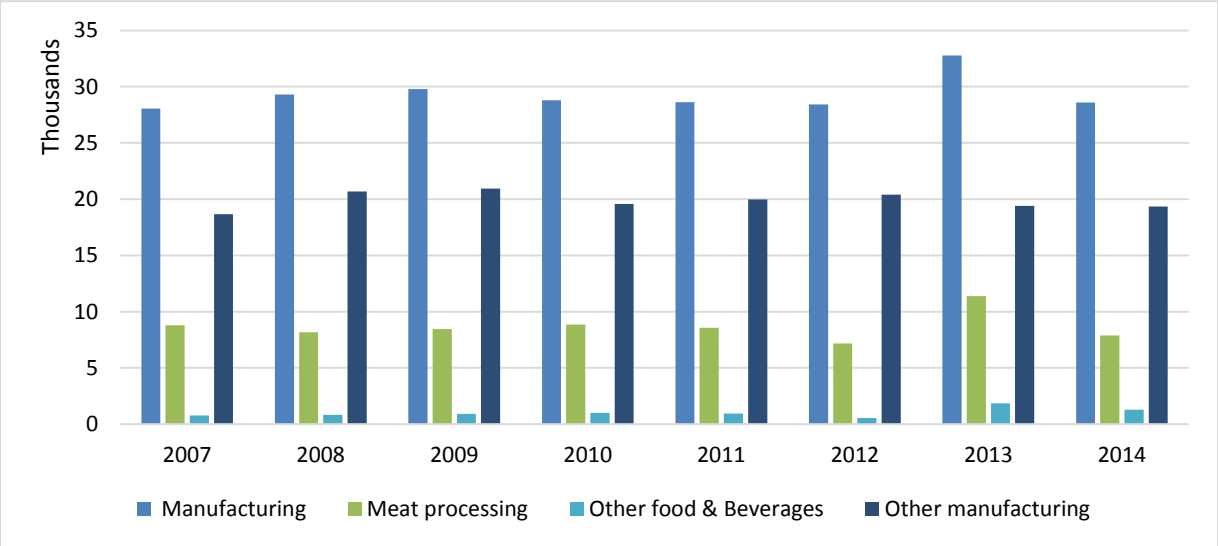
It is worth stating that of all the sectors in the secondary industry, the manufacturing sector has been the highest contributor to GDP in Namibia between 1990 and 2015, with an annual average contribution of 11.0 percent. This high contribution is mainly from the sub-sector other manufacturing and other foods products and beverages. The manufacturing activity contribution to GDP was 9.8 percent and 8.3 percent in 2014 and 2015 respectively. Furthermore, the overall contribution from this sector has been hovering between 7.0 and 15.0 percent since 1980. According to Vision 2030; the manufacturing and services sector combined should contribute about 80.0 percent of the country's GDP by the year 2030. Over the period under consideration, these sectors contribution was 68.0 percent on average, of which more than 50 percent is from the service sector. Vision 2030 sees manufacturing becoming the mainstay or engine of economic growth. The Government is thus committed to accelerating growth in addition to creating sustainable employment opportunities.

[2] Manufactured products other than diamond processing, meat processing, other food products and beverages.

4.3 Employment in the manufacturing sector

The employment information in figure 3 below was sourced from NODSOM[3]. Looking back in 2007, current data shows an increase in employment in the manufacturing sector in all three sub-sectors.

Figure 3: Employment in the Manufacturing sector (2007 to 2014)



Source: Generated by author using data from NODSOM

In 2012, the manufacturing sector employed approximately 28 409 workers which represent 4.5 percent of the country's total labor force. The year 2014 represent a decline in employment in the sector, standing at 28706 workers (4.0 percent of total labor force) compared to employment of 32769 workers in 2013 (4.8 percent of the country's total labor force). The sub-sector other manufacturing is the top employer in the manufacturing sector, followed by meat processing and other food & beverages. Albeit the contribution of the manufacturing sector to employment remains minimal, deliberate efforts to increase the sector's contribution and growth such as incentives of reduced taxes when importing capital goods such as machinery and equipment have all been pursued by the Government. Corporate tax for manufacturers is set at 18.0 percent for 10 years instead of a normal tax of 32 percent (Namibian Sun, 2010).

4.4 Exports of manufactured products

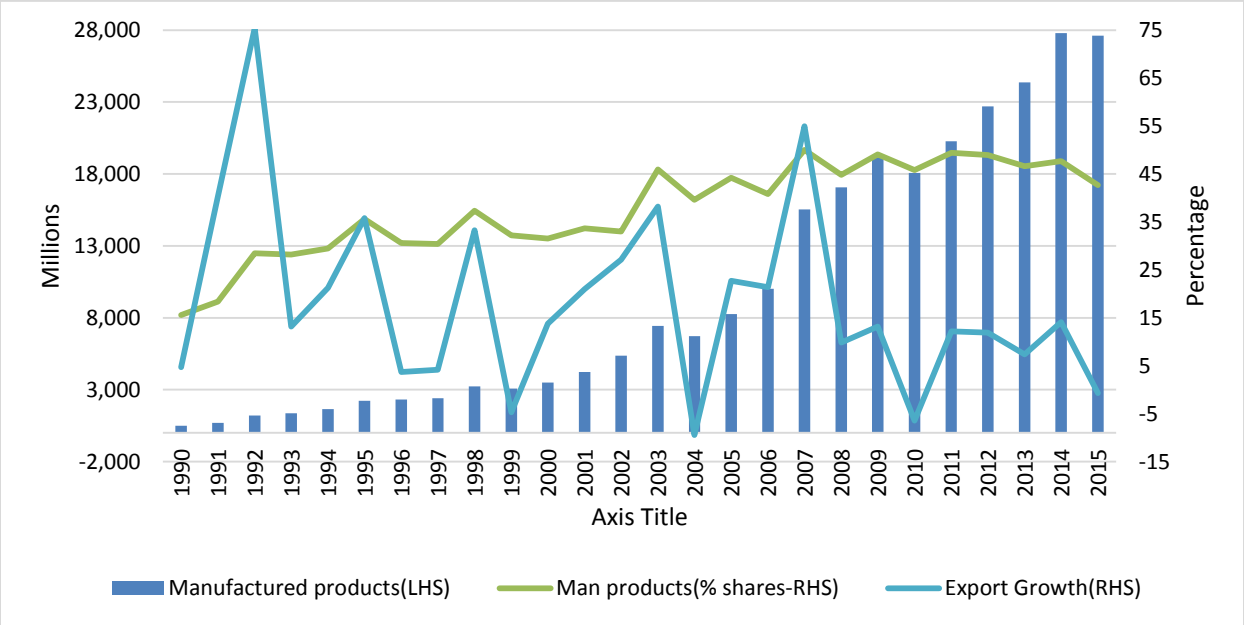
The manufacturing sector also has significant contribution to the country's total exports. Exports of the manufacture products has actually been increasing since independence (Figure 4).On average, the manufacturing sector accounts for 38.0 percent of total exports of goods and services between 1990 and 2015.

The highest growth in exports of manufactured goods of 75.0 percent was recorded in 1992 followed by 55.0 percent in 2007. The growth in exports was led by fish processing output growth of 50.7 percent. In 2007, the sector experienced a positive growth performance in exports of all sub-sectors especially prepared and preserved fish, beverages and refined Zinc. Vision 2030 envisions that exports of processed goods should account for not less than 70.0 percent of the country's total exports by the year

[3]Namibia Occupational Demand and Supply Outlook Model

2030. The figure gave an indication that the growth in exports of manufacturing products in Namibia is trending downwards and it's an extreme concern to policy makers. There is thus a need to change and diversify exports, and encourage more value addition across sectors to reap maximum benefits in line with NDP4 goals i.e. accelerate growth, contribution to GDP and address income inequality.

