ANNEX 3

NAMIBIA

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TABLES

I. THE ECONOMIC ENVIRONMENT

(1) MAIN FEATURES

1. The Republic of Namibia is on the west coast of sub-Saharan Africa, and borders Angola, Botswana, South Africa, Zambia, and Zimbabwe. About one third of its 1.82 million population (2000) live in urban centres.

2. Namibia was a middle-ranking "medium human development" country in 2000.[1] GDP was about US$1,750 per capita in 2001(Table I.1). It is a lower middle-income country; its living standards are on average higher than other those of sub-Saharan countries. Export growth in the traditional primary sector, mainly mining, agriculture, and fisheries, as well as manufactured products, especially processed fish and meat, has promoted development. Namibia has a relatively well developed basic infrastructure, such as transportation and telecommunication networks, and social services, such as education and health.

Table I.1
Main economic and social indicators

Land area	824,268 km^2	Urban share of population (2000)	30.9%
Population (2000)	1.82 million	Nominal GDP at current market prices (2001)	US$3.2 billion
Population growth (2001)	1.1%	GDP per capita (2001)	US$1,750
UN human development index (2000):		GDP per capita annual growth rate (1997-01)	12.0%
- Overall ranking	122	Nominal GDP at constant 1995 prices (2001)	N$15.4 billion
- Category	Medium human development	GDP shares (2001):	
		Primary	24.2%
		Secondary	10.8%
		Tertiary (incl. electricity, water & construct.)	65.0%
- Ranking within category	69	Enrolment ratio (net) in education (1998):	
Life expectancy at birth (2000)	44.7 years	primary	86
Infant mortality rate ^{o}/oo(2000)	56	secondary	31
Adult literacy (2000)	18%		

Source: UNDP (2002), *Human Development Report*; Bank of Namibia (2002), *Quarterly Bulletin*, December, Vol. 12, No. 4; Central Bureau of Statistics and National Planning Commission (2002), *National Accounts 1993-2001*, October.

3. The HIV/AIDS pandemic is threatening Namibia's economic and social progress. It has among the highest incidence rate (22.5% in 2001); and this is expected to rise to 23.3% in 2007.[2] Its UN human development index ranking slipped from 91st in 1995 to 122nd in 2000, due to deteriorating key social indicators; life expectancy dropped from 58.8 years in 1998 to 44.7 years in 2000. In September 1999, the Guidelines of the National Code on HIV/AIDS were implemented to have infected employees covered by health schemes. The Government's National AIDS Control Programme includes the pilot provision of anti-retroviral drugs. A national programme to supply such drugs to prevent "mother to baby" transmission started in February 2002, and will be expanded over the next five years. Combating HIV/AIDS will have long-term budgetary and other economic repercussions; the total cost of supplying anti-retroviral drugs to the affected population alone is estimated at N$7 billion.

(2) RECENT ECONOMIC DEVELOPMENTS

4. Real GDP growth slowed from 3.4% in 1999 to 2.4% in 2001 (Table I.2). Although mining is important, especially diamonds, due mainly to the depressed global diamond market and technical factors affecting output by major miners. Consequently, most growth has been from non-mining

[1] UNDP (2002).
[2] Hopolang (2002), p. 5.

activities, such as manufacturing and services, including tourism, transport, and communications. The fish sector's performance has been affected by restrictive catch limits set to re-build depleted fish stocks. Formal unemployment is high, at 20.1% in 2000 (up from 19.5% in 1997).[3]

Table I.2
Main macroeconomic trends, 1997-2001[a]

	1997	1998	1999	2000	2001[b]
Real GDP growth (%)	4.2	3.3	3.4	3.3	2.4
Non-mining	4.2	3.8	2.9	3.8	3.1
Unemployment (% of formal workforce)	19.5	..	..	20.1	..
Inflation (consumer prices, period average)	8.8	6.2	8.6	9.3	9.3
Money supply (M2) growth (%)	7.6	10.7	20.4	12.7	6.8
Bank credit growth (%)	-0.6	9.8	9.6	15.2	14.2
Private sector cedit growth (%)	13.4	10.0	5.5	16.9	16.9
Bank interest rate (%)	16.00	18.75	11.50	11.25	9.25
Prime lending interest rate (%)	20.0	23.55	16.7	15.9	14.0
Government fiscal balance (% of GDP, before grants)[c]	-2.9 (-2.5)	-4.1 (-3.9)	-3.5 (-3.2)	-1.7 (-1.5)	-5.0(-4.4)
Expenditure (% of GDP)	35.5	36.0	37.0	34.9	37.3
Growth (%)	10.1	13.2	14.6	8.8	19.1
Revenue (% of GDP)	33.0	32.1	33.8	33.4	33.0
Growth (%)	21.7	8.7	17.5	13.9	9.8
Balance of payments					
Trade balance (% of GDP)	-7.7	-8.4	-5.5	-4.8	-4.5
Current account (% of GDP)	2.3	2.4	1.9	2.8	-2.9
External reserves (months of imports, end-of-year)	1.6	1.8	2.1	2.6	2.0
Real effective exchange rate (annual change %)[d]	1.4	-5.5	0.8	3.0	1.1
Public debt (% share of GDP)	18.5	22.8	22.2	21.8	26.1
External debt (% of GDP)	2.0	2.9	3.6	3.9	5.6
Share of total debt (%)	11.0	16.6	12.3	17.9	21.6
Debt service ratio (% of merchandise exports)	5.6	8.2	9.3	11.3	16.6

.. Not available.

a Some data are for fiscal year i.e. 1 April to 31 March.
b Preliminary.
c Figures in brackets are after grants.
d Period average; a positive figure indicates a real effective appreciation of the N$. The figure for 2001 is the average change until October.

Source: Bank of Namibia (2002), *Quarterly Bulletin*, December; Central Bureau of Statistics and National Planning Commission (2002), *National Accounts 1993-2001*, October; and Namibian authorities.

(i) Fiscal policies and public sector reforms

5. Fiscal policy, aimed primarily at stimulating employment and investment, plays a crucial role in stabilizing the macro-economy because monetary policy is heavily constrained by Namibia's membership of the Common Monetary Area (CMA). Fiscal deficits (before grants) declined from 4.1% of GDP in 1998 to 1.7% in 2000, but rose sharply in 2001 to 5.0% (4.4% after grants). Expenditure growth of 19.1% in 2001, which substantially exceeded revenue growth of 9.8%, reflected mainly increased public service salaries, including introduction of an early retirement scheme; bailout of parastatals; and re-capitalization of Air Namibia. Total government debt, which is mainly domestic and is met from treasury bills and bonds, rose by 33% in 2001 to 26.1% of GDP, above the 25% benchmark set in the National Development Plan 2 (2002/02 to 2005/06). The 2001 budget deficit was also well above the Plan's target of around 3% of GDP (subsequently changed to 3.2% in the medium term) and needed to be reversed as a matter of urgency.[4]

[3] Broadly defined, including informal unemployment the figure is much higher, but has fallen from 34.5% in 1997 to 32% in 2000.
[4] Bank of Namibia (2002a), p. 59.

