

Integrating Globally

NAMIBIA'S Aid for Trade Framework and Strategy



Ministry of Trade and Industry



*Empowered lives.
Resilient nations.*



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List of Abbreviations

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AfDB	African Development Bank
AFREXIM	Africa Export Import Bank
AGOA	African Growth and Opportunity Act
CET	Common External Tariff
EPZ	Export Processing Zone
EU	European Union
FAO	Food and Agriculture Organisation
FESARTA	Federation of East and Southern African Road Transport Associations
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalised System of Preferences
HDI	Human Development Index
HDR	Human Development Report
IMF	International Monetary Fund
ITC	International Trade Centre
MDGs	Millennium Development Goals
MFN	Most Favoured Nation
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MTI	Ministry of Trade and Industry
NDP	National Development Plans
NHIES	National Household Income and Expenditure Survey
NLFS	Namibian Labour Force Survey
NMA	Namibia Manufacturers Association
NPC	National Planning Commission
NSI	Namibian Standard Institution
OECD	Organisation for Economic Cooperation and Development
ODC	Offshore Development Corporation (of Ministry of Trade and Industry)
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
SSATP	Sub-Saharan Africa Transport Programme
SWAPO	South West Africa People's Organisation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USA	United States of America
WCO	World Customs Organisation
WEF	World Economic Forum
WTO	World Trade Organisation



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EXECUTIVE SUMMARY

THE CONTEXT

The aim of this report is to present Namibia's Aid for Trade Framework and Strategy. The purpose of such a framework and strategy is to effectively leverage trade for economic growth and human development in Namibia. Notwithstanding the specificities, it has been well established that trade is important for economic growth and human development of any country.

In May 2010, the Government of Namibia commissioned the United Nations Development Programme in Namibia to prepare its Aid for Trade Framework and Strategy. The scope of study included:

- Situational analysis of Aid for Trade in Namibia, outlining its status and importance.
- Analysis and synthesis of national trade capacity development needs and priorities within the broad definition of Aid for Trade, including, in particular, supply side capacity constraints.
- Identification of on-going Aid for Trade projects and programmes, and gaps in their funding and implementation.
- Identification of interventions for addressing the gaps.
- Aid for Trade implementation plan for key strategic sectors, specific infrastructural projects and adjustment oriented plans, among others, for priority implementation with an implementation plan.
- Integrated Aid for Trade package of costed projects and programmes.

Trade is vital to Namibia's economy. But its future potential will largely rest on policy choices of today and tomorrow

In March 2011, an inclusive consultation was carried out with government ministries and departments; civil society; research and academic institutions; private sector; professional associations; and international development agencies and donor community (see: Annex III). Furthermore, economic data and information for analysis were gathered from key government centers such as the Central Bureau of Statistics and the Bank of Namibia. At the end of the consultation and information gathering process, preliminary findings were presented to the Permanent Secretary of the Ministry of Trade and Industry.

In June 2011, Namibia's Aid for Trade Framework and Strategy was presented and discussed during a validation workshop held in Windhoek, Namibia. The validation workshop was attended by a wide audience, which included officials from various government ministries and departments; and members of the civil society; private sector; research institutes; professional associations; and international development agencies and donor community. The deliberations of and comments from the validation workshop informed further revisions of Namibia's Aid for Trade Framework

and Strategy. This report is the final product of the above exercise.

THE FINDINGS

Trade is vital to Namibia's economy – in terms of its size, contribution and linkages. The survey of trade's past and present contribution to the national economy suggests that it is indispensable to any national development strategy (for further discussion see sections 1.2). But its future potential will largely rest on policy choices of today and tomorrow. There are a number of strengths that will need to be harnessed, and a number of constraints that will need to be addressed.

Employing a trade perspective, the report analyses core sectors of Namibia's economy - agriculture, manufacturing, mining and services. The report findings are as follows:

Agriculture: Strengthening the links between agricultural trade, rural poverty alleviation and development will require the following: making the existing agricultural export supply-chain more inclusive; deepening the backward linkages through improved accessibility of small-holder producers to markets; empowering the small holder producers (in terms of information, infrastructure and technology); and regularly updating national capacity to meet international standards on sanitary and phyto-sanitary measures. (For further discussion see section 1.3.1).



Manufacturing: The manufacturing sector is highly sensitive to trade – both in terms of import of inputs and export of finished products. To a large extent the sensitivity to trade is conditioned by the unavailability of economies of scale in the domestic market. Policies targeting growth in manufacturing sector (that builds linkages to the rest of the economy and addresses some key development concerns such as unemployment and poverty) should include: promoting the expansion of the productive capacity of existing manufacturing centers, and also expanding and diversifying the supply-side of the production value-chain. The latter would entail promoting the clustering and integration (vertical and lateral) of small and medium enterprises into existing production value-chains. Such a strategy should also inform the small and medium enterprise development initiative. (For further discussion see section 1.3.2).

Mining: Mineral products like diamonds, zinc, uranium and copper are, by far, the most important exports. These commodities have consistently featured in the top ten exports of Namibia. The Government has been keen on promoting local, especially black Namibian, involvement/ownership in the mining sector. Lack of access to finance and expertise, however, continues to inhibit the involvement and ownership of black Namibians in the mining sector. The promotion of value addition, mostly in the post-mining process, will require specialised and technologically advanced capabilities to be present in Namibia. The limitations in the supply of electricity and water are likely to adversely impact the industry. (For further discussion see section 1.3.3).

Services: The sector is the largest contributor to Namibia's gross domestic product; however, the potentials of trade-in-service remain untapped.

Trade-in-services could present an important channel for investments; transfer of technology and best practices; and source of further growth. Trade-in-services could play a vital role in expanding markets and opportunities. Moreover, promoting trade-in-services would closely map into and produce synergies with the policy initiative to develop Namibia as a trade-transit hub for the southern African regional market. While analyses of the service sector exist, the possibilities of trade-in-services remain under explored. (For further discussion see section 1.3.4).

Namibia enjoys a relatively well-developed transport infrastructure and network for a developing country. This uniquely positions Namibia to benefit from and take advantage of intra- and inter- regional trade. Notwithstanding the presence of the extensive trade-related infrastructure, there exist management-related challenges that could undermine subsequent gains. (For further discussion see section 1.4).

Namibia, as a member of the Southern African Customs Union (SACU), enjoys exclusive-preferential access to a large and dynamic regional market. However, further gains from the Customs Union hinges on harmonizing non-tariff trade policies as well as effectively negotiating the new revenue-sharing formula. (For further discussion see section 1.5).

Trade in Namibia has the potential to be a locomotive for economic growth, in promoting human development and in achieving the Millennium Development Goals. The expansion of trade, achieved through addressing supply-side constraints, strengthening backward linkages and increasing inclusivity in the production and trade value-chains, and institutional reforms is likely to generate an inclusive and pro-poor economic growth. Furthermore, trade in Namibia can also

play an important role in increasing household welfare. In analyzing the 'Human Development' performance and challenges, the report finds that:

Poverty: Namibia has made significant headway in alleviating poverty over the last ten years. Nonetheless, poverty persists albeit in a more nuanced manner. Further gains could be made by ensuring that poverty alleviation strategies address gender and location/regional dimensions of poverty. The findings critically suggest that development policies, with regards to trade, agriculture, manufacturing, services, infrastructure, etc, must be cognizant of the gender and location dimensions of poverty if it is to adequately contribute to poverty alleviation (For further discussion see section 2.3).

Unemployment: The unemployment rate stands extremely high at 51.2 percent. Reducing employment remains one of the most important development challenges for Namibia. Trade can positively contribute, both directly (through employment generation) and indirectly (through economic growth) to reducing unemployment. However, there are structural issues that need to be addressed in order for employment to respond to and benefit from the expansion of trade. The two key areas that need continued policy attention are: (1) building human capital (particularly through skills-based vocational training), and (2) addressing labour market rigidities. Addressing these two constraints would aid in strengthening the relationship between growth in the economy and growth in employment. However, it is also important to get-the-targeting-right of policies aimed at building human capital, as the market demand for and value of human capital will differ by location and industry, amongst other important factors. (For further discussion see section 2.4).

Inequality: Though there have been significant improvements in reducing income-inequality, it remains unacceptably high, with a Gini Coefficient of 0.63. The still high income-inequality continues to corrode development gains. For instance, the 2011 Human Development Report reports that Namibia loses 44 percent in human development due to inequality. Like poverty, inequality too presents a much nuanced picture. The magnitude of inequality differs by gender, education and location. Hence, like poverty, reducing inequality will require tailored strategies that adequately address the differential determinants of inequalities. (For further discussion see section 2.5).

Namibia has been receiving Aid for Trade flows, but its impact on development remains questionable.

In 2009, Namibia received Aid for Trade flows totaling US\$ 61 million. The majority of the disbursement was for 'economic infrastructure' (US\$ 48.7 million) followed by 'building productive capacity' (US\$ 12.5 million). US\$ 232 thousand was allocated for 'trade policy & regulation'. However, due to lack of a national Aid for Trade framework and strategy as well as coordinating and monitoring mechanisms, it is difficult to ascertain: whether these were additional resources and predictable; to what extent were they aligned to national development objectives and priorities; whether the identification and formulation of these Aid for Trade investments was participatory and inclusive; and what were the subsequent impacts. (For further discussion see section 3.2).

AID FOR TRADE FRAMEWORK AND STRATEGY

Drawing on Joseph E. Stiglitz and Andrew Charlton study on Aid for Trade, three important questions structure Namibia's Aid for Trade Framework and Strategy (For further discussion see section 3.4):

What should be funded? Namibia's geo-strategic place vis-à-vis inter- and intra- regional trade coupled with existing infrastructure provides numerous advantages that could be capitalized on. But there exists capacity related constraints that need urgent attention.

How should the Aid for Trade programmes be structured? There are two main themes that structure the projects. First, projects aim to create organizational capacity to conceptualise and implement Aid for Trade projects as well as increase national ownership of the Aid for Trade initiative. Increasing organizational capacity also links to issues of strengthening and mainstreaming the role of trade in Namibia's economic development agenda, particularly in reducing unemployment, inequality and poverty. Second, the identified projects aim to address critical gaps in facilitating the expansion of trade in Namibia. Most of these could be categorised as 'quick wins' because they build on available research and knowledge and/or scaling up of pilot interventions.

Who should manage the Aid for Trade initiative? For the initiative to be successful in Namibia it is important that there is organisational capacity as well as broad stakeholder participation. At present neither exists. The Aid for Trade project aims to increase the level of ownership of national Aid for Trade initiative as well as build capacity to effectively identify future needs and manage implementation.

Proposed Aid for Trade priority projects are as follows (For further discussion as well as costing for each of the projects see sections 4 and 5):

Trade and Development Policy

The objective of the project is to strengthen the capacity of the Ministry of Trade and Industry's

Increasing organizational capacity also links to issues of strengthening and mainstreaming the role of trade in Namibia's economic development agenda, particularly in reducing unemployment, inequality and poverty.

as well as line ministries' capacity to articulate, coordinate and address trade and development related needs and priorities. (For further discussion see section 4.1).

Trade Facilitation

The objective of the trade facilitation project is to improve Customs' capacity to efficiently and effectively manage trade flows. Enhancing the efficiency and effectiveness of Customs will be critical in expanding Namibia's trade portfolio. (For further discussion see section 4.2).

Promotion of Foreign Investment and Trade

The objective of the project is to ensure that the incentive structures, which are in place to promote foreign investment and trade, are closely aligned to the national economic development agenda, and contribute to expanding Namibia's trade capacity and portfolio. (For further discussion see section 4.3).

Trade Finance for Small and Medium Enterprises

A study by the Bank of Namibia found that the lack of specifically designed trade financing instruments for small and medium traders has curtailed Namibia's potential in diversifying its trade portfolio and in making trade more inclusive. The objective of the project is to improve the provision of trade finance for small and medium enterprises/traders. (For further discussion see section 4.4).

Promotion of Walvis Bay Corridor

The port in Walvis Bay is strategically situated to provide a competitive alternative to the port in Durban, which currently handles the majority of imports into and exports out of the southern African region. However, the benefits of using the Namibian port have not been extensively marketed. In a globally competitive environment, there is a need to develop an effective marketing strategy that is able to showcase the advantages of using the Namibian port as a transit port for inter-regional trade. (For further discussion see section 4.5).

Export Market Information and Capacity Building of Namibian Manufacturing Association on Trade Rules

The objective of the project is to establish a market information hub(s) as well as build capacity of Namibian manufacturers, particularly the small and medium enterprises, in trade agreements, rules and negotiations. It is geared towards increasing and improving small and medium enterprises' access to information, which is vital for seeking new market opportunities. (For further discussion see section 4.6).

Promoting Trade in Services

There is lack of knowledge and understanding of the scope and linkages of trade-in-services to the rest of the economy, and the areas that need targeting. There is a need to analyse and

The port in Walvis Bay is strategically situated to provide a competitive alternative to the port in Durban, which currently handles the majority of imports into and exports out of the Southern African region.

document Namibia's existing and potential areas of trade-in-services with the aim of aligning skills development efforts. Such documentation would also help inform Namibia's trade-in-services policy and negotiations. Lack of knowledge of the sector and its potential has curtailed Namibia's ability to meaningfully engage in trade-in-service negotiations at the regional and multilateral levels. (For further discussion see section 4.7).

Formulation of National Industrial Development Policy

The Government of Namibia places high value on industrial development as a means for long-term economic development, as is reflected in the Government's national development plans and agendas. The objective of this project is to assist the Ministry of Trade and Industry to formulate a national industrial policy that is informed by analysis of prevailing challenges and opportunities, and future prospects. (For further discussion see section 4.8).

Improving Access to and Increasing Standards of National Standard Institution

The objective of this project is to support the National Standard Institution in the areas of technical knowledge and capacity as well as make its services accessible to small and medium sized exporters and importers. (For further discussion see section 4.9).

The implementation of Namibia's Aid for Trade Framework will require a **national implementation arrangement** that is inclusive in its functioning and enjoys wide ownership. Moreover, the establishment of a suitable and capable implementation arrangement is a priori for the sustainability of the Aid for Trade initiative as well as for promoting and integrating trade in the national development agenda. The report suggests guidelines for establishing the Aid for Trade national implementation arrangement. (For further discussion see section 5.2).



1 SITUATIONAL ANALYSIS

1.1 National Development Issues, Agenda and Priorities

Namibia is classified as an upper middle-income country with a gross domestic product (GDP) of US\$ 12.2 billion and GDP per capita income, measured using purchasing power parity (PPP) method, of US\$ 6,323 in 2010. The economy grew at an annual average rate of about 5 percent between 2001 and 2008. In 2009, the economy contracted by 0.7 percent. The structure of the economy is as follows: agriculture contributes 7.7 percent value-added to the GDP; manufacturing and industries contribute 20.5 percent value-added to the GDP; and, services contribute 71.7 percent value-added to the GDP. Trade in Namibia (exports and imports of goods and services), in the last ten years, has annually been about 95 percent of GDP.

In 2011, Namibia was ranked 74th out of 139 countries in the Global Competitiveness Index

(AfDB 2011). The position remains unchanged from 2009 – 2010, though the number of countries in the index increased from 134 to 139 in 2011. Some of the major factors identified as 'most problematic for doing business' were inadequately educated workforce and access to finance. Namibia's stage of development was categorised as 'efficiency-driven', which sits between the categories of 'factor-driven' on the left and 'innovation-driven' on the right.

In 2011, Namibia was globally ranked at 120 out of 173 countries in terms of its overall performance in human development as measured by the Human Development Index (HDI). Namibia has made significant headway in alleviating poverty over the last ten years. Poverty reduced from 37.1 percent in 1993/1994 to 27.6 percent in 2003/2004. Nevertheless, rural poverty and high prevalence of HIV/AIDs persist, and unemployment and inequality remain unacceptably high. In 2008,

Africans must adopt long term plans that will recover the dignity of our people.

Dr. Sam Nujoma - 1991 Zimbabwe International Trade Fair, 1 May 1991, Harare, Zimbabwe

unemployment stood at 51.2 percent, and had increased from 37.6 percent in 2004 and 33.8 percent in 2000. With a Gini coefficient (a measure of income inequality) of 0.63, Namibia is a very income-unequal society. It is estimated that Namibia loses as much as 44 percent in human development due to inequality. There are concerns that the persistence of rural poverty, unemployment and inequality can become self-reinforcing and in turn build resistance to policy measures aimed at addressing these concerns. (For further discussion on human development and trade see Section 2).

Namibia's Vision 2030, the SWAPO Manifesto, the five-year National Development Plans (NDPs) as well as the Millennium Development Goals outline the national development goals, agenda and strategy. The Vision 2030 contains four major developmental aspirations that Namibia wishes to achieve by the year 2030. These are: (1) *Prosperity* – sustained high economic growth that places Namibia in the 'high income' category of

nations, eliminates duality in the economy and ensures equity in the distribution of economic growth; (2) *Industrialised Nation* – income per capita base increased to that of high-income countries, manufacturing and services account for 80 percent of the gross domestic product, and unemployment reduced to less than 5 percent of the work force; (3) *Harmony* – a multiracial community of people living and working together in harmony; (4) *Peace and Political Stability* – peace, security, democratic politics, availability of resources, appropriate legal instruments, a cooperative private sector and a supportive public sector (Namibia 2004b).

Namibia has mobilised its national development plans (NDP), from NDP 2 to NDP 7, to achieve the Vision 2030. In this regard, while the Vision 2030 sets the national development goals, the respective NDPs set five-year strategies to achieving these goals. The present national development plan, NDP 3 (covering fiscal years 2007/08 – 2011/12), broadly contains three target areas : (1) GDP growth of above 5 percent, (2) socio-economic targets, which include achieving the Millennium Development Goals, and (3) employment growth of above 2.6 percent (Namibia 2008c). The National Planning Commission of the Government of Namibia is currently formulating NDP 4¹.

Namibia has made significant progress in a number of development dimensions; important amongst them are macroeconomic stability, reducing HIV/AIDs prevalence, increasing environmental sustainability and gender empowerment. However, a number of challenges remain, such as rural poverty, rural-urban

¹ See: http://www.npc.gov.na/publications/NPC_Newsletter_April2011.pdf

disparities, unemployment, and growth volatility. Furthermore, the structural transformation of the economy, as envisioned by Vision 2030, will demand continuous progress in all dimensions of development and stimulating and sustaining this progress will be challenging, to say the very least.

Trade can play a critical role in delivering Namibia's Vision 2030. A survey of trade's contribution in the past and present to the national economy suggests that it is indispensable to any development strategy. But its future potential will largely rest on policy choices of today and tomorrow. There are a number of strengths that will need to be harnessed, and a number of constraints that will need to be addressed. The following discussion examines and analyses the economic and development issues in Namibia, from a trade perspective. It highlights 'where' and 'how' trade can contribute to achieving the national developmental aspirations discussed above.

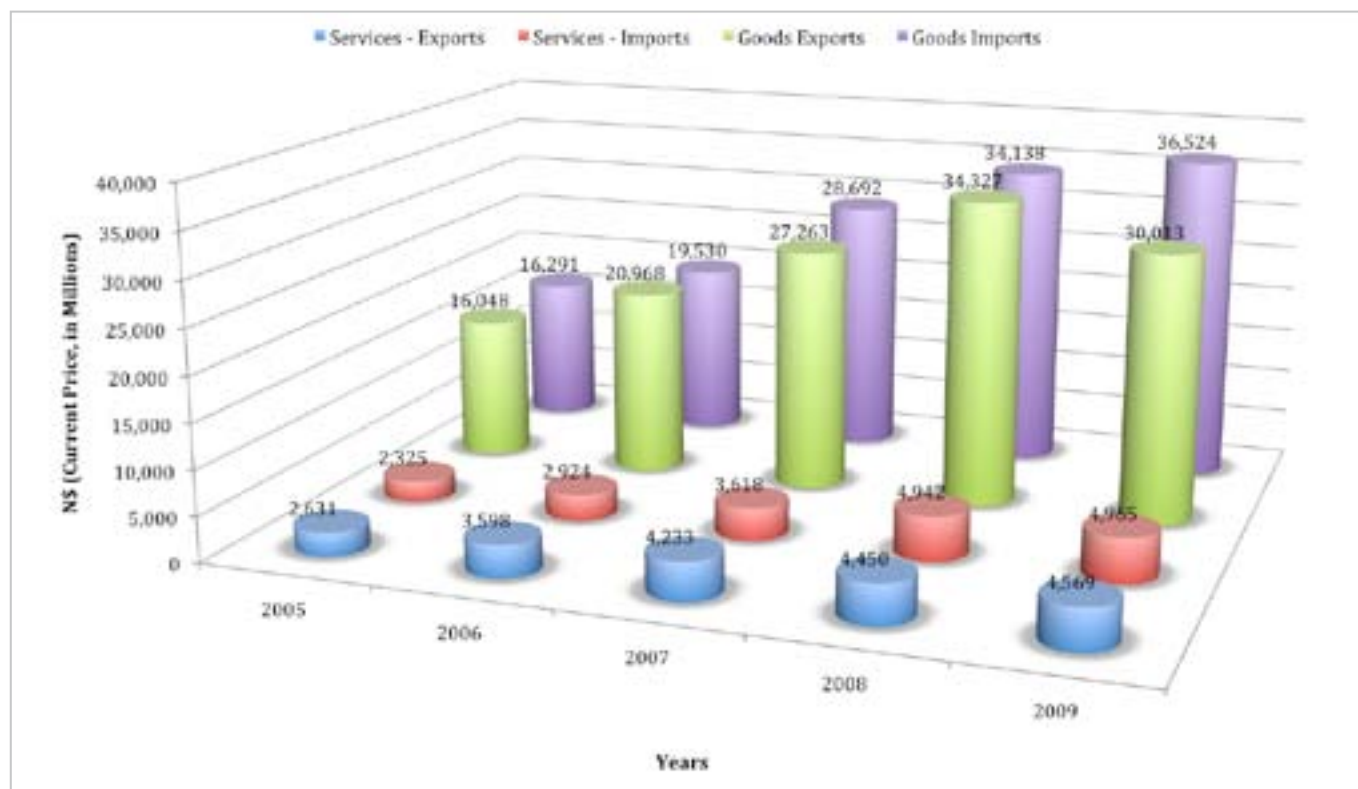
1.2 Trade and Development

Trade in Namibia (exports and imports of goods and services), in the last ten years, has annually been about 95 percent of the GDP. This highlights the importance of trade to Namibia's economy.