Figure 4: Exports of manufactured products (1990 to 2015)

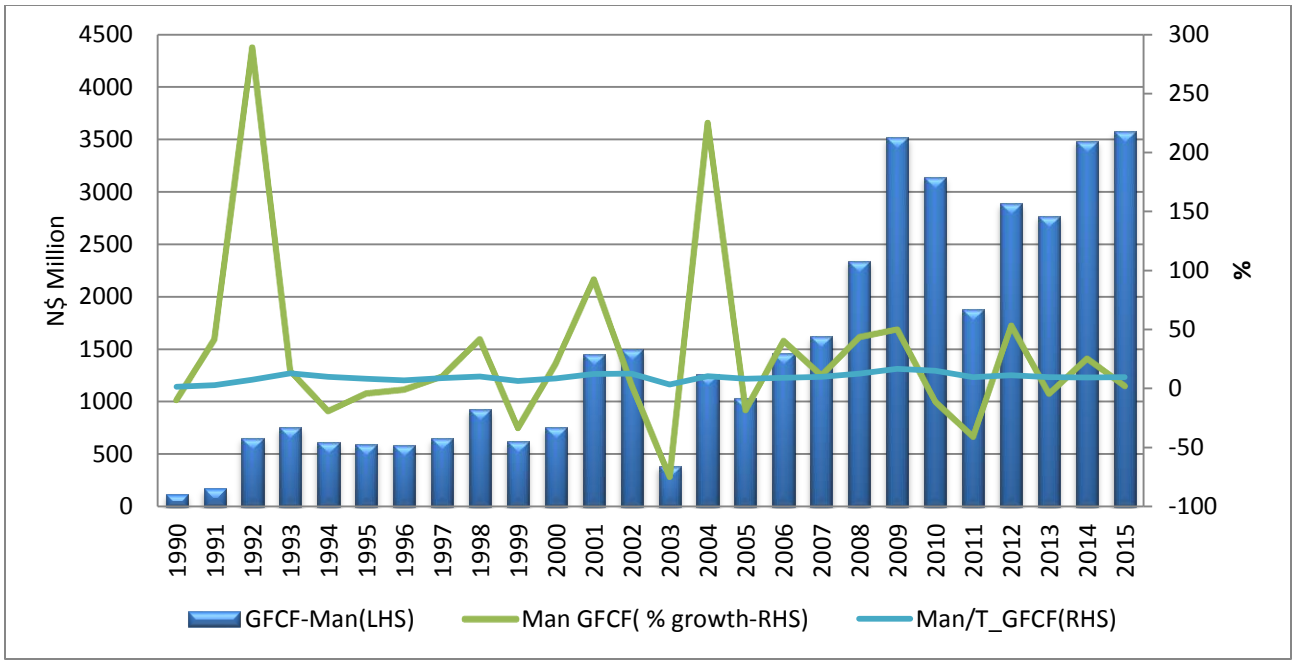


Source: Generated by author using data from Namibia Statistics Agency (2015)

4.5 Gross fixed capital formation in the manufacturing sector

Manufacturing sector investment as percentage of total investment declined from 16.7 percent in 2009 to 9.6 percent in 2015. In 2013 the sector recorded a contraction in investment growth of 4.0 percent from a positive growth of 54.0 percent recorded in 2012. The slowdown in investment in manufacturing is particularly worrying.

Figure 5: Gross Fixed Capital Formation in the manufacturing sector (1990 to 2015)



Source: Generated by author using data from Namibia Statistics Agency (2015)

In hope to explore investment and efforts for diversification in the manufacturing sector, the Investment Centre Agency under the Ministry of Industrialization, Trade and SME Development is responsible for attracting investors to Namibia especially in the manufacturing sector. Through this initiative, Manufacturer and Export Processing Zone enterprises enjoy tax exemption.

The under-performance of the manufacturing sector has a potential to drag the whole economy downward and this implies that there is a need for more to be done in order to stimulate the sector towards acceptable growth trajectory in line with Vision 2030.Investment into the economy is very crucial not only in that it increases aggregate demand/ GDP but it also increases future productive capacity, increase value added in production and consequently increases output. Therefore, future growth of manufacturing will depend on the amount of current and historic investment. Emerging economies like China devoted a significant amount of resources to sector investment in view of boosting performance of the manufacturing sector, an approach that can be emulated by other developing countries like Namibia.

Namibia hosted an investment conference in November 2016 which aimed to attract potential investors in the housing, energy, manufacturing, tourisms, agriculture and logistic sector. The conference set investment commitments and signed agreements which include the (New era, 2016):

- Signing of the joint venture agreement between a South Korean company and Otavi Town Council to set up a reinforcing steel manufacturing plant.
- Turkey-Namibia Business council to promote trade and cross-border investment between the two countries. The aim of the council will be to promote trade and cross border investment between Namibia and turkey and facilitate the participation in trade fairs and exhibition
- Polycare Company from Germany proposed to set up a production facility in Okahandja to develop innovative low-cost housing systems.

In future there is hope that the impact of the conference will be felt in the economy in terms of output as a results of growth in the targeted sectors especially the manufacturing.

5. Conceptual framework

5.1 Related literature review

According to Kaplan (2007), manufacturing is generally regarded as possessing four sector-specific characteristics that are not held by other sectors. It is these sector-specific characteristics which give manufacturing a particular privileged role in the process of economic development:

- Manufacturing development improves profitability throughout the economy. Strong backward and forward linkages allow for manufacturing growth to substantially and positively "pull" growth elsewhere in the economy[4].
- Manufacturing enjoys stronger dynamic economies of scale. Combined with learning by doing, this allows for higher productivity change in manufacturing than elsewhere.
- Manufacturing is the site of major technological innovation. This then diffuses to other sectors raising their technological capacities and their returns.
- The above characteristics of manufacturing are combined with the historical observation that all the development "successes" have been strongly associated with manufacturing growth. Hence, a growing manufacturing sector and growing manufacturing exports is seen as requisite to economic development.

Namibia continues with the exportation of raw materials which includes products such as fish which are exported unprocessed in their raw form and animal on hoof. The main manufactured products exported from Namibia are beer, carbonated soft drinks, dairy products, meat packaging, polished diamonds, salts, hand woven textiles and leather products. According to the Annual National Accounts (2015), imports continue to be more than exports, thereby widening the country's trade balance/ or deficit.

However, according to the Namibian Manufacturers Association (NMA) (2007), Namibia could still boost its manufacturing base if the obstacles that are currently hampering the sector are removed. These include factors such as competition from well-established South African companies, unavailability of finance and capital, lack of skilled manpower and high input costs. In a research paper by Kadhikwa & Ndalikokule (2007) assessing the Potential of the manufacturing sector in Namibia, it concluded that Namibia has very limited industrial development and as a result continues importing most of its manufactured products from South Africa. The study has also raised input costs such as electricity, transport and port charges to be some of the notable constraints to the performance of manufacturing sector. Literatures pertaining to the area under study in the Namibian context are nearly non-existent. Very few studies in other countries are available and these are related to productivity of manufacturing sector and not the value chain analysis being focused on herein.

5.2 Industrial development in Namibia

In terms of promoting industrialization at the regional level, the SADC industrial strategy and roadmap which recognizes industrial policy as an important tool for national development was approved in April 2015 in Harare, Zimbabwe. The strategy consist of three priority growth path which are Agro-Processing,

[4] "the presence of complementarities in investment, production and consumption is considered to be greater in manufacturing than in other sectors because manufacturing activities give rise to more and Stronger forward and backward linkages." UNCTAD, 2006:153.