6. Fiscal debt and deficit targets were reinforced in the Government's Medium Term Expenditure Framework (MTEF) for 2001/02 to 2003/04, introduced in the 2001/02 Budget. MTEFs are three-year rolling budgetary plans designed to maintain fiscal discipline through strict expenditure ceilings for ministries, strategic prioritization of expenditure between and within sectors, and improved allocative or technical efficiency in using limited government resources.[5] The second MTEF (2002/03 to 2004/05) adopted another fiscal target to reduce government expenditure to "around" 30% of GDP i.e. 34.5% in fiscal year 2002, 31% in 2003 and 29% in 2004.[6] This will require substantial cuts in real expenditure, which was 37.3% of GDP in 2001 and running at 36.5% in 2002; it will not be achieved in the medium term. The fiscal deficit (after grants) was also expected to fall to 2.9% in fiscal year 2003 and 2.5% in 2004. Fiscal slippage has occurred in the MTEF; the sharp deficit increase in 2001 to 4.4% of GDP (after grants), although substantially better than first budgeted, exceeded the first MTEF projection of 3.6%, and the forecast for 2002 of 3.8% was above the MTEF level of 2.9% (and the 3.2% government benchmark).[7] The Government's total debt was projected to also rise further above the 25% target over the current MTEF to around 28-29% of GDP; the revised estimate for 2002 was 28.2%.[8] Such a continuing upward trend in public debt is not sustainable and will threaten economic stability.[9] Non-adherence to new targets may also undermine public confidence in fiscal stabilization policies, especially if not credible.[10]

7. The Government announced in 2002 that civil servant salaries would not be adjusted for inflation; instead wage negotiations are to occur every three years. Government is considering the results of a comprehensive review of the tax system, including the VAT (introduced in November 2000). The 30% VAT rate on luxury goods was replaced with the standard 15% rate from October 2002.[11] A land tax is being introduced.

8. Public sector reforms to improve efficiency and contain costs are a government priority. It is implementing a performance management system for civil servants. A new State Finance Act was reformulated in 2001 to strengthen the legal framework for expenditure management. The State-Owned Enterprise Council was established to oversee implementation of government policy on parastatals and to monitor performance, as well as a Divestiture Sub-Committee and the Central Governance Agency for privatization. While the Government supports privatizing state-owned enterprises, it has not specified any timeframe or list of priority entities for privatization. Parastatals

[5] The budgetary cycle consists of two budgets; the main budget is released in April at the beginning of the fiscal year and an additional (revised) budget is presented usually in October or November. Additional budgets have normally contained substantial upward revisions in revenue and expenditure. See IPPR (2002b).

[6] Projections under the MTEF are based on GDP growth forecasts of 17% in 2002, 13% in 2003, and 12% in 2004. Nominal GDP growth in 2001 was 13.5%.

[7] The improved fiscal deficits in 2001 and it seems for 2002 reflected mainly better revenue collection and under-spending on capital projects. According to Bank of Namibia, these outcomes "did not come from prudent fiscal management, but rather by chance" (2002c, p. 29).

[8] Public debt levels will rise considerably to around 32.5% of GDP if the Government takes over Air Namibia's debt (estimated at N$1.4 billion) as planned under its partial privatization, which has been delayed until 2003.

[9] Bank of Namibia (2002b), p.9. The Institute for Public Policy Research (IPPR) has also questioned whether the current fiscal policies are sustainable given that GDP share of domestic public debt has more than doubled since 1992 (IPPR, 2002a).

[10] Setting independent targets simultaneously for public debt and budget deficit to GDP shares may lead to inconsistent and unsustainable fiscal policies (IPPR, 2002a).

[11] The main products affected were wine, tobacco, leather goods, televisions, videos, audio equipment, motor cycles, watches, jewellery, firearms, and passenger cars above N$200,000. Eliminating the 30% VAT rate and replacing it with the standard uniform rate of 15% should benefit consumers and producers, improve tax efficiency by simplifying administration and reducing tax evasion, and may raise tax revenue (NEPRU, 2002), p. 2.

or ministries that do not meet their expenditure ceilings are no longer to be bailed out.[12] Some financially distressed parastatals, such as Air Namibia and TransNamib, still receive substantial government funding; in 2002, estimated spending on re-capitalizing and subsidizing parastatals was N$192 million. The five-year start-up subsidy for Namwater ended in 2002, at a total cost of N$125 million. The Government is trying to curtail widespread loan guarantees, especially to state-owned companies and on foreign borrowings, by endeavouring to wind back existing guarantees and providing no new ones. Contingent liabilities, increasingly to foreign institutions, from such non-transparent loan guarantees, have some thirteen-fold since 1996, to N$3.5 billion at end-August 2002, equivalent to 11.3% of GDP.[13] In 2002, the Government paid N$100.1 million to honour loan guarantees, such as for the Windhoek Country Club and Hotels and the Development Brigade Corporation.

(ii) Monetary and exchange rate policies

9. Namibia's CMA membership prevents it from pursuing an independent monetary policy; policy is set by the South African Reserve Bank (SARB). Namibian interest rates, the only monetary policy instrument, closely track South African levels. The Bank of Namibia's core aim is to control inflation and align interest rates at South African levels to support the fixed exchange rate parity of the Namibian dollar with the rand.[14] Although both currencies depreciated sharply during 2001, the CMA monetary authorities, including the Bank of Namibia, eased monetary conditions in line with South Africa to boost investor confidence and promote growth.[15] Namibian interest rates followed cuts by the SARB; the SARB rate fell in three steps from 11.25% in January 2001 to 9.25% in September. Commercial bank lending rates fell to 14.0% in 2001 (15.9% in 2000). While growth of bank credit and money supply (M2) fell (to 14.2% and 6.8% respectively) in 2001, inflation remained unchanged at 9.3%.

10. Eased monetary and expansionary fiscal policies in 2001 contributed to sharp increases in money supply and bank credit growth in 2002, raising inflation to 12%. The Bank of Namibia raised interest rates in line with South Africa. The Bank rate rose to 11% in early 2002, to 12% in the June quarter, and again to 12.75% in September 2002, to dampen inflation. However, the Bank rate was kept below the new SARB repo rate of 13.5% to mitigate the effects of high interest rates on the economy. Tighter monetary conditions currently appear to be slowing private-sector credit growth, especially to individuals, and dampening the economy.

11. The substantial nominal depreciation of the Namibian dollar against major currencies, especially the U.S. dollar, in 2001, followed that of the rand. However, due to Namibia's relatively high inflation, the Namibian dollar has appreciated in real terms against all currencies by about 5% since 1998, when it depreciated by almost 6%. Its real appreciation continued in 2002. This is likely to have helped undermine the competitiveness of Namibian products against imports and in export markets, thereby placing greater pressure for sound fiscal policies and structural reforms to boost productivity. However, Namibia's merchandise trade deficit to GDP declined (8.4% in 1998 to 4.5% in 2001). Foreign reserves dipped to 2 months of import cover in 2001 (2.6 in 2000).

[12] Budget Speech 2002/03, p. 13.

[13] The growth in guarantees tapered off sharply since 2000. About three quarters of current loan guarantees are issued to foreign entities, up from about half in 1996; only parastatals have foreign guarantees. Some guaranteed loans have high default risks that expose government to contingent liabilities and financial losses. Stringent steps were needed to review the procedures and guidelines used to issue guarantees to avert a potential financial crisis (Bank of Namibia, 2002c, pp. 22-23).

[14] The rand can circulate freely in Namibia but this is not the case for the Namibian dollar in South Africa.

