DEMOCRACY REPORT

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GROWTH AT HOME FOUR YEARS ON: THE NEED FOR BETTER INDUSTRIAL POLICY IMPLEMENTATION.

Most of Namibia's leading commentators and economic actors have stressed repeatedly that in order for Namibia's economy to thrive the government needs to intervene less in the economy, not more. If business is aided by reducing government red tape and taxes, the argument goes, the private sector (both domestic and foreign) will have more confidence to deploy its capital within the country, jobs will be created, and growth will ensue. In short, the Namibian government has been encouraged to subscribe to 'free-market' economic principles.

Given this perspective, it was with an undoubtedly weary eye that these commentators and economic actors witnessed SWAPO – which from 1990 to 2010 had fairly diligently subscribed to the above understanding of economic development – notably change its economic policy rhetoric in 2011 and begin emphasising the active role that the state would have to play in the economy were economic development to be able to occur more quickly.

In particular, an idea that began to gain currency was in support of 'industrial policy' – that for a country's economy to modernise, develop new industries, increase exports, and increase wealth, the state must take a central role in supporting the private sector through measures such as the provision of targeted subsidies, protecting firms from foreign competition, and the exploration of new sectors of the economy, particularly manufacturing. In 2011 the Ministry of Trade and Industry (MTI), headed at the time by Hage Geingob, began to speak more positively of the concept, and in the press it was announced that "after 21 years Government has finally woken up to the need for an industrial policy in Namibia".[1] Leading industrial policy advocate and staunch opponent of 'free-market' economics, Ha-Joon Chang of the University of Cambridge, was invited to the country to run a seminar for lead government officials. In 2012, the government released a new 'Industrial Policy White Paper' which stressed that it would be

[1] "Industrial policy wake-up call." J.M Duddy, The Namibian, 22.11.2011. See: https://www.namibian.com.na/index.php?id=88448&page=archive-read

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"necessary for Government to play a much more proactive role in economic development that what is currently the case".[2]

This view was repeated by many figures within government. In 2013, recently-appointed Minister of Trade and Industry Calle Schlettwein said that "[w]e are convinced that government must accept a new role to unlock the industrial potential of different sectors and projects".[3] When parliament discussed the industrial policy paper it was reported in the press that "parliamentarians on both sides of the National Assembly… agreed in principle that Government has to become an active development agent to propel the country into an industrial nation".[4] The concept of the 'developmental state' (a government that is committed to proactively leading the modernisation of the economy) began to be discussed positively by members of SWAPO. As one current affairs magazine commented at the time, government seemed to have "sincerely embarked on a state-led development approach".[5] The days of independent Namibia's adherence to free-market principles suddenly appeared to be numbered.

The altered approach of the government was made clear when MTI released 'Growth at Home: Namibia's Execution Strategy for Industrialisation' in early 2015. The 52-page policy guide is extremely detailed, laying out a clear plan as to how the government can help to support economic and industrial development. As well as representing a clear interventionist-turn in SWAPO's economic policy, it is also far and away the most high-quality report produced by MTI in recent history. In the same year that Growth at Home was published, in a move to symbolize the government's renewed commitment to industrial development, MTI was renamed the Ministry for Industrialization, Trade and SME Development (MITSMED)

Below are the most important policies outlined in the document, policies that were extremely well-received by the likes of the Namibian Manufacturers Association and which, if implemented, could serve as a massive boost to Namibia's economic development. It should be noted that replacing the Foreign Investment Act 1990 with the Namibia Investment Promotion Act (NIPA) fits in well with the governments new industrial policy focus, despite not appearing in Growth at Home.

Key policies put forward in Growth at Home

Deploy tariff protection, quantitative restrictions, and incentives to support infant industries	Create a job attachment programme to support skills training
Expand the Industrial Upgrading and Modernisation Programme (IUMP)	Establish a system for the import of skilled labour
Enhance the incentive schemes for manufacturing firms	Launch an Industrial Infrastructure Development Master Plan
Ensure the new Public Procurement Act supports manufacturing firms	Review Namibia's SME Policy
Establish a Retail Charter	Launch sub-sectoral strategy documents
Establish a National Export Strategy	Establish the Namibia Industrial Development Agency (NIDA)
Operationalise the Namibian Board of Trade	

Given that economic history and present-day examples overwhelmingly point to the central role that governments must play in encouraging economic development through the diversification of the economy, the ideas embedded within Growth at Home should be welcomed. But ideas are only ever as good as their execution. As such, the question, four years on from the publication of Growth at Home (and eight years on from the shift in government rhetoric), is: how much progress has Namibia been able to make in its industrial policy drive?