Mineral beneficiation and encouraging participation in value chains across borders. This Agenda is focusing on a three phase approach, from 2015 to 2063 (SADC, 2015).

The thought of industrialization in Namibia started two years after independence with 1992 White Paper on industrial development being the first step. The objective of the white paper was to increase value addition in the manufacturing sector, increase diversification and employment creation. The white paper on industrial development focused more on highlighting the importance of manufacturing without identifying specific sectors or explaining links to other policy areas (Rosendahl, 2010).

The **Foreign Investment Act of 1993** was a Government initiative to promote investment in Namibia. In 1995, a framework known as Export Processing Zones (EPZ) for promoting export was adopted by the Namibia Government. The aim of EPZ as stipulated in the **EPZ investor guide** is to facilitate imports of capital and technology, enhance diversification of the local economy, and increase manufacturing share of GDP and exports of manufactured products. Through the EPZ – status, qualifying companies are exempted from paying corporate tax and VAT on imports of capital goods. This was to specifically encourage active manufacturers and prospective manufacturers to benefit from this arrangement to boost manufacturing sector.

Currently, manufacturing sector in Namibia is guided by two policy documents which are Vision 2030 and the Industrial Policy. Vision 2030 envisioned Namibia to be prosperous and industrialized, developed by her human resources, enjoying peace, harmony and political stability. Being an industrialized nation means that according to income group classification, Namibia has become an upper income country by 2030. The share of manufacturing and services accounts for about 80.0 percent of GDP. This should give rise to a significant reduction of exports of raw material or unprocessed goods as well as significant increase in exports of processed goods. Manufactured products should account for at least 70.0 percent of total exports of goods. Other critical areas include the promotion of infrastructure development and modernization as well as reduction in unemployment to less than 5.0 percent of the labour force.

The Ministry of Industrialization, Trade and SME Development (MITSMED) is responsible for industrial development and also has a mandate to direct overall industrialization in Namibia. The Namibia industrial policy was adopted and approved by Cabinet in 2012. The industrial policy has prioritized incentives for industrialization, small business development, skills and industrialization, innovation, research and development, financing and regional integration with a view to improving overall industrialization. The incentive regime, whose main object is to develop industrial competencies and capacities for the sector to flourish is currently being reviewed. The execution strategy for industrialization, "*the growth at home*" strategy focuses on three areas, promoting value addition (this includes sectors with comparative advantage such as mining, agriculture and fishing sector), market access at home and abroad and improving investment climate.

Elhiraika (2008), indicated that trade and industrial policies can spur growth and restructuring by allowing or assisting new industries to come on board to improve competitiveness and attract Foreign Direct Investment (FDI) in the manufacturing sector through fiscal, exchange rate and credit policies that are profitable and which simultaneously reduces costs. An investor-friendly business climate is crucial for attracting prospective investors into the sector.

5.3 Manufacturing incentives

Incentives in Namibia are given under the Foreign Investment Act (Act No. 24 of 1993) and Export Processing Zones Act (Act No. 9 of 1995). The foreign investment and EPZ acts are the key Namibian policies with tax and non-tax incentives to attract investment in the manufacturing and processing

sector. The prime aim was to increase/or boost the manufacturing sector and exports of manufactured products in Namibia.

Currently, there are three different incentive schemes in place which are available for eligible manufacturing enterprises:

1. Manufactures can take advantage of tax and non-tax incentives through the **Registered Manufacturers Scheme**, which is basically an incentive package applicable to exporting enterprises who manufacture their products within Namibia.
2. Manufactures can benefit from the **Exporters Incentive Regime** for locally manufactured goods. An 80% tax deduction scheme is in place for income derived from exports of manufactured goods, other than meat or fish.
3. Finally, and by far the most comprehensive of the three regimes, is **the Export Processing Zones (EPZ) regime**, available for export processing firms. Under this regime, qualifying prospective manufacturers have to satisfy two conditions. Firstly, application for this incentive scheme requires companies to export 100% of their goods in the first year outside SACU markets and between 70% and 100% of their goods in subsequent years. The only taxes paid by the latter being personal income tax on employee income and 10% withholding tax on declared dividends to non-resident shareholders. Secondly, eligible manufacturers must be registered with both MITSMED (ODC) and the Ministry of Finance (MoF).

The table below summarizes the type of incentives available for manufacturers and exporters of manufactured goods in Namibia since independence.

Incentives	Registered Manufacturers	Exports of Manufactured goods	Export processing Zone(EPZ)

Eligibility and Registration	Enterprises engaged in manufacturing. Application to MITSMED and approval by MoF	Enterprises that exports manufactured goods whether manufactured in Namibia or not. Application and approval by MoF	Enterprises engaged in manufacturing, assembly, packaging and exporting mainly to outside SACU markets. Application to the EPZ committee through ODC
Corporate tax	Set at a rate of 18% for 10 years, where after it will revert to the prevailing rate	80% allowance on income tax derived from exporting manufactured goods	Exempt
VAT	Exemption on purchase and import of machinery and equipment.	Normal treatment	Exempt
Establishment Tax Package	Negotiable rates and terms by special tax package	Not eligible	Not eligible
Special Building Allowance	Factory buildings written off at 20% in the first year and balance at 8% for 10 years	Not eligible	Not eligible
Transportation Allowance	Allowance for land-based transportation by road or rail of 25% deduction from total cost	Not eligible	Not eligible
Export Promotion Allowance	25% is deducted from taxable income	Not eligible	Not eligible
Incentive for training and production	Deduction from taxable income between 25% and 75%	Not eligible	Substantial, issued by government on implementation of approved training programme.
Industrial Studies	Available at 50% of cost	Not eligible	Not eligible
Cash Grants	50% of direct cost of approved exports promotion activities	Not eligible	Not eligible

Table 1: Incentives for manufacturers, exporters and EPZ enterprises

Source: adopted and updated from [http://www.nhcdelhi.com]

The investment promotion is an ongoing process, which requires a more coordinated approach with key stakeholders both in public and private sectors. Despite the effort by Government to promote or attract investment, the country has not attracted much investment due to possibly the high cost of doing business in the country and as well as lack of skilled labor.

With regards to EPZ, it had attracted a number of investors in various manufacturing and value addition activities since inception. The EPZ regime was aimed at stimulating growth in export oriented manufacturing sectors taking into consideration backward and forward linkages with the local economy. EPZ Program has only made positive impact on the investment level, procurement of local good and services and export volume and diversification of the market.

EPZ has created quite a number of jobs especially in the textile sector but this is no longer the case as most of the jobs in the EPZ are concentrated in sector such as mineral processing. Currently the total number of jobs in the EZP only stood at around 2,000 compared to over 10,000 in 2004.This can be attributed to the closure of Ramatex Textile Factory in 2008 and other companies that fell out due to lower demand and associated high input costs.

Since the beginning of the EPZ Regime, 139 enterprises had been granted EPZ status; however, only about twenty are currently in operation. The main reason in the declining number of enterprises is attributable to the fact that some companies never took off, others closed down or de-registered to become non-EPZ entities. This was for various reasons such as lack or inadequate export markets, high cost of doing business (especially in terms of high input costs i.e. fixed and variable costs), lower economies of scale etc.

Some companies used to apply for EPZ Status in order to mobilize funding or seek partners or and market; however the management of the EPZ Programme has adopted a criteria which requires the applicant to meet the requirements first. Requirements to be met include: financial, human capital and export markets. These incentives have been in place for a long time and since then things have changed regionally and globally in terms of investments and incentives trends. In view of this, a review of the current EPZ regime was undertaken in 2012, which revealed that the regime requires modification and new incentives be introduced in order to make the country more competitive.