Figure 1 shows Namibia's exports and imports of goods and services. In 2009, Namibia exported goods worth N\$ 30,013 million and services worth N\$ 4,569 million. In the same year, Namibia imported goods worth N\$ 36,524 million and services worth N\$ 4,965 million.



Figure 1. Export and import of goods and services



Source: Calculation based on Namibia's National Accounts (2000-2009) (Namibia 2010a)

Tables 1 and 2 below show Namibia's major trading partners in 2010. Most of these countries listed have held their position as Namibia's leading trading partners for the last five years. In 2009, Namibia's exports contracted by more than 12 percent largely due to the global financial crisis. The contraction in exports also contributed to the contraction in Namibia's economic growth (more in section 1.3.). This further underlines the importance of trade to Namibia's economic growth and development.

South Africa (72.8 percent), the United Kingdom (5 percent), China (3.4 percent), Germany (2.7 percent) and the Netherlands (2 percent) are the five major countries of origin for Namibia's imports.

In 2009, Namibia's exports contracted by more than 12 percent largely due to the global financial crisis.

Table 1. Origin, Value and Percent Share of Namibia's Imports in 2010²

Rank	COUNTRY	IMPORTS (N\$ in millions)	Share of Total (in percentage)
1	South Africa	29,043	72.8
2	United Kingdom	2,008	5.0
3	China	1,341	3.4
4	Germany	1,089	2.7
5	Netherlands	798	2.0
6	United States of America	509	1.3
7	Switzerland	498	1.3
8	Zambia	487	1.2
9	India	435	1.1
10	British Virgin Islands	385	1.0
11	United Arab Emirates	380	1.0
12	Malawi	247	0.6
13	Others	2,663	6.7

Source: Central Bureau of Statistics, National Planning Commission, Government of Namibia.



Namibia's imports are dominated by import of machinery, chemical products and transport equipment. These products account for more than two thirds of Namibia's total imports. Most of the imports are from South Africa – by far Namibia's most important trading partner. The UNDP (2007a) report on Namibia's Economic Review suggests that the imports signal investments in infrastructure.

Namibia also imports services, as seen in figure 1 above, which accounted for 12 percent of Namibia's total imports in 2009.

▲
²The data analysis would not have been possible without the kind cooperation and assistance from the Central Bureau of Statistics. In particular, thanks to the kind help of Ms. Ndamona C. Kali, Deputy Director, Economics Statistics, Central Bureau of Statistics, National Planning Commission, Government of Namibia.

South Africa (21.5percent), the United Kingdom (16percent), Angola (8.5percent), Spain (6.2percent) and Italy (5.9percent) are the major destinations for Namibia's exports.

Table 2. Destination, Value and Percent Share of Namibia's Exports in 2010

Rank	COUNTRY	EXPORTS (N\$ in millions)	Share of Total (in percentage)
1	South Africa	6,802	21.5
2	United Kingdom	5,057	16.0
3	Angola	2,687	8.5
4	Spain	1,945	6.2
5	Italy	1,868	5.9
6	France	1,718	5.4
7	Canada	1,650	5.2
8	Netherlands	1,578	5.0
9	United States of America	1,504	4.8
10	China	1,226	3.9
11	Germany	679	2.1
12	Belgium	641	2.0
13	Others	4,255	13.5

Source: Central Bureau of Statistics, National Planning Commission, Government of Namibia.

Namibia's exports are heavily skewed towards the export of minerals. It is estimated that 80 percent of Namibia's exports originate from the primary sector (UNDP 2007a). The mining sector alone accounts for half of the exports, which is mostly export of diamonds. Other exports, mostly meat and fish products, have also increased in the last few years. The export of fish products accounts for about 25 percent of total exports, and meat products about 6 percent. Furthermore, Namibia also exports services, which accounted for 13 percent of total exports (goods and services) in 2009. Trade in service mostly includes tourism, financial services and transportation.

Below are some of the opportunities and challenges with regards to trade in Namibia,

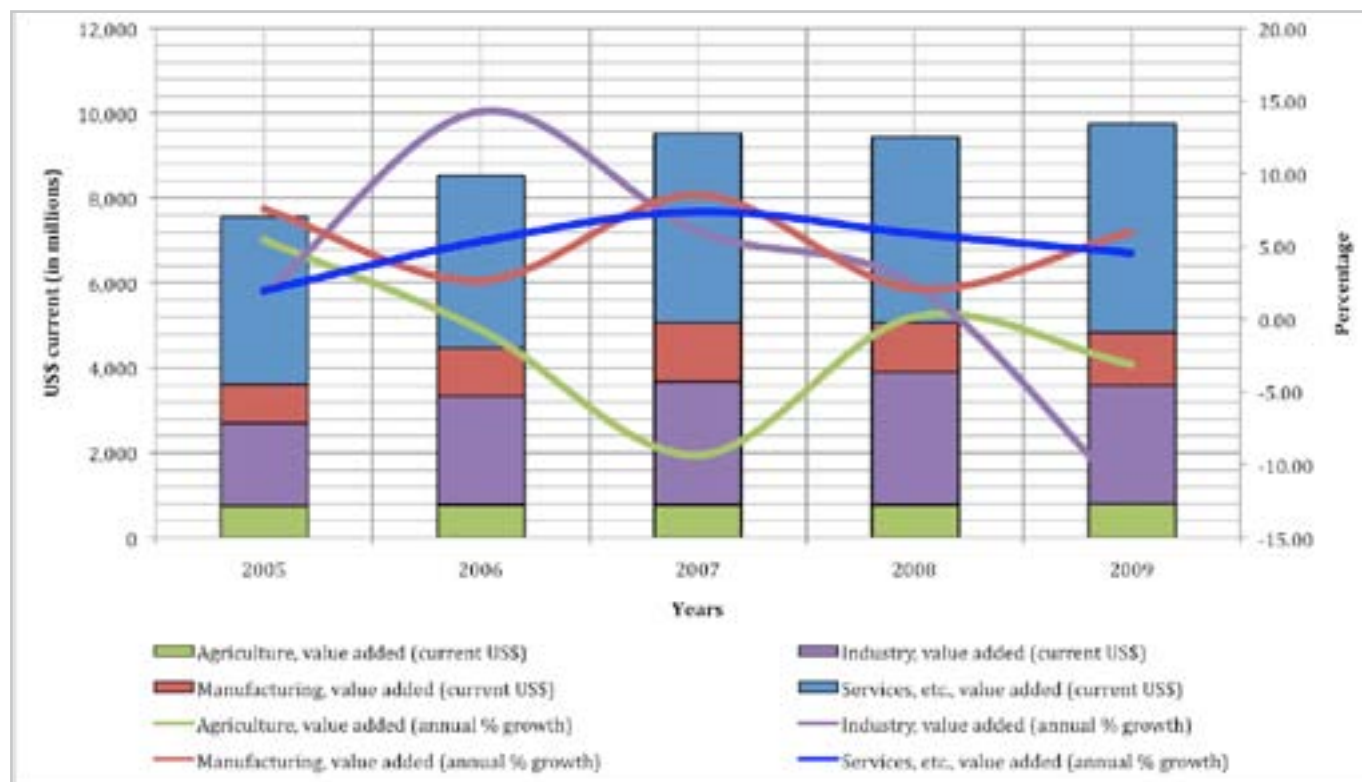
which will be further discussed in the following sub-sections.

- Trade is a vital component of Namibia's economy.
- Trade, over the last ten years, has been stable (WTO 2009).
- The structure of imports suggests that they contribute to production and, importantly, transfer of technology (UNDP 2007a).
- However, exports are predominantly dependent on the mining sector, which makes it susceptible to exogenous shocks. For instance, recession in the advanced economies dampened the demand for Namibia's mineral products (WTO 2009).

- There is evidence of growth in the export of non-mining sector, such as meat and fish products and grapes (World Bank 2009). Export of services has also been growing

constantly and may provide opportunities for expanding and diversifying Namibia's export portfolio, alleviating poverty and ameliorating inequality³.

Figure 2. Value Added and growth in the major economic sectors (2005 - 2009)



Source: Calculation based on Namibia's National Account (2005-2009) and the World Bank's 2011 database.

1.3 Performance of the Economy

Between 2001 and 2008, Namibia's economy grew at an average annual rate of above 5 percent. In 2009, Namibia's economy contracted by 0.7 percent, largely due to a contraction of the primary industries of 26.9 percent, as compared to growth of 4.3 percent in 2008. During the same period, the secondary and tertiary industries grew at a rate of 3.5 percent and 4.5 percent, respectively.

Figure 2 above shows the value-added and growth in each of the major productive sectors - agriculture, manufacturing, industries and services. The sub-sections below discuss in detail, employing a trade perspective, the performance and growth issues in these productive sectors.

1.3.1 Agriculture

The agricultural sector accounts for about 10 percent of the GDP, and grew at an annual average rate of -1.5 percent between 2005 and 2009⁴ (Namibia 2010b). In spite of negative growth rates, it is an important source of livelihood for two-thirds of the population residing in rural areas. Moreover, it is estimated that 23 percent of the rural households are dependent on subsistence agriculture for their livelihood (Namibia 2004a).

³ Evidences suggests that export growth in the non mining sectors have contributed to reducing poverty and generating employment opportunities - both of which are assumed to be having positive impact on addressing rural-urban inequalities. See: Rosendahl, C. (2010). *Industrial Policy in Namibia: German Development Institute*.

⁴ This is in contrast to a positive growth rate of 1.41 percent between 1999 and 2009. Hence, the negative growth was more prominent in the last five years.

Extreme climate, varied geography and issues surrounding land ownership pose limitations on agricultural production possibilities. Namibia is one of the most arid countries in the world with highly variable rainfall. Arable agriculture is limited to the north with comparatively higher rainfall. The central region is limited to livestock farming and the South, mostly arid and without irrigation, is suitable for sheep and goat rearing. Such natural limitations have conditioned Namibia's comparative advantage in agricultural production and trade. Namibia has been a net exporter of livestock and meat products, and a net importer of crops, grains and horticultural products.

Our country is abundantly endowed with countless natural resources. We need trained personnel to be able to harness these resources and make them useful to the benefit of our people.

Graduation Ceremony, University of Namibia, 22 April 1995 - Dr. Sam Nujoma



Agriculture exports continue to expand, particularly in the production and export of table grapes, meat and livestock. Namibia exports about 2,000 tonnes of table grapes, mostly to Europe. The industry is estimated to generate a turnover of more than N\$250 million and employment for 6,600 individuals (permanent and part-time)⁵. In 2010, Namibia exported beef worth N\$ 1.5 billion, mostly to South Africa and the European Union⁶. In the same year, Namibia exported sheep worth N\$ 541 million, mostly to South Africa. Both beef and sheep exports recorded significant growth in the last couple of years, especially to South Africa.

There have been numerous government initiatives aimed at increasing agricultural production. These include: the veterinary cordon fence; promoting value addition in the livestock sector; controlled grains and strategic grain storage; national horticulture development initiative; the green scheme; and, export diversification. The main interests underpinning these initiatives are enhanced food security and promoting value-addition, growth and diversification.

Namibia has benefited from assistance from development partners in many of these initiatives. For instance, the Food and Agriculture Organisation (FAO) is providing technical assistance to shift the veterinary cordon fence closer to the Angolan border, which would allow livestock producers in the north to be integrated into the national livestock and meat export supply-chain. In 2009, the U.S. (through the Millennium Challenge Account) provided assistance worth US\$47 million that were targeted to the north and included: constructing veterinary stations; tagging animals to move to 'foot and mouth disease' free status; training and extension in livestock production and marketing; and improving livestock marketing practices and infrastructure⁷.

Agricultural exports (particularly livestock, meat and table grapes) constitute an important part of Namibia's trade portfolio. Furthermore, unlike exports in the mining sector, it has strong backward linkages and potential to contribute to rural poverty alleviation. However, agricultural export diversification, in the sense of diversifying the number of agricultural products produced, may not be a viable option due to natural limitations (geography and climate), especially if geared towards the export markets. Such a strategy may be possible if it is heavily subsidised, which raises the question of long term sustainability. Nonetheless, agricultural diversification may still be a desirable goal for domestic market, particularly in promoting food security.

Imports can play an important role in promoting food security⁸, especially given that many of Namibia's neighbours are known for their competitive advantage in the production of grains and cereals. Hence, the regional initiative on food security at the Southern African Development Community⁹ (SADC) level should consider intra-regional trade on agriculture and how it can promote regional food security.

▲
⁵ See: www.satradehub.org. The USAID funded Southern African Trade Hub is assisting Namibian grape exporters to export to the U.S. Assistance includes: US Department of Agriculture (USDA) application process, arranging for the pest risk assessment (PRA) for table grapes, a prerequisite for export to the US. In collaboration with the Trade Hub, USDA experts will perform the PRA while the Trade Hub will help complete the entire application process.

⁶ Namibia's Meat Board (see: www.nammic.com.na) provided the above information.

⁷ See: <http://www.mcanamibia.org>

⁸ Also, see discussion in section 2.6

⁹ For more information on SADC see: <http://www.sadc.int>. A report by SADC Secretariat outlines measures to enhance food security in the region. These include: availability and access to key agricultural inputs, research and development, access to finance and market information, amongst others. See: SADC. (2009). *Measures to address Food Security in the SADC region*. Gaborone, Botswana: Southern African Development Community.

Strengthening the links between agricultural exports, rural poverty alleviation and development will require some of the following: making the existing agricultural export supply-chain more inclusive; deepening the backward linkages through improved accessibility of small-holder producers to markets; empowering the small holder producers (in terms of information, infrastructure and technology); and regularly updating national capacity to meet international standards on sanitary and phyto-sanitary measures.

1.3.2 Manufacturing

The manufacturing sector accounts for 15 percent of the GDP, and grew at an annual average of 5.39 percent between 2005 and 2009 (Namibia 2010b). The sector consists of mostly meat processing, fish processing, food and beverages, and mineral processing. Manufactured goods account for more than 35 percent of total merchandise exports. The manufacturing sector is highly sensitive to trade – both in terms of import of inputs and export of finished products. To a large extent the sensitivity to trade is conditioned by the unavailability of economies of scale in the domestic market.

The Namibian domestic market is quite limited because of small and sparse population coupled with steep income inequality (see: Section 2.5). These factors constraint the extent of private consumption as a source of local demand for manufactured products. As a result, manufacturers critically depend on export markets (see: Case Study 1). But the dependence on external markets also makes the sector susceptible to external shocks such as the global financial crisis that led to reduced demand for Namibia's exports, particularly mineral exports.

Namibia places high importance on manufacturing, the process of value addition,

Case Study 1: The importance of trade to Namibia's manufacturers

The success of Namibia Breweries Limited highlights the importance of trade to Namibia's economic development.

Established on 29th of October 1920, Namibia Breweries Limited is one of the leading beverage manufacturing companies in Namibia and Southern Africa. It is the leader in the domestic beer market and has a significant share of the premium beer category in South Africa. It has won numerous international awards over the years, including most recently the *Deutsche Landwirtschafts-Gesellschaft* Award in 2010. It enjoys partnership with global leaders in the industry such as with DIAGEO in the United Kingdom and Heineken in the Netherlands. These business partnerships are testimony to the company's reputation for producing high quality products. Hence, it is in every sense a global company with roots in Namibia.

The centrality of trade to the company's operations makes it a microcosm of Namibia's economy. The company imports barley malt, hops and yeast – the three most vital ingredients – from Europe. These imports arrive at the Namibian Port in Walvis Bay, and then are transported via rail to the beer factory in Windhoek. Beer is produced while adhering to the *German Purity Law of 1516*, which permits the usage of only three pure ingredients – barley malt, hops and water (the yeast is removed prior to bottling). While half of the total production is sold in the Namibian domestic market, the other half is exported. The small size of the Namibia market means that export is vital for the company's continued growth and expansion.

The operation – from acquisition of raw materials to consumption – depicts how trade (imports and exports) is integrally linked to the company's production processes. This is true not only for Namibian Breweries, but also for the Namibian economy at large. Hence, improving trade capacity, both imports and exports, is likely to generate substantial gains for the economy.

Through its social corporate responsibility, the Namibian Breweries plays an important role in achieving Namibia's Vision 2030. The company invests in programmes on HIV/AIDS, enterprise development, gender empowerment, food security and poverty reduction. Moreover, companies like Namibian Breweries are critically situated in the economy to aid in addressing high rates of unemployment. The company also has numerous in-house skills, development programmes, such as, on-the-job training and apprenticeships. Lack of skills has been identified as a major reason for high unemployment in Namibia. Such skills development programmes run by private companies can play a key role in reducing the high unemployment rates in Namibia.

as a vehicle for economic development. This is evident from the Government policies which have been formulated and implemented since independence in 1990, and reiterated in its Vision 2030 document. One of the goals of Vision 2030 is that by 2030 “manufacturing and the services sector [would] constitute about 80 percent of the country's gross domestic product” (Namibia 2004b).

There exist a number of policies to promote foreign investment in manufacturing and add value to local resources. Most important amongst these is the 'Export Processing Zone (EPZ) Act of 1995'. The EPZ Act provides potential foreign investors incentives such as exemption from corporate tax, value-added tax, and stamps and transfer duty as well as assistance in procuring suitable locations for production. The Offshore Development Corporation at the Ministry of Trade and Industry provides support to existing and potential EPZ companies. At the end of 2009, there were 20 EPZ registered companies, mostly involved in 'diamond cutting and polishing' and mostly located around Windhoek.

The experience of policy incentives, such as the EPZ, to attract foreign investment in manufacturing sector suggests that foreign investments arrive mostly to exploit two types of economic rents. First, foreign investments are targeted at adding value to locally available resources, which are mostly minerals and agricultural products. Second, to exploit the existence of preferential tariffs in export markets for Namibian products. The entry of Ramatex in 2001 – a Malaysian garment company that planned to export to U.S. markets due to the preferential tariffs received by Namibia under African Growth and Opportunity Act (AGOA) – serves as an example. However, Ramatex stopped operations completely in 2008 due to 'lack of orders' and competition from China (Rosendahl 2010; Sherbourne 2010). While the former types of

investments are viable, as long as the resources last, the fundamentals soon catch up with the latter types when the rents in the preferential trading arrangements shift.

The cost-benefit analysis of the policy incentives to attract foreign investments, such as the EPZ scheme, suggests that they have not been successful in delivering their stated aims. The policies have not been able to attract investments that are export-oriented and labour-intensive. As the result, policy incentives to attract investments have made little contribution towards the goals of generating employment, increasing export earnings, technology transfer and skills development. Equally, companies operating under the EPZ schemes have generated little backward linkages or spillover benefits to the rest of the economy. However, the scheme has generated substantial costs such as: foregone tax revenue; administrative and promotional costs; capital outlays for infrastructural development; costs of purchase of land; subsidised services; public liability in the case of publicly owned and managed companies; and, social and environmental costs.

The following are some of the major reasons for the limited success of the policy incentives to attract foreign investments (Rosendahl 2010):

- Similar incentives exist in neighboring economies; hence other factors (such as costs and skills of labour) shape investors' decisions. In Namibia, labour is neither cheap nor highly skilled.
- Low cost-competitiveness and reliability of local suppliers: As a result producers often have to rely on imports for inputs.
- Restrictions on accessing regional market: The EPZ Act requires companies to export at least 70 percent of their production outside of the SACU market.

In light of the above, there is a need to re-articulate a more effective policy on manufacturing, or more broadly on industrial development. The plethora of studies, policies and recommendations¹⁰ on the manufacturing sector tend to be fragmented and engage in little dialogue with each other. In the absence of such an overarching policy document, the understanding and application of the concept of value-addition in the context of Namibia has been left to contradictory interpretations with undesirable results. For example, promoting value-addition, defined as processing, in the fisheries sector might be a counter-productive strategy as consumers are inclined to pay higher prices for fresh rather than canned products. There is an exigency to better define the concept of value-addition sectorally, and how it can be best applied in the context of Namibia.

Manufacturing growth is not an end in itself. The benefits of manufacturing to the rest of the economy should be measured by its ability to generate employment (both quality and quantity). As per the 2004 national labour force survey about 23,755 individuals (roughly 6 percent of the total labour force) were employed in the manufacturing sector. It is difficult to collate reliable time-series data on employment, but studying different survey data, it is evident there has not been much of a change in the number of people employed in the sector since 1991.

With 51.2 percent unemployment rate, the manufacturing sector can do more to generate employment. This will require promoting labour intensive manufacturing as well as integrating small and medium enterprises (SMEs) into existing manufacturing supply-chains. It will also require increasing labour skills and productivity (see: Case

Study 1 for an example of private sector initiative), both of which have been identified as critically lacking in Namibia. Thus, policies and strategies on promoting manufacturing sector must take into account labour issues (skills, capacity, supply, etc).

Policy discussions on manufacturing in Namibia promoted by both the government and donors are often accompanied by the desire to promote diversification. However, there is not much research and/or evidence to support the idea that diversification of the manufacturing sector is economically viable in Namibia. Actively promoting diversification without evidence of its viability could be a very costly exercise. As in the case of agriculture, there are natural, market and infrastructural limitations on the extent to which manufacturing can diversify. Better options would be to both promote the expansion of the productive capacity of existing manufacturing centers and also expand and diversify the supply-side of production value-chain. The latter would entail promoting clustering and integration (vertical and lateral) of SMEs into existing production value-chains. Such a strategy should also inform SME development initiative. The viability and growth of SMEs will be improved if they can be integrated into and benefit from existing production supply-chains, rather than having to fend for themselves in the market place with limited capital, technology and information.

▲
¹⁰ Some of the important publications on the manufacturing sector are: Namibia. (1999). Review of the 1992 White Paper on Industrial Development. Windhoek : Ministry of Trade and Industry, Namibia. (2007b). Private Sector Development Policy for Namibia. Windhoek, Namibia: Ministry of Trade and Industry, Namibia. (2008c). The Third National Development Plan (NDP 3) 2007/2008 - 2011/2012. Windhoek, Namibia: The National Planning Commission, Rosendahl, C. (2010). Industrial Policy in Namibia: German Development Institute, UNDP. (forthcoming). Estimating Manufacturing and Services Sector's Potential as Key Drivers in the Achievement of Vision 2030. Windhoek, Namibia: United Nations Development Programme.

1.3.3 Mining

The mining sector constitutes the most important export commodity in Namibia. In 2008, the sector accounted for more than 15 percent of the GDP with the major exports being diamonds worth US\$ 900 million, zinc worth US\$ 349 million, uranium worth US\$ 741 million, and copper worth US\$ 154 million (Namibia 2010b). These commodities have consistently featured in the top ten exports of Namibia.