The Disappointing Record To Date

Despite the pursuit of industrial development having received heightened attention from policymakers, the record to date has been resoundingly disappointing. The contribution of manufacturing to total gross domestic product (GDP) fell from 13.7% in 2011 to 10.8% in 2017. In addition to this, the value added by manufacturing in Namibia (in constant 2010 N$) was in fact lower in 2017 than it was in 2011. Manufacturing exports, too, have failed to advance. With little reason to expect things to have improved for the sector over 2018 and the first part of 2019, it can be said that the government has been failing in its

2 Ministry of Trade and Industry (2012). Namibia's Industrial Policy.
3 Quoted in "Kicking over the traces." *Insight Namibia*, 10.4.2013. See: http://www.insight.com.na/kicking-over-the-traces/
4 "State's role in economy debated." C. Sasman, The Namibian. 15.11.2012. See: https://www.namibian.com.na/index.php?id=102409&page=archive-read
5 *Insight Namibia*. 2014a. "Book review: Economics: The User's Guide by Ha-Joon Chang." Available at: http://insightnamibiamagazine.blogspot.com/2014/11/book-review-economics-users-guide-by-ha.html

ambitions towards industrial development.

Statistics can, of course, be misleading. And, more to the point, industrial policy is typically a relatively slow process – it can take time for support measures directed towards firms to have an effect, or for new industries to be identified and fostered. It could be assumed that, while the Namibian government has been successfully implementing industrial policy, the country has yet to reap the benefits.

Unfortunately, this is not the case. Since 2011 and, particularly since Growth at Home was published in 2015, efforts towards industrial policy have been cumbersome, frustrated, and ultimately fruitless.

Indeed, of the thirteen proposals outlined above, only four can be seen to have been implemented to any extent: the Retail Charter, the review of Namibia's SME policy, the Public Procurement Act, and the launch of the sub-sectoral strategy documents. However, the likes of the Retail Charter and the sub-sectoral strategy documents, to be discussed below, have been fraught with difficulties. Similarly, the Public Procurement Act of 2015, despite pledging to support Namibian manufacturers, has so far failed to improve the Government's procurement system, which remains shrouded in controversy.[6]

For the other proposals, progress has been even more limited. Many of the above programmes have hardly been mentioned since the release of Growth at Home (e.g. the job attachment programme; a national export strategy, the system for the import of skilled labour. Similarly, the investment framework NIPA still appears a long way from becoming law, and pledges to improve incentives for manufacturing firms and to support certain sub-sectors through tariff protection have not been fulfilled.

Most emblematically, the Namibia Industrial Development Agency (NIDA), first suggested by MTI in 2012, is still at the starting blocks. In Growth at Home, it was said that NIDA – to be formed through a merger of the much-maligned Namibia Development Corporation and the Offshore Development Company – would serve as the implementation branch of MTI to "drive the economic transformation process" in Namibia. In 2015, then Minister of Trade and Industry Immanuel Ngatjizeko stated that the supposedly imminent establishment of NIDA would mean that the Ministry would now "be able to implement practically what we are talking about".[7] Yet, close to four years later, we are still waiting for the agency to become operational.

It is therefore important to investigate why the Government, and particularly MITSMED, struggled so greatly to implement its industrial policy, despite the consistent strong rhetorical commitment in support for the cause from leading officials.

In reality, there are a host of important factors that explain the shortcomings with industrial policy implementation to date. Some relate to flaws within MITSMED, some relate to Government's failure to truly commit to the project, others relate to the pressures emanating from Namibia's private sector, and still others relate to the actions of foreign actors. For simplicity's sake, we will divide the various issues into two categories: resistance to the Government's industrial policy and shortcomings in the Government's approach.