[15] Bank of Namibia (2002a), p. 50.

12. Namibia adopted IMF Article VIII obligations in 1996, and has, according to the authorities, no current account exchange restrictions. CMA members in principle do not restrict capital flows between each other, unless needed to mobilize domestic resources for development.[16] Namibia's external debt service ratio rose sharply, to 16.6%, in 2001 (11.3% in 2000) as external debt increased (5.6% of GDP), largely due to its depreciating currency. Foreign debt as a share of total debt has increased sharply (21.6% in 2001, up from 11.0% in 1997). Borrowings from outside the CMA have increased; most foreign debt is currently held in major world currencies (US$ and euro).[17]

(3) TRADE PERFORMANCE

(i) Trade in goods

13. Mining, especially diamonds, dominates exports; they accounted for 55% and 41% in 2001 respectively, about the same as 1997 levels (Table I.3). Other exports include mainly fish, live animals, and meat, beverages and other foodstuffs. Exports are also heavily concentrated geographically towards South Africa and Europe, the destinations for most diamond exports.

Table I.3
Exports by major commodity and destination, 1997 and 2001
US$ million and per cent

Commodity/destination	**1997**		**2001**	
	Value	**Share**	**Value**	**Share**
Commodity				
Mining	760.4	55.5	552.8	55.3
Diamonds	554.4	40.4	413.5	41.4
Metal ores, including uranium	201.1	14.7	133.0	13.3
Other	4.9	0.4	6.3	0.6
Live animals and animal products	69.3	5.1	40.0	4.0
Fish and fish products	2.9	0.2	5.3	0.5
Manufactured products	537.5	39.2	401.3	40.2
Meat, meat preparations, hides & skins	91.1	6.6	44.3	4.4
Prepared and preserved fish	308.2	22.5	245.0	24.5
Beverages and other food products	70.9	5.2	68.3	6.8
Copper	43.1	3.1	19.9	2.0
Other	24.2	1.8	23.8	2.4
Total	**1,370.1**	**100.0**	**999.4**	**100.0**
Destination				
SACU	561.3	41.0	313.4	31.4
South Africa	520.3	38.0	308.5	30.9
Other Africa	84.7	6.2	71.7	7.1
Angola	67.7	4.9	58.5	5.9
Zimbabwe	8.0	0.6	3.1	0.3
Europe	559.0	40.8	550.9	55.1
United Kingdom	221.1	16.1	352.5	35.3
Switzerland	134.3	9.9	0.3	-
Spain	103.7	..	131.2	13.1
USA	61.1	4.5	29.5	3.0
Other	104.0	7.5	33.9	3.4
Total	**1,370.1**	**100.0**	**999.4**	**100.0**

.. Not available.
- Negligible.

Source: Central Bureau of Statistics and National Planning Commission (2002), *National Accounts 1993-2001*, October, p.27; and the Namibian authorities.

14. Imports consist primarily of machinery, including electrical equipment, transport equipment, including vehicles, chemicals, fuels, food and beverages, and metals. Imports are mainly (90%) from South Africa (Table I.4). Namibia’s trade (exports and imports) with SACU members, other than South Africa, is relatively minor.

[16] Pension and insurance funds must invest at least 35% of their investments in Namibia.
[17] IPPR (2002a), p. 4.

Table I.4
Imports by commodity and source, 1997 and 2001
US$ million and per cent

Commodity/source	1997		2001	
	Value (c.i.f.)	Share	Value (c.i.f.)	Share
Commodity				
Ores and minerals	40.0	2.2	26.2	2.0
Food, live animals, beverages and tobacco	363.6	20.3	170.0	12.9
Wool, paper and paper products, furniture	158.7	8.8	97.6	7.4
Textiles, clothing and footwear	134.4	7.5	71.5	5.4
Chemicals, plastics, medical and rubber	222.9	12.4	203.0	15.4
Fuels and lubricants	146.9	8.2	173.2	13.1
Metal and metal products	136.0	7.6	97.5	7.4
Non-metallic mineral products	48.9	2.7	36.1	2.7
Machinery and electrical equipment	295.8	16.5	247.0	18.7
Vehicles and transport equipment	239.7	13.4	195.1	14.8
Other	8.0	0.4	2.9	0.2
Total	**1,794.9**	**100.0**	**1,320.1**	**100.0**
Source				
SACU	1,435.9	80.0	1,140.3	86.4
South Africa	1,433.4	79.9	1,138.3	86.2
Other Africa	22.4	1.2	7.9	0.6
Zimbabwe	12.5	0.7	4.7	0.4
Europe	107.6	6.0	90.6	6.9
Germany	37.9	2.1	26.1	2.0
USA	22.2	1.2	11.9	0.9
China	5.7	0.3	14.4	1.1
Russian Federation	15.1	0.8	2.2	0.2
Japan	3.4	0.2	2.4	0.2
Chile	21.3	1.2	-	-
Other	161.3	9.1	50.4	3.7
Total	**1,794.9**	**100.0**	**1,320.1**	**100.0**

- Negligible.

Source: Central Bureau of Statistics and National Planning Commission (2002), *National Accounts 1993-2001*, October, p. 29; and the Namibian authorities.

(ii) Trade in services

15. Namibia is a net importer of services, especially of transportation and "other private services". In 2001, trade in services (invisibles) recorded a deficit of N$407.2 million (US$47.9 million).[18] A significant surplus was recorded on tourism (N$1,116.9 million or US$131.5 million in 2001).

(4) INVESTMENT PATTERNS

16. The stock of foreign direct investment (FDI) was US$1,906 million in 2001, up from US$1,807 million in 2000.[19]

17. Inward FDI more than doubled in 2001, from N$1,064.3 million (US$155.9 million) to N$2,758.8 million (US$324.7 million).[20] Unlike earlier years, most was foreign equity capital instead of reinvested earnings by domestic foreign companies. The main factors facilitating Namibia's inward FDI have been political stability, favourable macroeconomic environment, independent judicial system, protection of property and contractual rights, good quality of infrastructure, and easy access to South Africa.[21] Namibia seems to have substantially improved its FDI performance over the

[18] Bank of Namibia (2002b), p. 84.
[19] UNCTAD (2002).
[20] Bank of Namibia (2002a), p. 140 and (2002c), p. 85.
[21] Basu and Srinivasan (2002), p. 22.

past decade, progressing from an "under-performer with low FDI potential" in 1998-90 to a "front-runner FDI performer with high FDI potential" in 1998-00.[22]

(5) OUTLOOK

18. NDP2 projects average real GDP growth of 4.3% from fiscal years 2001 to 2005. Namibia's short-term economic performance relies heavily on the mining sector, especially diamonds, which in turn depends on global economic conditions and prices. While such developments are volatile, diamond exports appear to be rebounding, suggesting that future stockpiling of diamonds is unlikely. Several projects coming on-stream, such as the Skorpion zinc mining and refinery operations, and garment manufacturing by Ramatex, including for export, will also boost growth. Real GDP growth was revised upwards for both 2000 and 2001 to 3.3% and 2.4%, respectively (from 2.9% and 1.6%); growth is forecast at 3% in 2002 and 4.5% in 2003.[23]

19. Most growth is expected to come from non-diamond mining. Restrictive monetary policy and rising interest rates could control inflation, partly fuelled by the depreciated Namibian dollar, to around 10.5% in 2002 and 9.5% in 2003. However, escalating interest rates risk weakening domestic demand and growth. Other factors that could weaken Namibia's economic recovery are the stability of world oil prices, unfavourable weather conditions, and imprudent fiscal policy.[24]

[22] UNCTAD (2002). The analysis uses two indices. The Inward FDI Performance Index - the ratio of a country's share in global FDI flows to its share in global GDP - indicates how a country has performed in attracting FDI relative to its economic size. A value below unity means it has attracted less FDI than expected by its size. The Inward FDI Potential Index measures a country's potential for attracting FDI given its structural factors. It is derived from the unweighted normalized values of eight variables: GDP growth; GDP per capita; export share of GDP; telephone lines per 1,000 inhabitants; commercial energy use per capita; R&D share in gross national income; share of tertiary students of population; and country risk. Despite obvious limitations, comparing these two indices may give a rough guide to whether countries are performing adequately given their (restricted set of) structural assets. Namibia jumped in world ranking from 94th in 1988-90 to 63rd in 1998-00 on FDI Performance and from 98th to 68th on the FDI Potential Index.