Namibia is well endowed with non renewable resources, which include gem-quality diamonds, uranium, copper, lead, zinc, arsenic, cadmium, antimony, pyrite, silver, gold and semi-precious stones. However, diamonds have remained the most important mining product. Diamonds account for 70 percent of mining output and more than 40 percent of foreign exchange earnings in the mining sector (Namibia 2010b; World Bank 2009).

Since independence there have been three important policy developments in the sector: the Minerals Act of 1992, the Minerals Development Fund Act of 1996, and the Diamond Act of 1999. The Minerals Act of 1992, replacing the pre-independence Acts, reaffirms that all prospecting and exploiting rights of Namibia's mineral resources are vested with the State. The Act provides for Mining Commissioner, appointed by the Minister of Mines and Energy, with the authority to issue licenses for mining claims, reconnaissance licenses (for exploratory work), exclusive prospecting licenses and mining license (to develop and operate mines). The Minerals Development Fund Act of 1996 established a fund of Euro 40 million. The funds were received through the E.U. funding facility for African, Caribbean and Pacific (ACP) countries dependent on mineral exports for economic development and sustainable management of natural resources. The Diamond Act of 1999, replacing

Namibia is well endowed with non renewable resources, which include gem-quality diamonds, uranium, copper, lead, zinc, arsenic, cadmium, antimony, pyrite, silver, gold and semi-precious stones.

the pre-independence legislation on diamond mining, establishes a Diamond Board tasked with regulating, promoting and protecting the diamond industry (Sherbourne 2010).

The Government is in the process of drafting a new Minerals Act that would replace the Minerals Act of 1992. Some of the key features of the new legislation are likely to be the following: taxation; black economic empowerment and local participation; beneficiation; allocation of applications for exploration and mining rights; and the ability to hold on to rights without carrying out exploration or mining (Sherbourne 2010). The Government has been keen on promoting local, especially black Namibian involvement/ownership in the mining sector. Lack of access to finance and expertise however, continues to inhibit the involvement and ownership of black Namibians in the mining sector. The beneficiation or value addition, mostly post-mining process, will require specialized and technologically advanced capabilities to be present in Namibia. The limitations in the supply of electricity and water are likely to adversely impact the industry.

1.3.4 Services

The services sector, or the tertiary industries, has been growing at an annual average rate of above 5 percent over the last ten years (2000 – 2009). In 2009, growth in the major services sub-sectors were as follows: Wholesale and retail (3.1percent); Hotels and restaurants (5.0 percent); Transport, storage and communication (5.4 percent); Financial intermediation (6.6 percent); Real estate and business services (6.0 percent); Community, social and personal services (2.0percent); Public administration and defence (4.1percent); Education (3.9percent); Health (4.1percent). While growth in 'wholesale and retail', 'hotels and restaurant' and 'transportation, storage and communication' had increased in comparison to 2008, for other sub-sectors' growth slowed in 2009 (Namibia 2010a).

The services sector is also the largest contributor to the GDP. Its contribution to the GDP has ranged between 50 – 58 percent over the period 2000 - 2009 (Namibia 2010a). In comparison, the contribution of the primary industries, in the same period, has been 18 – 25 percent, and that of the secondary industries has been 16 - 22 percent. This highlights the importance of the services sector to the economy (Namibia 2010a).

The growth in the services sector has generated employment opportunities. The services sector accounts for about 55 percent of total employment by economic sectors (Namibia 2004a). For instance, employment in the 'wholesale and retail, and repairs of motor vehicle' accounted for 14 percent of total employment in 2004, and grew by 5 percentage-points since 2000. 'Education' employed 8.10 percent in 2004 and grew by 1 percentage-point since 2000. 'Public Administration' employed 8 percent in 2004 and grew by 2.30 percentage-points since 2000 (see: Table 7 in Section 2.4). Growth in the service sector and generation of



Promoting trade-in-services (in addition to tourism) would closely map into and produce synergies with the policy initiative to develop Namibia as a trade-transit hub for the southern African regional market.

employment opportunity may have absorbed some of the lost employment in the agriculture sector¹¹ (World Bank 2008a).

Tourism sector has been dynamic in Namibia. In 2005, approximately 750,000 tourists came to Namibia, a rise from 250,000 in 1990. In 2006, according to the UN World Tourism Organisation, tourism contributed 7.2 percent to the GDP – one of the highest in Sub Saharan Africa. In 2011, Namibia ranked 84th (from 82nd in 2009) out of 139 countries in the World Economic Forum's (WEF) 'Trade and Tourism Competitiveness' Index (Blanke & Chiesa 2011). Namibia ranked 3rd out of 30 countries in the Sub-Saharan Africa group. The report states that the country benefits from its rich natural resources, with rich fauna and a pristine natural environment. Namibia prioritises environmental sustainability (ranked 22nd) which is critical given the importance of the quality of the environment in promoting tourism. In addition, ground transport infrastructure is well developed by regional standards (44th).

However, the WEF report also highlights constraints to further developing and deriving benefits from growth in the tourism sector. For instance, despite efforts in recent years, Namibia as a destination remains costly and it is time consuming to start a business. Health and hygiene is also not up to international standards (106th): the country has few doctors and insufficient access to improved sanitation and drinking water. More generally, improving the country's human resources base through better education, training and more conducive labor laws will be critical¹².

In addition to addressing domestic constraints to growth potentials in the services sector, the role of trade-in-services has been missing in policy discussion and formulation. Trade-in-services could present an important channel for investments, transfer of technology and best practices, and

source of further growth. With regards to the latter (growth), as with the rest of the economy, given the lack of economies of scale, trade-in-services could play a vital role in expanding markets and opportunities. Moreover, promoting trade-in-services (in addition to tourism) would closely map into and produce synergies with the policy initiative to develop Namibia as a trade-transit hub for the southern African regional market. While there exist analyses of the services sector, the possibilities of trade-in-services remain under explored. In addition to the knowledge gap, the capacity of the government in collaboration with private sector to articulate and negotiate its interests in trade-in-services agreement is limited.

1.4 Trade-related Infrastructure

Namibia enjoys a relatively well-developed transport infrastructure and network for a developing country. This uniquely positions Namibia to benefit from and take advantage of intra- and inter- regional trade.

Namibia's main ports – managed by Namibia Port Authority¹³ (NAMPORT) - are located on the Atlantic coast at Walvis Bay and Luderitz. The Walvis Bay port serves as one of the main entry points for extra-regional trade, i.e. trade with the rest of the world. In March 2008, an investment of N\$ 1.2 billion was announced to expand the capacity of the port from handling 140,000 containers a year to 500,000 containers

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¹¹ Given the reduction in labour participation as well as increase in the working-age population, the services sector has not been able to completely absorb the labour emerging out of the agricultural sector. See: World Bank. (2008a). *Addressing binding constraints to stimulate broad based growth*. Washington D.C.: The World Bank.

¹² For more discussion see Section 3.4.

¹³ See: <http://www.namport.com.na>

(Sherbourne 2010). Namibian ports are linked through trade corridors to regional markets. There are four main transport corridors consisting of port, road and railway infrastructure that link Namibia to its neighbours and regional markets.

The Trans-Kalahari Corridor¹⁴ : This Corridor comprises a tarred road linking the Port of Walvis Bay with Botswana and Gauteng, the industrial powerhouse of South Africa. The Corridor stretches over 1,900 km along Walvis Bay-Windhoek (Namibia) – Gaborone (Botswana) - Johannesburg/Pretoria (South Africa). A railway line from the Port of Walvis Bay via Windhoek to Gobabis (where transshipment facilities are available) supports trade flows. It then continues to Lobatse in Botswana. The Trans-Kalahari Corridor is complemented by the Maputo Corridor¹⁵ on the east coast of Africa, thus forming a transport corridor over the entire breadth of southern Africa.

The Trans-Capriivi Corridor¹⁶: The Trans-Capriivi Corridor links the Port of Walvis Bay with Zambia, the southern Democratic Republic of Congo (DRC) and Zimbabwe. The Corridor enters Zambia via the northeastern part of Namibia. The Corridor stretches over 2,500 km, and is supported by a railway line between Walvis Bay and Grootfontein where transshipment facilities are available. Through an initiative by the DRC, Namibian and Zambian Governments, the Trans-Capriivi Corridor Management Committee (also known as the Walvis Bay-Ndola-Lubumbashi Committee) was set up in partnership with the private sector. A second regional body, namely the Trans-Capriivi Corridor Cluster Committee, was initiated by the Namibian and Zambian Governments, and supported by UNCTAD's Capacity Building Programme on 'Transport and Trade Facilitation for Landlocked and Transit Developing Countries'. These two Committees together identify and harmonise

cross-border standards and address bottlenecks to trade between the corridor member countries.

The Trans-Cunene Corridor¹⁷: The Trans-Cunene Corridor links the Port of Walvis Bay with southern Angola up to Lubango, covering a distance of over 1,600 km. The Corridor road infrastructure is supported by the northern railway line, which presently extends from the Port of Walvis Bay to Ondangwa (the Nehale Station).

The Trans-Oranje Corridor¹⁸: It is a tarred road linking the Ports of Walvis Bay and Lüderitz with the Northern Cape Province of South Africa. The Corridor is complemented by a railway line from the Port of Lüderitz extending southwards to the Northern Cape Province via Upington. Construction on the 40-km railway line extension between Aus and Lüderitz is currently under way, thus providing a rail link from the Port of Lüderitz to the Corridor.

Furthermore, regional landlocked countries such as Botswana, Zambia and Zimbabwe are in the process of establishing dry-ports¹⁹ in Walvis Bay. These developments are facilitating Namibian ports, especially the port of Walvis Bay, to emerge as an alternative to Durban port for inter-regional trade.

▲
¹⁴ For further information see: <http://www.wbcg.com.na/corridors/trans-kalahari-corridor.html>

¹⁵ The Maputo Corridor connects the northern hinterland of South Africa with Mozambique's capital, Maputo and its two deep-water ports of Maputo and Matola. For more info see: <http://www.mcli.co.za/mcli-web/mdc/mdc.html>

¹⁶ For further information see: <http://www.wbcg.com.na/corridors/trans-capriivi-corridor.html>

¹⁷ For further information see: <http://www.wbcg.com.na/corridors/trans-cunene-corridor.html>

¹⁸ For further information see: <http://www.wbcg.com.na/corridors/trans-oranje-corridor.html>

¹⁹ Dry ports are inland terminals used for customs examinations and clearance, and are linked to networks of transportation modes (e.g. rail, road, etc). Landlocked countries lack access to marine ports due to their geography. Dry ports located close to marine gateways aid landlocked countries improve trade facilitation and overcome geographical limitations on trade.



The Walvis Bay Corridor Group, established in 2000, is tasked with promoting Namibia as a hub for intra- and inter-regional trade. The Group has established national, regional and international links with institutions, such as, the Swedish International Development Cooperation Agency (SIDA), the Southern African Global Competitiveness Hub, the Federation of East and Southern African Road Transport Associations (FESARTA), the Sub-Saharan Africa Transport Programme (SSATP), UNCTAD, and regional bodies such as the Trans-Kalahari and Trans-Capivi Corridor Management Committees established to optimise the utilisation of the above-mentioned corridors.

Notwithstanding such extensive trade-related infrastructure developments, there exist management-related challenges that could undermine subsequent gains. An area of

particular concern is railway development, which has been adversely affected by mis-management and bad judgment over procurement. Development of the railway infrastructure, particularly in Namibia's trade corridors, is vital as it is relatively the most efficient and effective way of transporting goods in bulk.

1.5 Institutional Structure of Namibia's Trade

Namibia is member of the Southern African Customs Union (SACU). SACU includes Namibia, South Africa, Botswana, Lesotho and Swaziland. With its headquarters in Windhoek, Namibia and established in 1889, SACU is the world's oldest customs union. The applied customs tariffs, excise duties, customs valuation, rules of origin, and contingency trade remedies remain the only domains of trade policy that, so far, are formally harmonised throughout SACU (WTO 2003).

The SACU Agreements inform Namibia's external trade policies. Table 3 briefly outlines some of the important tenets of 2002 SACU Agreement on trade liberalisation, the most recent and important agreement (SACU 2002).

Table 3. Brief overview of SACU Agreement on Trade Liberalisation

Article 18 <i>Free Movement of Domestic Products</i>	<ul style="list-style-type: none"> There are no customs duties and quantitative restrictions on goods produced within the Common Customs Area (CCA). Member states have the right to impose restrictions on the following grounds: health, environment, historic and/or archaeological value, public morals, intellectual property, national security, and exhaustible natural resources.
Article 19 <i>Import from outside of CCA</i>	<ul style="list-style-type: none"> Member states cannot impose custom duties on importation of goods outside of the CCA via another Member State²⁰.
Article 20 <i>Custom Duties on Imports</i>	<ul style="list-style-type: none"> The Council, based on Tariff Board's recommendation, sets the custom duties for all goods imported into the CCA. Member states are required to apply identical rebate, refunds or drawbacks of custom duty.
Article 21 <i>Excise and Ad Valorem Duties</i>	<ul style="list-style-type: none"> Finance Ministers of all Member States agree on the rates of specific excise, ad valorem excise duties, etc. to be applied to goods grown, produced or manufactured in or imported into the CCA.

Source: Southern African Customs Union's 2002 Agreement

Table 4 below shows Namibia's 'most favored nation'²¹ (MFN) tariff structure.

MFN	Final Bound ²²	Applied ²³ (2009)
All Goods	19.0	7.7
Agricultural Goods	39.5	9.0
Non-Agricultural Goods	15.2	7.5

Source: WTO Trade Profiles 2010

There is not much difference in the actual, applied import tariff rate on agricultural and non-agricultural goods (see: Table 4). In other words, the tariff is not particularly biased towards one over the other. However, it must be noted that these are MFN rates, while the actual import tariff on goods originating from various parts of the world will be governed by the specific tariff rates established by the SACU's Tariff Board. Moreover, as the vast majority of Namibia's imports originate from South Africa (a SACU member), the application of MFN is limited to very few countries (WTO 2009).

²⁰ Article 24 allows for the 'freedom of transit'. It reads (excerpt): "A Member State shall afford freedom of transit without discrimination to goods consignment to and from the areas of other Member States, provided that a Member may impose such conditions upon such transit as it deems necessary to protect its legitimate interests in respect of goods of a kind of which the importation into its area is prohibited".

²¹ Most Favoured Nation rate is the rate indiscriminately extended to all WTO member countries. For more discussion see: WTO. (1999). *The Legal Texts*. Cambridge: Cambridge University Press.

²² This is the rate at which Namibia has tied its import tariffs. In other words and using the MFN principle, Namibia has agreed to not increase its tariffs above this rate.

²³ This is the actual or the applied MFN rate.

Namibia's exports overwhelmingly depend on preferential trade agreements for market access, and enjoy some of the following preferential market access:

- Duty free access to markets of members of Southern African Customs Union.
- Non-reciprocal preferential treatment under the Generalised System of Preferences (GSP);
- The Cotonou Agreement with the European Union (EU);
- The U.S. African Growth and Opportunity Act (AGOA), where Botswana, Lesotho, Namibia and Swaziland receive "lesser developed beneficiary" status allowing them, at least in the short run, to source textile and clothing inputs from anywhere in the world.
- It is estimated that 51 percent of Namibia's exports leave the country duty-free, and 82.7 percent of exports involve preferential trade agreements (World Bank 2008b). The latter figure underlines the importance of 'preferential trade agreement' for Namibia's exports. A study by the Overseas Development Institute suggests that the loss of such preferences, particularly in the case of the loss preferences to E.U. market, could adversely impact the meat-export sector (ODI 2007). Hence, any efforts at boosting and diversifying Namibia's exports must take into consideration market access issues.

The following are some of the opportunities with regards to trade policy in Namibia:

- As a member of SACU, Namibia's production enjoys access to a large, dynamic market. The total GDP of SACU in 2001 stood at US\$125 billion (WTO 2003).
- As a member of SACU, Namibia enjoys a stable, cooperative institutional set up for regional trade policy. Moreover, the cooperative mechanism facilitated by SACU provides Namibia, along with other members, important bargaining power while negotiating

free and preferential trade agreements.

- The customs duty revenue sharing framework of SACU has funneled financial resources to Namibia. The IMF (2008) estimates that the medium-term revenue from SACU will be about 11-12 percent of Namibia's GDP. Revenue from SACU is helping Namibia keep its balance sheet with regards to public debt healthy and within the target. But the formula for revenue sharing is being revised, which is likely to impact how much revenue Namibia receives in the future²⁴.

However, the country also faces challenges, though remedial options are possible with appropriate attention to issues and corrective policies. These challenges include the following:

- The World Bank 2009 Country Brief on Namibia states that the trade policy is biased against exports. It states: "As a member of SACU, Namibia's trade policy is determined at the regional level, and SACU's common external tariff (CET) is heavily influenced by South Africa. The CET reflects South Africa's industrial patterns, and the protectionist tariff regime is geared toward import-substitution industries in South Africa...The high levels of the SACU common external tariff makes imports of products from non-SACU countries uncompetitive" (World Bank 2009).
- Furthermore, the WTO's 'Trade Policy Review' of Namibia draws attention to the fact that "a number of important non-tariff trade policy measures have not been harmonized within SACU, such as customs procedures, standards and technical regulations, sanitary and phytosanitary measures, public procurement, and internal incentives and taxes" (WTO 2009: 223).

²⁴ SACU's revenue sharing formula is being renegotiated and revised. The proposed new formulae may reduce revenue for Namibia along with other members of SACU. See: http://www.gazettebw.com/index.php?option=com_content&view=article&id=8654:new-sacu-revenue-sharing-formula-proposed&catid=13:business&Itemid=2



2 TRADE, POVERTY and HUMAN DEVELOPMENT

2.1 A Conceptual Discussion

The concept of 'human development' is largely influenced by the literature on inequality and poverty as formulated by Desai (1991) as well as Nobel Laureate Amartya Sen's understanding of development. Together, they suggest that other dimensions of development must complement the income dimension. As such, 'human development' has been variously defined as 'human flourishing in its fullest sense – in matters public and private; economic and social; and political and spiritual' (Alkire 2002), and more poignantly, as 'a process of enlarging people's choices and freedom' (Sen 2000).

The United Nations Development Programme has translated the theoretical conceptualisations of human development into a composite and measurable index called the Human Development Index (HDI) that has been published

annually, since 1990, in its Human Development Report (HDR). The three primary indicators of Human Development that form the HDI are: education, longevity and income. These indicators are used as proxies for knowledge; long and healthy life; and standard of living, respectively. The processes of improving these proxies are viewed as 'enlarging people's choices' (UNDP 1990: pp.10).

The HDI has attracted a wide-ranging commentary on its strengths and weaknesses. On the one hand, its proponents argue that it not only broadens the scope of conceptualising development, but it also gives due recognition and importance to other non-monetary indicators in its assessment and accounting of development (Anand & Sen 2000; Desai 1991; Streeten 1994). On the other hand, its critics posit that the HDI is not a well developed measurement tool

Democracy would be meaningless if our people were to remain poor and not have enough food to eat. The right to vote would be a sham if the representatives whom the people vote into office do not deliver in respect of their promises of a better life, housing, provision of electricity, clean water, education and improved medical care.

Dr. Sam Nujoma, Joint Session of the South African Parliament,
14 May 1996, Cape Town, South Africa

of development as it fails to encapsulate the multi-dimensionality of the concept of 'human development' (Neumayer 2001). Unlike those envisioned, the HDI also lacks the ability to add value or provide alternative to income as an indicator for the measurement of development (Kelley 1991; Lind 1992; Nubler 1991; Rao 1991; Sagar & Najam 1998; Srinivasan 1994).

Notwithstanding these important debates, the HDI has been widely acclaimed as a welcome change from conventional understanding and measurement of development, which narrowly viewed 'economic growth' as the primary vehicle for development. Proponents of this traditional view argue that economic growth increases income (people's purchasing power) which is essential for making all choices related to human wellbeing and welfare (Srinivasan 1994). For example, with a rise in income, people can purchase 'good health', 'good education' etc. Indicators such as 'Gross Domestic Product' (GDP), 'Gross National Product' (GNP) and 'Per Capita Income' are used to measure changes in income, economic growth and hence development. However, there is little evidence to suggest that economic growth, by itself, can achieve development. This bolsters the

importance of conceptualising and measuring development as 'human development'. As Sen (2000) argues, while economic growth is essential for development, there are other determinants such as 'social and economic arrangements (for example, facilities for education and health care)' that also need to be adequately attended to.

Drawing from the above, the relationship between trade and human development can be conceptualised primarily through two ways: (1) trade-induced economic growth which, in turn, has an interlocking relationship with human development; and (2) trade-induced increases in income, which, in turn, empowers people to *inter alia*, access health and education²⁵.

With regard to economic growth and trade, by reducing barriers to trade, trade facilitates the functioning of the market (domestic and international) and fosters efficient allocation of resources (Krueger 1998). The efficient allocation of resources emanating from trade can in turn have positive impact on agriculture and production of primary commodities which make up a significant proportion of developing countries' economies (Krueger 1998). As labour constitutes one of the most abundant factors of production in developing economies, the above process can also have a positive impact on employment and income (Bhagwati & Srinivasan 2002). The overall implications of reduction in barriers to trade can be positive for economic growth, which in turn generates resources for investment in human development.

▲
²⁵ Furthermore, UNDP has identified four channels through which changes in trade pattern are transmitted to households. These are: (1) changes to prices; (2) employment and productive adjustments; (3) government revenues; and, (4) returns on skill. For further discussions see: UNDP. (2008b). *Aid for Trade and Human Development: A guide to conducting Aid for Trade needs assessment exercises*. Geneva: United Nations Development Programme.

With regard to economic growth and human development, the seminal work of Ranis, Stewart and Ramirez (Rani et al. 2000: 197) postulates a “strong connection between economic growth and Human Development”. The authors articulate two causal chains [one from economic growth to human development and the other from human development to economic growth] and stress that while both economic growth and human development should be promoted jointly, human development should be prioritised.

The first causal relationship (how economic growth aids in human development) is that economic growth generates resources (national income), which in turn can be employed for human development purposes, such as, greater investment in health and education. The second causal relationship (how human development fosters economic growth) is that high investment in human development such as education and health can enhance labour productivity and ultimately economic growth.



With regard to the relationship between income and human development, income is itself one of the primary components of human development indicators. Trade-induced increases in income come not only from reduction in trade barriers (such as an increase in income from tariffs reduction on goods imported), but

also from liberalization of trade in services (such as education and health). With regards to the latter, a more open services sector (in particular education and health) can facilitate greater number of these service providers, more options for consumers, and possibly reduction in the cost of these services. Moreover, reduction in tariffs and

trade liberalisation in services has the potential of increasing consumer welfare.