Resistance To Government's Industrial Policy Drive

The Government has faced significant backlash to its industrial policy efforts. A good example is the case of infant industry protection (IIP). Namibia has used IIP four times since 2000 (commencing in 2000 for milk, 2002 for pasta, 2012 for cement, and 2013 for poultry). Yet on three occasions it has been taken to court by foreign firms – South African firms concerning milk and poultry, and a Chinese firm for cement. The legal cases brought against the Government have largely been on spurious or technical grounds (for example, in the case of milk, the argument was made by the judge that MTI had used the wrong piece of legislation to introduce the protection), but have nevertheless had the desired effect, with protection having been lifted for dairy and partially lifted for cement, while the case of poultry has recently been taken back to court.[8]

The Government simply does not have the financial and human capital at present to deal with the constant legal onslaught that it faces when it tries to protect its industries in order to foster their growth. The consequence of this has been that MITSMED's interest in using industrial policy has been tempered with a wariness of the burden of further court cases.

This is a great shame, given the historically important role of IIP in helping countries to achieve industrial development.[9] Moreover, the performance of the fourth industry in Namibia to have received infant industry protection, pasta, has been extremely impressive. Principally through Namib Mills but

[6] See "Procurement Tracker Namibia: Issue No.1" F. Links, IPPR, July 2018. https://ippr.org.na/wp-content/uploads/2018/07/PTN-JULY-2018-new.pdf

[7] "Namibia making headway in industrialisation." The Namibian. 19.6.2015. See: https://www.namibian.com.na/138326/archive-read/Namibia-making-headway-in-industrialisation

[8] "Chicken fight back in court." Y. Smith, Namibian Sun, 17.1.2019. See: https://www.namibiansun.com/news/chicken-fight-back-in-court2019-01-17

[9] For a review see Chang, H-J. 2003. Kicking Away the Ladder: Development Strategy in Historical Perspective. London: Anthem Press.

also Bokomo Foods, Namibia's pasta industry continues to go from strength to strength. According to the United Nations, from exporting next-to-no pasta in 2002, when protection started, Namibia exported US$11 million worth in 2017.

Much of the resistance towards IIP for produce in Namibia has from the retail sector, weary of both the prospect of having to pay more to stock the likes of poultry and milk in their stores, and also the prospect of shortages of supply. These firms have also proved resistant to other industrial policy efforts such as the Retail Charter, launched in 2016. The charter, a voluntary agreement which retail firms can sign pledging to source more locally, has effectively been at a standstill since March 2017. The halt was a result of the Namibian Competition Commission receiving a complaint that the charter violates the Namibia's Competition Act of 2003 and consequently instructing the Namibia Trade Forum to hold back on implementation. Today, the Charter continues to try to encourage increased local sourcing from retail firms, but resistance to the project has undermined its effectiveness.

It is not just the retail firms that have resisted industrial policy in Namibia. Namibia's private sector in general, along with numerous commentators, was extreme in its criticism of the attempt in 2016 to replace the Foreign Investment Act (FIA) of 1990 with the Namibia Investment Promotion Act (NIPA). For example, one law firm has called NIPA "a very real threat to the current economic order in Namibia".[10] Criticism for NIPA also came from foreign actors, with the influential international credit rating agency Fitch citing "controversial provisions" within the Act as partly explaining the firm's negative outlook of the Namibian economy.[11]

In reality, NIPA, in its original guise, was far less threatening or controversial than was typically suggested. For example, amongst the grievances about NIPA cited by the above-mentioned law firm were that NIPA empowers the Minister to reserve economic sectors either solely for the state or for Namibians and that it grants state-wide powers of expropriation. However, both of these provisions were actually already part of the FIA of 1990.

Moreover, the major concern raised by critics – that NIPA means that the Government has the power to approve or deny foreign investments – is fairly common internationally and in no way exceptional. For example, the academics Kozul-Wright & Rayment, in their landmark international review of the impact of foreign direct investment (FDI) on development, concluded that "carefully weighing the costs and benefits of hosting FDI and designing policies tailored to local conditions and preferences are among the common traits in countries that have successfully used FDI in their development process".[12]

That the criticisms levelled against NIPA by the (domestic and international) private sector were largely unfair is ultimately irrelevant. What matters is that the Government, faced with the vocal and persistent resistance from the private sector, was forced to withdraw and review NIPA. Though at the end of 2018 there was some suggestion that a new version of NIPA would soon be presented,[13] the likelihood is that the Government will stay quiet on the matter during the build-up to the elections later this year.