[23] Bank of Namibia (2002b).

[24] Bank of Namibia (2002b), p.10.

II. TRADE AND INVESTMENT REGIMES

(1) POLICY FORMULATION AND IMPLEMENTATION

1. As a member of the Southern African Customs Union (SACU), Namibia's trade policy instruments are mostly set at the regional level (Main Report, Chapter II(2)). The Ministry of Trade and Industry retains primary responsibility for formulating and implementing trade and industry policies, especially in areas not covered by the SACU Agreement. Within the Ministry, foreign trade policy, including multilateral, regional, and bilateral trade relations, is handled by the Directorate of International Trade. The Directorate organizes export promotion activities and provides information to traders through the Trade Information Centre. The Research Subdivision was dissolved in 2001 and the research function transferred to the Trade Policy and External Trade Relations Division. The Import and Export Management Subdivision issues import and export permits and initiates strategies for streamlining import procedures. As from January 2003, standardized forms and permits were to be processed electronically and linked to customs. Other institutions that have important inputs into trade-related policies include the Ministries of Finance (budget, expenditure/revenue measures, including tariff policy); Mines and Energy; Fisheries and Marine Resources; Agriculture, Water and Rural Development; Environment and Tourism; Works, Transport and Communication; and Foreign Affairs, Information and Broadcasting; as well as the National Planning Commission of the Office of the President (development plans), and the Bank of Namibia (the Central Bank).

2. As a participant in the Regional Integration Facilitation Forum (previously called the Cross-Border Initiative), Namibia established a Technical Working Group of public and private representatives to provide policy advice through the Policy Implementation Committee, chaired by the Minister of Trade and Industry. The Government intends to institutionalize this Group. Furthermore, the 2002 SACU Agreement, provides for a National Body to be established in each member country; the Body will be in charge of SACU issues (including tariff changes) at the national level and will make recommendations to the Customs Union Commission (Main Report, Chapter II(2)(ii)(a)).

3. Trade-related policies are formulated by the sponsoring ministry, which undertakes detailed policy work, including research, national consultations, and considers submissions from interested stakeholders. The policy proposal is submitted to Cabinet as a memorandum and becomes government policy on approval. The Presidential Economic Advisory Council is coordinated by the Office of the President, and comprises senior officials and representatives from the private sector, academia, non-government organizations, employers' associations and trade unions. The WTO National Committee, comprising senior officials from various ministries and agencies and chaired by the Ministry of Trade and Industry, meets regularly. Sector-specific technical sub-committees such as on agriculture, intellectual property and, services, report to the Committee.

4. The Government established the independent Namibian Economic Policy Research Unit (NEPRU) to conduct economic research and advise on economic policies, including trade policies. It also trains Namibian economists in policy research and provides valuable public commentary on topical economic policy issues. An independent Institute for Public Policy Research (IPPR) was established in April 2001 to provide analytical research into social, political and economic, including trade, issues. An Industrial Development Committee comprising officials from the Ministries of Trade and Industry, and Finance, as well as the Bank of Namibia, was established to fast-track the development of key industrial projects and to stimulate manufacturing.

5. There is significant consultation or interaction between the public and private sectors on trade policy formulation and implementation. Private-sector representatives are usually members of

committees for coordinating government activities. The National Chamber of Commerce and Industry is the main body representing the private sector's views to government.

6. Trade liberalization and investment promotion remain key elements of Namibia's trade policy and development strategy.[25] The Government's main objectives are further trade liberalization and export expansion, including diversification of products and markets. Export promotion, through such measures as tax-based incentives and export-processing zones, remains a high priority for the Government to increase value added and non-traditional goods. Broadening Namibia's industrial base and promoting growth in small and medium-sized enterprises (SMEs) are key objectives of industrial policies. The Government aims to create a more enabling business environment to facilitate private sector development. To this end, entry barriers are being removed, and regulatory and administrative requirements (e.g. licences, permits, and registration procedures) are being simplified. Several programmes administered by the Ministry of Trade and Industry provide financial and institutional support. Furthermore, several trade-related laws have been enacted, revised or amended since 1998 (Table II.1).

Table II.1
Main trade-related legislation in Namibia, January 2003

Area	Legislation
Exports and imports	Customs and Excise Act, 1998; Value-Added Tax Amendment Act, 2002
Government procurement	Tender Board of Namibia Act, 1996
Agriculture	Agronomic Industry Act of 1992, and 1993 regulations; Meat Industry Act, 1981; Swameat Corporation Ordinance, 1986; Karakul Pelts and Wool Act, 1982; Agricultural (Commercial) Land Reform Act, 1995; Stock Brands Act
Fisheries	Marine Resources Act, 2000; Regulations Relating to the Exploitation of Marine Resources, 2001
Mining	Minerals (Process and Mining) Act, 1990; Diamond Act, 1999; Petroleum Products and Energy Act, 1990; Petroleum Exploration and Production Act, 1991
Services	The Electricity Act (No. 2), 2000; Electricity Regulations: Administrative Electricity Act, 2000; Bank of Namibia Act, 1997; Banking Institutions Act, 1998; Air Services Act, 1949 and 1998 amendments; Aviation Act, 1962 and 1998 amendments
Competition	Trade Practices Act, 1976; Merchandise Act, 1941
Intellectual property rights	Copyright and Neighbouring Rights Protection Act, 1994; Patents and Design Act, 1952; Patents Act, 1978; Proclamation No. 17 of 1923; Trade Marks in South West Africa Act, 1973
Price control	Petroleum Products and Energy Act, 1999
Economic zones	Export Processing Zones Act, 1995
Foreign investment	Foreign Investment Act, 1990 and 1993 amendments

Source: Information provided by the Namibian authorities.

7. The Second National Development Plan 2001/02-2005/06, prepared in close consultation with major stakeholders, was released in May 2001. The Plan sets ambitious targets for economic growth and poverty alleviation. It incorporates the National Poverty Reduction Action Programme.[26] Strategic measures identified to reduce poverty and unequal income distribution include more equitable and efficient delivery of public services; equitable and sustainable agricultural expansion; development of options for generating non-agricultural income; and provision of a safety net for vulnerable groups. The Government views rural development, including infrastructure and public services, employment, agricultural development, land tenure reforms and private-sector investment, as essential for alleviating poverty. Namibia's Vision 2030, which started in January 2000 and is due to

[25] A research report by NEPRU found that trade liberalization would contribute to economic growth and poverty alleviation (Hansohm et al., 1999).