6. Critical factors hampering the manufacturing sector in Namibia

The following factors notably hamper the performance of the manufacturing sector in Namibia:

Access to finance: Despite having financial institutions such as SME bank, DBN and other commercial banks, access to finances remain a challenge to businesses in Namibia. This is due to strict requirements by financial institutions in getting finance such as high interest rates and the provision of collateral (NamBic2014).

Access to land: NamBic survey 2014 observed that more than 80 percent of business people require additional land but they find it difficult to acquire. High rental cost and cost of serviced land hamper investment in the sector (MSME, 2016).

Investment incentives: in order to encourage and boost the manufacturing sector, manufacturers are given incentives such as reduced corporate tax and exemption from paying Value Added Tax (VAT) when importing capital goods and other production inputs for manufacturing. The incentives available to manufacturers and exporters of manufactured goods are "good, but not sufficient." There is always a delay in VAT refunds for manufacturers exporting beyond Namibian borders or foreign buyers exporting their local purchases themselves and experiencing difficulties in having their VAT refunded when leaving our borders (Windhoek Observer, 2013).

Manufacturing status: one of the biggest challenges for manufacturers is simply getting "manufacturer status." This issue is two-pronged. Firstly, certain key sub sectors such as fish processing on-board – are excluded from being eligible for this status. Secondly, because of different definitions as adopted by the two Ministries (Ministry of Industrialization, Trade and SME Development (MITSMED) and Ministry of Finance (MoF)) which must approve manufacturing status it is often difficult, and a long process to qualify for the said status. Although some manufacturers qualify for and recommended manufacturer status from the Ministry of Industrialization, Trade and SME Development, they don't always get this status from the Ministry of Finance. Manufacturers are expected to apply to MITSMED first, and then get further permission from MoF. This whole procedure keeps them from benefitting from the stated incentive framework because manufacturing sector status is granted in consultation between the two ministries and both ministries uses different indicators when granting the manufacturing status. The review of manufacturing status was supposed to be completed by 2012 (NPC 2012), it was reported that it will be part of the Industrial Policy Implementation Framework. Nothing much has been done in this regard thus far.

Cost of Utilities: another challenge that manufacturers face is the rising cost of utilities such as electricity and water. The NMA conducted a research to determine the cost of these utilities as a proportion of turnover and its findings so far demonstrated that this cost component is significant, and sometimes prohibitive to both active and prospective manufacturers. The cost of utility on average is about 18 percent of the turnover.

Support: the support structures of State-Owned Enterprises (SOEs) are not hundred percent on par with supporting the "Growth at Home" strategy as developed, supported and endorsed by MITSMED. Making these services more efficient and manufacturer-friendly will have a huge positive impact on manufacturing. The support structures have to be in synchronized with the MITSMED strategy for maximum impact.

Investment & Competition: 2002 SACU Agreement made provision to protect infant industries in Botswana, Lesotho, Namibia and Swaziland (SACU, 2002). The industrial protection policy in place consists of temporary measures which are meant to protect the small local businesses against foreign competition. However, small retail business mostly by Asians has completely taken over basic industries in Namibia which the Government sees as foreign investment (Namibia Sun, 2013). While welcoming foreign competition; it believes that a level playing field is important for local manufacturers to compete with foreign investors. Most aspiring or prospective producers of export goods and services are still in their infancy and as a result cannot compete on equal footing with their well-established foreign competitors. These competitors often enjoy massive economies of scale which the local producers do not have. Therefore, the local manufacturers will find it difficult to compete with the foreign competitors. In this vein, the Association welcomes the Government's provision on Infant Industry

Protection. Factors affecting the manufacturing activities also include unfair competitive imports from South Africa and China.

Corruption: there are perceptions that there are greater levels of corruption by foreigners who come into the country to invest, which hinders having a level playing field. Government thus needs to look into this in an effort to stamp out this perceived corruption. The Manufacturing Association has explored ways to engage its members to join the fight against corrupt activity through a code of ethics. It has now introduced a code of ethics and corporate governance to which each member should prescribe.

Skills shortage: there is a problem of skills shortage in the country not only in the manufacturing industry but in all other industries as well. There are many Vocational Training institutions in Namibia but it seems like the education and skills offered is not sufficient and of quality for the industry purpose. This has a great challenge to Namibia's economy in particular the manufacturing industry whose growth is already deteriorating while affecting productivity and quality on which the goals and objectives of Vision 2030 are premised. There is a need to stimulate and instill in vocational students a sense of pride and entrepreneurial skills needed to boost the manufacturing sector.

Procurement of locally produced products: manufacturers face difficulties in getting their goods on the shelves of local retailers due to existing procurement rules and distribution network among others (NMA, 2014). Most local retailers are foreign owned and there is no regulation in place to local retailers on the percentage of goods imported to encourage selling of Namibian produced products. It is also important to point out that cheaper products are imported from abroad since prices of Namibian products are deemed to be high. NDP4 strategic initiative says that by 2017, increase preferential Government procurement of locally produced goods to the ratio of 70.0 percent. However, there is no significant progress reported with regards to this (NPC Progress Report 2014/15).

There is also an issue of **unfair trade practices** within the SADC Region which hinder exportation of goods. The study done by SADC (2010), indicated that some of the anti-competitive practices and unfair trade practices common in the SADC Region includes: inability of firms to access supply chains in new/foreign markets; regional cartels; the selection of a single distribution channel by a dominant firm; deceitful, misleading representations and product safety standards; mergers and acquisitions involving multi-national; companies operating in more than one SADC countries, e.g. British American Tobacco, Coca-Cola/Cadbury Schweppes. There have also been a lot of mergers involving big and dominant South African firms (Moodaliyar, 2012).

7. Regional experience: a case of SACU

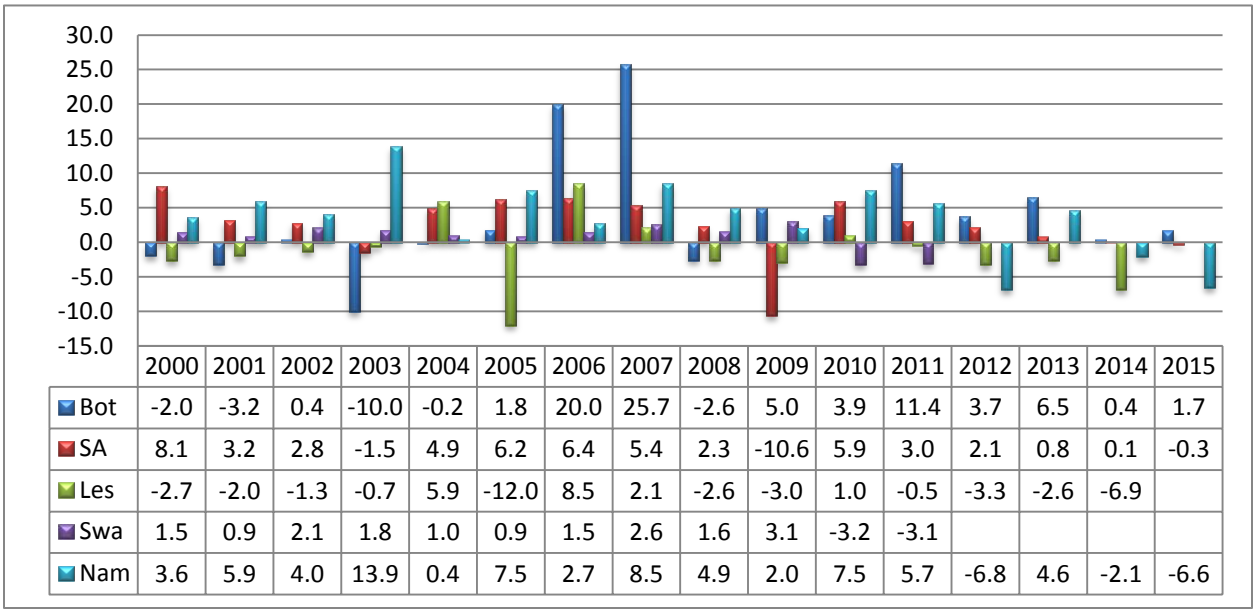
7.1 Manufacturing performance in SACU countries