In promoting trade and human development linkages, we must also be cognizant of inequality. Economic inequality²⁶, defined as “the fundamental disparity that permits one individual certain material choices, while denying another individual those very same choices” (Ray 1998), can undermine economic gains from growth in trade.

2.2 Human Development Performance

Table 5 below provides human development index and rank for Namibia as well as for its neighbours to facilitate a comparative picture for evaluating Namibia's performance regionally²⁷. Namibia, in 2010, was globally ranked at 105

in terms of its overall performance in human development²⁸. This placed Namibia ahead of all of its neighbours except for Botswana (ranked 98). Namibia has the highest ‘life expectancy at birth’ (62 yrs) in the region. With 7.4 ‘mean years of schooling’, it is ahead of its neighbours except for South Africa (8.20 mean years of schooling) and Botswana (8.90 mean years of schooling). Similarly, with US\$ 6,323 per capita, measured by purchasing power parity method, it was ahead of its neighbours except for South Africa (US\$ 9,812) and Botswana (US\$ 13,204). Furthermore, Namibia invests more on education (6.5 percent of its GDP) than its neighbours, except for Botswana (8.1 percent of its GDP). Except for South Africa (3.6 percent of its GDP) and Botswana (4.3 percent of its GDP), Namibia also invests more on health (3.2 percent of its GDP) than most of its neighbours.

Table 5. Human development index and rank for Namibia and its neighbours

Country	Rank	HDI Value	Life Expectancy at Birth	Mean Years of Schooling	GNI ²⁹ Per capita (ppp ³⁰ 2008 US\$)	Public Expenditure on Education (% of GDP)	Public Expenditure on Health (% of GDP)
Namibia	105	0.606	62.10	7.40	6,323	6.5	3.2
South Africa	110	0.597	52.00	8.20	9,812	5.1	3.6
Botswana	98	0.633	55.50	8.90	13,204	8.1	4.3
Zambia	150	0.473	6.50	7.20	1,359	1.4	3.6
Zimbabwe	169	0.140	47.00	7.20	176	4.6	4.1
Angola	146	0.403	48.10	4.40	4,941	2.6	2.0

Source: (UNDP 2010)

²⁶ It is important to note that inequality manifests in a number of social dimensions, such as class, ethnicity, age, language, geography or location, etc. Hence, economic inequality is merely one of the important dimensions. It is beyond the scope of this study to discuss inequality in its entirety or examine its manifestations in Namibia comprehensively. Nonetheless, the report makes efforts to discuss inequality, given its severity and hence importance to Namibia's development challenges, with as much detail as possible.

²⁷ Evaluation of Namibia's performance through comparison with the performance of its neighbours has its limitations. Namibia's neighbours are at different categories of development: two are least developed countries (Angola and Zambia) and three are landlocked countries (Zambia, Botswana and Zimbabwe). Furthermore, there are also differences in endowments, most importantly natural resources.

²⁸ In 2011 however, Namibia was ranked 120th out of 173 countries with a HDI of 0.625

²⁹ Gross National Income

The 2008 UNDP report on Namibia's progress in achieving the eight Millennium Development Goals³¹ (MDGs) states that the results are likely to be mixed (UNDP 2008a). While it is on track to meeting the targets on poverty alleviation, environmental sustainability, gender equality and reducing HIV/AIDS prevalence, it is lagging behind in others, such as, reducing infant and maternal mortality.

Notwithstanding the important progress made by Namibia in human development and the MDGs as well as its noteworthy regional performance, there remain some critical challenges to sustaining the current progress. These are in the areas of poverty (particularly in rural areas), inequality and unemployment – the three are closely inter-linked (one can exacerbate the other) and can lock the nation's progress in vicious cycles. The next sub-sections examine and further discuss these three developmental challenges. A paper³² prepared by the Office of the President eloquently summarises some major development challenges in Namibia: "Although classified as a lower middle income country (MIC) in 2007, Namibia, due to legacies of its colonial and apartheid history, has one of the most unequal distribution of income and wealth in the world (Gini coefficient of 0.63 versus an average of 0.43 for all MICs), with the situation of the bulk of its population more similar to that of their counterparts in least developed countries...The country also faces a number of economic and social challenges, including poverty, HIV/AIDS pandemic, high levels of unemployment, inadequate capacity..."(Namibia 2007a: 1).

2.3 Poverty

Namibia has made significant headway in alleviating poverty over the last ten years. Using the 2003-2004 'National Household Income and Expenditure Survey' (NHIES), a new set of national poverty lines has been developed³³. These are (Namibia 2008a):

- Upper bound poverty line (poor): N\$ 262.45 per capita
- Lower bound poverty line (severely poor): N\$ 184.56 per capita

Households that have consumption expenditure below the 'upper bound poverty line' (below N\$262.45) are classified as 'poor', and those below the 'lower bound poverty line' (below N\$184.56) as 'severely poor'.



³¹ The world leaders adopted the eight Millennium Development Goals in 2000 and to be achieved by 2015. The eight goals are: Eradicate extreme poverty and hunger (Goal 1); Achieve universal primary education (Goal 2); Promote gender equality and empower women (Goal 3); Reduce child mortality (Goal 4); Improve maternal health (Goal 5); Combat HIV/AIDS, malaria and other diseases (Goal 6); Ensure environmental sustainability (Goal 7); Develop a global partnership for development (Goal 8). For more info see: <http://www.undp.org/mdg>

³² The paper was presented at the 'International Conference on Development Cooperation with Middle Income Countries' in March 2007 in Madrid, Spain. The paper also raised the issue of declining aid flows to Namibia (from US\$110 per capita in 1990 to US\$ 60 per capita in 2005) in spite of the prevalence of many developmental challenges. The paper argued that Namibia's middle-income status must be contextualised to its developmental challenges; many of which are similar to that in least developed countries. Furthermore, the paper states that 'Aid for Trade' could play an instrumental role in boosting Namibia's trade capacity, which in turn could have positive impact on reducing poverty, inequality and unemployment.

³³ The 'cost of basic needs' approach is employed to establish the new poverty lines. Under this approach the poverty line is set by first computing the cost of a food basket enabling households to meet a minimum nutritional requirement and then an allowance for the consumption of basic non-food items is added. This method of calculating the poverty lines is widely employed in the SADC region. For more discussion on the poverty lines in Namibia see: Namibia. (2008a). *A Review of Poverty and Inequality in Namibia*. Windhoek, Namibia: The National Planning Commission.

There is little evidence to suggest that economic growth, by itself, can achieve development

Table 6 below provides the incidence of poverty by location and sex. Using the above poverty lines, it is estimated that 27.6 percent of the households in Namibia are 'poor' and 13.8 percent are 'severely poor'³⁴. There has been significant poverty reduction over last ten years from 37.1 percent in 1993/1994 to 27.6 percent in 2003/2004³⁵. Notwithstanding these achievements in meeting the targets, poverty reduction remains an important development challenge.

Table 6. Incidence of poverty by location and sex, 2003-2004

	Poor	Severely Poor
Total	27.60%	13.80%
Urban	12.00%	6.00%
Rural	38.20%	19.10%
Female	30.40%	15.10%
Male	25.80%	12.90%

Source: (Namibia 2008a)

Female-headed households are poorer (both in terms of 'poor' and 'severely poor' definitions) than male-headed households. Moreover, gender-based differences are likely to be more acute as the NHIES does not reveal information on intra-household inequalities. Majority of the poor (12 percent) and severely poor (38.2 percent) households are located in the rural areas, particularly in the Kavango, Ohangwena and

Oshikoto regions in northern Namibia. A report, using multiple deprivation method³⁶ to study poverty and deprivation, found Oshana, Caprivi, Oshikoto, Omusati as the most deprived regions in Namibia (Namibia forthcoming). It is important to note that poverty in Namibia, to a large degree, is location specific; or put differently, its manifestations differ by locations. This means that policies and programmes designed to alleviate poverty must be tailored to the specificities of the location, and avoid using blanket approaches. The forthcoming publication by the Government of Namibia and UNDP provides the foundation (analytical and informative) to pursue such a strategy for poverty reduction and tackling multiple deprivation in Namibia.

The following are some of the important determinants of household poverty status: level of education, location and gender (Namibia 2008a). It is estimated that households where the head of the household has no formal education are four times more likely to be poor than households where the head has a secondary education. Similarly, households in rural areas are twice as likely to be poor compared to households in urban areas. Female-headed households are almost 1.18 times more likely to be poor than male-headed

³⁴ As per the old poverty line 27.8% were classified as 'poor' and 3.9% as 'severely poor', whereas under the new poverty line 27.6% are classified as 'poor' and 13.8% as 'severely poor'. The change in the method for calculating the poverty line has not made much difference to the 'poor' category, however there is significant difference with regard to 'severely poor' households under the new definition (from 3.9% under the old definition to 13.8% under the new definition).

³⁵ It is difficult to compare the 'severely poor' households, for the two periods 1993/94 and 2003/04, due to changes in the method for calculating poverty lines (see footnotes above). The old method defined 'severely poor' households as those for whom food consumption was 80% or more of total household consumption, and 'poor' as those for whom food consumption was 60% or more of total household consumption.

³⁶ The concept of 'multiple deprivations' acknowledges and measures the multiple dimensions of poverty such as employment deprivation, education deprivation, health deprivation, housing deprivation and so forth.

households. And the high prevalence of HIV/AIDS constrains progress in poverty alleviation. These determinants provide a nuanced understanding of poverty in Namibia and help to develop targeted measures to directly address the causes of poverty.

2.4 Unemployment

As per the 2008 Namibian Labour Force Survey (NLFS), the total population stood at about 1.8 million out of which 1 million were in their working age (15+ years) and formed the national labour force (Namibia 2008b). Majority of the labour force, about 74 percent, reside in the urban areas.

The 2008 NLFS estimated the national unemployment³⁷ rate to be 51.2 percent (under the broad definition of unemployment) and 37.6 percent (under the strict definition of unemployment) (Namibia 2008b). The broad measure of unemployment regards all those without job, are available for work and sought or did not seek work (Namibia 2004a: 44; 2008b). It is inclusive of all unemployed, whether they made attempts to seek work or not. The strict measure of unemployment, however, considers those without a job, available for work and are actively looking for work (Namibia 2004a: 44; 2008b). It excludes those that did not look for work. The rate of unemployment has been increasing since 1997. Using the strict definition, unemployment rate was 19.5 percent in 1997, 20.2 percent in 2000, 21.9 percent in 2004 and 37.6 percent in 2008 (Namibia 2004a: 44; 2008b). Using the broad definition, unemployment rate was 34.5 percent in 1997, 33.8 percent in 2000, 36.7 percent in 2004 and 51.2 percent in 2008 (Namibia 2004a: 44; 2008b).

Unemployment in Namibia is higher in the rural areas than urban areas, and among female than male (Namibia 2008b). In the rural areas, the unemployment rate was 46.7 percent whereas in urban areas it was 29 percent in 2004.

The rate of unemployment has been increasing since 1997. Using the broad definition, unemployment rate was 34.5 percent in 1997, 33.8 percent in 2000, 36.7 percent in 2004 and 51.2 percent in 2008.

Female unemployment rate was 58.4 percent (broad definition) and 43 percent (strict definition). Male unemployment was 43.5 percent (broad definition) and 32.5 percent (strict definition). Unemployment rate, for both male and female, are highest for those with 'primary education'. The rate of unemployment for those with 'primary education' is: 59.9 percent (total), 71.4 percent (female) and 49.5 percent (male). In urban areas, unemployment is highest amongst those with 'no education' (for both male and female), which conforms to the understanding that employment in urban areas places greater value on educational attainment. In rural areas, unemployment is highest amongst those with 'primary and junior secondary schooling' (for female with primary education unemployment rate is 80.3 percent and for male with junior secondary education unemployment rate is 66.4 percent).

³⁷ NLFS 2008 defines unemployed as those: (1) being without work; (2) being available for work; and, (3) seeking work.



The rate of unemployment amongst the youth is a matter of great concern. The unemployment rate for age group 15-34, referred to as the unemployed youth, is about 59.9 percent (Namibia 2008b). Moreover, about 2/3rd of the unemployed are in the most productive age group of 16-45. The unemployment rates amongst the youths are one of the highest in Africa, and low skill levels is identified as a major factor in unemployment (World Bank 2009).

Table 7 below provides the share of employed in 2000, 2004 and 2008 as well as the changes in employment by industry between 2004 and 2008. 'Agriculture' remains the main employment sector, employing 15.9 percent of those employed. This is

in spite of 10.70 percentage-points decrease from 2004 to 2008. 'Wholesale and retail; and repairs of motor vehicle' employed 15.10 percent in 2008, but employment in the sector reduced by -1.10 percentage-points since 2004. 'Private households with employed persons' employed 10.90 percent in 2008, and grew by +4.70 percentage points since 2004. 'Education' employed 8.60 percent in 2008, and grew by 0.50 percentage-points since 2004. 'Public Administration' employed 8.40 percent in 2008, and grew by 0.40 percentage-points since 2004. Construction employed 7 percent in 2008, and grew by 1.30 percentage points. And 'Manufacturing' employed 6.30 percent in 2008, and grew by less than one percentage-point (0.10) since 2004.

Table 7. Employment by industry in 2000, 2004 and 2008 (in percentage)

Rank	Sector Classification	2000	2004	2008	Change (2004 & 2008)
1	Agriculture	29.30	26.60	15.90	-10.70
2	Wholesale and Retail and Repairs of Motor Vehicle	9.00	14.00	15.10	-1.10
3	Private households with employed Persons	5.1	6.20	10.90	+4.70
4	Education	7.10	8.10	8.60	+0.50
5	Public Administration, Defence and Social Security	5.70	8.00	8.40	+0.40
6	Construction	5.0	5.70	7.00	+1.30
7	Manufacturing	5.3	6.20	6.30	+0.10
8	Transport, Storage and Communication	3.3	4.10	4.70	+0.60
12	Real Estate, Renting and Business Activities	9.1	2.40	4.50	+2.10
9	Health and Social Work	3.0	3.60	4.20	+0.60
10	Hotels and Restaurant	1.8	3.40	3.40	No change
11	Other Community, Social and Personal Services	10.70	3.30	3.40	+0.10
12	Mining and Quarrying	0.90	2.00	2.70	+0.70
13	Financial Intermediation	1.1	2.00	2.70	+0.70
14	Electricity, Gas and Water	1.0	1.60	1.60	No change
15	Fishing	1.8	3.30	0.40	-2.90

Source: (Namibia 2000, 2004a)

The change in employment by sector classification, as seen in Table 7 above, shows that in 2008 the greatest increase in employment took place in 'Private households with employed persons' – an increase of 4.70 percentage-points. This was followed by 'Real estate, Renting and Business Activities' with an increase of 2.70 percentage-points and 'Construction' with an increase of 1.30 percentage-points. In comparison, in 2004, the greatest increase in employment took place in the 'Public Administration' – an increase of +2.37 percentage-points. And was followed by increases in 'Hotels and Restaurant' (+1.60 percentage-points), 'Fishing' (+1.50 percentage points) and 'Mining and Quarrying' (+1.10 percentage points).

It is beyond the scope of this study to decipher causal linkages and explanations for the changes in the employment categories by sector

classification. It is also unknown to what extent reduction (by -10.70 percentage-points) in the share of employed in the agricultural sector signifies individuals moving out of agriculture to other sectors of employment³⁸ or simply remained unemployed given the substantial increase in the rate of unemployment. If there were reallocation of labour out of agriculture and into other employment sectors, then table 7 suggests that labour emerging out of agriculture may have been absorbed into 'private households with employed persons' and 'construction'.

³⁸ World Bank studies suggest that labour shed in the agricultural sector may have been absorbed in the services sector. See discussion in Section 2.2.4. Also, see: WORLD BANK. (2008a). *Addressing binding constraints to stimulate broad based growth*. Washington D.C.: The World Bank.

One of the central problems with regards to employment has been labour market mismatch. In other words, there is mismatch between skills demanded by employers and the types of skills prevalent and available among the working age population. This has impeded efficient absorption of freed-up agricultural labour and the prospects of productivity-enhancing reallocation of labour (World Bank 2008a). The two key areas that need continued policy attention therefore are: (1) building human capital (particularly through skills-based vocational training), and (2) addressing labour market rigidities. Addressing these two constraints would aid in strengthening the relationship between growth in the economy and growth in employment. However, it is also important to get-the-targeting-right of policies aimed at building human capital, as the market demand for and value of human capital will differ by location and industry, and over time, amongst other important factors³⁹.

The Government of Namibia, concerned with the growing rate of unemployment, has initiated a three-year N\$ 18.7 billion programme (covering fiscal years 2011/2012 to 2013/14) titled 'Targeted Intervention Program for Employment and Economic Growth' (TIPEG) (Namibia 2011). It focuses on four sectors – agriculture, transport, tourism, housing and sanitation – and aims to generate 104,000 employment opportunities. The proposed programmes and activities in Namibia's Aid for Trade Framework complement and support the efforts of TIPEG; particularly the targeted programmes in the areas of agriculture, transport and tourism.

2.5 Inequality

Inequality in its many and diverse manifestations is one of the central development challenges for Namibia. The people of Namibia, post independence in 1990, inherited an unequal society coercively shaped by the colonial and

apartheid legacy. Colonisation since 1848 coupled with the application of apartheid policies since 1948 until independence produced a dualistic society of privileged few and deprived many. Thus, it is important to note the past in understanding, analysing and evaluating inequality in Namibia, and in designing policies to address the causes and mitigate the consequences. However, while inequality at present is, to a large extent, a product of that past, what will happen in the near future will be shaped by present and future policy choices.

Namibia continues to make substantial progress in reducing inequalities, in particular income and wealth inequality. For instance, Namibia's Gini-coefficient⁴⁰ improved from 0.70 in the 1993/94 to 0.63 in 2003/04 (Namibia 2008a). This represents a substantial improvement in reducing income and wealth inequality, but not necessarily sufficient as it still remains unacceptably high. It is estimated that the expenditure of 40 percent of the households in the lowest expenditure category (accounting for more than half of the total population) is about 8 percent of total household expenditure, while that of the top ten percent richest households (accounting for less than 6 percent of the total population) command more than half of total household expenditure (Namibia 2008a).

▲
³⁹ For instance, educational/skill attainment is valued differently in rural and urban areas (or economic specialisation of regions), which is in turn reflected in unemployment rates by geography and educational attainment discussed in this section.

⁴⁰ The Gini-coefficient takes a value between 0 and 1, which represent to extremes of income and wealth distribution. A Gini-coefficient of 0 is one where all households have the same consumption expenditure, while a Gini co-efficient of 1 is where one household commands all the consumption expenditure. In other words, values closer to 1 represents an income-unequal society and values closer to 0 greater income-equality. For more information on Namibia's Gini-coefficient calculations see: Namibia. (2008a). *A Review of Poverty and Inequality in Namibia*. Windhoek, Namibia: The National Planning Commission.

Also, the very high levels of inequality are corroding and constraining progress in other dimensions of social and economic development. The UNDP's 2010 Human Development Report states that Namibia has three times more inequality than countries with similar levels of human development. Moreover, as seen in table 8 below, Namibia loses as much as 44 percent in human development progress due to inequality (UNDP 2010).

Table 8. Inequality-adjusted HDI for Namibia and its neighbours (2010)

Country	Value	Loss (in percentage)
Namibia	0.338	44.3
South Africa	0.411	31.2
Zambia	0.270	31.5
Zimbabwe	0.098	29.9
Angola	0.242	39.9

Source: (UNDP 2010)

Table 8 above, provides a regional, comparative picture of inequality-adjusted HDI⁴¹; in other words, "a measure of the level of human development of people in a society that accounts for inequality" (UNDP 2010: 20). So, for Namibia while the HDI value was 0.606, after adjustment for inequality it reduced to 0.338⁴². The loss in human development due to inequality in Namibia is higher than most of its neighbours, as seen in table 8 above. Moreover, the loss in human development when adjusted for inequality is significant in each of the three major human development indicators (health, education and income). Namibia loses 24.5 percent in terms of human development in the category 'life expectancy at birth', 27.8 percent in 'education' category and 68.3 percent in 'income' category (UNDP 2010).

Income inequality differs by region, language and sex in Namibia, amongst other important factors. The Gini-coefficient for both rural and urban

Namibia loses as much as 44 percent in human development progress due to inequality

areas is 0.58 (lower than the national level), which implies (collectively with the discussion on poverty in the previous sub-section) that lower-income households are concentrated in rural areas and higher-income households in urban areas (Namibia 2008a). But there exists a significant difference between the 13 administrative regions in Namibia. For instance, Hardap (0.69) and Omaheke (0.64) administrative regions, located in the centre and east, have the highest Gini-coefficient – higher than the national average of 0.63 (Namibia 2008a). Ohangwena (0.45) and Omusati (0.46) administrative regions located in the north have the lowest Gini-coefficient (Namibia 2008a). Income inequality is lowest amongst those who speak English and German, with Gini-coefficients of 0.41 and 0.31, respectively, and highest amongst those who speak Afrikaans, with a Gini-coefficient of 0.56. Income inequality is higher among men (with Gini-coefficient of 0.64) than among women (Gini-coefficient of 0.58) (Namibia 2008a).

⁴¹ The inequality-adjusted HDI (IHDI) is a concept introduced by the UNDP in its 2010 Human Development Report. It argues: "Under perfect equality the HDI and IHDI are equal. When there is inequality in the distribution of health, education and income, the HDI of an average person in a society is less than the aggregate HDI; the lower the IHDI (and the greater the difference between it and the HDI), the greater the inequality". UNDP. (2010). *The Real Wealth of Nations: Pathways to Human Development*. New York: United Nations Development Programme.

⁴² The corresponding figures for 2011 are 0.625 and 0.353, respectively.

2.6 The role of trade in promoting human development

The previous sub-sections discussed progress and challenges in human development in Namibia. Significant progress has been made over the last decade in reducing poverty and inequality. Nonetheless, inequality remains unacceptably high and rural poverty continues to persist. Moreover, high levels of inequality have been eroding overall progress in human development. Unemployment is increasing, and it is particularly high amongst the youth. These broadly present the critical challenges in promoting human development in Namibia and in achieving the MDGs.