[26] The Government produced a Poverty Reduction Strategy in 1998 and established a National Advisory Committee on Poverty Reduction.

be completed by early 2003, is being managed by the National Planning Commission; it involves wide consultations and input from the broad community.

(2) TRADE AGREEMENTS

8. Namibia's trade policy is heavily influenced by its WTO membership, to which it attaches great importance. It is committed to a liberal trade regime and it is in favour of the liberalization of world trade, including in agricultural products.[27] It would like small developing countries to gain from this process. Table II.2 shows selected recent notifications by Namibia to the WTO.

Table II.2
Selected Namibian notifications to WTO, as of September 2002

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
Agreement on Agriculture (Article 18.2)	Domestic support	Annual	G/AG/N/NAM/14 27 June 2001	Domestic support commitments for 1999/2000
Agreement on Agriculture (Articles 10 and 18.2)	Export subsidies	Annual	G/AG/N/NAM/12 27 June 2001	No export subsidies during 1999
Agreement on Agriculture (Article 5.7)	Special safeguard provisions	Annual	G/AG/N/NAM/13 27 June 2001	No special agricultural safeguards were invoked in 1999
Agreement on Implementation of Article VI of the GATT 1994 (Article 16.4)	Anti-dumping actions taken	Semi-annual	G/ADP/N/78/Add.1 12 October 2001	No anti-dumping actions taken during 1 January-30 June 2001
Agreement on Implementation of Article VI of the GATT 1994 (Article 18.5)	Laws and regulations	Once, then changes	G/ADP/N/1/NAM/1 28 February 1997	No laws and regulations on anti-dumping practices
Agreement on Implementation of Article VI of the GATT 1994 (Article 16.5)	Competent authorities	Once, then changes	G/ADP/N/14/Add.12 17 April 2001	South African Board on Tariffs and Trade notified as competent authority
GATT 1994 (Article VII - 22.2) Customs Valuation	Laws and regulations	Once, then changes	G/VAL/N/1/NAM/1 28 July 1999	Laws and regulations relevant to customs valuation
Agreement on Import Licensing Procedures (Article.7.3)	Questionnaire on import licensing procedures	Annual	G/LIC/N/3/NAM/3 6 April 2002	Replies on import licensing procedures
TRIPS (Article 63.2)	Laws and regulations	Once, then changes	IP/N/1/NAM/I/2 2 April 2001	Copy of the Unified Bill on Intellectual Property Rights
TRIPS (Articles 41 to 61)	Enforcement of intellectual property rights	Not specified	IP/N/6/NAM/1 30 March 2001	Checklist of issues on enforcement
TRIPS (Article 69)	Contact points	Once, then changes	IP/N/3/Rev.6 1 March 2002	Contact points notified for patents, trade marks and industrial designs; copyright; and for plant and animal varieties
Agreement on Pre-Shipment Inspection (Article 5)	Laws and regulations	Once, then changes	G/PSI/N/1/Add.6 6 June 1997	No laws or regulations on pre-shipment inspection
Agreement on Safeguards (Article 12.6)	Laws and regulations	Once, then changes	G/SG/N/1/NAM/2 19 June 2001	No laws or regulations on safeguards other than SACU provisions

Table II.2 (cont'd)

[27] WTO document G/AG/NG/W/143, 23 March 2001.

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
GATT 1994 (Article XVII:4(a) and Understanding on the interpretation of Article XVII:1	State-trading activities	Annual	G/STR/N/6/NAM 24 July 2000	State-trading enterprises
Agreement on Subsidies and Countervailing Measures (Article 25.11)	Countervailing actions taken	Semi-annual	G/SCM/N/75/Add.1/Rev.1 23 April 2002	No countervailing duty actions taken during 1 January-30 June 2001
Agreement on Subsidies and Countervailing Measures (Article 25.12)	Competent authorities	Once, then changes	G/SCM/18/Add.12 17 April 2001	Ministry of Trade and Industry and Ministry of Finance notified as competent authorities
Agreement on Technical Barriers to Trade (Annex 3, Paragraph C of Code of Good Practice for Preparation, Adoption and Application of Standards)	Acceptance or withdrawal from the Code of Good Practice	Once, then changes	G/TBT/CS/N/121 7 August 2000	Acceptance of Code of Good Practice
Agreement on Technical Barriers to Trade (Article 15.2)	Measures in existence to ensure implementation	Once, then changes	G/TBT/2/Add.42 9 December 1997	All standardization and quality assurance performed by South African Bureau of Standards
TRIMs (Article 6.2)	Publications about TRIMs	Not specified		Government gazette

Source: WTO documents.

9. Namibia is a member of the Southern African Development Community (SADC), and the African Union/African Economic Community, of which all SACU countries are also members (Chapter II, Common Report).[28] However, Namibia and Swaziland are the only SACU members that participate in the Common Market for Eastern and Southern Africa (COMESA), from which Lesotho has withdrawn (section (i) below). Namibia has concerns that its SACU membership may constrain its ability to further liberalize regional trade with non-SACU neighbours. It believes that the structure of SACU's Common External Tariff, so far set by South Africa (SA), is inappropriate for Namibia as it reflects South Africa's industrial patterns and imposes an anti-export bias on Namibian industries. Namibia's capacity to negotiate preferential trade agreements is further limited by the 2002 SACU Agreement (Main Report, Chapter II(2)(ii)).

10. Namibia is also concerned about the adverse economic impact of the EU-SA Trade, Development and Cooperation Agreement (TDCA), although the SACU members (Botswana, Lesotho, Namibia, and Swaziland (BLNS)) have agreed to its formation. Although the major products of interest to Namibia, such as beef, have been excluded from the TDCA, Namibia (and other SACU members) is de facto obliged to implement the reciprocal tariff preferences negotiated by South Africa on EU exports, without receiving corresponding improved market access to the EU. This situation is to be aggravated by the establishment of the EU/South Africa Free Trade Area in 2012, well ahead of 2020 as for other ACP states.[29] Of further concern are the revenue losses for Namibia from reduced tariffs on imports from the EU.[30] To address these concerns, the EU agreed to establish an appropriate institutional mechanism in consultation with Namibia (and Botswana,

[28] Namibia adopted the SADC Protocol of Trade on 7 August 2000 (ratified on 22 December 1998) and ratified the SADC Amendment Protocol on 4 July 2001 (signed 4 April 2001).

[29] Parliamentary Standing Committee on Economics (2001).

[30] The potential revenue loss for Namibia was estimated at almost 9% of total government revenue, BIDPA (1998). The revenue loss from the SACU pool was estimated at N$2.1 billion over 12 years, equivalent to a 35% reduction in 1997 tariff collections or 14% of the total SACU common revenue pool, and the loss to Namibia was estimated at N$549 million, or 35% of its SACU 1997 receipts. See Bank of Namibia (2002a), p. 43.