The Government has also failed to improve its incentives for manufacturing firms. Namibia first introduced incentives for manufacturing firms in 1993. Incentives purportedly included a 50% reduction on the corporate tax rate for ten years; that buildings erected could be written off at 20% for the first year and 8% over the following ten years; and cash grants for exporting firms to support marketing efforts. In reality, most registered manufacturers seemed to only be able to obtain the corporate tax rate cut, with other incentives not being realised. It was also clear that it was extremely hard for manufacturing firms to register with the Ministry of Finance and thereby secure the corporate tax cuts, much to the frustration of manufacturers. The other incentive system introduced was the Export Processing Zone (EPZ) Act of 1995, designed to try to encourage foreign investment in manufacturing via extremely generous tax cuts and financial support for firms. Though Government had seen the EPZ system as the silver-bullet of industrial development – predicting the creation of 25,000 jobs – the results have been extremely disappointing. Latest figures suggest that there are just 19 companies in the EPZ programme today, employing just 2,200 people in total.

Moreover, all but five of the firms are related to mining (the diamond cutting and polishing firms of the country, the copper smelter in Tsumeb, and the zinc refinery in Rosh Pinah) and would likely be in the country irrespective of the enormous tax benefits that they have been receiving. The EPZ programme has therefore failed in its ambitions to attract large-scale manufacturing investment, with commentators concluding that "for the Government maybe the most important lesson is that attracting investment involves far more than doling out incentives".[14]

10 See: http://www.cronjelaw.com/namibian-law

11 Reuters. 2017. "Fitch Downgrades Namibia to 'BB+'; Outlook Stable." 20.11.2017. Available at: https://www.reuters.com/article/fitch-downgrades-namibia-to-bb-outlook-s-idAFFit7CcD1f [accessed 16.8.2018].

12 Kozul-Wright, R. & Rayment, P. 2007. The Resistible Rise of Market Fundamentalism. London: Zed Books. p.149.

13 "Revised Investment Promotion Act to be promulgated." Albertina Nakale, New Era. 24.10.2018. See: https://neweralive.na/posts/revised-investment-promotion-act-to-be-promulgated

14 Flatters, F. & Elago, P.M. 2008. "Ramatex Namibia: Government Policies and the Investment Environment." US AID Southern Africa Global Competitiveness Hub, Contract No. 690-M-00-04-00309-00 (GS 10F-0277P). p. iv

Evidently Namibia's incentives for manufacturing firms were not working prior to 2015, and it was for that reason that MTI outlined within Growth at Home the need to rework them through ensuring that more incentives would be more dynamic, and by withdrawing the failed EPZ programme altogether.

But in these ambitions the Government was pushed back once more. In early 2018 Minister of Finance Calle Schlettwein announced that the EPZ programme was to be withdrawn but was forced to backtrack just one week later following outcry from the copper smelter in Tsumeb and the zinc refinery in Rosh Pinah, keen to preserve their beneficial tax status. As the CEO of the Chamber of Mines stated, rushing to the defence of his members, "the EPZ regime is a contractual document between government and the players which cannot be cancelled without the other party's consent".[15] Faced by the threat of legal action, the Government had little choice but to withdraw its plans.[16]

It also appears that, rather than being enhanced, the manufacturing incentives of 1993 are set to be withdrawn altogether. This time the pressure rather remarkably came from the European Union (EU). In December 2017, the EU published a list of 'non-cooperative jurisdictions for tax purposes' ('tax havens'), and Namibia was bizarrely included on the 15-country list. The reasons cited by the EU as to why Namibia was included were that it is not signed up to certain international bodies that aim to maintain standards of tax regulation, and that Namibia's manufacturing incentives and the EPZ scheme represented "harmful preferential tax regimes" that the Namibian state would "not commit to amending or abolishing".[17]