Trade has the potential to be a locomotive for economic growth, promoting human development and the achievement of the MDGs in Namibia. In the context of Namibia, trade can directly contribute to alleviating poverty, reducing economic inequalities and generating employment opportunities. In addition, it can also play a positive role, through primary or secondary effects, on other dimensions of human development such as on education, health, gender empowerment and environmental sustainability.

The expansion of trade achieved through addressing supply-side constraints, strengthening backward linkages and increasing inclusivity in the production and trade value-chains, and institutional reforms will generate an inclusive and pro-poor economic growth. As part of its MDG targets, Namibia aims to achieve an average growth rate of 5.0-6.5 percent per annum by 2012. From 1998 to 2008, Namibia's economic growth averaged 4.5 percent per annum.

Case Study 2: The importance of intermediaries in strengthening backward linkages

Often trade intermediaries, or colloquially referred to as "middlemen", are viewed negatively. It is assumed that such middlemen squeeze profits from small producers. This is true in the informal sector where the power-relations between the middlemen and small producers are asymmetric, and it is further accentuated when small producers lack information and access to markets. Notwithstanding the need to correct such asymmetries that are pervasive in the informal sector, middlemen also play important functions in connecting small producers to markets. Without the existence of such middlemen, small producers, variously located, would find it difficult to sell their products. The case of wooden handicrafts highlights the importance of middlemen as well as the disadvantages faced by small producers.

About 40 individuals in a village in Rundu in northern Namibia produce wooden giraffe. The wooden giraffe is approximately 1.4 meters in length, and is produced using locally available wood called "Dolf". It is difficult to determine the costs of procuring the wood as it is sourced from the "bush". However, the individuals pay a token of appreciation (in kind or money) to the local chief. The wooden giraffes are produced using local and traditional tools.

The middlemen, mostly located in Windhoek, make regular journey to the village of Rundu to buy wooden giraffes from villagers. Each trip normally cost N\$1000 in public transportation, but many prefer to use their own, private transportation. The purchased wooden giraffes are then polished, painted and fitted with stands. It is then sold for about N\$475 in the Windhoek market, mostly to tourists. The middlemen also export to the U.S. for US\$150-200. The wooden giraffes are shipped to the U.S., which usually takes 6-10 weeks.

Rough estimates suggest that the middlemen benefit with more than 100% profit margin. But without the presence of the middlemen individuals in Rundu would not benefit from producing and selling wooden giraffe. This is so because the middlemen provide a critical intermediary service of linking producers to consumers with information feedbacks and actual purchase and sale.

However, improving the profit margins of the producers in Rundu is important in increasing the welfare of the individuals and their households. But improving small producers welfare must not be viewed as a trade-off with that of middlemen. In other words, it is wrong to perceive that the welfare or the profit margin of producers can increase only by reducing that of the middlemen or removing them altogether. A more pragmatic approach would be to strengthen the various actors (and especially the weakest) in the value-chain. In this particular case, the villagers would benefit from strengthening means for collective action, such as, through self-help groups, increasing division of labour in the production of the wooden giraffes, and enhancing the bargaining power of producers by empowering them with information (market and production), amongst others.

Notwithstanding the impact of the global financial crisis and the global structural change it has triggered, Namibia is likely to achieve its economic growth target for 2012 and beyond⁴³.

Given the economic structure of Namibia (see: Section 1), expanding trade will be central in achieving such growth rates. Section 1.3 (Performance in Productive Sectors) discussed in detail the relationship between trade and the productive sectors, on the one hand, and how trade can boost growth in each of the productive sectors, on the other hand.

Economic growth, though vital, will not be sufficient for promoting human development, particularly in addressing poverty, inequality and unemployment. In addition to quantity, the quality of economic growth must be given due attention. If trade is to become one of the locomotives of growth, it is important to ensure that the expansion of trade and the opportunities it brings incorporates issues of equity. Hence, the merit of policies geared towards expanding trade must be weighed by their contributions to uplifting rural households out of poverty and generating employment opportunities, especially for the youth, amongst other social and economic issues. The design of Namibia's Aid for Trade projects (see: Section 4), aimed at expanding Namibia's trade capability and opportunity, is informed and shaped by such concerns. As an example, the projects aim to reduce the barriers for and increase the capacity of the marginalised in participating and benefiting from trade.

In addition, trade in Namibia can also play an important role in increasing household welfare. One area where trade could prove critical is in ensuring 'food security'. As has been discussed earlier, there are numerous natural limitations that constraint possibilities as well as produce opportunities in the agricultural sector. In

other words, comparative advantages in the agricultural sector in Namibia are largely shaped by natural conditions. A regional approach to 'food security' based on principles of trade – i.e. food production, supply and consumption – would allow each member to allocate resources more efficiently, increase specialisation, reduce costs and thereby increase household welfare. Tariff imposed on trade in food commodities is not a concern due to regional free trade arrangements (see: Section 1.5). However, trade facilitation, in spite of the positive role played by trade corridors (see: Section 1.4), remains a challenge and further improvements would increase efficiency and reduce costs.

The discussion in this sub-section highlighted and drew policy attention to the fact that trade is central to promoting human development and in achieving the MDGs in Namibia. As much as this entire report has been aware of and reflected the human development concerns and how trade can play a positive role, it is beyond the scope of this report to provide a more intricate outline. Nonetheless, one of objectives of the proposed Aid for Trade projects (see: Section 4.1) is to conduct a thorough analysis of trade and human development linkages, design specific policy measures in order to effectively use trade as tool to promote human development and mainstream the findings into the national development agenda.

⁴³ As per for the Vision 2030, Namibia aims to increase its economic growth to 9.4% by 2030.





3 AID FOR TRADE

3.1 Evolution, Objectives and Opportunities

In 2005, the World Trade Organisation's Ministerial Conference in Hong Kong formalised the concept of 'Aid for Trade'. However, the concept behind Aid for Trade – using aid resources to boost trade – had been in existence prior to this. For example, Prowse et al state that “the origins of Aid for Trade can in many respects be traced back to the early 1980s, when support for the integration of developing countries into the global economy through market-oriented and open liberalisation of trade-related policies was a major aspect of the lending programmes and activities of the International Monetary Fund and the World Bank” (Higgins & Prowse 2010: 2). To a large extent such an approach stemmed from the understanding that “openness” in trade, in and of itself, leads to economic growth and therefore development. Historical and contemporary evidences showing the causality between openness and growth were

employed to buttress these assertions (Dollar 1992; Dollar & Kraay 2004; Wolf 2004).

However, such an understanding of the role of trade in economic development and the accompanying policy approaches has been criticized for its narrow focus on the 'market-oriented and open liberalization trade-related policies', on the one hand, and lack of sufficient linkages with poverty reduction concerns, on the other. The historical and contemporary evidences used to promote the view that trade openness leads to economic development has been challenged and revised (Chang 2002, 2010). Countries that mobilised trade for achieving high rates of growth (whether it was Britain in the 19th century, U.S in the 20th century or East Asian countries in the last few decades) exercised a varied set of policies (Chang 2002).

Trade and financial openness are unlikely to lead to economic growth on their own, and may occasionally even backfire, in the absence of a wide range of complementary institutional and governance reforms

Instead, a new consensus on trade and economic development has emerged in recent years. Dani Rodrik, Professor of International Political Economy of Development at Harvard University, summarises this as follows: "Trade and financial openness are unlikely to lead to economic growth on their own, and may occasionally even backfire, in the absence of a wide range of complementary institutional and governance reforms" This is in sharp contrast to the views expressed in the literature on trade and growth of some 10-15 years ago, in which the assertion was that trade liberalisation in particular has an unconditional and strong effect on economic growth on its own even in the absence of other reforms. Once again, the evidence has rendered the older views untenable" (Rodrik 2007: 10).

It is now accepted that trade policies centred on openness alone are not sufficient for achieving economic growth and development, and cannot address poverty reduction concerns. Nevertheless, there is a lack of pre-prepared alternative menu of what trade policy should be, which rightly so, is based on the notion that trade related opportunities and challenges are context specific.

Such a shift in the understanding of the relationship between trade, growth and poverty,

and the approach towards formulating trade policies, *inter alia*, have been influencing the progress in the WTO's Doha Development Round – also the birth place of the Aid for Trade initiative⁴⁴.

The WTO's Doha Development Round was launched after the Ministerial Conference in Doha in 2001. Developing countries, during and post the Doha Ministerial Conference, expressed concerns about the "development deficit" in the multilateral trade liberalisation process. Developing countries did not and would not uniformly benefit from the expansion of the global markets through multilateral trade liberalisation. For instance, while the net food exporting countries would benefit from agricultural trade liberalisation (i.e. the removal of agricultural subsidies by developed countries), the net food importing countries would, *ceteris paribus*, incur increased food prices as the result of it.

Notwithstanding the specific concerns with different dimensions of the Doha Round negotiations, there exist two important crosscutting developmental concerns: policy space and trade capacity. It has been widely argued that the WTO liberalisation process has inhibited, with adverse implications, developing countries' space to design and implement trade related policies. This remains a lively, on-going debate. The second, and related to the issue of trade capacity, suggests that in spite of improvements brought about by WTO in terms of expansion of and access to global markets, developing countries are unable to fully harness those benefits. Developing countries lack

⁴⁴The Hong Kong Ministerial Conference in 2005 was part of the Doha Development Round negotiations, launched in 2001.

trade capacity – production (supply-side) and institutional (policies) (Higgins & Prowse 2010).

Such trade capacity concerns and constraints of developing countries influenced the launching of the Aid for Trade initiative as part of the Doha Development Round, but importantly, the initiative is not tied to the conclusion of the Round. The WTO provides the following as the rationale for Aid for Trade (WTO 2006): “Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access. Effective Aid for Trade will enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries”.

The WTO Task Force on Aid for Trade, established by the Hong Kong Ministerial Conference, recommends the following as the scope for the Aid for Trade (WTO 2006):

- Trade Policy and Regulations, which include training of trade officials; analysis of proposals and positions and their impact; support for national stakeholders to articulate commercial interest and identify trade-offs; dispute issues; and institutional and technical support to facilitate implementations of trade and to adapt to and comply with rules and standards.
- Trade Development, which includes investment promotion; analysis and institutional support for trade in services; business support services and institutions; public-private sector networking; e-commerce; trade finance; trade promotion; and market analysis and development.
- Trade-related Infrastructure, which includes physical infrastructure.

- Building Productive Capacity
- Trade-related Adjustment, which includes supporting developing countries to put in place accompanying measures that assist them to benefit from liberalised trade.
- Other Trade-related Needs.

The WTO's Aid for Trade initiative has been evolving since it was launched in 2005, and the organisation conducts regular 'Aid for Trade Global Reviews' to monitor progress. The 2009 review found that there had been an increase in resources available for developing countries to address trade-related challenges. A report, titled 'Aid for Trade At A Glance, by the Organisation for Economic Cooperation and Development (OECD) and WTO states: “In 2007, as was the case in 2006, Aid for Trade grew by more than 10 percent in real terms and total new commitments from bilateral and multilateral donors reached USD 25.4 billion, with an additional USD 27.3 billion in non-concessional trade-related financing” (OECD/WTO 2009: 13). Furthermore, the increase in “aid” for “trade” has been additional, and not at the cost of social sector programmes such as health and education. From an aid perspective, this underlines the commitment and momentum towards Aid for Trade initiative.

Access to Aid for Trade resources is not the same for all developing countries and is differentiated by their developmental status. This is mostly because the resources for Aid for Trade are not distributed from a single location, but arrive from a variety of donors and multilateral development agencies and under different programmes and priorities. The access to these resources also differ for those categorised as developing countries, like Namibia, and least developed countries (LDCs), like Lesotho. For the LDCs there exists the 'Enhanced Integrated Framework', which provides resources to prepare their Aid for Trade framework, priorities and programmes, and an

initial seed fund to implement some of those priorities. Developing countries do not benefit from a single window to help prepare Aid for Trade framework, and have to rely on either their own resources and/or those of their development partners.

3.2 Aid for Trade flows to Namibia

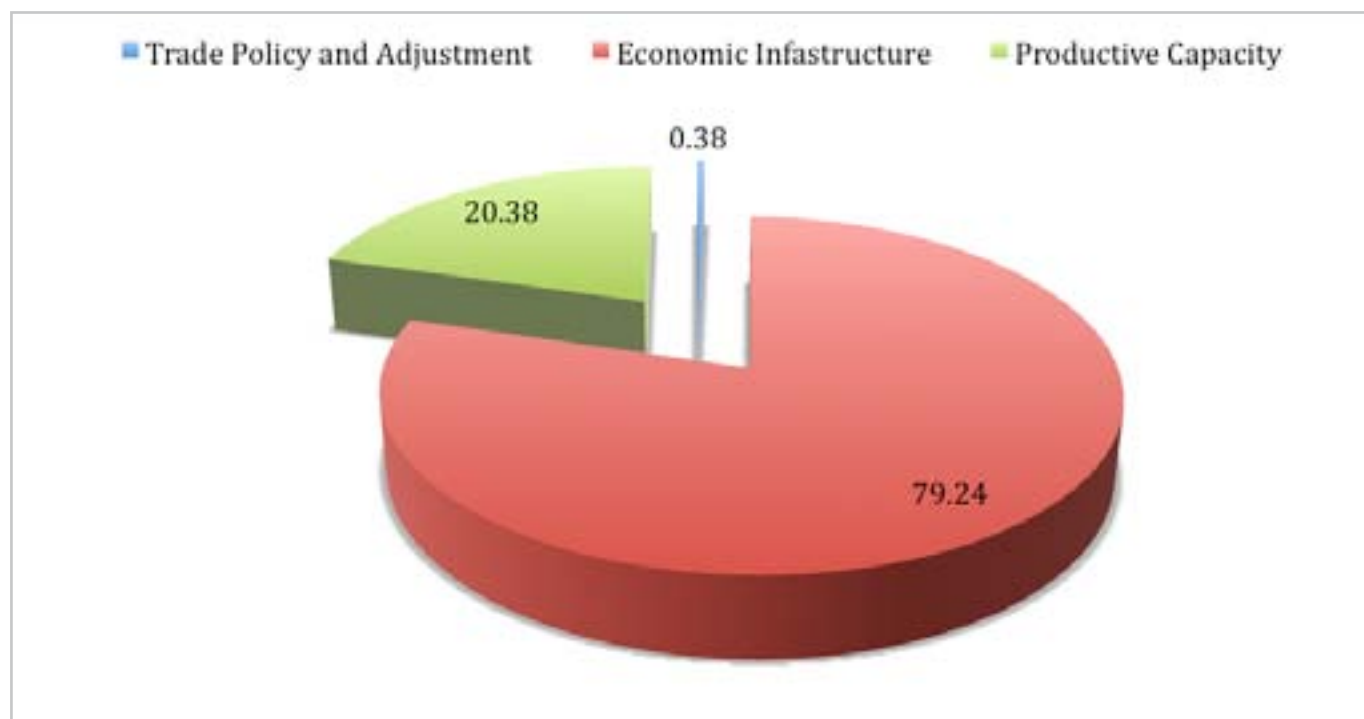
Table 9 below provides information on the Aid for Trade commitments and actual disbursements for Namibia from 2002 to 2009.

In 2009, while US\$ 130 million were committed to support various areas of trade, only US\$ 61 million was disbursed. The majority of disbursement was for 'economic infrastructure' (US\$ 48.7 million) followed by 'building productive capacity' (US\$ 12.5 million). US\$ 232,000 was allocated for 'trade policy & regulation'. However, due to

lack of national Aid for Trade coordinating and monitoring mechanism it is difficult to ascertain the following: whether these were additional resources and were predictable; to what extent were they aligned to national development objectives and priorities; whether the identification and formulation of these Aid for Trade investments was participatory and inclusive; and what were their developmental impacts.

Figure 3 below provides a breakdown of Aid for Trade flows by major categories for 2009 for Namibia. The three major categories receiving Aid for Trade flows were: economic infrastructure (79.24 percent), building productive capacities (20.38 percent) and trade policy and adjustment (0.38 percent). Table 9 below further disaggregates these categories.

Figure 3: 2009 Aid for Trade Flows to Namibia by major sector (in percentage)



Source: Calculations based on OECD-DAC, Creditor Reporting System database (CRS)

Table 10 below provides data on the most important donors' commitments and disbursements on Aid for Trade investments in Namibia. The major donors in 2009 were: Japan (US\$ 37 million), Germany (US\$ 17 million), E.U. (US\$ 5 million), France (US\$ 4 million) and Spain (US\$ 2 million). The Aid for Trade flows by donors have varied year-on-year, as shown in Table 10 below.

Except for Japan and the U.S., most of Namibia's present Aid for Trade donors are members of the European Union. The European Union Council and the Commission, in October 2007, adopted a common Aid for Trade strategy, which entails increasing volumes and effectiveness of Aid for Trade investments by the EU⁴⁵. Application of such an approach in donor's engagement at the national level in Namibia vis-à-vis Aid for Trade would greatly increase coordination and effectiveness.

Consultations with donors, as a part of preparing this framework, indicated the following as lacking in the national Aid for Trade process:

- There exists limited dialogue between the Government and donors on trade issues, broadly, and on Aid for Trade issues, specifically.
- Namibia lacks an effective and operational national Aid for Trade coordination process. The National Aid for Trade Committee, established for the purpose of coordination, remains inactive.
- There is a lack of a comprehensive trade and development study to inform trade-related needs and strategy. As a consequence, it is difficult to comprehensively identify and quantify trade-related development needs.
- There is limited joint operation and harmonisation amongst donors' Aid for Trade assistance.



⁴⁵ See: EU Commission's COM 2007 and Council Document 14470/07

Table 9. Aid for Trade Flows to Namibia (US\$ thousands, 2009 constant prices)

Areas	Commitments					Disbursements			
	2002-05 average	2006	2007	2008	2009	2006	2007	2008	2009
TRADE POLICY AND REGULATIONS and TRADE-RELATED ADJUSTMENT									
Trade Policy and administrative management	1 148	..	80	146	201	..	80	129	231
Trade facilitation	35	170	3	..	..	170	3	..	..
Regional trade agreements (RTAs)	..	8	63	..	..	8	63	..	..
Multilateral trade negotiations	..	..	106	..	6	..	106	..	1
Trade-related adjustment	..	..	..	..	..	..	..	..	..
Trade education/training	67	..	861	213	..	..	861	213	..
<i>Sub-total</i>	<i>1 250</i>	<i>178</i>	<i>1 113</i>	<i>358</i>	<i>207</i>	<i>178</i>	<i>1 113</i>	<i>342</i>	<i>232</i>
ECONOMIC INFRASTRUCTURE									
Transport and storage	14 825	106 422	2 804	13 160	4 585	5 373	10 327	16 236	52 939
Communications	599	221	222	12 451	116	431	513	6 990	- 8 716
Energy supply and generation	1 136	229	17	49 906	84	1 193	770	732	4 487
<i>Sub-total</i>	<i>16 559</i>	<i>106 872</i>	<i>3 043</i>	<i>75 517</i>	<i>4 785</i>	<i>6 996</i>	<i>11 610</i>	<i>23 957</i>	<i>48 710</i>
BUILDING PRODUCTIVE CAPACITY									
Business and other services	1 351	2 781	2 109	1 539	1 041	2 567	2 654	1 178	1 491
Banking and financial services	420	43	10 140	7 946	1 802	991	317	3 067	2 732
Agriculture	5 027	5 140	5 237	2 116	46 768	4 556	4 718	3 522	3 243
Forestry	1 472	1 117	1 366	777	1 082	1 422	1 817	1 166	1 328
Fishing	4 757	1 942	1 403	336	1 474	2 537	1 509	355	1 476
Industry	1 916	6 725	435	912	9 032	2 760	2 241	1 592	2 057
Mineral resources and mining	556	..	53	50	38	307	393	174	39
Tourism	376	212	6 918	2 694	64 570	328	6 919	200	164
<i>Sub-total</i>	<i>15 876</i>	<i>17 960</i>	<i>27 662</i>	<i>16 372</i>	<i>125 806</i>	<i>15 468</i>	<i>20 568</i>	<i>11 255</i>	<i>12 530</i>
<i>Focus on Trade Development⁴⁶:</i>									
Principal objective	..	7 274	834	112 567	..	7 071	1 260	1 428	..
Significant objective	..	344	11 450	3 002	..	344	3 151	2 549	..
<i>Sub-total</i>	<i>..</i>	<i>..</i>	<i>7 618</i>	<i>12 284</i>	<i>115 569</i>	<i>..</i>	<i>7 415</i>	<i>4 410</i>	<i>3 977</i>
TOTAL AID-for-TRADE	33 685	125 011	31 817	92 247	130 798	22 643	33 291	35 554	61 472
TOTAL SECTOR ALLOCABLE ODA	191 863	248 639	324 974	346 111	424 530	189 696	240 901	219 703	281 936

Source: OECD-DAC, Creditor Reporting System database (CRS)

⁴⁶ Trade development activities are identified in the OECD's database via the Trade Development policy marker. The amounts shown represent an "of which" of Building productive capacity activities that have been marked as contributing principally or significantly to trade development. Note however that these amounts can only at best be used as approximations.

Table 10. List of Namibia's Aid for Trade Donors

By Donor	Commitments					Disbursements			
	2002-05 (avg)	2006	2007	2008	2009	2006	2007	2008	2009
Austria	436	72	..	..	..	145	..	..	..
Belgium	2 228	144	125	3	..	144	125	3	..
Canada	26	70	53	..	20	76	70	44	59
Denmark	838	..	..	..	..	1 067	720	- 6	..
Finland	265	717	481	644	299	422	663	628	306
France	667	..	..	..	..	..	..	..	4 149
Germany	12 232	7 605	17 555	72 874	7 732	8 891	10 150	13 291	17 740
Ireland	10	..	..	..	..	..	..	..	..
Japan	234	105 591	2 019	550	1 601	181	5 783	8 399	37 725
Luxembourg	157	2 052	1 032	159	2	2 052	1 032	159	2
Netherlands	52	..	144	..	6 611	116	144	..	1 168
Norway	1 154	223	194	12 337	1 602	212	91	6 897	- 8 791
Spain	10 596	1 990	8 672	320	1 434	5 420	11 887	3 352	2 249
Sweden	413	35	137	786	136	286	896	483	592
United Kingdom	1 252	..	..	..	..	560	..	..	..
United States	1 936	638	447	4 361	111 361	708	178	1 372	677
<i>Total bilateral</i>	<i>32 497</i>	<i>119 138</i>	<i>30 859</i>	<i>92 035</i>	<i>130 798</i>	<i>20 281</i>	<i>31 741</i>	<i>34 621</i>	<i>55 876</i>
EU Institutions	1 188	5 873	..	..	..	2 362	592	720	5 595
World Trade Organisation	..	..	958	213	..	..	958	213	..
<i>Total multilateral</i>	<i>1 188</i>	<i>5 873</i>	<i>958</i>	<i>213</i>	<i>..</i>	<i>2 362</i>	<i>1 550</i>	<i>932</i>	<i>5 595</i>
Total AFT	33 685	125 011	31 817	92 247	130 798	22 643	33 291	35 554	61 472

Source: OECD-DAC, Creditor Reporting System database (CRS)

3.3 Identification of Aid for Trade Needs

A number of important and interlinking factors have informed the identification of Namibia's Aid for Trade needs. First, Namibia's economic and human development goals, and agenda as contained in its 'Vision 2030' and elsewhere, define the aims and objectives of the Aid for Trade initiative. Second, an analysis of Namibia's economy has been conducted, from a trade perspective, to understand and identify its strengths and constraints which can be addressed within the context of Aid for Trade. Third, the Aid for Trade initiative has been thought of as addressing constraints, building capacities and aiding in unlocking potentials. Finally, careful attention has been placed on ensuring that the Aid for Trade process enjoys national ownership, and is aligned to and embedded into the national development processes.