Lesotho, and Swaziland) to consolidate its existing trade preferences to BLNS beyond 2007, to improve immediate access, and to assist BLNS in fiscal restructuring commensurate with revenue losses from the TDCA.[31]

(i) Common Market for Eastern and Southern Africa (COMESA)

11. Namibia is a member of the COMESA, but has yet to ratify the Treaty.[32] The COMESA agenda is to deepen and broaden the integration process among member states through: the complete elimination of tariffs and non-tariff barriers to regional trade, and the adoption of a common external tariff (CET); the free movement of capital, labour, goods, and the right of establishment within COMESA; the adoption of a common set of standards and technical regulations, quality control procedures, certification schemes, and sanitary and phytosanitary regulations; the standardization of internal taxation (including value-added tax and excise duties), and conditions regarding industrial cooperation, particularly on company laws, intellectual property rights, and investment laws; application of harmonized competition policies; and the establishment of a Monetary Union.[33] COMESA was notified to the WTO under the Enabling Clause in 1995.

12. COMESA is thus to be a customs and monetary union. Its Free Trade Area (FTA) was launched on 1 November 2000; nine members met the deadline for implementation.[34] The status of the participation of several other members, including Namibia, varies considerably.[35] The customs union is to be implemented by 1 November 2004 with a common external tariff (CET) comprising four tariff bands: zero, 5%, 15%, and 30% (on capital goods, raw materials, intermediate goods, and final goods, respectively). However, since most COMESA members have maximum tariff bands below 30%, discussions are under way on the possibility of reducing the agreed CET rate on final goods.

13. Tariff preferences are subject to rules of origin requirements. COMESA provides four alternative criteria for determining origin on which an exporter may claim eligibility for preferential treatment: that goods are wholly produced in the region using no outside materials; that imported content of goods is no more than 60% of the c.i.f. value of the total cost of materials used in production; that goods contain not less than 35% ex-factory value added [36], reduced to 25% if the

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[31] Resolution adopted by the ACP-EU Joint Parliamentary Assembly on 1 November 2001 (ACP-EU 3296/01/fin).

[32] Other members are Angola, Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, the Democratic Republic of the Congo, and Zimbabwe. Tanzania, Lesotho and Mozambique have withdrawn.

[33] See COMESA online information. Available at: http://www.comesa.org/obj.htm.

[34] The nine members are Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia, and Zimbabwe. Merchandise trade between the FTA COMESA members is duty free, without exception.

[35] The status of implementation of the tariff reduction programme varies substantially among the members yet to join the FTA. Rwanda's published legislation provides for a tariff reduction of 80% from 1 January 2002, 90% from 1 January 2003 and 100% from 1 January 2004. Burundi has decided to introduce a further tariff reduction of 80% from the current level of 60% as from January 2003, and will effect a 100% reduction in January 2004 (on COMESA originating products). Consultations are continuing with the Democratic Republic of the Congo, Seychelles, Comoros, and Uganda. Eritrea and Ethiopia are still studying the implications of membership. Namibia and Swaziland (both SACU members) are under a derogation until 31 July 2003. This is intended to allow time for consultations between the COMESA Secretariat and the two countries, and to enable them to seek the concurrence of the other SACU member states. The COMESA Treaty therefore provides for a multi-speed integration programme.

[36] Value added is defined as the difference between the ex-factory cost of the finished product and the c.i.f. value of material inputs imported from outside the COMESA sub-region. The minimum level of value added was reduced from 45% to 35% in 2000. Egypt and Uganda maintain the 45% ex-factory value-added level.

final product is considered to be of "particular importance" to the economic development of a member state[37]; or that there is a change of tariff classification heading following transformation.

14. Namibia's trade within COMESA is relatively small. Its main COMESA trading partner is Angola, especially for exports.

15. The Monetary Harmonisation Programme is to be implemented in four phases, from 1992 to 2025. The final phase should culminate in full monetary union, with the use of irrevocable fixed exchange rates, a single currency or parallel currencies; full harmonization of economic, fiscal, and monetary policies of member states; full integration of the financial structure; pooling of foreign reserves; and the establishment of a common monetary authority. A coordinating body, comprising regional experts from central banks and finance ministries, was formed to oversee implementation of policy measures and to advance the process of monetary harmonization towards monetary union.

16. Several institutions have been established to assist COMESA members in their development. The Eastern and Southern African Trade and Development Bank (PTA Bank) provides trade and project financing to public and private investors domiciled in a bank member state.[38] The COMESA Clearing House has diminished in importance following liberalization of most members' foreign exchange regimes. Its role is being re-directed towards improving the efficiency of clearing operations to complement the services offered by commercial banks; providing traders with some form of political insurance on intra-regional trade; and facilitating monetary and fiscal policy harmonization within the region. Namibia is not a member of the PTA Re-Insurance Company (ZEP-RE), which assists the development of the insurance and re-insurance industry in the COMESA region. The Africa Trade Insurance Agency (ATIA), launched in August 2001, is aimed at creating investor confidence by providing cover against political risk. Although promoted by COMESA, membership of ATIA is open to all the member states of the African Union, formerly called the Organization of African Unity (OAU).[39] The COMESA Court of Justice became operational in 1998. Its general jurisdiction is to adjudicate upon all matters that may be referred to it under the Treaty. Namibia has not been involved in any formal disputes within this framework.

17. The protocol on free movement of persons is to be implemented in several stages; the first stage of removing visa requirements was adopted in 2000. While Namibia is not a signatory, it has bilaterally removed visa requirements for certain COMESA countries, including Angola, Tanzania, Zambia, and Zimbabwe.

(ii) Regional Integration Facilitation Forum (RIFF)

18. The Regional Integration Facilitation Forum (RIFF), formerly known as the Cross-Border Initiative (CBI), aims to move member countries (including Namibia) towards increased economic integration by facilitating private investment, trade, and payments between them, as well as cross-border mobility of labour and capital. Member states are countries in eastern and southern Africa and the Indian Ocean. The RIFF was developed in close collaboration with the economic integration organizations in the region. As a forum, the RIFF is to reinforce and complement efforts

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[37] A wide list of approved products is specified in the COMESA Treaty as being of particular importance to the economic development of the members.

[38] Not all COMESA members are members of the PTA Bank: Angola, Namibia, Seychelles, Swaziland, Uganda, and the Democratic Republic of the Congo are not members. Egypt joined the Bank in 2000. Since 1994, non-COMESA members are permitted become PTA Bank members; Somalia, Tanzania, and, since 2001, China are such members.

[39] Founding members of the ATIA are Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia. Only Tanzania is a non-COMESA country.

undertaken by these organizations. Launched in 1992, the RIFF is co-sponsored by the European Commission, the International Monetary Fund, the World Bank, and the African Development Bank. It has no Secretariat at the regional level and works on a voluntary basis.

(iii) Other trade agreements

19. Namibia's only bilateral preferential trade agreement was signed with Zimbabwe in 1992. This provides for reciprocal duty-free entry of each other's goods, subject to rules of origin requiring at least 25% local content for manufactured goods, and Namibia or Zimbabwe (as exporter) should be the last place of substantial manufacturing. Other eligible products include mineral products, vegetable products, live animals and their products, forest products, and seafood, provided they are wholly produced or obtained in either country. Namibian exporters must be registered with the Ministry of Finance and issued with a certificate of origin to receive preferential access. There is minimal trade between Namibia and Zimbabwe.

20. Due to Namibia's SACU membership, negotiations for a bilateral agreement with Zambia have formally ended and Zambia is instead negotiating with all SACU members.