Minister of Finance Schlettwein initially suggested that Namibia would not give up its support for manufacturing firms just to be removed from the EU's list, stating that "it's wrong for Namibia as a sovereign state to be expected to make changes to its laws without taking its own interest into consideration".[18] However, the perceived damage to Namibia's reputation were it to remain on the EU's list, coupled with revenue constraints in Namibia, meant that in March 2018 Schlettwein, "bowing to pressure from the European Union", announced the termination of manufacturing incentives and the EPZ programme.[19]

And whilst the Government reversed its decision on the EPZ Act due to pressure from the mining sector, general manufacturing tax incentives – the most significant piece of industrial policy deployed by the state in independent Namibia's history – is still intended to be withdrawn. If this does take place, it will likely be a disaster for Namibia's industrial ambitions. As the Managing Director of one highly successful Namibian manufacturing firm told me in interview, "if you don't have these types of incentives, you don't see manufacturing growth".[20]

It goes without saying that it is easier for a state to implement industrial policy if it can direct significant financial resources towards its various policy measures. Accordingly, the large-scale cuts to government expenditure that have occurred in the latter half of the 2010s in the wake of the country's increasing debt-to-GDP ratio have had a negative impact on industrial policy. MITSMED's budget fell dramatically from N$998 million in 2014/15 to N$527 million in 2016/17 and a budget for 2018/19 of just N$348 million, severely curtailing its activities. For example, it had been proposed that the Industrial Upgrading and Modernisation Programme (IUMP), a machinery purchase scheme for firms launched in 2012, would see its budget increased from N$10 million to N$70 million, but in fact it saw its budget slashed to just N$1.6 million in 2017, only enough to cover the costs of staff, meaning the programme was effectively at a standstill. Other programmes and bodies, such as the Equipment Aid Scheme and the impressive Namibia Trade Forum, are also curtailed due to funding cuts. The 65% drop in MITSMED's budget from 2014/15 to 2018/19 was the second largest budget reduction of any of the 35 ministries/major offices of government over the time period.

Was it entirely necessary for Namibia to launch such large-scale cuts of MITSMED, thereby undermining industrial policy? Such a question is beyond the scope of this document. Nevertheless, it is interesting to note the role that the above-mentioned international credit rating agencies appear to have played in leading to Namibia's budget cuts. The agencies have been frequently criticised by researchers for the way in which they constrain governments' space to pursue economic policies by consistently and influentially pushing for countries to pursue fiscally conservative policies.[21] The views of the agencies really matter – if they change their ratings for countries, it affects the interest rates at which they must repay their loans.

In the case of Namibia, in 2015 the Moody's rating agency warned that a downgrade could occur

15 Windhoek Observer. "Relief for manufacturers." 16.3.2018.
16 That said, in his 2019 budget speech Calle Schlettwein announced plans to replace the EPZ programme with 'Special Economic Zones' (SEZs). The extent of the difference between the EPZ and SEZs in the Namibian case remains to be seen.
17 Council of the European Union. 2017. "The EU list of non-cooperative jurisdictions for tax purposes." Outcome of Proceedings from General Secretariat of the Council. 15429/17. Brussels, 5 December 2017. p.10.
18 Quoted in Kaira, C. 2017. "Namibia resists EU manufacturing incentives calls." Windhoek Observer, 8.12.2017.
19 Kahiurika, N. 2018. "Namibia to scrap preferential tax." The Namibian, 8.3.2018.
20 Anonymous interviewee 2PZJSWLJ during field research 13.6.2017.
21 Craig, D. & Porter, D. 2006. Development Beyond Neoliberalism? Governance, poverty reduction and political economy. London: Routledge.

were Namibia's debt-to-GDP to continue to increase, and in 2016 the firm changed Namibia's rating outlook to 'negative', before they, along with Fitch (another of the major agencies), formally downgraded Namibia from 'investment grade' to 'non-investment grade' status (known as 'junk' status).

As a testament to the significance of the decision, following the verdict, a large team of Namibia's leading Government Ministers flew to London to meet with Moody's, imploring the company to review its decision. In the meeting, the Minister of Finance stated to the firm that "these rating actions have very severe consequences in the [Namibian] economy".[22] But the pleas of the Namibian Government went unheard, and consequently it appears that the Government saw little choice but to implement budget cuts to regain the favourable perspectives of these crucial international players.

