

STATEMENT ON THE GOVERNMENT POSITION ON THE POLICY RECOMMENDATIONS MADE BY THE HLPNE FOR THE 2019 ECONOMIC SUMMIT, 1 AUGUST 2019

1. Finalization of NEEEB

The HLPNE sought clarity on specific areas regarding the enactment of the NEEEB. I will now respond to these issues, as follows:

In reponse to the concern raised pertaining to the roadmap: Cabinet agreed to expedite the finalization of NEEEB, acknowledging that certain provisions therein, as well as prolonged consultations on the Bill has created uncertainty for the private sector and prospective investors into the Namibian economy. To this end and as stated by His Excellency the President yesterday, finalization of NEEEB is a key priorities and the Bill will be tabled in Parliament within six (6) months.

With respect to the ownership pillar: The compulsory 25 percent equity has been removed. However, all Pillars will remain and be taken into account for enterprises doing business with Government and applying for natural resources licensing. This further clarify; an enterprise wanting to do business with Government will be expected to comply with all the Empowerment Pillars espoused in NEEEF. Evaluation of whether or not an enterprise complies, will be guided by a weighted scorecard.

Clarification was sought on the role of Sector Charters: NEEEB will refer to the need for Sector Charters. The equity threshold will be determined in the Sector Charters. Once adopted by industry through the Sector Charters, these thresholds will become binding for those enterprises wanting to do business with Government. The Scorecards would determine the preferred minimum scores for each Pillar of NEEEF, for businesses wanting to transact with Government via Public Procurement, mineral exploration rights and fishing quotas.

Clarification was also required with respect to the definition of PDP's, to which government respond as follows: The definition of the term 'Previously Disadvantage

Persons' for the NEEEB refers to the Namibian citizens that were racially disadvantaged by colonial and Apartheid Laws and practices before 21 March 1990.

Finally on the NEEEB, clarity was sought on what kind of businesses NEEEF applies to: For clarification, we reiterate that NEEEF will only apply to enterprises doing business with Government and applying for natural resource licensing.

Amendments to the Namibia Investment Promotion Act (NIPA)

1. The High Level Panel on the Namibian Economy (HLPNE) recommends to Government to clarify the status of the revised Act and share the substantive changes that have been effected to the Act during the Summit.

1.1 On the status of the Amendments: Subsequent to promulgation, the Act was put on hold to accommodate broader inputs by the private sector.

1.2 On the substance of changes effected:

Amendments were effected to address specific concerns raised, such as:

- The Act was perceived to grant the Minister a lot of discretionary power;
- Approval of investments was initially meant to be only for large scale projects, however ended up being applicable to even small scale projects;
- Owing to these shortcomings and others, the Act was perceived to be cumbersome and too bureaucratic; defeating its intended purpose as an instrument to promote investment.

2. The Panel further recommended to Government to expedite finalisation of the revised Namibia Investment Promotion Act and table the Act before Parliament during 2019:

Government has finalized revisions and the Bill will be tabled to the Cabinet Committee on Legislation and thereafter Cabinet before proceeding to Parliament. The Act could be operational by end of this Financial Year.

3. Public Procurement Act, 2015

The HLPNE recommends the following in respect of the Central Procurement Board of Namibia:

- 1) There is need to split the roles between the Accounting Officer's function and that of the Chairperson, to safeguard against conflict of interest and ensure adherence to corporate governance principles;**
- 2) Simplify bidding documents to prevent lengthy procurement process and enable local businesses to participate;**
- 3) Implement Section 69 of the Act: "The Minister may grant preferential treatment in procurement in pursuance of the developmental and empowerment policies of the Government"**

[RESPONSE] For all of the above issues and with the view to improve efficiency in the procurement of goods and services, Cabinet has agreed in principle to review and amend where necessary this Act during this current Financial Year.