The existence of inequality in the oldest Customs Union in the world, the Southern African Customs Union (SACU) economies is not only in terms of sizes of the economies but also in terms of industrial development. South Africa is much larger and more industrialized than the rest of the SACU members. The other economies often referred to as Botswana, Lesotho, Namibia and Swaziland (BLNS) have similar weaknesses in terms of their stock of knowledge, skills, science and research base compared to South Africa. According to Kaplan (2007), the African Region has the weakest endowments in respect of manufacturing industry. He further noted that the Region (Africa) continues to export unprocessed raw

materials and very low levels of manufactured exports. In the latest SACU Agreement for 2002, member states agreed on Common Policies and Strategies, specifically the development of common industrial policies to be adopted.

Referring to the figure and data overleaf, there are three main points to note. First, SACU countries experienced fluctuations in manufacturing output growth since 2000. Second, SACU countries have similar characteristic of low manufacturing base. Third, the impact of 2009 financial crisis was felt by most of the member states; this is evidenced by having recorded negative or decline in manufacturing output growth.

Figure 6: Manufacturing, value added (annual % growth)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bot	-2.0	-3.2	0.4	-10.0	-0.2	1.8	20.0	25.7	-2.6	5.0	3.9	11.4	3.7	6.5	0.4	1.7
SA	8.1	3.2	2.8	-1.5	4.9	6.2	6.4	5.4	2.3	-10.6	5.9	3.0	2.1	0.8	0.1	-0.3
Les	-2.7	-2.0	-1.3	-0.7	5.9	-12.0	8.5	2.1	-2.6	-3.0	1.0	-0.5	-3.3	-2.6	-6.9	
Swa	1.5	0.9	2.1	1.8	1.0	0.9	1.5	2.6	1.6	3.1	-3.2	-3.1				
Nam	3.6	5.9	4.0	13.9	0.4	7.5	2.7	8.5	4.9	2.0	7.5	5.7	-6.8	4.6	-2.1	-6.6

Data source: country's respective statistic office and central bank economic reports, data for Swaziland sourced from World Bank economic indicator, 2014.

In **South Africa** manufacturing output grew around 2.4 percent on average between 2000 and 2015. However, the South African manufacturing sector contracted by 10.6 percent during 2008/2009 global financial crisis. Using data from South Africa Statistics Office, the value addition in the manufacturing sector declined from 5.4 percent in 2007 to -0.3 percent in 2015, with an average contribution to Gross Domestic Product of 15.0 percent between the 200 and 2014.

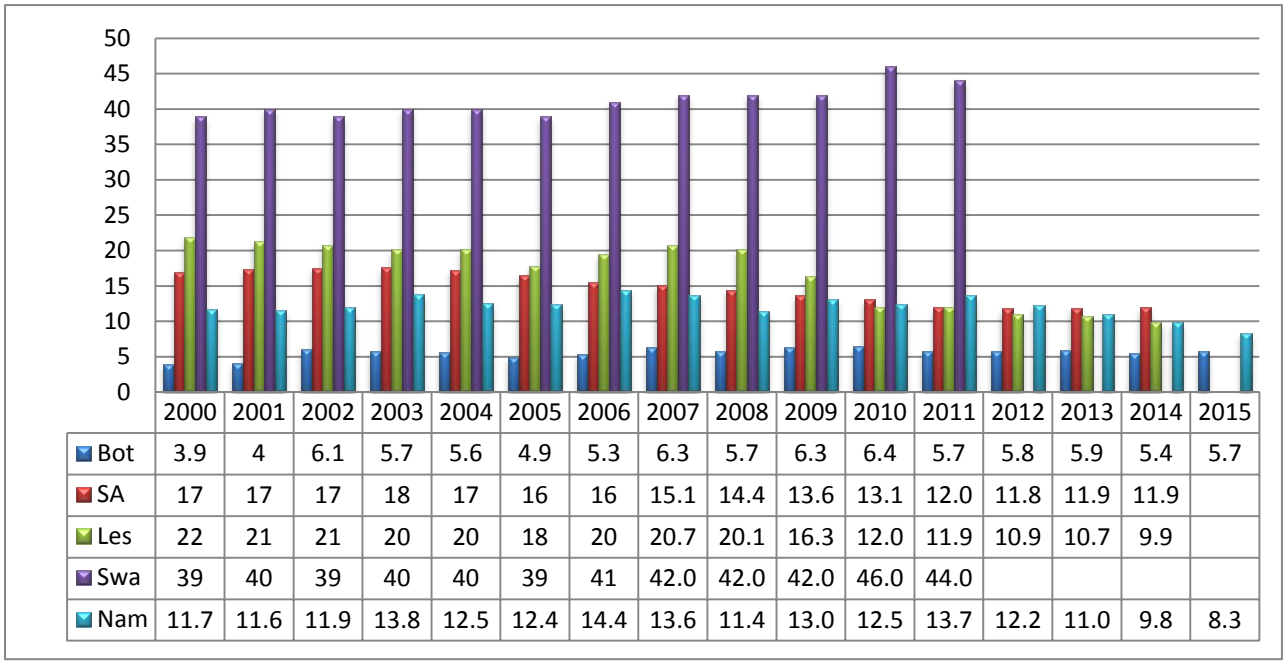
Unlike other SACU member states, the manufacturing sector in SA is quite diversified and consists of food, beverages and tobacco, textiles, clothing and leather goods, wood and paper, publishing and printing, petroleum products, chemicals, rubber and plastic, other non-metal mineral products, metals, metal products, machinery and equipment, electrical machinery and apparatus, radio, television, instruments, watches and clocks, transport equipment, furniture, and other manufacturing. According to the research done by Um Jwali Market Research (2012) on the performance of the manufacturing sector in South Africa, key findings were that the manufacturing sector in SA is declining due to higher labour and production costs. Certain goods are cheaper to import and retail, rather than produce locally.

Another notable challenge is that banks are reluctant to borrow money to SMEs as they are seen as a perceived risk, and the nature of their business is sometimes difficult to compute.

Being the largest producer of diamonds in the world, **Botswana**'s manufacturing sector has not mirrored that feat as it has declined over the years; dropping from a respectful growth of 25.7 percent in 2007 to a mere 1.7 percent in 2015.The significant decline in the manufacturing sector in Botswana is mainly due to poor productivity in the sector. This is attributable to a limited manufacturing base which has an adverse effect on Botswana economy. In terms of percentage contribution to GDP, it is the lowest when compared to other SACU member states.

Mapfairaet al, (2014) indicated that goods produced in Botswana are too expensive and of poor quality compared to foreign produced goods. Therefore, local goods lose out to competitor's products whose end result is a stagnant or a declining manufacturing sector. Other notable challenges include poor work ethic of the labour workforce, poor access to finance, lack of skilled labour, small market size, excessive government laws and regulations resulting in a hostile business environment and capacity constraints in terms of infrastructure.