Namibia's 'Vision 2030' provides a comprehensive guide for its developmental goals. It aims at maintaining high rates of economic growth based on the principles of sustainability and equity; achieving economic structural transformation; and making substantial improvements in the well being of its citizens. A wide range of development strategies, as have been identified in the Vision 2030, will need to be employed in order to achieve these goals. Central to these development strategies will be the role of trade in Namibia, which has the capacity to act as a locomotive for economic and human development.

The analysis of the various trade and development issues, outlined below and presented in the relevant sections, were facilitated by the following: an in depth review of existing analyses produced by the Government, research institutes (national and international) and development partners (donors and multilateral development agencies); quantitative data on development

indicators provided by Namibia's Central Bureau of Statistics; and, wide consultations with national stakeholders (Government, private sector, civil society, research institutes and development partners). This process informed the analysis on trade and development issues in Namibia, generally, and specifically, the identification of Aid for Trade needs.

Section 1 discussed trade in Namibia – its patterns, advantages, constraints and potential. Specifically, section 1.3 analysed, from a trade perspective, some of the major economic sectors in Namibia – agriculture, manufacturing mining and services. It was pointed out that trade constitutes a substantial component of Namibia's economy. Exports thus far have been dominated by the mining sector, which is a high-value, low quantity product and with little direct backward linkages to the rest of the economy. Non-mining exports have been increasing, particularly in agro-based products and livestock, which have greater positive backward linkages to the rural economy. Due to lack of economies of scale, the manufacturing sector relies heavily on external markets, which in turn condition their future growth potentials. However, supply-side constraints, capacity limitations and information asymmetries are some of the major factors that inhibit expansion as well as conditions for increasing participation in trade; the latter being important for equity concerns.

Section 1.4 presented and discussed Namibia's trade-related infrastructure. Namibia enjoys a fairly well developed infrastructure when compared to other developing countries. The existence of numerous trade corridors connects Namibia to the regional markets, which facilitate regional trade-flows. There are important developments in the pipeline, such as the expansion of the ports, establishment of one-stop border posts and the establishment of dry-ports by landlocked

regional neighbours. These developments are undoubtedly going to increase trade flows as well as enhance Namibia's geo-position with regards to inter- and intra- regional trade. Notwithstanding the positive effects of these infrastructural developments on the economy, they will increase pressure and demand on existing management and administrative resources, and capabilities. Furthermore, information on Namibia's enhanced geo-position vis-à-vis trade will have to be appropriately marketed so that it emerges as a transit choice for inter- and intra- regional trade.

Section 1.5 discussed the institutional structure for Namibia's trade. Namibia, as a member of SACU, enjoys access to a large and dynamic southern African regional market, with a GDP of US\$125 billion in 2001. It enjoys preferential access to markets in Europe and the U.S. It is a member of other regional fora for economic integration and development cooperation in Africa. It remains an active member of the WTO and in the Doha Development Round of negotiations. However, Namibia lacks a comprehensive trade policy, which is urgently needed to leverage the role of trade in economic development as well as respond to and promote its interest in the ever changing external trade dynamics. For instance, Namibia has thus far benefited from the sharing of SACU's revenue, but with proposed changes to the revenue sharing formula the benefits are likely to be reduced significantly. Similarly, changes to preferential access to the European market could adversely impact its export sectors.

Section 2 discussed human development in Namibia. While Namibia has made progress in a number of human development dimensions, such as reducing the prevalence of HIV/AIDS, improving environmental sustainability and increasing gender equality, other dimensions, namely poverty, inequality and unemployment remain critical developmental challenges. With

Namibia lacks a comprehensive trade policy, which is urgently needed to leverage the role of trade in economic development as well as respond to and promote its interest in the changing external trade dynamics

a Gini-coefficient of 0.63, income inequality remains unacceptably high, in spite of substantial reduction from a Gini-coefficient of 0.70 in 1993/94. Unemployment (broad definition) too has been increasing and remains high at 51.2 percent of the population. Moreover, unemployment is worryingly concentrated amongst the youth. Though Namibia has made progress in reducing poverty, poverty in rural areas and amongst female headed households is quite significant. Together, the negative re-enforcing effect of poverty, unemployment and inequality could act as inertia against progress in human development in other dimensions.

Section 2.6 discussed the role of trade in promoting human development, and in particular addressing the three pressing human development challenges in Namibia – inequality, unemployment and poverty. The section identified that trade has the potential to be a locomotive for economic growth, promoting human development and achieving the MDGs



in Namibia. The expansion of trade, achieved by addressing supply-side constraints, strengthening backward linkages, increasing inclusivity in the production and trade value-chains and institutional reforms, will generate an inclusive and pro-poor economic growth as well as increase the well being of households.

The sections that follow present Namibia's Aid for Trade needs⁴⁷. Section 3.4 outlines the principles used in the design of Namibia's Aid for Trade projects. The Aid for Trade framework is developed using and adapting the work of Joseph E. Stiglitz and Andrew Charlton (Stiglitz & Charlton 2006). Section 4 presents Namibia's Aid for Trade needs, which are, in turn, translated into projects accompanied by rationale and objective, key results and key activities. Section 5 presents the resource framework for implementing the Aid for Trade projects and budget estimates.

3.4 Principles for the design of Namibia's Aid for Trade programmes

The design of Aid for Trade Framework for Namibia is informed by three key questions adapted from a paper by Joseph E. Stiglitz and Andrew Charlton (Stiglitz & Charlton 2006) and contextualised to the purpose and scope of this report.

1) The needs question – What should be funded?

The answer to this rests on a number of sub questions such as: how does trade interlink with growth and poverty both in the physical and policy sense; what is produced, how it is produced, and where is it consumed; what are the constraints – physical and institutional – in expanding trade, etc.

⁴⁷ Namibia's 2009 'Trade Policy Review' (TPR) identifies some major trade-related technical assistance needs (see: Annex II) WTO. (2009). Annex 3: Namibia. In *Trade Policy Review: Southern African Customs Union*. Geneva: World Trade Organisation. These closely map with and bolster those identified in this report.

The section on 'Situational Analysis' examined and analysed Namibia's economy. It highlighted that trade is vital for Namibia's economic development. Namibia's geo-strategic place vis-à-vis inter- and intra- regional trade coupled with existing infrastructure provides numerous advantages that could be capitalised on. But there exist capacity related constraints that need urgent attention.

2) The instrument question – How should the programmes be structured?

Competing demands for limited resources means that there are always trade-offs in development efforts. Aid for Trade programmes require strategic calculation in structuring interventions so that they are effective, efficient and produce desired results. Key issues that must be addressed are: what are the priorities; what and where are the resource gaps in addressing those priorities; what are the policy alternatives and associated costs; etc.

The section on 'Priority Aid for Trade Projects' presents Aid for Trade projects based on the needs analysed and identified in the previous sections. There are two main themes that structure the projects. First, projects aim to create organisational capacity to conceptualise and implement Aid for Trade projects as well as increase national ownership of the Aid for Trade initiative. Increasing organisational capacity also links to issues of strengthening and mainstreaming the role of trade in Namibia's economic development agenda, particularly in reducing unemployment, inequality and poverty. Second,

the identified projects aim to address critical gaps in facilitating the expansion of trade in Namibia. Most of these could be categorised as "quick wins" because they build on available research and knowledge and/or scaling up of pilot interventions.

3) The institutional question – Who should manage?

The effectiveness of a programme, no matter how sound an analysis it is founded on, will depend on the ways in which implementation is managed. The institutional arrangement designed for managing the Aid for Trade framework, therefore, must be inclusive, promote cooperation over conflict, be able to adjust to uncertainties, and meet emerging demands.

For the Aid for Trade initiative to be successful in Namibia it is important that there is organisational capacity as well as broad stakeholder participation. At present neither exists. While the OECD data shows that Namibia has been receiving Aid for Trade investments, there is a lack of clear framework and organisational structures to manage the identification and implementation of Aid for Trade investments in Namibia. There are also concerns that some of the Aid for Trade projects could be a re-classification of existing development aid rather than "additional" resources targeting trade issues. In light of this, the Aid for Trade framework and strategy aims to increase the level of ownership of national Aid for Trade initiative as well as build capacity to effectively identify needs and manage implementation.



4 PRIORITY AID *for* TRADE PROJECTS

The proposed projects were identified through consultations with the Ministry of Trade and Industry, line ministries, international development agencies and donors. Annex III provides a list of individuals consulted in preparing this report. Furthermore, the projects are built on trade and development analysis of Namibia (discussed in sections 1 and 2) as well as trade related gaps and needs (discussed in section 3). The proposed projects are directly aligned to Namibia's national development agenda, particularly its Vision 2030.

4.1 Trade and Development Policy

The objective of the project

The objective of the project is to strengthen the capacity of the Ministry of Trade and Industry as well as line ministries' capacity to articulate, coordinate and address trade and development related needs and priorities.

Currently Namibia does not have a comprehensive trade and development policy. The existing set of policies surrounding trade and development are fragmented across sectors inhibiting inter-sectoral dialogue and synergies. For example, there are few linkages between trade policies on primary and processed exports or on imports as inputs into the production processes. Many sectoral trade policies, such as value-addition to primary products, though well intended, lack sufficient research and analysis in their articulation (Namibia 1999). While the overall goals and aims of the various trade policies are commendable, the means and methods of achieving them are either misaligned, lack sufficient evidence-based actions or need revisions.

Moreover, the impact of climate change on trade and growth opportunities, policies and choices (and vice-versa) remain under analysed⁴⁸. Similarly, in light of changing regional and global supply-chains, there is a need for an in depth analysis of regional and global supply-chains, and how Namibia could best position itself. Thus, the proposed diagnostic trade integration study– a multi-sectoral trade and development research – would provide the basis for the formulation of a comprehensive trade and development policy.

Transforming the present donor assistance in the area of trade and development into a sector-wide approach is likely to produce greater national ownership, benefits and more robust results. This would necessitate structures that would facilitate: an inclusive and participatory method of identifying trade and development needs; structures to coordinate actions; and monitoring and evaluation capabilities. The project aims to create a window at the National Planning Commission dedicated to the identification, articulation and monitoring of trade and development needs, and an Aid for Trade committee to coordinate needs, assistance and activities.

Key results of the project

- i. Formulation of a comprehensive national trade and development policy.
- ii. Mainstreaming of trade into the national development agenda.
- iii. Improved identification and articulation of medium to long term Aid for Trade related needs.
- iv. Increased ownership of and capacity to coordinate Aid for Trade programmes.

Key activities of the project

- i. Conduct a diagnostic trade integration study

with a multi-sectoral focus and through an interdisciplinary approach.

- ii. Develop a national trade and development policy that is aligned with and explicitly contributes to achieving Vision 2030.
- iii. Re-activate and institutionalise the Aid for Trade Committee as well as capacity building of the committee members on the global trade and development agenda.
- iv. Create an Aid for Trade window at the National Planning Commission for the identification of trade and development needs, in general, and Aid for Trade related needs, in particular. This should inform government and donor interventions in the area of trade and development and the in-country Aid for Trade initiative. A monitoring and evaluation mechanism to be designed and developed, in line with national monitoring and evaluation system, for measuring and reporting the impact of Aid for Trade initiative in Namibia.
- v. Development of organisational capacity to coordinate and manage the implementation of the Aid for Trade framework and initiative.

4.2 Trade Facilitation

The objective of the project

The objective of the trade facilitation project is to improve Customs' capacity to efficiently and effectively manage trade flows. Enhancing the efficiency and effectiveness of customs will be critical in expanding Namibia's trade portfolio.

⁴⁸ Namibia, due to the vagaries of climate, is susceptible to the adverse impact of climate change. The impact of climate change is likely to be most severe for the fishing and tourism sectors as well as household livelihoods. Hence, it is important that trade policies sufficiently factor environmental issues. For further discussion on coordinating Aft and Climate Change Financing see: Ancharaz, V. D., & Sultan, R. A. (2010). *Aid for Trade and Climate Change Financing Mechanisms*. Geneva: International Centre for Trade and Sustainable Development.

The promotion of small and medium enterprises (SMEs) stands central to the national objective of diversifying the trade portfolio, addressing unemployment and poverty reduction.

Continued improvements in the physical infrastructure (such as in the proposed expansion of the Walvis Bay Port and the establishment of the one-stop border posts) will undoubtedly contribute towards expanding Namibia's trade portfolio. But they will also put pressure on resources required to manage the increased volume of trade flowing through Namibia. Failure to enhance capacity to manage these developments may act as inertia against the improvements.

A report by the World Customs Organisation on Namibia highlights the importance of and identifies the areas for building capacity of Namibia's Customs (WCO 2010). These include human resource management and organisational development, in general, and in particular, the areas of customs reform and modernisation as well as implementation of World Custom Organisation's SAFE Framework of Standards.

The promotion of small and medium enterprises (SMEs) stands central to the national objective of diversifying the trade portfolio, addressing unemployment and poverty reduction. The

Customs' procedures can be very cumbersome and costly for SMEs. Lacking economies of scale, the transaction cost of trade (imports and exports) can undermine their competitiveness. However, trade is vital for the growth of SMEs. Improvements in customs procedures for SME exporters and importers can bolster the role of trade as a driver of growth in the SME sector.

The proposed activities build on and complement Department of Customs' on-going efforts on improving trade facilitation. In this regard, all of the activities are aligned closely with the Department of Customs' medium term strategic framework and plan of action.

Key results of the project

The project aims to achieve the following results:

- i. Enhanced capacity to manage risk as well as increased efficiency in trade flows.
- ii. Improved capacity to operate one-stop border posts.
- iii. Operationalisation of non-intrusive scanners.
- iv. Improved access of SMEs to Customs rules and procedures.
- v. Improved organisational and human capacity of Department of Customs.

Key activities of the project

Risk management and management of advanced consignment information and analysis
Government of Namibia has acceded to the Revised Kyoto Convention⁴⁹ (RKC) and ratified the SAFE Framework of Standards to secure and facilitate trade. Pursuant to accession and ratification of the RKC, Namibia Customs has

⁴⁹ The WCO Council adopted the revised Kyoto Convention in June 1999 as the blueprint for modern and efficient Customs procedures in the 21st century. For Further information see: http://www.wcoomd.org/home_pfoverviewboxes_tools_and_instruments_pfrevisedkyotoconv.htm

acquired and deployed non-intrusive inspection equipment at major ports of entry countywide. The Risk Management approach has been incorporated in both the automated system and the human capital provisioning. To this end Namibia Customs is establishing Risk Management Teams to actively build profiles that would facilitate targeted selection of risky consignments. The recruitment and deployment of Risk Teams is underway. There is an urgent need however, to fast track capacity building programmes to prepare and equip the teams for the operation thereof.

The specific activities would include:

- i. Establishing Advance Information System: developing database for keeping records and analysing information; and instituting effective methods of sharing information (best practices).
- ii. Establishing Advance Information system for consignments: establishing a database for auditing profiles, pre-shipment information and tracking of consignment from shipment till its arrival.
- iii. Capacity Building: increasing the capacity of officials to correctly interpret advance risk information, management of advance consignment information analysis, training on advance risk management and building analytical skills.
- iv. Improving legal framework: reviewing existing legislation.
- v. Information technology: enhancing interconnectivity and linkages with stakeholders such as airlines and trading countries risk management units in risk management.

Support to the establishment of one-stop border posts

Feasibility studies have been undertaken at three border posts identified for the establishment of one-stop border posts. These are:

- i. With Angola at Oshikango (on the Namibian side) and Santa Clara (on the Angolan side);
- ii. With Botswana at Trans Kalahari Border (on the Namibian side) and Mamuno (on the Botswana side); and,
- iii. With Zambia at Wenela (on the Namibian side) and Katima Mulilo (on the Zambian side).

Namibia is in the process of operationalising and implementing the recommendations of the feasibility studies. The following activities have been identified to be necessary in supporting the implementation of one-stop border posts:

- i. Physical facilities: border facility extension and adjustment to accommodate all agencies; demarcating driveways and passage for passengers; creation of sufficient parking space; creation of joint inspection area; and fencing the common controls zone/restricted area.
- ii. Procedures and capacity building: development of standard operating procedures (SOP); training on operational procedures (management and application); and harmonising procedures.
- iii. Common border management system: development of an effective border management automated system and training of all stakeholders on the usage of the system.
- iv. Legal Framework: review of current legislation; consolidation of a common legal framework for one-stop border posts; and, ratification of a legal framework.
- v. Information technology: establishment of information sharing platforms amongst stakeholders.

Resource planning and development in operationalising 'non intrusive scanners'

The Government has placed 'non intrusive scanners' at its borders. These scanners allow

consignments to be checked without having to physically open them. The scanners will contribute to enhancing risk and security management, and substantially reduce time and costs in evaluating consignments.

However, the ability to manage 'non intrusive scanners' is limited both in terms of human resources and capacity. Specific activities include:

- i. Manage the operationalisation of 'non intrusive scanners', and to ensure that the resources (financial and human) needed are mainstreamed into Customs' operational budget and human resource development plans.
- ii. Capacity building of officials to manage the 'non intrusive scanners'.

Improving SMEs access to customs

Customs procedures can be very cumbersome for SMEs thereby discouraging them from taking advantage of growth potentials from trade. Improving SME's access to Customs would require the following:

- i. Identify and innovate policy measures to make Customs procedures SME friendly. This would entail taking stock of the custom procedures for SMEs importing and/ or exporting of goods and services, and suggesting ways to fast track SME's imports and exports without undermining Customs' ability to manage risk and security.
- ii. Capacity building of SMEs on issues surrounding Customs rules and procedures.
- iii. Fostering dialogue between SMEs and Customs. This could be achieved by creating special virtual windows to house and share customs information targeted at SMEs, and by establishing a regular dialogue between Customs officials and SMEs.

Organisational and Human Resource

Development of Department of Customs

The World Customs Organisation's report on Namibia's Customs identifies and proposes a number of measures to improve the organisational and human capacity of Customs. Broadly categorised, these are:

- i. Develop a Customs reform and modernisation plan that outlines the roadmap for the implementation of a more efficient and modern Customs administration.
- ii. Develop and implement a new training policy to not only provide direction for the kind of training required, but also define the process of 'Training Needs Analysis' (TNA), the principle of 'Systematic Approach to Training' (SAT) and the 3-level assessment of training.
- iii. Capacity building of Customs officials on WTO trade rules and negotiations.
- iv. Establishment of Customs organisational development "unit" to be placed directly under the leadership of the Director of Customs. The unit would drive reform planning process as well as serve to identify priorities for further development of the Department's capacity, identify potential funding sources, and secure relevant expertise. Once these reform processes are underway, this unit should focus on maintaining the interest of the administration to move forward, monitor progress, consolidate reports, and review the plans according to new priorities.

4.3 Promotion of Foreign Investment and Trade

The objective of the project

The objective of the project is to ensure that the incentive structures, in place to promote foreign investment and trade, are closely aligned to the national economic development agenda and contribute to expanding Namibia's trade capacity and portfolio.

There is need to ensure that the incentive structures, in place to promote foreign investment and trade, are closely aligned to the national economic development agenda and contribute to expanding Namibia's trade capacity and portfolio.

The Foreign Investment Act of 1995 was created to attract foreign investment in value-added manufacturing. Some of the main objectives of the Act are employment creation, skills transfer, boosting export and promoting global competitiveness. Mandated by the Act, the Offshore Development Corporation (ODC), a body within the Ministry of Trade and Industry, manages Namibia's 'export processing zones' (EPZ). The EPZs are not location specific, but rather operate as a policy-incentive to attract foreign investment. The incentives include tax and import duty exemption as well as free location to set up industries. The ODC also acts as a focal point to help foreign investors with national procedures in setting up manufacturing firms. In order to benefit from the incentives, foreign investors must establish the following: explicit value-addition and exports to markets outside of the SACU region.

The Act and its incentive structures have not been revised since 1995. Currently, the Ministry of Trade and Industry is in the process of reviewing the Act. This is timely as the effectiveness of the Act in promoting foreign investment is being questioned (World Bank 2009). The project aims to provide technical assistance to the Ministry of Trade and Industry and stakeholders in the revision of the Foreign Investment Act.

Key results of the project

- i. Revision of the Foreign Investment Act.
- ii. Foreign Investment Act alignment to Namibia's Vision 2030.
- iii. Improved capacity of the Ministry of Trade and Industry to promote and manage foreign investment.

Key activities of the project

The following are the key activities of the project:

- i. Analyse the performance of the Act, foreign investment flows and their contribution/linkages to national economic development agenda, and propose specific measures to revise the Act.
- ii. Facilitate a national dialogue between the government, private sector and the civil society to collate views, interests and ideas in order to inform and make the revision process participatory and inclusive.
- iii. Conduct workshops of experts to enable a participatory discussion on the experience of the Act and to review the findings of the technical experts.
- iv. Institute an inclusive steering committee to guide the process of revising the Act.
- v. Enhance the capacity of the Ministry of Trade and Industry (particularly the Offshore Development Corporation) to promote and manage foreign investment.

4.4 Trade Finance for Small and Medium Enterprises

The objective of the project

The objective of the project is to improve the provision of trade finance for small and medium enterprises/traders.

A study by the Bank of Namibia found that the lack of specifically designed trade financing instruments for small and medium traders has curtailed Namibia's potential in diversifying its trade portfolio and in making trade more inclusive (see: Zaaruka et al. 2008). While larger traders are able to access various financial instruments offered by the commercial banks, the small and emergent traders often find it difficult to meet commercial banks' criteria. The study suggests the

We believe that Africa's brightest hope for economic renewal lies in regional integration.

