Chairperson,

Fellow Ministers,

Ladies and Gentlemen,

Introduction

1. Thank you for the opportunity to share my thoughts on the topic “promoting investment, trade, entrepreneurship and related development policies to foster sustained economic growth for sustainable and inclusive development” A very loaded topic some may argue, but then again it also speaks to pertinent issues facing the entire global village.

2. Not too long ago one might have thought this was a topic solely for developing nations. However, we are also well aware that while the world has experienced unprecedented economic growth and wealth creation until the onset of the recent and still ongoing global economic crisis, disparities between nations and in nations have continued to rise at the same time, posing a threat to sustained economic growth. Hence the topic under discussion today is not only relevant but also timely.
3. I do not want to pretend to be an expert on the issues at hand, as they are many and complex at the same time. Nevertheless, allow me to share with you my thinking on some of the issues up for debate today. In the interest of time I will restrict my intervention to the Namibian situation, which I hope will also contain some lessons for a global audience, as at the end of the day in an ever increasing globalized world the issues we face as nations are more and more similar on a daily basis. In the remainder of my intervention I will therefore focus on the following two points: one, the need for inclusive growth models; and two, the Namibian approach towards sustainable and inclusive development?

The need for inclusive growth models: goodbye Washington consensus

4. One of the fallacies of the Washington consensus exposed by still ongoing economic crisis was the notion of the so called invisible hand. It was generally believed that the market best knows how to allocated resources in an optimal manner and that state intervention should be minimal. We now know that this is not the case. In fact even strong supporters of the Washington based consensus cum “liaises faire” approach have changed their minds and during the midst of the crisis governments in all parts of the world in particular in the West turned to Keynesian stimulus support measures. In fact some of the important initial post crisis lessons is that of sustainability of both the Washington consensus and the Beijing consensus model of development. Certainly, the growing disparities in the wealth in income in nations and across nations was not sustainable and contributed significantly to this juncture where we are right now. On the other hand the heavily export and investment led growth model is also questioned and in this regard the Chinese authorities have rightly adopted a more sustainable growth approach in their latest five year plan with a stronger focus on domestic demand, which is necessary to “recouple” the richer Western Nation and equally many developing countries to benefit from a more sustainable overall global growth.
The Namibian approach: eclectic and pragmatic

5. In Namibia we have from the onset of Independence in 1990 focused on inclusiveness as a vital element of sustained growth and development. As many of you might be aware the Namibian nation, like many other young nations started from a very unequal situation at independence in 1990. At that point the Gini-coefficient that measures inequality measured 0.70 the highest in the world. In addition, wealth was distributed along racial and color lines and there was no strong SME or even informal sector; hence the initial conditions for sustained and inclusive economic growth did not exist in Namibia. Despite these Namibia did not enter a period of postwar conflict as was so often the case with newly independent states, and the economy started to recover with decent growth rates. While growth was not extraordinary high, it was steady and has translated into real per capita income gained, propelling Namibia into the league of upper middle income countries (a definition that we do not necessarily agree with, but is shows that steady progress was made) and the Gini coefficient declined to 0.58 in 2009, (the latest available data). How did we come to this point? In a nutshell we have adopted an eclectic and pragmatic approach towards economic development anchored in a strong commitment to addressing growth and inclusion at the same time; we remain of the view that these two objectives are not mutually exclusive. Like Chairman Deng Xiaoping we adopted the attitude that “the color of the cat does not matter, what matter is that the cat catches the mouse”.

Focusing on the basics

6. At the outset we adopted a policy of national reconciliation and high priority was put on peace and stability and safety and security. These enjoy top priority until today, it goes without saying that without peace and security sustainable development is just not possible. In this regard, domestic and foreign businesses alike can operate in Namibia in a safe and
secure environment. We have also put a high emphasis on other institutional factors critical for economic growth such as the rule of law, the protection of property rights and good governance. By all available measures such as the World Economic Competitiveness Forum, the Heritage Foundation, the Mo-Ibrahim Index, Transparency International and others Namibia consistently scores high on institutional indicators. May I also add that one of the key institutions, the media operates freely and with no interference at all in Namibia; it is for this reason that in-terms of media freedom Namibia is second to none in Africa and one of the leaders in the world.