4) However on the final recommendation, pertaining to the adjustment for pricing in local currencies to account for currency fluctuations:

[RESPONSE] Government is of the view that this recommendation exposes the Fiscus to risk of currency fluctuations and cannot be accepted. However, it is agreed that the procurement process takes long and the Act will be amended to shorten the process. In general, government recognizes the need to enhance efficiencies in the public procurement process, which should altogether minimize concerns such as this one in particular.

Overall, Government also has agreed with the proposal to have the Public Procurement Act reviewed and amended where necessary, which process will begin during the current financial year.

4. Loan to Value Regulation

Constraints are experience with regard to the Bank of Namibia Loan to Value Regulations and the Macro Prudential Policy. As it currently stands, prospective home-loan applicants for second residential properties is required to pay 20% of the market value of the residential property,

while the commercial bank will only finance 80% of the home-loan. For a third home-loan, the commercial bank will only finance 70% of the home-loan and the applicant will pay the remaining 30% and so forth.

In reply to this query, Cabinet has directed the Ministry of Finance to identify bottlenecks and take concrete measures to address the said bottlenecks.

5. Domestic Savings Application (DSA)

For the Namibian Economy to grow, the HPLNE recommends that domestic savings should effectively be intermediated into investment that are growth enhancing.

Cabinet agreed that Close Corporations should be allowed to participate in unlisted Investment, on condition that effective control measures such as provision of Audited Financial Statement is instituted.

6. Visa Regulations

It is indicated that the current Visa requirement can deprive Namibia from tourist spending, Foreign Direct Investment

and New Business Opportunities. The HLPNE recommends the introduction of a e-Visa or visa at entry point at a low nominal fee, provision of easy access for work visa for highly skilled professional and sort after skills, and provision of easy access for residence visa for foreign pensioners.

In order to ensure improved Visa regulations and entry requirements, Cabinet directed the Ministry of Home Affairs and Immigration to make concerted efforts to implement the following recommendations regarding business and residence Visa regulations to ensure improved entry requirements, in order to boost local economic growth:

- i) Introduction of e-visa or visa at entry point at a low nominal fee;
- ii) Provision of easy access for work visa for highly-skilled professionals and potential investors;
- iii) Provision of easy access for residence visa for foreign pensioners; and
- iv) Offering residence visa on the back of capital investment with a to-be-defined threshold; and

- v) Business people with already established businesses in Namibia should be given multiple entry visa valid for five years.

7. Construction Sector

Domestic Construction Companies face substantial challenges competing with foreign companies due to unlevelled playing field. This is due to requirements in relation to performance guarantees and collaterals. The other problem relates to the lack of an institution that regulate the construction sector.

Cabinet directed the Ministry of Works and Transport to introduce the National Construction Council and ensure that any additional regulations should not hinder the participation of SMEs in the building and construction sector.

8. Bush harvesting in communal areas for charcoal production

The problem is wood for charcoal is harvested mainly from commercial farms in central and northern Namibia. There are currently around 650 charcoal producers in the country, however, the majority of this producers are commercial

farmers as charcoal harvesting is not permitted in communal areas. The HLPNE recommends that bush harvesting permit be issued to communal farmers and that Government avails mechanism to assist the harvesting of charcoal in communal areas.

Cabinet agreed to the above mentioned recommendation on bush harvesting in communal areas to enhance sustainable utilization of natural resources.

9. Permitting the registration of bush feed as animal feed

A large number of Namibian farmers currently produce bush based animal feed, as an emergency and supplement feed for their animals. However, bush based animal feed is not yet commercialised because it does not meet the Ministry of Agriculture, Water and Forestry criteria for registration.

Cabinet directed the Ministry of Agriculture, Water and Forestry to ensure that bush based feed should be register as an emergency and supplementary animal feed and adopted as a commercial product to enhance further research and production by potential investors

10.Small Stock Marketing Scheme

In 2004, Government instituted small stock marketing scheme to stimulate local meat processing and imposed quantitative export restriction on the export of live sheep from Namibia. Currently, the scheme restriction involves a 1 – 1 ratio, allowing for one sheep to be exported for every sheep slaughtered in Namibia. The HLPNE found this scheme has not produced the intended result hence it must be abolished.