21. Namibia maintains non-preferential or MFN agreements with China, Cuba, the People's Democratic Republic of Korea, Democratic Republic of the Congo, India, Ghana, Malaysia, Romania, and the Russian Federation. Many of these agreements pre-date WTO membership of trading partners. They generally contain provisions covering greater cooperation, such as on trade fairs and exhibitions as well as products in transit. No such arrangements have been signed since Namibia's last Trade Policy Review.

22. Namibia is eligible for GSP treatment from most industrialized countries. These provide preferential access at zero or reduced tariffs on eligible products, subject to rules of origin. Product coverage and rules of origin vary between countries, but generally require the goods to be wholly obtained or sufficiently processed in Namibia, as evidenced by certificates of origin from the Ministry of Finance. Namibia receives GSP treatment from Australia, Bulgaria, Canada, Czech Republic, the EU, Hungary, Japan, New Zealand, Norway, Poland, Russia, Slovak Republic, Switzerland, and the United States. According to authorities, GSP schemes are of limited importance to Namibia and benefit only a few industries because most are either dormant and unused by the business community or have been made obsolete by other preferential schemes, such as the AGOA with the United States and the Cotonou Agreement with the EU.

23. Namibia also receives preferential access to the EU market under the Cotonou Agreement, subject to meeting certain rules of origin (Main Report, Chapter II(6)(i)).[40] Exports of canned and fresh fish as well as other goods such as hides, skins and leather products, are quota and duty free. Beef exports are subject to an annual quota of 13,000 tonnes, dutiable at a reduced tariff equal to 8% of the specific element of the EU's composite duty. Namibia also exports seedless grapes and utilizes the full annual preferential quota for ACP countries of 900 tonnes. It is ineligible for the "Everything But Arms" (EBA) Initiative of the EU, which is available only to least developed countries.

24. While a beneficiary under the U.S. African Growth and Opportunity Act (AGOA) (Main Report, Chapter II(6)(ii)), Namibia was ineligible until recently for the enhanced access afforded to "lesser developed beneficiary sub-Saharan African countries", which extends duty free and quota-free preferential access to the U.S. market for apparel exports made of fabrics from any source until

[40] The Agreement permits cumulation of origin between ACP countries and the EU. Cumulation with South Africa will be permitted from 2003.

end September 2004, subject to a specific aggregate cap.[41] This limited preferential access - for Namibia's apparel exports to garments using U.S.-made fabric, or for some clothing items using sub-Saharan African-made fabrics, U.S.-made fabrics or sub-Saharan African yarn – is subject also to the specific aggregate cap on U.S. imports. However, the United States extended from 6 August 2002 "lesser developed country status" to Namibia, despite its relatively high GNP, thereby allowing producers to use third-country fabric in qualifying clothing exports (so-called AGOA II). According to authorities, AGOA has generated substantial investment in Namibian textiles and clothing industries, and exports to the United States have increased steadily. Other industries potentially benefiting from AGOA are ostrich meat, grapes, dates, fish, and handicrafts.

(3) INVESTMENT FRAMEWORK

25. Namibia’s investment framework has undergone no significant changes since 1998. The 1990 Foreign Investment Act and its 1993 amendments remain the cornerstone of its foreign investment policy. Tax incentives are available to domestic and foreign investors, and include a 50% income tax rebate for the first five years, which is phased out uniformly over ten years. Special tax incentives are also available to exporters, including more generous provisions for those with Export Processing Zone (EPZ) status. Exporters of manufactured goods, other than meat and fish products, whether or not Namibian made, receive an 80% tax allowance on such income. A special tax package may also be negotiated through the Ministry of Trade and Industry for investors establishing new manufacturing operations in Namibia.[42] However, investment incentives have not been a major factor in attracting investment. The main factors have been political stability; favourable macroeconomic stability; an independent judicial system and protection of property and contractual rights; good quality infrastructure; and easy trade access to South Africa.[43] By end-1998, Namibia had fully liberalized its investment approval procedures and published its investment code.

26. The Namibian Investment Centre under the Ministry of Trade and Industry serves as a "one-stop" shop to help investors with information and assist with customs, incentives, and other approval procedures. All activities are open to foreign investors.[44] No foreign equity limits or joint-venture requirements exist, except in fishing where certain local-participation requirements may apply under "Namibianization" policies. Otherwise, foreign investors receive national treatment. Foreign investment approval is only required where the investor is applying for a Certificate of Status Investment (CSI). This requires minimum investment of N$2 million (or acquisition of not less than 10% of the share capital of a Namibian company) and the project to be assessed as contributing to Namibia’s development, employment, workforce training, using local goods or generating foreign exchange. No performance requirements exist. CSI status is free of fees and provides additional benefits to foreign investors, like exemption from any future decisions to reserve activities to

[41] Namibia’s per capita gross national product in 1998 exceeded the threshold of US$1,500 set under AGOA for "lesser developed beneficiary sub-Saharan African countries". Namibia was declared eligible for AGOA benefits by the United States on 2 October 2000, and eligible for the apparel provisions on 3 December 2001. Also covered are non-clothing products grown or produced in sub-Saharan African beneficiary countries, subject to rules of origin requiring local materials and direct processing costs to be at least 35% of the products appraised value when it enters the United States (the transaction value or adjusted f.o.b. price).

[42] These negotiations cover the tax rate and related terms, and approval by the Minister of Finance is based on recommendations of the Minister of Trade and Industry. Terms and conditions are published in the *Official Gazette*. To obtain such special tax packages investors must show that no existing industry will be "unfairly disadvantaged" and that the project will contribute to Namibia’s long-term economic growth.

[43] Basu and Srinivasan (2002).

[44] Although the legislation enables the Minister of Trade and Industry to specify that certain activities are reserved for Namibians, this has not been used.

Namibians, and the right to international arbitration in case of governmental disputes. Foreign ownership restrictions apply to agricultural land.

27. Namibia is a member of the Multilateral Investment Guarantee Agency (MIGA). It has ratified bilateral reciprocal investment promotion and protection treaties with Germany, Malaysia, and Switzerland, and is in the process of ratifying agreements with Cuba, Finland, France, the United Kingdom, and Northern Ireland. Treaties are also being signed with Austria, Italy, the Netherlands, and Spain, and negotiations are continuing with several other countries, including Belgium, Luxemburg, Romania, Zimbabwe, and South Africa. Namibia has signed double taxation agreements with South Africa, France, Sweden, Germany, India, Mauritius, The United Kingdom, Russia, Malaysia, and Portugal, and an agreement with Mali is to be ratified. It is ready to ratify accession to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States.

(4) TECHNICAL ASSISTANCE

28. In the development of its trade policy, Namibia faces constraints related to the implementation of WTO Agreements and the training of officials, as well as supply-side constraints. In addition, with no diplomatic representation in Geneva, it is difficult for Namibia to engage in the day-to-day activities of the WTO.[45] These constraints can be addressed through a focused, targeted programme of technical assistance and capacity building, as well as through greater coordination amongst the providers of such trade-related technical assistance.

(i) Implementation of WTO Agreements and training of officials

29. Namibia is having some difficulties implementing the WTO Agreements. Namibia is in the process of institutional and legislative reforms. The Government has been enacting new legislation, such as the Companies Law, Competition Law, and an Intellectual Property Law, in an effort to repeal old laws. The Ministry of Trade and Industry, responsible for the formulation and implementation of trade policy, has no legal experts to assist in the drafting of trade-related legislation. Namibia recognizes that legal drafting is a national problem and is seeking ways to address the issue including the possibility of collaborating with local law schools. It has expressed the need for assistance (training in particular) in this area.