The principle of social justice

7. To promote inclusivity which is necessary for sustainable economic development, the constitutional assembly enshrined into the Constitution of the Republic the principle of social justice, which implied that our economic growth would have to be inclusive. If you start off from a high degree of inequality and basically a dualistic economy that we had in Namibia, the issue of inclusiveness becomes critical for social cohesion and sustained economic growth. However, inclusiveness had to be promoted within the context of other equally important principles of the Namibian Constitution such as protection of private property rights to which we continue to remain committed and the principles of the mix economy (but predominantly market a marked based economy – Namibia had always had limited state interference in economic activity and even the number of state owned enterprises are limited by international comparison).

8. So how did we do it? Well for a start we deliberately invested heavily in education and the social upliftment of our people. Education for example continues to get the lion share of our National budget (about 25 percent of the National budget goes to education every year). Again in relative terms or spending on education as a percentage of total income Namibia is second to none on the entire African continent. Other social sector such as
health and the provision of sanitation and potable water also continue to enjoy top priority in Namibia. The percentage of urban dweller with access to potable water stands and 98 percent and we are committed to increase it to 100 percent during the next five years.

**Affirmative action, employment equity and black economic empowerment**

9. Focusing on basics and foundation issues are necessary but not always sufficient conditions for inclusive and sustained growth, especially in the context of Namibia where the disparities were and continue to be huge. For this reason Government has adopted an affirmative action and employment equity legislation. This piece of legislation basically encourages employers to address legacies of the past in their employment practices. It deliberately recognizes that discrimination was not done based on race alone but that there was also discrimination along gender lines and it also recognizes that people with disabilities was not part of the mainstream of society and economic activity. While relatively successful in addressing diversity at the workplace, it was recognized that more needs to be done to ensure a fair and more just society and in this regard, we are in the process of developing a New Equitable Economic Empowerment Framework (NEEEF), in our part of the world also referred to as Black Economic Empowerment. Again a key element of this framework will be skills and human capacity development, but it will also consider ownership, and procurement. At the outset I must emphasis that this policy measure is not about expropriation or indiscriminate repossession. This will not happen. We continue to live by the letter and the spirit of the Namibian Constitution that protects private property. It will mainly create a predictable framework for investment decisions. In fact even prior to the proposal for the economic empowerment framework economic sectors have already prepared voluntary transformational charters to promote diversity and economic empowerment. These will be incorporated in the new framework. We have for example charters on empowerment in the financial sector, fishing sector and tourism sector.
Principles of sustainable development

10. To further promote inclusive and sustainable development Namibia has adopted a number of principles that should guide or economic development. These principles are stated in our long-term vision, Vision 2030 and some of them are enshrined in the Constitution. These principles include: upholding the constitution and good governance; safety and security; the rule of law; partnership and capacity enhancement; people centered development and the protection of the environment and sustainability. Namibia was the first country in the world to enshrine the latter principle in her Constitution.

Strong macroeconomic fundamentals

11. Since Independence Namibia has actively managed macroeconomic stability through prudent and sustainable fiscal and monetary policy practices. Our fiscal position is sustainable and even after significant fiscal expansion during the global economic crisis, Namibia has a debt ratio of less than twenty five percent of GDP, one of the lowest in the world. Our fiscal policy is anchored in two key fiscal rules that stipulate that the budget deficit should not exceed 3 percent of GDP over the medium term, and that the total debt to GDP should not exceed 35 percent. We also predominantly finance the deficit from local resource mobilization that gives an additional impetus to financial sector deepening. Namibia has one of the biggest stock exchanges on the African continent by market capitalization.