As the above has outlined, it is unquestionably the case that the Government has faced consistent, organised, and varied resistance to its industrial policy drive at almost every direction that it has turned. This is in no way surprising – it is perfectly clear from economic history that traditional groups in society (such as the trading or mining firms) or powerful international actors have often stood as obstacles to industrial development in developing countries.[23] It is nevertheless an important part of the story.

The question, however, is whether the Namibian state could have been doing more to stand up to the resistance to industrial policy, or to have better pursued industrial policy irrespective of the presence of resistance. As the following section will demonstrate, the answer is, resoundingly, yes.

Shortcomings In The Government's Approach To Industrial Policy

Despite the willingness of SWAPO to 'talk the talk' on industrial policy and economic development, there has been very little by way of effort to 'walk the walk'. The Government, simply put, has not taken the matter of industrial policy as seriously as it needs to, to the detriment of economic development.

A clear example was the uninspiring decision of President Geingob to appoint Immanuel Ngatjizeko as Minister of Trade and Industry in his first cabinet in 2015, just months after Growth at Home had been launched. Ngatjizeko had already served in the role from 2005 to 2008, during what was probably the low point of industrial policy since Namibia's independence. The choice was not a dynamic one, particularly given continued concerns over Ngatjizeko's health, and early assessments of his performance were damning. *Insight Namibia*, in its annual 'Cabinet Scorecard' grading the performances of all the Ministers, gave Ngatjizeko a 'U' (Ungradable) in 2016, with the reasoning being that "the man has just been MIA and has been sickly. Everyone knew he was not going to perform when handed the portfolio and that has turned out to be true".[24]

The consensus amongst members of staff of MITSMED and of commentators has been that Namibia's industrial policy drive lost momentum with Ngatjizeko's appointment. In 2018 Ngatjizeko was replaced as Minister by Tjekero Tweya, who had previously served as Deputy Minister of Trade and Industry from 2010 to 2015. The jury is still out on Tweya, though to date there is no evidence that MITSMED has improved under his watch. The first MITSMED annual report to be released under his leadership was, sadly, of a particularly poor standard.

Indeed, at present MITSMED does not appear up to scratch for the industrial policy task at hand, plagued by idle work, bureaucratic inefficiencies, and infighting. An anonymous member of staff said that the Ministry is "not properly managed", with another calling the it "a big mess", even in comparison to other government ministries, suffering from a lack of motivation, and a distinct lack of direction from senior members of staff.[25]

There are question marks over several important members of staff. For example, a high-ranking member of staff at MITSMED is widely regarded as being corrupt and disruptive, but despite their reputation remain in their post, according to an anonymous source within MITSMED.

A general atmosphere of lethargy permeates such that even the motivated members of staff find it challenging. As one staff member stated: "The good guys, they come in, start their jobs, and then they realise that they can't move anything here, it is way to slow, people are stubborn, it is like they are working for their own ego and not seeing the greater good. And then they have two options – they either adapt, or they get another job".[26] Another member of staff stated the following: "I came from the private sector, so I realised eventually to relax. I now don't feel bad about days going by where I have not done much work".[27]

[22] Namibian Broadcasting Corporation. 2017. "Sparks fly as Moody's meet Namibian ministers in London." 9.8.2017. Available at: http://www.nbc.na/news/sparks-fly-moody%E2%80%99s-meet-namibian-ministers-london.12911 [accessed 16.8.2018].

[23] See, for example, Hirschman, A.O. 1968. "The Political Economy of Import-Substituting Industrialization in Latin America." The Quarterly Journal of Economics 82(1): 1-32.

[24] *Insight Namibia*. 2016. "Cabinet Scorecards 2016." See: http://www.insight.com.na/cabinet-scorecards-2016/

[25] Anonymous interviewee SQJRZVYH during field research, 25.1.2017.

[26] Anonymous interviewee SQJRZVYH during field research, 25.1.2017.

[27] Anonymous interviewee KK6P3BBX during field research, 18.5.2016.