Figure 7: Manufacturing, value added (% of GDP)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bot	3.9	4	6.1	5.7	5.6	4.9	5.3	6.3	5.7	6.3	6.4	5.7	5.8	5.9	5.4	5.7
SA	17	17	17	18	17	16	16	15.1	14.4	13.6	13.1	12.0	11.8	11.9	11.9	
Les	22	21	21	20	20	18	20	20.7	20.1	16.3	12.0	11.9	10.9	10.7	9.9	
Swa	39	40	39	40	40	39	41	42.0	42.0	42.0	46.0	44.0				
Nam	11.7	11.6	11.9	13.8	12.5	12.4	14.4	13.6	11.4	13.0	12.5	13.7	12.2	11.0	9.8	8.3

Data source: country's respective statistic office and central bank economic reports, data for Swaziland sourced from World Bank economic indicator, 2014.

Lesotho's manufacturing sub-sector comprises food products and beverages, textiles, clothing, foot wear and leather, and other manufacturing (Bank of Lesotho, 2013).Driven generally by textiles, the manufacturing industry remains the main engine of growth in Lesotho. The subsector's performance worsened in 2014 registering a growth rate of -6.9 percent compared with a decline of 2.6 percent in 2013. The sector's contribution to GDP has dropped over the years from 22 percent in 2000 to 9.9 percent in 2014.This is attributable to increased competition of textiles from the Asian producers in the USA market, and the lower demand of textiles by the USA following the global economic crisis.

There are indications that the present available skills are insufficient to match the demands of the light manufacturing industry, which produces for the lower end of the market through production of basic products. Weak infrastructure especially in the form of utilities has limited the productive capacity of the country and has as such stalled the industrialization programme (Port of Spain, 2004). Similar to other small countries (Namibia, Botswana & Swaziland) Industrialisation in Lesotho has as such been limited to light manufacturing.

The major foreign exchange earner in **Swaziland** is sugar while the categories of goods under manufacturing include food and beverage; clothing and textiles; timber, pulp and paper; engineering and metal industries, plastics and chemicals. The global financial crisis adversely hit the textile sector and led to the closure of a prominent wood pulp producer which served as a major foreign exchange earner for the country. The closure of textiles and apparel in 2010 led to a fall in manufacturing capacity (KPMG, 2012). The manufacturing sector in Swaziland represent on average 43.0 percent share of GDP from 2007 to 2011. It is the leader in terms of contribution to Gross Domestic Product. The annual average growth represents 2.6percent between the same periods. South Africa remains the major destination for Swaziland exports, followed by European Union (EU) and then Mozambique.

SACU economies are mainly driven by export-led industries such as manufacturing and mining, particularly in commodities like diamonds, gold, and platinum (SACU Report, 2013). Given the size of the economy and low manufacturing base, BLNS (Botswana, Lesotho, Namibia & Swaziland) continues heavily relying on the South African economy in terms of trade (Exports and Imports) and Investments. Moreover, manufacturing in SACU countries is still in its infancy and is hampered by similar structural shortcomings. It is therefore evidently clear that, with the exception of South Africa, the state of the manufacturing sector is not very bright in the smaller SACU (BLNS) countries.

8. The concept of value chain analysis

A well-known concept of value chain developed by Porter (1985), illustrates how value is created in selected sectors of the economy. By arranging value adding activities in a sequential chain can derive a comparative advantage through value chain. A value chain is a chain of value added activities where products pass through the activities in a chain, while gaining value at each stage of the way. One will expect their competitors to have a value chain quite different from theirs. This is due to the fact that business grew from a different set of circumstances and a different set of operating parameters.

Developing countries often concentrate on lower value activities concerned with mere production and distribution of goods whereas developed countries concentrate on going a level higher, that is, higher value activities where they do more than simply production. According to BIS (2010), through globalization, developed countries have been able to enhance their productivity and reduce costs while at the same time gaining important access to fast growing emerging markets. The report further states that at the same time, manufacturers in developed countries have sought to differentiate themselves further by shifting away from traditional business strategies based around the sale of a particular product to new models where the sale of a product is combined with associated services. This trend has come to be known in the literature as the '*servitization'* of manufacturing.

The organizations such as that of manufacturing are made of a system comprising of sub-systems, which consists of inputs, transformation process and output. The way the value chains activities are carried out determines the firm's costs and it also affects the firm profits.

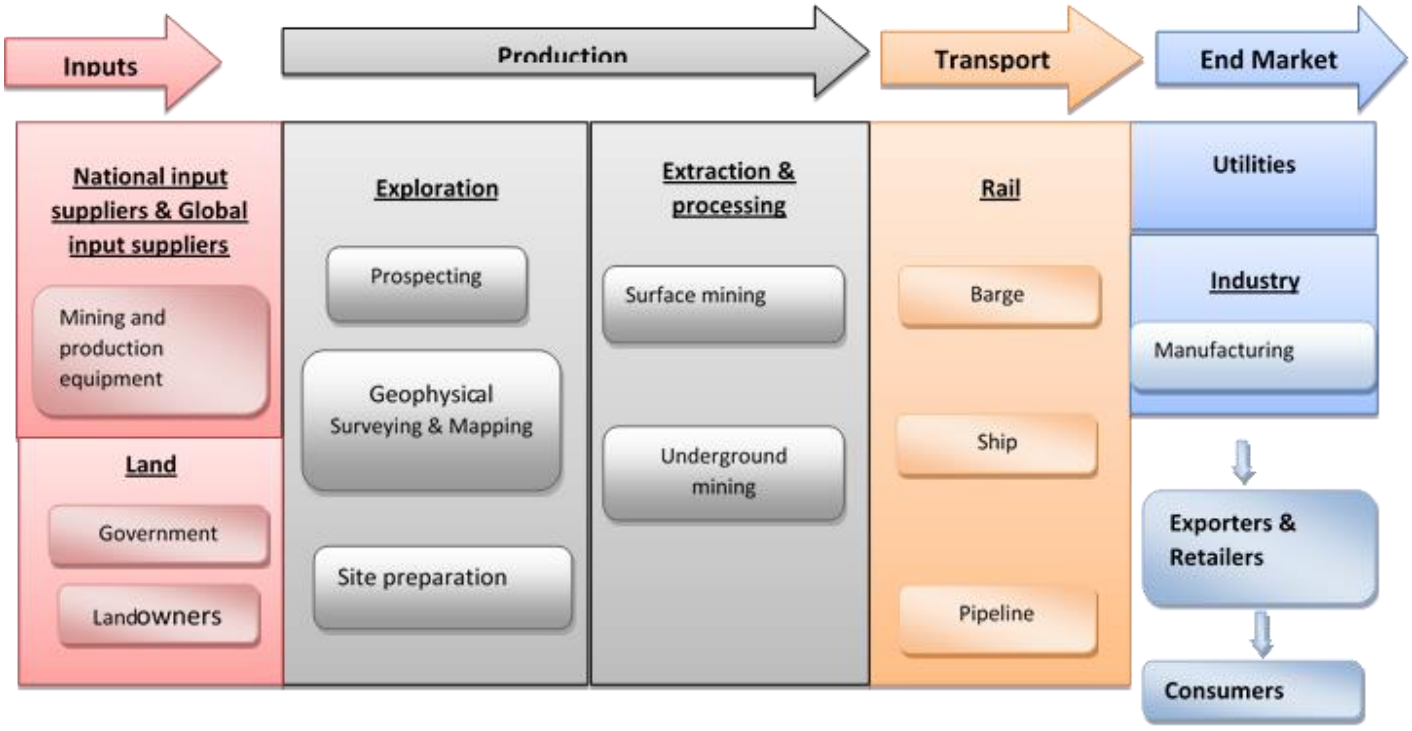
8.1 Value chain in Mining and Quarrying sector

The mining sector is a key driver of growth in the economy and it provide unparalleled opportunities to the country as well as the whole continent. The mining sector is another major and big sector in the Namibian economy due to its huge contribution to the national income.