12. The National Housing Income and Expenditure Survey (NHIES) of 2009/2010 shows that the incidence of relative poverty and extreme poverty in Namibia has been declining. It should be kept in mind that Namibia is using two methods to compute the incidence of poverty, i.e. through the Food
Consumption Approach (FCA) and the Cost of Basic Need Approach (CBNA). Based on the former, the incidence of both relative and extreme poverty has been decreasing since independence. Relative poverty fell by close to one-half over the past 7 years, i.e. from 38 percent in 1993/94 to 21.7 percent in 2009/10 (Table 7). Extreme poverty also fell very significantly, from 9.0 percent in 1993/94 to 4.0 percent in 2003/04 and only 2.0 percent in 2009/10. This progress on extreme poverty is in line with MDGs objective to eliminate extreme poverty by 2015. These results indicate that Government’s policies and programs are showing to have a positive result.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline 1993/94</th>
<th>2003/4</th>
<th>2009/10</th>
<th>MDG target 2015</th>
<th>Target/ achievable?</th>
</tr>
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<tbody>
<tr>
<td>Poor Household head (HH) (incl. severely poor HH) as a % of all HH</td>
<td>38</td>
<td>27.8</td>
<td>21.7</td>
<td>19</td>
<td>possible</td>
</tr>
<tr>
<td>Severely poor HH, as a % of all HH</td>
<td>9</td>
<td>4.0</td>
<td>2.0</td>
<td>6.9</td>
<td>met</td>
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13. Our monetary policy is fully independent and mandated to ensure low and stable prices. We have also managed to post balance of payment surpluses every year since independence except in 2009 during the brunt of the global economic crisis when export earnings from our export orientated industries such as minerals and tourism took a big knock. Due to our sound macroeconomic fundamentals Namibia was assigned investment grade ratings by Moody’s and Fitch and maintained it throughout the global economic crisis.

**Vision 2030 and Industrial Policy**

14. To anchor Namibia’s long-term development we have adopted Vision 2030 to propel us into the league of high income knowledge based industrialized Nation. At the center of this goal are human development and the social upliftment of all the Namibian people. We have acknowledged that our greatest assets are not our minerals or other raw materials but our people and we remain committed to develop this asset to a world class level.
Derived directly from Vision 2030 we have adopted new industrial policy with the following core objectives:

a. Manufacturing and the services sector constitute about 80 percent of the country’s Gross Domestic Product;

b. The country largely exports processed goods, which account for not less than 70 percent of total exports;

c. Namibia has an established network of modern infrastructure such as rail, road, telecommunications and port facilities; and

d. Namibia has a critical mass of knowledge workers and the contribution of small and medium sized enterprises

**The fourth National Development Plan (NDP4)**

15. We are currently in the process of formulating our fourth National Development Plan (NDP4). The five year development plans is the key implementing tool of our long-term Vision and all the aspects of sustained development will be incorporated in the next development plan. Three high level goals that incorporate the principles of inclusivity and sustainability have been formulated as follows: high and sustained economic growth; job creation; and increased income equality. Informed by our recently adopted industrial policy, we will have a more targeted approach to economic development targeting high growth and employment generation sectors such as manufacturing; tourism; agriculture and transport and logistics. At the same time basic enablers such as the institutional environment and education and health will continue to be promoted and reform.

**The business environment**

16. In addition to the Industrial Policy, the Ministry of Trade and Industry is in the process of developing an industrial strategy and implementation framework, that will include measures to further strengthen our business climate including streamlining of various business registration processes; review of our investment act; and review of support measures for industry
development; industrial upgrading programme; and establishment of a one stop center for investors to name but a few. We continue to value the importance of small and medium size enterprises as important vehicles for inclusive growth and job creation and therefore this sector will continue to be prioritized by the Ministry of Trade and Industry. In addition to these measures the Government is also pursuing various market access measures for Namibian enterprises through improved standards, and various bilateral and multilateral trade agreements.

**Conclusion**

17. These are some of the measures that the Namibian Government has adopted to promote inclusive and sustainable growth for all the Namibian people. As noted in my introduction I hope there are some lessons to be learned from the Namibian approach. I thank you for your kind attention.
Q. What are today’s crucial policy challenges in harnessing investment and entrepreneurship for sustainable development? What are countries’ experiences in this regard?

A. To logically answer such a question, it makes sense to divide the term investment up into its sub-parts which for this discussion would logically be: firstly, local or foreign, and secondly public or private. While a number of other divisions and classifications could be made, this division is useful for the purpose of this discussion.

The reason for such is that these classifications of investment tend to require very different policy frameworks. Public funds tend to require policies of providing social services and public goods, in order to encourage economic investment from private investors and attempt to realise a multiplier effect from private sector investment. The most critical aspects of public finance is rectification of market failure, and provision of an enabling environment for business, as well as equity and sustainability. This is to say, public finance should show returns in social terms (and to some extent economic). On the other hand private finance and investment generally has to see returns in monetary terms.