This same interviewee said that early in their tenure at the Ministry a more senior official, responding to their energetic first few weeks in office, said “you need to learn to relax, this is government”.

Such a work environment obviously makes it hard for things to get done. For instance, the sub-sectoral strategy documents mentioned above have taken an enormously long time to write. The excessive delays were said to be the consequence of infighting within the Ministry, with two rival factions to-ing and fro-ing once the external consultants had completed the reports, both keen to receive final credit for the strategies, even at the expense of majorly delaying their completion.

The lack of drive and direction within MITSMED also explains why it has taken so long for NIDA to be launched. Government was silent on NIDA until the end of 2018 and, since then, NIDA has been dogged by issues over its funding, with infighting within Government again explaining the delays in its launch.[28]

Evidently, there are plenty of issues with how MITSMED works, which are undermining industrial policy. If the matter is to be resolved, MITSMED needs to be majorly reorganised such that it becomes more efficient, committed, and accountable. This will only occur with proper direction from central Government.

And so far, Government has been unwilling to pressurise for reform and better management of MITSMED to help industrial policy. This has also been the case with the National Planning Commission (NPC) and the SME Bank, two other Government organisations that were intended to support industrial development.

In the case of NPC, its efforts to co-ordinate between the various ministries in order to support economic and industrial development ultimately failed because the ministries refused to play ball, generally reacting negatively to calls from the NPC to change how they were operating. If the Government was serious about its industrial policy drive, it would have been able to have forced its ministries to more attentively heed the directions coming from NPC.

The disastrous case of the SME Bank is well-known.[29] Let it be merely stated here that it was clear that this institution, which should have served to support Namibians in their entrepreneurial endeavours, appears to have ended up being little more than a mechanism through which well-connected individuals could accrue wealth. The Government could and should have done more to ensure that the bank did the role that it was tasked with doing.

To conclude, the Namibian Government has not matched its rhetorical commitment to industrial policy with a well-executed plan. Whilst MITSMED has proven adept at writing coherent strategy documents, it has repeatedly shown itself to be unable to implement its plans. Inertia and infighting within the Ministry are part of the story. But more importantly, central Government has not taken up the necessary role of ensuring that MITSMED perform better. Moreover, the massive budget cuts imposed on MITSMED have, as already suggested, seriously constrained its ability to support Namibia’s push for wealth and job creation in the country.

What Needs To Be Done To Improve Industrial Policy?

The above depiction of a difficult environment (due to resistance from the private sector and from international actors) and of issues within Government (due to an apparent lack of commitment to industrial policy from SWAPO, and alleged mismanagement of MITSMED) would undoubtedly lead many of Namibia’s leading commentators to reaffirm, as suggested in the first paragraph of this report, that government should refrain from intervening in the economy. The economy is too complex, and the Government too poorly run, these voices argue, for active industrial policy to do anything other than stall the process of economic development.

This is precisely the opposite view to the one taken here. The SWAPO government should be commended for having launched an industrial policy (despite being faced with substantial opposition) to try to increase economic well-being in Namibia. As has already been argued, successful industrial policy has historically been the principal driver of economic development and wealth creation. ‘Free markets’ will not be enough to propel Namibia’s economy, as the first twenty years of independence, as well as the overwhelming majority of historical evidence, are testament to.[30] If the Namibian Government wants the country to increase its prosperity, it will have to play an active, constructive role in the economy.

To date, the Government’s record has been disappointing. Whilst willing to play a large role in the economy – government expenditure as a percentage of GDP and public sector employment as a percentage of total employment in Namibia are amongst the highest in the world – more often than not the state has not been the dynamic economic actor they could and should be. This is evidenced by the state

[28] For a summary of the scandal see “BoN takes over SME Bank.” Ndama Nakashole, The Namibian, 2.3.2017. See: https://www.namibian.com.na/161917/archive-read/BoN-takes-over-SME-Bank

[29] “Tug of war over N$95m.” Shinovene Immanuel, The Namibian, 16.1.2019. See: https://www.namibian.com.na/74677/read/Tug-of-war-over-N$95m