The value chain in the mining industry begins with exploration that involves high risky investment and then extraction and processing of metals. Mineral exploration also referred to as prospecting is the identification of new mining deposits and/or analyzing potential areas where precious minerals and other resources can be mined. It includes geophysical surveying, satellite image and mapping. Minerals are then extracted from the earth by two methods called surface mining and subsurface mining.

For the mining to perform well and deliver production quality and quantity in accordance to the establishment of the mine, it needs a conducive environment. Vorster (2001) noted that there are aspects that need to be planned for this and includes radiation, industrial water, humidity, heat, ventilation, electricity, machines, equipment's, transport, labour, extraction methodology and production. These aspects are constrained by factors like the environment, technology, finances, geology and also investors' perceptions. The diagram below is mapping the mining value chain according to the porter's value chain.

Figure 9: Value chain in Mining and Quarrying sector



Source: adopted & updated from Gary.G.et al (2012) The Coal Industry Value Chain, Duke University.

The mining sector in Namibia consists of minerals such as copper, gold, iron ore/steel, diamond, lead, uranium, zinc, fluorspar, salt and other chemicals. The value addition in the mining sector exists in the Diamond sector where we have diamond cutting and polishing. From cutting and polishing, the diamonds and gold are further manufactured into diamond jewelry and also gold jewelry.

Moreover, there exists copper refining and copper products (copper wires and tubes), refining and manufacturing of zinc products into zinc sheets while salt products are further refined and packaged. Furthermore, there is production of semi-precious stones, of gold, silver etc. In Namibia there is a need to explore the potential of a jewelry industry that goes beyond jewelry family businesses. Similarly, the cement industry although still in its infancy certainly also holds more potential as does the quarrying industry. The table overleaf shows the different manufacturing companies and their products in the mining and quarrying, non-metallic mineral products.

Table 1: Manufacturing: Mining & Quarrying, Non- metallic mineral products.

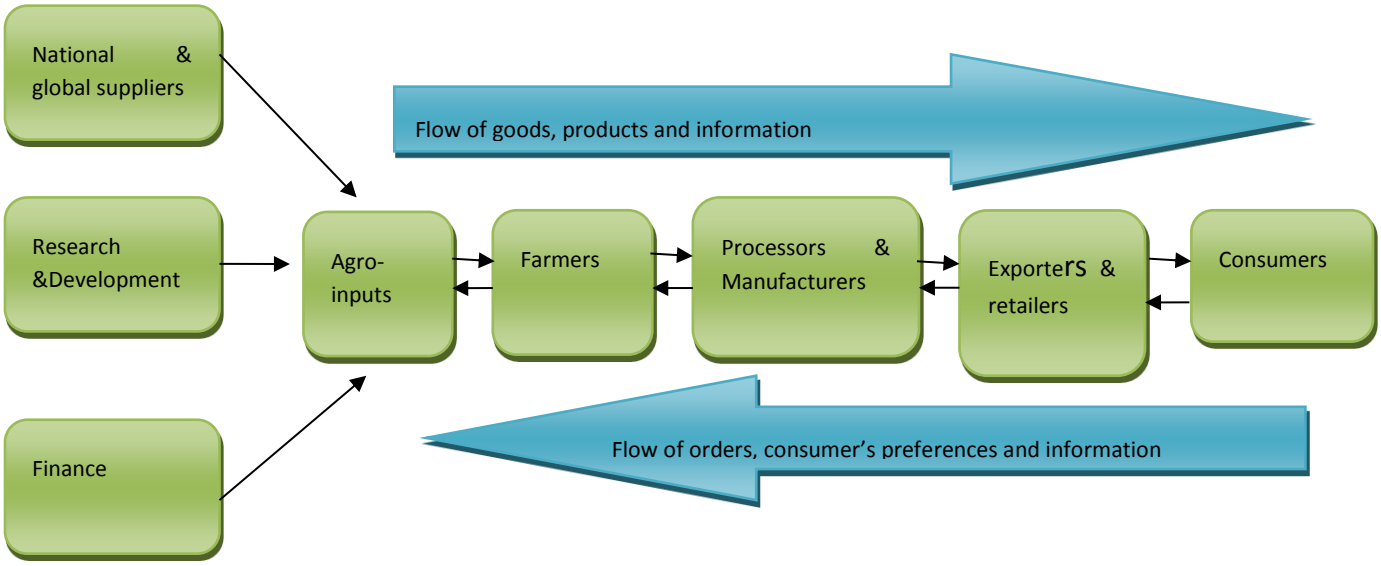
Categories	Company name	Main products	Region
Mining & Quarrying	AngloGold Ashanti Namibia	Gold	Erongo
	Arandis Granite	Granite	Erongo
	Blaauw Holdings	Household salts	Erongo
	Diamond For you Jewellers Namibia	Diamonds	Khomas
	Dimension Stone Exploration	Stones	Erongo
	Epangelo Mining Company		
	Erongo region Small Mine	Gemstones	Erongo
	Langer Heinrich mine	Uranium	Erongo
	LLD Diamonds Namibia	Diamonds	Khomas
	Namcot Diamond Pty Ltd	Rough Diamonds	Khomas
	NAMDEB	Diamonds	Khomas
	NamGem Diamonds Manufacturing (Pty) Ltd	Diamonds	Otjozondjupa
	Namibia Customs Smelters	Copper & lead	Oshikoto
	Rosh Pinah Mines	Zinc	Karas
	Rossing Uranium Mine	Uranium	Erongo
	Savannah Marble CC	Marble & granite	Khomas
	Skorpion Zinc	Zinc	Karas
	Slasto Products	Slasto products	Hardap
	Stone Africa	Granite & stone	Erongo
	Stone Products Richmond Investment	Stones	Khomas
	Trau Bros Diamond Namibis	Diamonds	Khomas
	Trekkopje Mine	Uranium	Erongo
	Troye Mine	Marble	Otjozondjupa
	Zanite Investments	Granite	Erongo
Non-Metallic Mineral Products	Glass Fibre Lining		Oshana
	Walvis Bay Salt Holdings (Pty) Ltd	Salt & salt products	Erongo
	Ekango Salt Refiners (Pty) Ltd	Refined salt products	Erongo

Source: NMA Manufacturing & Processing Directory (2014/15)

8.2 Value chain in the Agricultural sector

The value chain in the agricultural sector is the process that links the farmer to the consumers. The producer or the farmer combines all resources or factor inputs required in the production of a commodity. It is very crucial to link the value chain as it bring producers close to consumers and producers will produce specific goods that consumers need. The value chain usually starts with the provision of inputs to production, transportation, transformation, processing, marketing, trading and retailing to final consumption.

Figure 8: Value chain in Agricultural sector



Source: adopted and updated from: www.agricinghana.com

MITSMED has put out several tenders for studies looking into the potential of various sectors such as agro-processing. These sectors have untapped potential which can be explored in light of making a great contribution to the manufacturing sector as a whole. If the focus is more on the communal agricultural sector and promotion of new management systems such as Conservation Tillage and Conservation Agriculture, this could improve the output of millet and maize substantially. This could in turn benefit the grain processing sector and could help in diversifying the crop sector in the communal areas with further benefits for agro-processing. Another area for consideration could be the processing of hides and skins since quite a number of livestock and game are being slaughtered. This could diversify the leather industry - shoe making, belts, handbags etc. while at the same time increasing the sectoral contribution to GDP as well as possibly creating employment opportunities.

It should be kept in mind that focus should not only be on the local supply of raw materials, but also on sourcing raw materials from abroad as the copper smelter does. Why not import agricultural produce from our northern neighbors that have more favorable climatic and soil conditions than us? There is a lot of potential for manufacturing in Namibia given our excellent road infrastructure, political and macroeconomic stability and our location as a gateway to land-locked countries in Central Africa, and to South & North America, Europe on the other side.