State of the Nation address,

Dr. Sam Nujoma, 2 April 1997

need for a "specially designed trade-financing instrument, to assist exporting companies beyond the conventional commercial bank instruments and existing incentives" (Zaaruka et al. 2008). Through an examination of various global best practices and their suitability to Namibia, the study recommends the establishment of an 'Export Credit Guarantee and Insurance Scheme' and outlines the following options:

Option 1: National Special Risk Insurance Association⁵⁰ (NASRIA) could act as an agent for the Government. The current scope of the company could be broadened to accommodate the needs of the small and medium exporters. Under the current arrangement, the Government already acts as a reinsurer for the company - key requirements for the survival of such an operation.

⁵⁰ See: www.nasria.com.na

Option 2: The Small Credit Guarantee Scheme (SCGS) could provide 'Export Credit Guarantee and Insurance Scheme'. At present the SCGS is being upgraded to a micro-finance Bank. This option does not require an extensive amendment to the existing arrangements, except to broaden the coverage.

At the initial stages of operations, it might be prudent to house the scheme at the Bank of Namibia given its competence and resources in the regulation and management of the financial sector.

Key results of the project

- i. Establishment of Export Credit Guarantee and Insurance Scheme
- ii. Improved trade finance for small and medium enterprises/traders

Key activities of the project

The following are the key activities required to operationalise the scheme.

- i. Operationalise the export credit guarantee scheme. The Bank of Namibia study identifies UNCTAD, MIGA, ITC and AFREXIM⁵¹ Bank for support.
- ii. Provide initial seed capital to fund the scheme.
- iii. Enhance capacity building of Bank of Namibia officials and relevant stakeholders to implement and manage the scheme.

4.5 Promotion of Walvis Bay Corridor

The objective of the project

The Government wants to promote Namibia's port as a hub of choice not only for exports and imports into and out of the southern Africa region, but also for trade with Africa at large. The port

in Walvis Bay⁵² is strategically situated to provide a competitive alternative to the port in Durban, which currently handles the majority of imports into and exports out of the southern African region.

It is estimated that 14 or more days could be saved using the Namibian port instead of Durban port for regional trade with Europe and North America⁵³. Namibian port is closer to Europe and North America for southern African regional trade, and for West Africa's trade with Far East. With the proposed expansion and modernisation of the Namibian port it will be able to efficiently handle increased trade volumes.

However, the benefits of using the Namibian port have not been extensively marketed. In a globally competitive environment, there is a need to develop an effective marketing strategy that is able to showcase the advantages of using the Namibian port as a transit port for inter-regional trade.

Key results of the project

- i. Increase in awareness in the international market, particularly amongst the logistics service providers, about Namibia, in general, and the Port of Walvis Bay, in particular, and how it can serve as a cost-efficient alternative trade route into and out of southern Africa.
- ii. Increase in volumes of inter-regional trade flows through Namibia.

⁵¹ See: <http://afreximbank.com/afrexim/en/home.aspx>

⁵² For more information on the Ports see: <http://www.namport.com.na/content/show.php?m=1>

⁵³ Interview with Mr. Johnny Smith, CEO, Walvis Bay Corridor Group, Namibia.

- iii. Generation of employment from the positive spill over effects of increased inter-regional trade flows via Namibia.
- iv. Reduction of cost of exports and imports from the increases in economies of scale achieved due to higher volumes of trade flows.

Key activities of the project

- i. Analyse intra and inter regional trade patterns and identify trade volumes that could be shifted to Walvis Bay port on the basis that such actions would result in improved transit times of commodity supply chains in the region.
- ii. Design and develop a marketing strategy to promote Walvis Bay Port in major international transshipment hubs.
- iii. Conduct feasibility assessment for establishing representation in international markets

4.6 Export Market Information and Capacity Building of Namibia Manufacturers Association on Trade Rules

The objective of the project

The objective of the project is to establish a market information hub(s)⁵⁴ as well as build capacity of Namibian manufacturers, particularly the SMEs, in trade agreements, rules and negotiations. It is geared towards increasing and improving SMEs access to information, which is vital for seeking new market opportunities.

The aim of the market information hub is to collate information on export markets not just within the region, but also globally and to make this available in a systematic way to exporters. While larger enterprises are able to access such information, the smaller ones find it difficult to access market information.

There is a lack of knowledge and awareness of trade agreements, rules and negotiations amongst small manufacturers and exporters. There is little knowledge about where and how to access such information.

Key results of the project

- i. Establishment of market information hub(s).
- ii. Increased and improved access to market information for SMEs.
- iii. Enhanced capacity and awareness of SMEs on trade agreements, rules and negotiations.

Key activities of the project

- i. Establish market information hub(s).
- ii. Build capacity and awareness of small manufacturers and exporters on trade agreements, rules and negotiations.

4.7 Promoting Trade in Services

The objective of the project

Trade in services is an important component of Namibia's overall trade portfolio. The tourism sector, a trade in service category, has been vibrant and a stable source of growth. In 2005, approximately 750,000 tourists came to Namibia (a rise from 250,000 in 1990). In 2011, Namibia ranked 84th (from 82nd in 2009) out of 139 in the World Economic Forum's 'Trade and Tourism Competitiveness' Index (Blanke & Chiesa 2011). But there also exist other unexplored opportunities, such as in the distribution of services - packaging, wholesaling, order fulfillment, spare parts and



⁵⁴ A Hub and Spoke approach could be adopted whereby a hub is established centrally in Windhoek and spokes (or sub-hubs) located in various regions to ensure that beneficiaries are able to access information easily, and location or distance of the beneficiaries does not pose a barrier to accessing information.



assembly operations. Two of the four growth sectors targeted in the new government budget are tourism and transport/logistics. Trade in services also closely maps to Namibia's objective to transform itself into a knowledge-based economy.

Lack of skills however, poses a serious constraint to expanding trade in services and in achieving the goal of knowledge-based economy. The Ministry of Education along with other stakeholders is actively working to address the shortfalls in the educational system. While such efforts will have long-term effects, it needs to be complemented with short-term targeted interventions. Trade in services could guide these short-term measures so that the skills developed are easily employable.

There is lack of knowledge and understanding on the scope and linkages of trade in services to the rest of the economy, and the services areas that need targeting. There is a need to document Namibia's existing and potential areas of trade in services with the aim of aligning skills development efforts. Such analysis would also help inform Namibia's trade in services policy and negotiations. Lack of knowledge of the sector and its potential has curtailed Namibia's ability to meaningfully engage in trade in services negotiations at the regional and multilateral levels.

The Ministry of Trade and Industry has established a 'National Committee on Trade in Services', which is meant to act as a platform for the promotion of trade in services. There is a need to build capacity of the committee on trade in services agreements, rules and negotiations.

Key results of the project

- i. Improved understanding of the potential of trade in services, its linkages to economic development and specific areas needing support.

- ii. Formulation of a national trade in services policy paper to guide trade in services development efforts and negotiations.
- iii. Mainstreaming of trade in services into national development agenda.
- iv. Increased capacity and awareness of policy makers and actors in the area of trade in services.

Key activities of the project

- i. Examine existing and potential services sectors, analyse the opportunities and constraints, propose measures for promoting growth.
- ii. Develop Namibia's trade in services policies and strategies.
- iii. Build capacity of the members of the National Committee on Trade in Services and other relevant stakeholders.
- iv. Increase awareness of trade in services amongst stakeholders across Namibia (both urban and rural areas).

4.8 Formulation of National Industrial Development Policy

The objective of the project

The objective of the project is to assist the Ministry of Trade and Industry to formulate a national industrial policy that is informed by analysis of prevailing challenges and opportunities, and future prospects.

The Government of Namibia places high importance on industrial development as a means for long-term economic development, as is reflected in the Government's national development plans and agendas.

Industrialisation, defined as a process of ever increasing value-addition to primary products in the production of material goods, has been supported by numerous policy measures that range from tax incentives to provision of location for production for preferential access to developed markets. But the results of such measures have not always met expectations, particularly in the role of the sector in generating sufficient employment.

A 'Review of the 1992 White Paper on Industrial Development' provides an insightful assessment of the existing industrial development policy (Namibia 1999). Some of the main comments are:

The Government of Namibia places high importance on industrial development as a means for long-term economic development, as is reflected in the Government's national development plans and agendas.

- Few people, both in public and the private sector, know about the 1992 White Paper (WP). Those who have heard of it, have little knowledge of its content.
- The WP does not start from a comprehensive assessment of the situation, nor does it identify potential and future constraints. It does not refer to success stories of industrialisation nor its determinants. Moreover, it does not sufficiently account for Namibia's specific situation.
- Most statements in the WP are of a somewhat general nature. In order for a policy to be appropriately implemented there is a need to complement statements with detailed background, specific actions required for policy and procedures to be implemented and relevant monitoring instruments.
- It is crucial to relate the capacity required for implementation of a policy to the administration available to implement it.
- An industrial policy has to be selective. All industries will not be competitive, and nor are resources unlimited.
- Namibia being a small, open economy it is surprising that we do not see greater emphasis on the international economic environment.

The industrial development policy, in its present form, is a normative document rather than a guide to policy-actions oriented by robust analysis and information. For example, while 'value-addition' is desirable, what it means and how it can be operationalised in Namibia's context is lacking. The proposed project aims to assist Ministry of Trade and Industry in re-articulating its industrial development policy, while using the 'Review of the 1992 White Paper on Industrial Development' as the point of departure.

Key results of the project

- Increased participation in and awareness on industrial development plans and policies.
- Re-formulation of national industrial development policy.
- Increased capacity to implement industrial development plans and policies.
- Increased coordination on industrial development.

Key activities of the project

- Foster a national dialogue on industrial development – challenges, opportunities and prospects.
- Analyse Namibia's industrial development constraints and possibilities.
- Re-articulate and strengthen national industrial development policy.
- Establish a National Industrial Development Committee comprised of key stakeholders in the public and private sector to coordinate the articulation and implementation of policies.
- Build capacity of public and private sector stakeholders in the articulation and implementation of industrial development policies.

4.9 Improving access to and increasing capacity of the National Standard Institution

The objective of the project

The objective of this project is to support the National Standard Institution (NSI) in the areas of technical knowledge and capacity as well as make its services accessible to small and medium sized exporters and importers.

The NSI is one of the key components of the national quality infrastructure. The expected result of the NSI project is an established and functional national standards body in Namibia, that is able to deliver the following:

- i. Formulating, adopting and enforcement of standards.
- ii. Providing accurate measurement traceability to the international standards (SI) through the metrology division.
- iii. Providing reliable testing especially of food such as fish and fishery products (including shellfish, beef and agro-products) and rendering food safety technical support to the aquaculture, fishing and other industries through regular tests conducted at the NSI Biotoxins and Microbiology laboratories at Walvis Bay and through NSI Inspection and Certification.

Strengthening and improving the national capabilities on standards and certification remains a key focus for an economy that depends heavily on trade. The NSI has been playing a lead role, but given that it is in its nascent stage of existence and operation, there is a need to sustain and support its progress. Moreover, it is also important to ensure that the services provided by the NSI are

accessible by smaller and medium sized exporters and importers. SME exporters and importers get discouraged due to lack of awareness, technical understandings of certification processes and, at times, cumbersome processes. It is important to make NSI's services accessible to a wide range of clients without undermining its quality and excellence.

Key results of the project

- i. NSI's capacity development strategy prepared
- ii. Increased accessibility to NSI's services
- iii. Increased capacity of NSI and stakeholders on standards; sanitary and phytosanitary measures; and technical barriers to trade.

Key activities of the project

- i. Conduct a feasibility assessment to determine NSI's capacity needs and design capacity development strategy.
- ii. Assess and develop measures to improve accessibility to NSI's services for SME exporters and importers.
- iii. Build capacity of NSI and stakeholders (particularly SME exporters and importers) on issues surrounding *inter alia*, standards; sanitary and phytosanitary measures; and technical barriers to trade.



5 AID for TRADE PROGRAMME RESOURCE FRAMEWORK

1. Trade and Development Policy

Main Outputs	Indicative Activities	Inputs Required
<ul style="list-style-type: none"> i. Re-formulation of a comprehensive national trade and development policy. ii. Mainstreaming of trade into the national development agenda. iii. Improved identification and articulation of medium to long term Aid for Trade related needs. iv. Increased ownership of and capacity to coordinate Aid for Trade programmes. 	<ul style="list-style-type: none"> i. Conduct a diagnostic trade integration study with a multi-sectoral focus and an interdisciplinary approach. ii. Develop a national trade and development policy that is aligned and explicitly contributes to achieving the Vision 2030. iii. Re-activate and institutionalise the Aid for Trade Committee as well as build capacity of the committee members on the global trade and development agenda. iv. Create a window at the National Planning Commission for the identification of trade and development needs. v. Develop organisational capacity to coordinate and manage the implementation of the Aid for Trade framework and initiative. 	<ul style="list-style-type: none"> i. <i>Technical team</i> comprising of a team-leader and sectoral experts to conduct the diagnostic trade integration study. ii. Placement of a <i>technical expert</i> (2 years) at the MTI to assist the formulation national trade and development policy. iii. <i>Technical expert</i> to assist in the creation and operationalisation of an Aid for Trade window at the NPC. iv. <i>Establishment</i> of an Aid for Trade dedicated desk at the MTI. v. <i>Capacity building</i> of Aid for Trade committee members on global trade and development agenda.

2. Trade Facilitation

Main Outputs	Indicative Activities	Inputs Required
<p>i. Enhanced capacity to manage risk as well as increased efficiency in trade flows.</p> <p>ii. Improved capacity to operate one-stop border posts.</p> <p>iii. Operationalisation of non-intrusive scanners.</p> <p>iv. Improved access of SMEs to Customs rules and procedures.</p> <p>v. Improved organisational and human capacity of Department of Customs.</p>	<p>i. Establish Advance Information System</p> <p>ii. Build capacity of officials to correctly interpret advance risk information and to manage advance consignment information.</p> <p>iii. Review existing legislation.</p> <p>iv. Enhance interconnectivity and linkage with stakeholders in risk management such as airlines and trading countries risk management units.</p> <p>v. Border facility extension and adjustment to accommodate all agencies; demarcating driveways and passage for passengers; creation of sufficient parking space; creation of joint inspection area; and fencing the common controls zone/restricted area.</p> <p>vi. Development of standard operating procedures (SOP); training on operational procedures (management and application); and, harmonising of procedures.</p> <p>vii. Development of an effective border management automated system and training of all stakeholders on the usage of the system.</p> <p>viii. Consolidation of the common legal framework for one-stop border posts; and, ratification of legal framework.</p> <p>ix. Establish information sharing platforms amongst stakeholders.</p> <p>x. Manage the operationalisation of 'non intrusive scanners'; and to ensure that the resources (financial and human) needed are mainstreamed into Custom's operational budget and human resource development plans.</p> <p>xi. Build capacity of officials to manage the 'non intrusive scanners'.</p> <p>xii. Identify and innovate policy measures to make the custom procedures SME friendly.</p> <p>xiii. Build capacity of SMEs on issues surrounding customs rules and procedures.</p> <p>xiv. Foster dialogue between SMEs and Department of Customs.</p> <p>xv. Develop Customs reform and modernisation plan that outlines the roadmap for the implementation of a more efficient and modern Customs administration.</p> <p>xvi. Develop and implement a new training policy. This policy should not only provide direction for the kind of training, but should further define the process of 'Training Needs Analysis' (TNA), the principle of 'Systematic Approach to Training' (SAT) and the 3-level assessment of training.</p> <p>xvii. Build capacity of Customs officials on WTO trade rules and negotiations.</p> <p>xviii. Establish of Customs organisational development "unit".</p>	<p>i. Technical expertise to establish advance information system.</p> <p>ii. Office space and compatible computers.</p> <p>iii. Advance information system: software to establish a database for auditing profiles; pre-shipment information; and, tracking of consignment from shipment till its arrival.</p> <p>iv. Technical assistance on capacity building of officials to correctly interpret advance risk information; management of advance consignment information analysis.</p> <p>v. Training in advance risk management; and, analytical skills.</p> <p>vi. Legal experts.</p> <p>vii. Information technology expert to assist in enhancing interconnectivity and linkage with stakeholders in risk management.</p> <p>viii. Physical infrastructure: border facility extension and adjustment to accommodate all agencies; demarcating driveways and passage for passengers; creation of sufficient parking space; creation of joint inspection area; and, fencing the common controls zone/restricted area.</p> <p>ix. Technical assistance in developing procedures and capacity building: development of standard operating procedures (SOP); training on operational procedures (management and application); and, harmonising of procedures.</p> <p>x. Technical assistance in common border management system: development of an effective border management automated system and training of all stakeholders on the usage of the system.</p> <p>xi. Legal expertise to review current legislation; consolidation of the common legal framework for one-stop border posts; and, ratification of legal framework.</p> <p>xii. Information technology expertise to establish information sharing platforms amongst stakeholders.</p> <p>xiii. Technical assistance to manage the operationalisation of 'non intrusive scanners'.</p> <p>xiv. Capacity building of officials to manage 'non intrusive scanners'.</p> <p>xv. Technical assistance to identify and innovate policy measures to make the custom procedures SME friendly. This would entail taking stock of the custom procedures for SMEs importing and/or exporting, and suggesting ways to fast track SME's imports and exports without undermining Custom's ability to manage risk and security.</p> <p>xvi. Capacity building of SMEs on issues surrounding customs rules and procedures.</p> <p>xvii. Technical assistance to develop Customs reform and modernization plan.</p> <p>xviii. Technical assistance to develop and implement a new training policy.</p> <p>xix. Capacity building of Customs officials in WTO trade rules and negotiations.</p>

3. Promotion of Foreign Investment and Trade		
Main Outputs	Indicative Activities	Inputs Required
<ul style="list-style-type: none"> i. Revised Foreign Investment Act. ii. Foreign Investment Act aligned to Namibia's Vision 2030. iii. Improved capacity of the Ministry of Trade and Industry to promote and manage foreign investment. 	<ul style="list-style-type: none"> i. Analyse the performance of the Act, foreign investment flows and their contribution/linkages to national economic development agenda, and propose specific measures to revise the Act. ii. Facilitate a national dialogue between the government, private sector and the civil society to collate views, interests and ideas in order to inform and make the revision process participatory and inclusive. iii. Conduct workshops of experts to enable a participatory discussion on the experience of the Act and to review the findings of the technical expert. iv. Institute an inclusive steering committee to guide the process of revising the Act. v. Build capacity of the Ministry of Trade and Industry (particularly the Offshore Development Corporation) in promoting and managing foreign investment. 	<ul style="list-style-type: none"> i. Technical experts (2 years) to assist MTI in revising the Foreign Investment Act. ii. Technical experts to conduct capacity building workshops.
4. Trade Finance for Small and Medium Enterprises		
Main Outputs	Indicative Activities	Inputs Required
<ul style="list-style-type: none"> i. Establishment of Export Credit Guarantee and Insurance Scheme ii. Improved trade finance for small and medium enterprises/traders 	<ul style="list-style-type: none"> i. Operationalise the export credit guarantee scheme. ii. Build capacity of Bank of Namibia officials to implement and manage the scheme. 	<ul style="list-style-type: none"> i. Technical experts (2 years) to assist Bank of Namibia in operationalising the Scheme. ii. Initial seed capital iii. Technical experts to conduct capacity building workshops.

5. Promotion of Walvis Bay Corridor

Main Outputs	Indicative Activities	Inputs Required
<p>i. Increased awareness in the international market about Namibia, in general, and the Port of Walvis Bay, in particular, and how it can serve as a cost-efficient alternative trade route into and out of Southern Africa.</p> <p>ii. Increased volumes of inter-regional trade flows through Namibia.</p> <p>iii. Generation of employment from the positive spill over effects of increased inter-regional trade flows via Namibia.</p> <p>iv. Cost of exports and imports reduced from the increases in economies of scale achieved due to higher volumes of trade flows.</p>	<p>i. Analyse intra and inter regional trade patterns and identify trade volumes that could be targeted to be shifted to Walvis Bay.</p> <p>ii. Design and develop a marketing strategy to promote Walvis Bay Port and Corridor in the globally located major transshipment hubs.</p> <p>iii. Establish representation in the international markets.</p>	<p>i. Technical expertise to design and develop a marketing strategy.</p> <p>ii. Software and hardware for establishing representation in international markets.</p>

6. Export Market Information and Capacity Building of NMA on Trade Rules

Main Outputs	Indicative Activities	Inputs Required
<p>i. Establishment of market information hub.</p> <p>ii. Increased and improved access to market information for SMEs.</p> <p>iii. Enhanced capacity and awareness of SMEs on trade agreements, rules and negotiations.</p>	<p>i. Establish market information hub.</p> <p>ii. Build capacity and awareness of small manufacturers and exporters on trade agreements, rules and negotiations.</p>	<p>i. Technical expertise to design market information hub.</p> <p>ii. Computers, software and space/location for the housing of the information hub.</p> <p>iii. Technical experts to build capacity and awareness of small manufacturers and exporters on trade agreements, rules and negotiations.</p>

7. Promoting Trade in Services

Main Outputs	Indicative Activities	Inputs Required
<p>i. Improved understanding of potentials in trade in services, its linkages to economic development and specific areas needing support.</p> <p>ii. Formulation of a national trade in services policy paper to guide trade in services development efforts and negotiations.</p> <p>iii. Mainstreaming of trade in services into national development agenda.</p> <p>iv. Increased capacity and awareness of policy makers and actors in the area of trade in services.</p>	<p>i. Examine existing and potential services sectors, analyse the opportunities and constraints, propose measures for promoting growth.</p> <p>ii. Develop Namibia's trade in services policies and strategies.</p> <p>iii. Build capacity of the members of the National Committee on Trade in Services and other relevant stakeholders.</p> <p>iv. Increase awareness of trade in services amongst stakeholders across Namibia (both urban and rural areas).</p>	<p>i. Technical expertise to examine existing and potential services sectors, analyse the opportunities and constraints, propose measures for promoting growth.</p> <p>ii. Technical experts (1 year) in developing Namibia's trade in services policy and strategy.</p> <p>iii. Technical assistance to conduct capacity building workshops for members of the National Committee on Trade in Services and other relevant stakeholders.</p>

8. Formulation of a National Industrial Development Policy

Main Outputs	Indicative Activities	Inputs Required
<p>i. Formulation of national industrial development policy.</p> <p>ii. Increased participation in and awareness on industrial development plans and policies.</p> <p>iii. Increased capacity to implement industrial development plans and policies.</p> <p>iv. Increased coordination on industrial development.</p>	<p>i. National dialogue on industrial development – challenges, opportunities and prospects.</p> <p>ii. Analysis of Namibia's industrial development constraints and possibilities.</p> <p>iii. Re-articulation and re-formulation national industrial development policy.</p> <p>iv. Establishment of national industrial development committee comprised of key stakeholders in the public and private sector to coordinate the articulation and implementation of policies.</p> <p>v. Capacity building of public and private sector stakeholders in the articulation and implementation of industrial development policies.</p>	<p>i. Technical expertise to analyse Namibia's industrial development constraints and possibilities.</p> <p>ii. Technical experts (2 years) to assist MTI in formulating a national industrial development policy.</p> <p>iii. Technical assistance to build capacity and awareness of public and private sector stakeholders in the articulation and implementation of industrial development policies.</p>

9. Improving access to and increasing capacity of National Standard Institution

Main Outputs	Indicative Activities	Inputs Required
<ul style="list-style-type: none"> i. NSI's capacity development strategy prepared ii. Increased accessibility to NSI's services iii. Increased capacity of NSI and stakeholders on standards, sanitary and phytosanitary measures, technical barriers to trade. 	<ul style="list-style-type: none"> i. Conduct a feasibility assessment to determine NSI's capacity needs and design capacity development strategy. ii. Assess and recommend measures to improve accessibility to NSI's services for SME exporters and importers. iii. Build capacity of NSI and stakeholders (particularly SME exporters and importers) on issues surrounding standards, sanitary and phytosanitary measures, technical barriers to trade and so forth. 	<ul style="list-style-type: none"> i. Technical expertise to determine NSI's capacity needs and design capacity development strategy. ii. Technical expertise to improve accessibility to NSI's services for SME exporters and importers. iii. Technical assistance to build capacity of NSI and stakeholders.