[30] For a good review of the historical record, see: Reinert, E. 2007. How rich countries got rich… And why poor countries stay poor. London: Constable. For a discussion of the political underpinnings of state-led development, see Kohli, A. 2004. State-directed development: Political power and industrialization in the global periphery. Cambridge: Cambridge University Press.

of many of the Government's much maligned state-owned enterprises, which waste resources and, in some instances, crowd out the private sector.[31]

Despite the Government's record on industrial policy to date, it is entirely plausible that Namibia's industrial policy can dramatically improve and serve as a vital catalyst for economic advancement. As studies have shown, states can 'learn by doing' in industrial policy and become increasingly committed to the industrial policy process as they start to see the benefits of their actions.[32] Significant improvement in industrial policy implementation should be an urgent priority for the Government and Namibian society at large.

If Namibia is to succeed in its industrial policy drive, SWAPO must start to take industrial policy seriously. This means, for instance, that:

- Money has to be put back into MITSMED so that some of its best projects can continue to operate
- MITSMED must be reformed so that staff are incentivised to committedly pursue industrial policy implementation, with greater levels of monitoring and evaluation
- A civil-servant exchange programme between Namibia and other African countries, whereby civil servants from abroad come to work temporarily in MITSMED and select MITSMED civil servants in turn work abroad to garner expertise, should be established
- Public procurement must work in such a way as to favour local manufacturers over local entrepreneurs who do not manage enterprises that actually produce goods within Namibia
- Temporary infant industry protection should be applied to certain sub-sectors of the economy that are identified as having the potential to expand
- The plans to repeal the manufacturing incentives have to be withdrawn, and more of the incentives that were supposedly previously offered to firms need to genuinely be established
- The process of registering as a manufacturing firm with the Ministry of Finance needs to be accelerated.

These are just a few examples of the type of policies that the Government need to be pursuing. MITSMED has proven itself to be very accomplished in the writing of reports, but there is clearly trepidation when it comes to implementing policies. Implementation is, of course, more challenging than report-writing, but once the ball gets rolling MITSMED staff will learn greatly, and ministerial habits will start to improve. Government should also involve leading Namibian experts in the industrial policy process. The likes of Herbert Jauch and Ellison Tjirera, for instance, have written comprehensively on the prospective role that government can play in economic development in Namibia.[33]

International opinion has shifted greatly in favour of industrial policy over the past decade, with leading economists such as Joseph Stiglitz and Dani Rodrik putting their full intellectual weight behind the importance of states actively guiding economic development.[34] The Namibian Government, too, has stated its commitment to the endeavour. But rhetorical commitment is not enough, and to date Namibia's industrial policy has been failing. The state must redouble its efforts and urgently reform industrial policy. If it does so, the prospects for Namibia, a country with lots of positive economic features, could be very bright indeed.

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31 Sherbourne, R. 2016. Guide to the Namibian Economy 2017. Windhoek: IPPR.

32 See, for example, Amsden, A. 1992. "A Theory of Government Intervention in Late Industrialization." In L. Putterman & D. Rueschemeyer (eds.), The State and Market: Synergy or Rivalry? Boulder, CO: Lynne Rienner.

33 See, for example, Jauch, H. & Tjirera, E. 2017. "The Need for a Developmental State Intervention in Namibia." In G. Kanyenze et al. (eds.) Towards Democratic Developmental States in Southern Africa. Harare: Weaver Press.

34 For Stiglitz, see Stiglitz, J. & Lin, J. (eds.) 2013. The Industrial Policy Revolution I: The Role of Government Beyond Ideology. Palgrave Macmillan. For Rodrik, see Rodrik, D. 2008. "Normalizing Industrial Policy." Commission on Growth and Development, Working Paper No.3.

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About Democracy Report

Democracy Report is a project of the IPPR which analyses and disseminates information relating to the legislative agenda of Namibia's Parliament. The project aims to promote public participation in debates concerning the work of Parliament by publishing regular analyses of legislation and other issues before the National Assembly and the National Council. Democracy Report is funded by the Embassy of Finland.

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The Institute for Public Policy Research (IPPR) is a not-for-profit organisation with a mission to deliver independent, analytical, critical yet constructive research on social, political and economic issues that affect development in Namibia. The IPPR was established in the belief that development is best promoted through free and critical debate informed by quality research.

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