Table 2: Manufacturing: Agriculture, Forestry & Fishing. Sub-category-Crop & Animal Production

Sub-categories	Company name	Main products	Region
Crop and animal production	Luxury investment	Production of tomatoes	Khomas
Animal feeding	A & R Pet Suppliers	Bird and Pet food	Khomas
	Feedmaster (Pty) Ltd	Animal feed	Khomas
	KaapAgri Pty Ltd	Animal feed	Khomas
	Namibia Guano Islands	Guano	Khomas
	Seal Product	Animal feed	Erongo

Source: NMA Manufacturing & Processing Directory (2014/15)

8.3 Value chain in the Fishing industry

The concept of value chain is very similar in all sectors; it can only be adjusted slightly for a specific sector. According to De Silva (2011), value chain describes a high-level model of how fishery businesses receive raw materials as input (captures and culture fisheries), add value to the raw materials through various processes and finally sell finished products to customers.

The supply chain is typically made up of multiple companies who coordinate activities to set themselves apart from the competition. According to De Silva (2011), a supply chain has three key parts:

- **Supply** focuses on the raw materials supplied to manufacturing units, including how, when and from what location.
- **Manufacturing** focuses on converting these raw materials into semi-finished or finished products.
- **Distribution** focuses on ensuring these products reach the consumers through an organized network of distributors, warehouses and retailers.

Just like in Canada[5] and Greenland, Namibia also hunt seals for commercial purposes. Commercial processing of seal oil products has major potential source of growth. Seals are used for their fur and seal oil which is high in Omega-3.According to the seal economic report 2014 done by the Ministry of Fisheries and Marine Resources, the value addition is done through processing of pelts in a wet form (salted) while the seals skins are further processed at Nakara Manufacturers. Right holders have a Toll Agreement, whereby they send seal oil (pre-processed) to be encapsulated in South Africa. It is sent back to Namibia packed under the 'Team Namibia' logo then sold by an agent to South Africa, Namibia, Botswana and Congo Brazzaville. However, most of the clients buying are Chinese, who then carry it to Mainland China. The sector is exploring ways on how to add more value to seal meat to produce what they refer to as 'sealtong' dried seal meat, similar to the grand old Namibian tradition of biltong. Also to add value to seal skin through dry crusting in addition to salted skin.

Value addition in the fishing sector is evident through the canning process of pilchard in tomato and chili sauce, hake(canned pickled hake) and snoek (canned smoked snoek mixed with potatoes and vegetables) and also the production of fishmeal(mainly exported to South Africa) and fish oil.

5 Canada is the largest exporter of seal products. Seals products exports have been affected by the European Union (EU) seals pro ducts ban.

Table 3: Manufacturing: Agriculture, Forestry & Fishing. Sub-category: Fishing.

Sub-categories	Company name	Main products	Region
Fishing	!OE#GAB Fishing Enterprises/United Fishing	Pelagic canned fish	Erongo
	Abroma Fishing Industries	Hake fish	Erongo
	African American Trading Co	Pelagic fish	Erongo
	Agatha Bay Fishin g	Hake fish	Erongo
	Art Fishing Industries	Hake fish	Erongo
	Auob-Eigelaar Joint Venture	Pelagic	Erongo
	Benguella Sea Products	Hake &v Snoek	Erongo
	Namsov Fishing Enterprises (Pty) Ltd	Frozen horse mackerel, fishmeal & fish oil	Erongo
	United Fishing Enterprises (Pty) Ltd	Canned Pilchards, curried & pickled fish, smoor Snoek&beans in juicy tomato sauce	Erongo
	TetelestaiMariculture(Pty) Ltd	Fresh live & frozen Oysters	Erongo
	Cadilu Fishing	Hake(Frozen, canned & filleted)	Erongo
	Diaz Fishing	Fish products	Khomas
	Empire Fishing Company	Hake	Erongo
	Erongo Marine Enterprise	Horse mackerel	Erongo

Source: NMA Manufacturing & Processing Directory (2014/15)

9. Findings and recommendations

The manufacturing sector is viewed as a key driver for growth and development as it has a significant multiplier effects in the economy. The study found that Manufacturing sector in Namibia has been trending downward since 1990, growing with an average of only 3.4 percent between 1990 to 2015.This is below the annual target growth of 7.0 percent in vision 2030 and average growth of 7.5 percent expected during NDP4 period. Despites the efforts by the government to accelerate growth in the sector, the sector remain relatively small and data indicates a decline in the sector's growth. Employment in Manufacturing stood at 28706 workers in 2014 from 32769 in 2013. Growth in exports of manufactured products is on a decline trend since 1990 with a slowdown in investment is the sector. The under performance in the sector is affecting output growth and more needs to be done to stimulate it.

Researchers such as Kaplan (2007) are in favor of the manufacturing sector as it improve profitability, enjoys stronger economies of scale, site of major technological innovation and requisite to economic development. It was concluded that Namibia has a limited industrial development and continue importing goods from South Africa (Kadhikwa and Ndilikokule, 2007). Several issues such as investment incentives, manufacturing status, unfair trade practices, cost of utilities and skills shortage, were found to be the factors determining the performance of the manufacturing sector in Namibia.

At regional level, South Africa tends to have a more diversified manufacturing sector, unlike the smaller countries. SACU countries experienced volatility in the manufacturing performance, with most of them recording a contraction between 2008 and 2010 due to global financial crisis. BLNS continues to rely on South Africa in terms of trade and investment.

The concept of value chain is an important global concept that assists in understanding value added activities at each stage of production. In Namibia, value chain exists in mining and quarrying, agriculture and fishing sector although it is not fully explored.

In order to gain momentum in the manufacturing sector the following is recommended:

1. MITSMED and MoF should align their definitions so that a person getting manufacturing status from MITSMED should only go to MoF as a formality. Improving the communication structure between the two ministries in this regard would have a huge (positive) impact on manufacturing, investment, job creation and economic growth.

2. Several key pieces of legislation need to be implemented or addressed in order to incentivize local investment in Namibia, and for the country's development objectives to be realized. A few key tools to complement and complete the incentive framework:

    - The need for a more effective VAT refund system, as receiving a refund can take several months, sometimes more than a year;
    - Fast track the execution of the following policies/strategies:
        - Procurement Bill – which provides for the preferential procurement of locally manufactured goods;
        - Implementation of the Investment Incentive Regime;
        - Retail Charter, which will help to encourage local value chains by ensuring that retailers buy local, and by giving preference to local producers.

3. **Commit to Growth at Home:** the Growth at home strategy has been receiving much airplay in terms of what it means for local investment. Although MITSMED is doing a very good job to enhance this strategy, there is a perception that their efforts are not necessarily well-aligned with the activities of other Ministries and SOEs. There is a need for all Ministries that impact on investment (particularly the MITSMED; Finance; Home Affairs; and Education) to share the same focus on the strategy internally for a more consistent implementation of this strategy.

4. Better support structures for key SOEs such as Nampower and Namwater (who have a large impact on local investment given the cost of utilities, particularly for manufacturers), as well as TransNamib are required for supporting the "Growth at Home" strategy. If Government can make sure that the services and administration of these SOEs are efficient, then this will have a huge positive impact on manufacturing.

5. Find ways to ensure that there is affordable land and easy access to finance for manufacturers, otherwise it will be difficult to upgrade and expand production.

6. Initiatives designed to improve mentoring skills and other knowledge transfer practices should be put in place to accelerate development and retention of younger people.

7. There is a need to diversify manufacturing activities to include textiles, pharmaceuticals and automotive industries as this could have a "huge positive effect" in terms of increasing opportunities for employment creation and the expansion of manufacturing activity, in line with Vision 2030.

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