5.1 Estimated Budget [2012 – 2015]

Project Title	Main Implementing Agency(ies)	Budget		
		Time-line	Description	Estimate (US\$)
Trade and Development Policy	- Ministry of Trade and Industry - National Planning Commission	2- 3 years	- Technical experts - Infrastructure development - Capacity and awareness building	US\$ 3 million
Trade Facilitation	- Department of Customs of Ministry of Trade and Industry	2- 3 years	- Technical experts - Infrastructure development - Capacity building	US\$ 10 million
Promotion of Foreign Investment and Trade	- Ministry of Trade and Industry	2 – 3 years	- Technical experts - Capacity building	US\$ 5 million
Trade Finance for Small and Medium Enterprises	- Bank of Namibia	2 – 3 years	- Technical experts - Seed capital - Capacity building	US\$ 7 million
Promotion of Walvis Bay Corridor	- Walvis Bay Corridor Group	2 – 3 years	- Technical experts - Infrastructure development	US\$ 5 million
Export Market Information and Capacity Building of NMA on Trade Rules	- Namibia Manufacturers Association - National Chamber of Commerce and Industries - Team Namibia	2 – 3 years	- Technical experts - Infrastructure development - Capacity building	US\$ 5 million
Promoting Trade in Services	- Ministry of Trade and Industry	2 – 3 years	- Technical experts - Capacity and awareness building	US\$ 5 million
Formulation of a National Industrial Development Policy	- Ministry of Trade and Industry	2 – 3 years	- Technical experts - Capacity and awareness building	US\$ 5 million
Improving access to and increasing capacity of National Standard Institution	- National Standard Institution	2 – 3 years	- Technical experts - Capacity and awareness building	US\$ 5 million
TOTAL				US\$ 50 million

Note: The budget estimates are based on the costs for 'inputs' listed in the Resource Framework (see: Section 5). Furthermore, these estimates were arrived at with consultations with the relevant stakeholder(s), i.e. line ministries, civil society, and private sector associations.

5.2 National Implementation Arrangement

The implementation of Namibia's Aid for Trade Framework will require a national implementation arrangement (NIA) that is inclusive in its functioning and enjoys wide ownership. Moreover, the establishment of a suitable and capable implementation arrangement is a priori for the sustainability of the Aid for Trade initiative as well as promoting the role of trade in national development agenda.

UNCTAD's 'Trade Facilitation Handbook' provides useful guidelines for establishing Aid for Trade NIA (UNCTAD 2006). The Handbook draws upon lessons learned from experiences in developing countries and highlights issues that need to be attended to in designing and establishing various elements of the Aid for Trade NIA. The Handbook found that leadership, commitment, participation, technical expertise and financial sustainability were some of the major elements that determined the success of the NIA.

Leadership: The Handbook suggests that the national Aid for Trade committee will need a visionary leader, or, in its words, "a champion", and the right combination of people who are able to inform and lead necessary reforms and change.

Commitment and Participation: The Handbook suggests that commitment or level and scope of participation can "make or break" NIA. Political commitment at the highest level as well as institutionalisation of the national Aid for Trade committee is imperative for stability and effectiveness. But, in addition, it is equally important to ensure that the national Aid for Trade committee is inclusive of all key stakeholders and its functioning is participatory. In particular, the Handbook notes the importance of private sector representation and participation.

Technical Expertise: The Handbook reports that

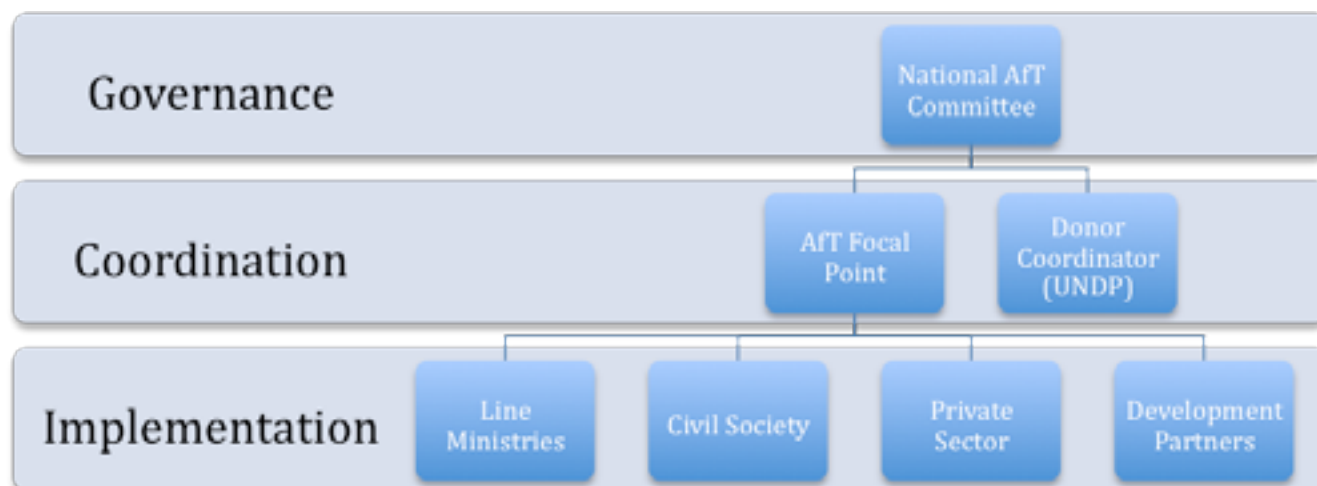
The implementation of Namibia's Aid for Trade Framework will require a national implementation arrangement (NIA) that is inclusive in its functioning and enjoys wide ownership

technical expertise in the NIA is essential to implementing and managing the Aid for Trade initiative in particular, and trade and development issues, in general. In addition to enhancing individual (members) and organisational (the organisations that members represent) technical expertise, specialised sub-committees could also be established to address specific trade issues. The NIA should also have mechanisms to invite national and international professionals and experts for assistance on a regular and/or need-basis. The Handbook also found that establishing relations with other NIAs in the region and/or elsewhere can lead to accumulation of experiences and cooperation on issues that were mutually beneficial.

Financial Sustainability: The Handbook found that financial sustainability was key to effective functioning of the NIA. It found that after the initial injection of funds, national Aid for Trade committees often found it difficult to finance and sustain their functions. Hence, financial sustainability should also include issues of predictability and stability of finance.

Figure 4 below, drawing on the recommendations provided by UNCTAD's Handbook, provides a schematic view of a national implementation arrangement with the placement of various stakeholders at different levels of interaction – governance, coordination and implementation.

Figure 4: Proposed National Implementation Arrangement



Governance: The national Aid for Trade committee will provide the governance for the implementation of Namibia's Aid for Trade initiative. Annex I provides the draft terms of reference, suggested list of members and other guidelines for establishing the national Aid for Trade committee in Namibia. The committee will promote wide participation of all key stakeholders, which includes line ministries, private sector, civil society, donors and development agencies.

Coordination: An Aid for Trade focal point will be established to provide day-to-day management for the coordination and implementation of the Aid for Trade programmes. The Aid for Trade focal point will report to the national Aid for Trade committee. The UNDP will act as a donor coordinator. This will entail coordinating donors' assistance on trade and development issues at the national level, mobilising resources nationally and internationally for Namibia's Aid for Trade initiative and providing technical support to the Aid for Trade focal point and the national Aid for Trade committee.

Implementation: A wide range of agencies and organisations would be mobilised for the implementation of Aid for Trade programmes. Figure 4 broadly outlines some of the key stakeholders who would be mobilised for the implementation of the Aid for Trade programmes. In addition, section 5.1 identifies key implementing agency(ies) for each of the Aid for Trade programme.

It must, however, be noted that the above is a guiding principle for the establishment of NIA contextualised to Namibia. It would not be prudent to cast it in stone as needs and approaches will evolve necessitating flexibility and creativity. Nonetheless, there are certain challenges in the implementation of the NIA that need highlighting.

Ownership: Consultations with key stakeholders revealed a very high level of ownership of the national Aid for Trade initiative, not only within government but also amongst the private sector, civil society, donors and international

development agencies. However, translating, reflecting (through participation at the NIA) and maintaining the present level of ownership as well as managing expectations of Aid for Trade initiative will require a strong, stable and committed leadership.

Coordination: Given the scale of the Aid for Trade initiatives, coordinating stakeholders placed variously along the axis of governance, management and implementation will be challenging. In particular, the coordination of resource mobilisation (national and donor), on the one hand, and implementation of programmes, on the other hand, will require great attention. It is important that both the government and donors adhere to the principles of Paris Declaration⁵⁵ in mobilizing resources for the Aid for Trade initiative. This report has proposed that in addition to mainstreaming trade and development needs into the national development agenda, a separate window be created at the National Planning Commission to identify Aid for Trade needs and budget. This would allow greater ownership, clarity and coordination over identification of Aid for Trade needs and priorities as well as mobilisation of resources to address them.

Technical Expertise and Awareness: It is important that along with awareness over the Aid for Trade process, the roles and functions of the NIA are clearly explained and understood by members of the national Aid for Trade committee and others who may not be part of but may work closely with the NIA. While a draft Terms of Reference has been provided in Annex I, it is important that the first meeting of the committee discusses, debates and arrives at a consensually agreed Terms of Reference. In addition to building awareness, the Aid for Trade focal point will require dedicated technical assistance and expertise to perform its task; especially at the initial period of establishment and until it is able to draw upon expertise internally and externally from where such expertise may be located.

▲
⁵⁵ The Paris Declaration lays out the commitments for aid effectiveness between aid receiving and donor countries in a high level conference in Paris in 2005. It states that "aid recipients to forge their own national development strategies with their parliaments and electorates (ownership); for donors to support these strategies (alignment) and work to streamline their efforts in-country (harmonisation); for development policies to be directed to achieving clear goals and for progress towards these goals to be monitored (results); and for donors and recipients alike to be jointly responsible for achieving these goals (mutual accountability)". See: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

ANNEX I:

National Aid for Trade Committee

NATIONAL STEERING COMMITTEE ON AID FOR TRADE⁵⁶ (NSC) - DRAFT TERMS OF REFERENCE, MODUS OPERANDI AND COMPOSITION

1) Background

Ministers at the Sixth WTO Ministerial Conference in Hong Kong launched the Aid for Trade initiative in December 2005. Thereafter a Task Force was established to follow a mandate given to the Director General by Ministers at the Ministerial Conference, and provide recommendations to the General Council (by July 2006) on how to operationalise Aid for Trade and ensure Aid for Trade contributes to the development dimensions of the Doha Development Agenda.

The OECD has worked on the monitoring mechanism of Aid for Trade flows to developing countries. Three continental regional meetings were hosted by the WTO in conjunction with regional development banks, bilateral donors and other multilateral agencies. The regional meetings were followed by Global reviews in Geneva in December 2009 and July 2011 that deliberated on the outcomes of these meetings.

In spite of these developments, it remains unclear how Aid for Trade could be accessed, who is eligible, and what is its relationship to the global development partnership. In this regard, it is imperative for Namibia to establish national structures through which a national strategy could be formulated and additional funding could be mobilised, effectively implemented and monitored. Furthermore, such a structure should be participatory and inclusive, which

allows for proactive role of the private sector and civil society. Hence, the proposal for the establishment of a National Steering Committee on Aid for Trade that would coordinate Aid for Trade activities at the national level.

2) Modus operandi of the Steering Committee

The National Steering Committee (NSC) will be constituted under the auspices of the National Trade Forum (NTF);

- Representation on the Steering Committee will be at technical/expert level and as the first option be at Deputy Director level and/or alternately at Chief level;
- The NSC will elect a Chairperson from one of the three lead institutions - Ministry of Trade and Industry, Ministry of Finance and National Planning Commission, and will report periodically to the National Trade Forum on its activities;
- The NSC will meet quarterly or when it is deemed necessary by any of its members;
- The NTF may delegate assignments to the NSC on Aid for Trade.

⁵⁶ Development aid in general may not fall under the jurisdiction of this Steering Committee but where overlap is imminent the National Steering Committee would coordinate its activities with the relevant national institution/s to whom such aid has been directed or disbursed.

3) Draft Terms of Reference

The National Steering Committee should be established with the following terms of reference:

- To undertake appropriate needs assessment on Aid for Trade as the basis for designing trade related programmes and national strategy;
- To identify priority areas for trade-related assistance and to mobilise donor financing, through relevant national institutions;
- To foster ownership of aid programmes through predictable but flexible disbursement programming;
- To foster coordination and complementarity of aid programs involving all relevant stakeholders with a view to identifying particular challenges facing the trade sector;
- To monitor and evaluate the effectiveness of Aid for Trade flows;
- To create a context in which the government, donors, and the private sector are encouraged to address shared issues and develop collective responses.

4) Composition of the Steering Committee

The National Steering Committee will be constituted of the following institutions:

- Ministry of Trade and Industry
- Ministry of Finance
- National Planning Commission
- Ministry of Agriculture, Water and Forestry
- Ministry of Fisheries and Marine Resources
- Ministry of Mines and Energy
- National Chamber of Commerce and Industry
- Bank of Namibia
- National Union of Workers (NUNW)
- Agricultural Trade Forum
- Namibia Manufacturing Association
- Indigenous Business Council
- United Nations Development Programme
- Development Partners

ANNEX II:

Namibia's Trade Policy Review and Aid for Trade Needs

Namibia's 2009 'Trade Policy Review' (TPR) identifies some major trade-related technical assistance needs (WTO 2009: 220-222), which have been incorporated into the proposed Aid for Trade programmes. These are:

Supply side constraints: Namibia is a small economy and thus constrained by the size of its domestic market and its lack of capacity to produce on a large scale. Although the Government has taken a number of initiatives to address the supply-side constraints, it needs to further improve its export performance by addressing these constraints in a manner that results in improved market access for Namibian products. The Aid for Trade Initiative could be used to complement such national initiatives.

Institutional capacity building: Institutional capacity needs to be strengthened to make better use of available instruments/tools. Namibia faces some difficulties in implementing WTO Agreements. A dedicated mechanism is required in the capital to deal with WTO issues. Capacity-building programmes also need to be targeted at specific areas such as rules of origin or SPS measures, to promote expertise within the country in those areas.

Trade in services: There is a need to enhance the technical capacity of Namibia's experts, not only to negotiate but also to propose and draft high quality offers and to make requests on trade in services. Namibia needs assistance to set up a trade in services negotiating strategy.

Information and policy analysis: Namibia needs assistance in analysing information and documentation in order to effectively participate in the negotiation process. Hence, it requires long-term technical assistance programmes with resources targeted at enhancing capacity to understand and implement the WTO Agreements. More training and follow-up is needed for all the actors who require expertise on multilateral trade agreements so that they can advise decision makers on implementing various policy instruments. Trade policy courses and workshops have been very helpful, but not sufficient, and there is a need to develop analytical capacity.

Product and market diversification: Namibia's major export markets are South Africa and the European Communities. It will need to diversify its export markets in order to reduce its dependency on traditional markets and its reliance on primary commodities and products. Technical assistance targeted at export promotion activities and geared towards market and product research would complement existing national efforts. Furthermore, assistance is needed to improve the quality of Namibian products.

Product labeling and branding: Namibia has to comply with a number of requirements in export markets that affect its access to those markets. Therefore, Namibia will need to be assisted in developing a labeling and branding programme for products for export. In addition, assistance will be required to develop labeling requirements for imports.

Processing/value addition: Namibia has taken an initiative of promoting domestic value addition and processing of raw materials, which has the potential to create employment opportunities. To facilitate the achievement of this objective, food/product quality and production standards are needed in order to ensure that the finished products comply with consumer requirements in the destination markets.

Compliance with international standards: New international trade regulations are developed and implemented continuously. Compliance with these standards and regulations is a prerequisite for market access. For example, compliance with the Hazard Analysis and Critical Control Points⁵⁷ (HACCP) will be critical to the success of Namibia's agri-processing objectives. Therefore, an HACCP Management System is of utmost importance to Namibia.

Enhancing customs enforcement capacity: Namibia needs to enforce/strengthen its customs procedures, in particular in the field of customs

valuation, rules of origin, and inspection/investigation. Intensive training for Customs and Police officers would help to identify and impound counterfeit goods. The World Customs Organization (WCO) comprehensive diagnostic study on Namibian Customs authority identified some of the above constraints. Namibia needs assistance with an action plan to implement the findings and recommendations of the WCO study, including through the WTO's trade facilitation initiatives.

Standardisation: The Namibia Standards Institute now conducts export certification in-country. It would be useful to assist Namibia in strengthening its own process of certification. Regarding sanitary and phytosanitary measures (SPS), there is a need for infrastructure development and training of officials to comply with international requirements. In addition, assistance is needed in enforcement of national measures and standards since reliable product inspection services are vital at the point of entry for all products entering the country.

⁵⁷ For more information on HACCP see FAO website: <http://www.fao.org/docrep/005/Y1579E/y1579e03.htm#TopOfPage>

ANNEX III:

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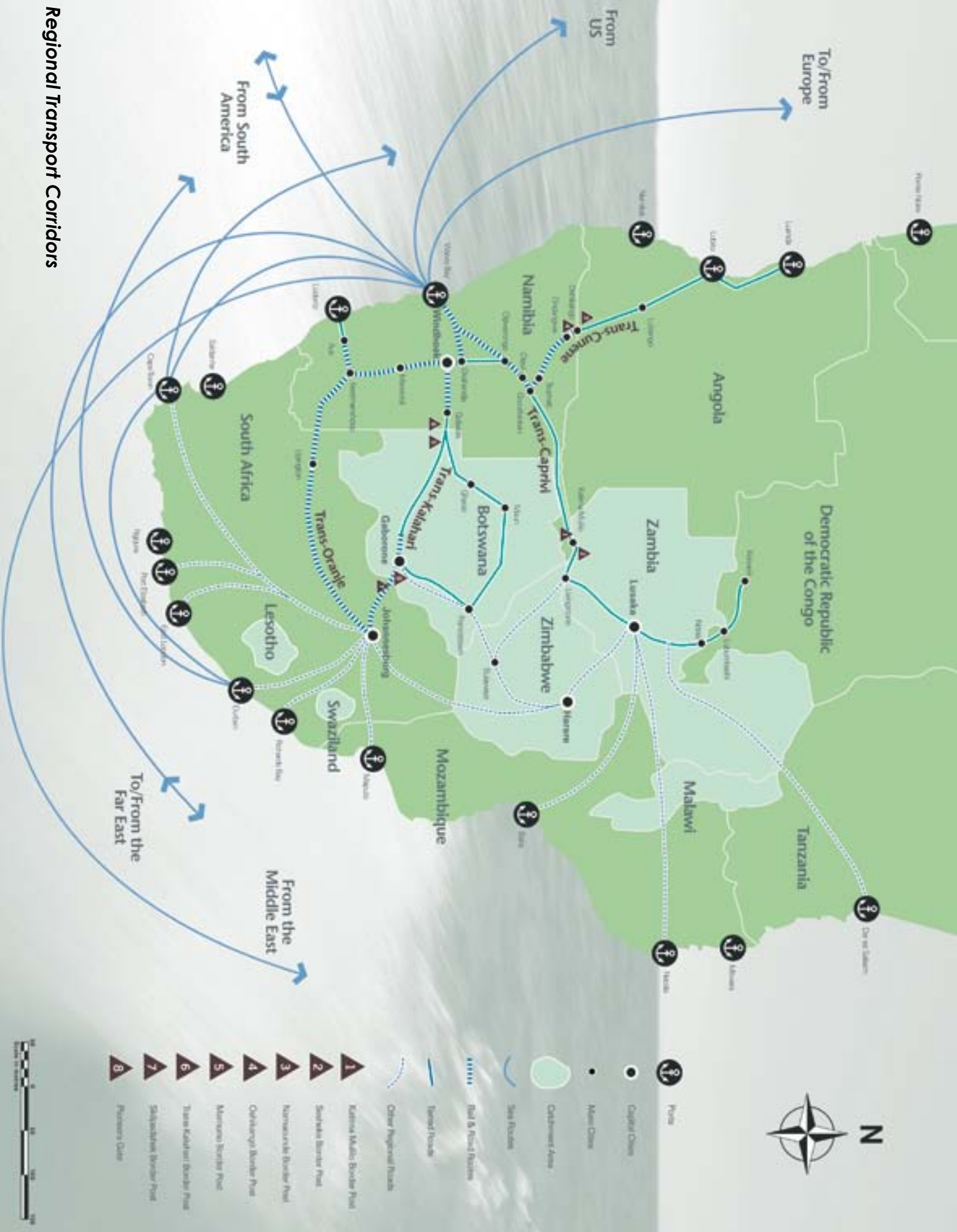
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