Challenges with creating an enabling environment for business and entrepreneurship are many fold, not least the popularity of doing such. While creating such an environment is critical to long term sustainability, there is often a risk that the public may wish to maximise short term gain and in the process experience long term loss (particularly foregone opportunity cost type losses) through inadequate investment and excessive consumption. This is particularly prevalent in
countries where there is a significant discrepancy between the rich and the poor. As such, the balance between social priorities and economic priorities is often only partially achieved if at all, resulting in long term stagnation rather than rapid economic development. That this is a challenge there exists no doubt, and reaching a suitable balance between investment and consumption, and between social and economic priorities is critical to success.

Q. What can be done to ensure responsible and sustainable foreign investment and maximize its role in mobilizing domestic investment and domestic productive capacity building? What lessons can be learned from countries’ experiences?

A. Foreign investment, depending on its source, can prove instrumental in changing the course of development for a country. At the same time, it can prove devastating to economic development if not handled correctly. Foreign investment can crowd out local investment, can have adverse effects on inflation, can harbour and cultivate corruption and can result in unsustainable debt levels and extortionate debt servicing costs. This said, if handled correctly, and it invested strategically foreign investment can deliver

Similarly, the format of this investment is critical in determining its role. Public investment in other countries (broadly defined as aid) can be strategically invested in public sector programmes designed at encouraging growth and employment, for example infrastructure development. In many instances, such investment may come hand in hand with technical expertise, critical to the successful utilisation of funds. Successful utilisation of such investment can result in a positive overall impact on social and economic priorities in the country, and create opportunities for further private sector investment.
On the other hand, foreign private sector investment (foreign direct investment) will generally only be received if a conducive environment for business is created, and if such investment can derive return for investors. Sustainability is critical in such so as to avoid exploitation of factors such as labour and environment. Further, care must be taken to ensure that such foreign investment does not crowd out local investment. This said, should foreign investment be strategic, particularly investment in large projects, the spin offs to local investment are often substantial. While foreign investment may, for example, open a mine, local investors may provide support services for the mine, growing local wealth and creating further spin offs.

In order to maximise success however and in order to achieve sustainable use of foreign investment, it is critical that such is used highly strategically. For the most part, this is best achieved if it is invested in specific projects, rather than as general budget support, or other forms of general investment.

Q. **What can be done to better equip the IIA regime to serve its purpose of promoting investment for development?**

Q. **What can be done to integrate enterprise development policies into countries’ overall development strategies with a view of maximising sustainable development benefits?**

A. Government policy on enterprise development should focus predominantly on the creation of a conducive environment for private sector to carry out business activities. In doing so, both internal investment, and foreign investment are likely to increase and drive development.
Many countries, in the developing world particularly, continue to integrate private sector development and competitiveness as an investment destination into their development plans. Strategies usually revolve around moving up the rankings in the Global Competitiveness Report of the World Economic Forum, and the World Bank’s Ease of Doing Business Report. These two reports encompass a number of the enabling factors required to attract foreign investment, from tax regimes to skills to access to finance. In targeting such, many countries will successfully attract foreign direct investment, particularly through favourable tax regimes and provision of infrastructure.

This said, in order to create a conducive environment for business, significant investment may be required (in for example infrastructure and skills development). In countries with relatively small revenue pools, limited access to debt instruments and limited public funds in general, this often proves a significant challenge. While positive spin offs to many of the pre-requisites for attracting investment can be seen, similarly many of the pre-requisite investments are themselves in fact not directly revenue or income generating (for example road construction). As such, funding these projects remains a challenge. In this area, public foreign investment can prove critical. As such, bilateral and multilateral agreements can greatly help to encourage foreign direct investment, as well as encourage local investment through the sharing of technical expertise and creation of economic opportunity.

Q. What initiatives for international cooperation and coordination in this field can be envisaged?

A. International agreements with regards to investment are likely to be critical for the rapid development of much of the developing world. If strategic partnerships can be drawn up, many countries struggling with
investment for capital intensive projects could be thrust forward at a substantially increase rate.

In order to achieve such however, it is important that governments seek partnerships of mutual benefit in areas where both can benefit from investment. This may require policy change, or favourable investment policies for countries or companies of certain nationality, as in the long run such partnerships may be crucial to development.

Strategic use of local and foreign investment will only be achieved if all individuals involved are on the same page in terms of priority. This is unlikely to be easy, however continued and increased development of the developing world is dependent on it.