Cabinet, however, directed that the Scheme be suspended for a period of one (1) year to allow the Ministry of Agriculture, Water and Forestry to thoroughly review the scheme and establish incentive to discourage exportation of live stock on the hoof.

11.Leveraging Government Assets

Government owns wide range of immovable assets that are often not optimally utilised. These include land, building and infrastructure as well as natural resources such as mining, fish wildlife, public enterprises and social infrastructure. HLPNE

recommends leveraging initiatives for Government assets to raise capital to fund its social agenda and support productive activities.

Cabinet directs the Ministries of Works and Transport and Finance to expedite the development of the Policy on Public Assets Management and the Implementation Framework to ensure effective assets management and leveraging of Government Assets. However, measures should be instituted to ensure that the policy on Public Assets does not lead to the privatization of the provision of Public Goods and Services.

12. Public Private Partnerships (PPPs)

Due to limited financial resources, Public Capital Projects have experienced delays and cost over runs. PPP could mitigate some of these shortcomings, accelerate project implementation and inject additional funds into the economy. The HLPNE recommends to Government to consider the PPP model. For the procurement of complex large projects such as those of more than N\$ 250 million and with a lifespan of more than ten (10) year to leverage state assets to unlock liquidity.

Cabinet agreed on PPP, however, such partnerships should be referred to general principles of PPP rather than to specific projects.

13.Non-deductibility of Royalties

The Ministry of Finance announced changes to the Income Tax Act this year (2019). The said changes will disallow the deductibility of royalties and export levies for non- diamond entities. The HLPNE recommends that Government puts the proposed changes on hold for the time being, pending consultations with stakeholders in the Mining Industry.

Cabinet directed the HLPNE to engage the Mining Industry players on the matter and make appropriate recommendations to Cabinet for consideration;

Cabinet also directed the Ministry of Finance to consider suspending the no-deductibility of Royalties for a period of one (1) year while undertaking a study on the matter.

14.Brand Namibia Strategy

Namibia is known for its diversity covering a variety of achievements and opportunities but these have not been branded to attract potential investors. The HLPNE recommends to Government to design a National Brand Development Strategy to review and build a strong Namibian brand.

Cabinet agreed that Branding and Promoting Namibia (Brand Namibia Strategy) should be adopted by the Namibian Government.

ADDITIONAL CABINET POLCY POSITION:

1. In order to enhance economic development and improve investor confidence in the national economy, it is recommended that the implementation of NEEEB be accelerated within a short timeframe, in this regard the Office of the Prime Minister should accelerate the law making process and the implementation thereof through a clear roadmap and the implementation strategy;
2. In order to ensure compliance to the requirements of the NEEEF pillars, it is recommended that the Ministry of

Justice to publish the Financial Sector Charter and other various Sector Charters in the Government gazette;

3. It is further recommended that Ministry of Finance (Central Procurement Board PPB) to streamline the public procurement process, including acceleration of the timelines between invitation and adjudication of bids;
4. With the clear purpose of encouraging participation of local companies in the national economy, it is recommended that the Ministries of Industrialization, Trade and SME Development; and Finance to empower local construction companies to enable them to compete on a levelled playing field with foreign companies by establishing a Fidelity/Guarantee Fund and reserving specific projects for certain categories of Namibian companies, in line with of Clause 69 of the Public Procurement Act, 2015 (Act No. 15 of 2015); and
5. Ministry of Finance to conduct a comparative study within the Southern African Development Community (SADC) on income tax packages from exploration of natural resources, and establish a holistic resource strategy that would include a determination of whether Namibia should

or should not charge Royalties. A proposal of a model that would attract investment and ensure sufficient income tax revenue should be submitted to Cabinet for consideration within a period of one (1) year.