30. Namibia has no legislation on anti-dumping, safeguards or countervailing measures. It would therefore benefit from a technical workshop on trade remedies. Namibia's laws on intellectual property rights were reviewed by the TRIPS Council in 2001; Namibia now faces the challenge of enforcement. It has expressed the need to enforce/strengthen customs procedures (including customs valuation, rules of origin, inspection/investigations) as well as for intensive training of customs and police officers. This would also assist in identifying and impounding counterfeit goods. More infrastructural development and trained officials are required for Namibia to be able to comply with SPS requirements.

31. Namibia has expressed the need to train officials and to sensitize the public and private sectors on trade policy matters. Namibia recognizes the important role of Members of Parliament and of the media, and has requested the WTO to organize seminars for the two groups. The sensitization

[45] As a non-resident member, Namibia has participated in the several Geneva Weeks, organized by the WTO Secretariat. Geneva Week is where officials from non-resident countries are briefed, in Geneva, on the state of play in the work of the WTO, including briefings on the ongoing negotiations. Namibia also makes use of the assistance provided to non-residents by the Agency for International Trade Information and Cooperation (AITIC).

of all stake holders, the civil society, the media, and academia, would increase public awareness of the multilateral trading system.

32. Namibia has no institutional experience on the past negotiations because South Africa negotiated on its behalf during the Uruguay Round. Training on negotiating skills would enhance Namibia's participation in the current negotiations under the Doha Development Agenda. In its technical assistance needs, in pursuance of the Doha Development agenda, Namibia has highlighted the need for a national seminar on negotiations on market access for non-agricultural products, with particular emphasis on negotiating modalities; revenue implications; and special and differential treatment. In addition, Namibia has requested national workshops and seminars in the following areas: Agriculture; TRIPS and the Doha aftermath; integrated data base, notifications and tariff negotiations; Singapore issues (investment, competition, government procurement, and trade facilitation); and scheduling of services commitments. Training in this area would not only assist Namibia in the Doha negotiations, but also in the negotiations in COMESA, SADC, ACP-EU, and SACU.

33. Since 1995, seven national seminars/workshops have been organized in Namibia by the WTO Secretariat.[46] In addition, Namibia has participated in numerous regional activities.[47] From 1995 to 2002, four Namibian officials benefited from the three-month regular trade policy courses held at the WTO Secretariat. Namibia has also recently sent one official to each of the trade policy courses held in Kenya and Geneva. These courses have been of great benefit to Namibia and further participation would enhance the trade capacity of officials.

34. Namibia's trade capacity could be further enhanced through the "Trade and Poverty Programme" being implemented by the UK Department for International Development (DFID). The objective of the programme is to enhance the capacity of some sub-Saharan African countries to formulate, negotiate, and integrate trade policy into national development plans. However, it should be noted that in Namibia, trade is recognized as an important element in improving the standard of living. In this regard, trade is featured in the country's National Development Plan, as a contributing factor to development.

35. There is also extensive coordination on trade matters. Namibia has a National WTO Committee, which is an inter-ministerial committee dealing with WTO matters. In its technical assistance request for 2002/03, Namibia has indicated a need for a five-day briefing/technical mission to the WTO Secretariat by members of the Committee. Coordination of donors, at the bilateral and multilateral levels, should improve efficiency in the provision of technical assistance.

[46] National Workshop on Specific WTO Agreements (1998); National Seminar on Trade negotiations (1998); Establishment of a WTO Reference Centre (1998); Legal Advisory mission (1999); National Seminar on WTO Agreements (1999); National Seminar on Agriculture (2001); and Trade Policy Review Technical Mission (2002).

[47] Regional Seminar on SPS for Southern African Developing Countries (Namibia, 1999); Conference on TRIPS Agreement and Implementation Requirements (Botswana, 1999); Regional Seminar on Trade and Environment (South Africa, 2000); Rules Implementation Seminar (South Africa, 2000); Regional Workshop on Competition Policy (South Africa, 2001); Seminar for SADC countries on Agriculture and the WTO (Botswana, 2001); WTO/ISO Workshop on International Standard Settings for Sub-Saharan Africa (Kenya, 2002); Intensive Training Course on Trade and Investment for Anglophone Africa (South Africa, 2002); First WTO-ECA-AfDB Trade Policy Course for African Countries (Ethiopia, 2002); SACU Trade Policy Review Seminar (Lesotho, 2002); and Trade and Environment Seminar (Namibia, 2002).

(ii) Supply-side constraints

36. The Government of Namibia has taken a number of initiatives to address supply-side constraints. Namibia has an enabling infrastructure for trade promotion. It has good road infrastructure linking it to its neighbours, Angola, Botswana, South Africa, Zambia, and Zimbabwe. The Trans-Kalahari and the Trans-Caprivi Highways provide a good link to Namibia's main port of Walvis Bay. This is a key corridor for commercial traffic to and from Namibia and other landlocked countries. In addition to transport development, the Government has invested heavily in upgrading telecommunications, including mobile services.

37. Namibia's economy is small and export dependent. It needs to produce more for external markets for growth. The government has taken initiatives to facilitate and promote exports, as well as investment into the country. The Ministry of Trade and Industry provides an information service through its Trade Information Centre. The Centre enables Namibian companies to research existing and potential export markets. The information provided includes product and market information, trade regulatory information, and business opportunities.

38. The Namibian Investment Centre was created under the Foreign Investment Act of 1990 to attract, encourage and facilitate investment into the country. The Centre assists investors with regulatory issues such as resident and work permits. Namibia's benefit from the African Growth and Opportunity Act (AGOA) may further boost its ability to attract investors in its growing textile and garment industry. Namibia's most significant success in attracting foreign investment is the establishment of the Ramatex Namibia Textile Plant in Windhoek.

39. The Government is aware of the need to diversify the economy and is encouraging the development of manufacturing and mining activities. Namibia's most recent diamond mine, Daberas mine, opened in May 2002. It is capable of processing nearly 4 million tons of diamond-bearing gravel annually.[48] Agricultural production is also expanding beyond the traditional livestock and subsistence farming to include grapes and cotton, as well as leather processing.

[48] *INVEST-DEVELOP*: *Namibia's Investment Newsletter*, Issue 2, 21 June 2002.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) OVERVIEW

1. Namibia has streamlined customs procedures, based on the Automated System for Customs Data and Management (ASYCUDA). Few significant changes have occurred in import-licensing since 1998. All imports are licensed; licensing of certain products is non-automatic (e.g. fish, meat, and seemingly second-hand goods), and requires a permit from the relevant ministry. Seasonal import bans on white maize, maize meal, wheat, and wheat flour ensure the domestic crop is used first. The Namibian Agronomic Board regulates the trade of controlled cereals, including exports. The Meat Board controls the trade of live animals and meat. Tariff quotas apply to wheat and certain dairy products. Imports of some products are prohibited for health, phytosanitary, safety, and environmental reasons.

2. The Government intends to strengthen its standards and conformity testing procedures. The planned Namibian Standards Board will reduce Namibia’s reliance on the South African Standards Board. Namibian standards are to be based on South African and international norms. The Tender Board lets all government procurement contracts above N$10,000 by public tender. Namibian suppliers receive price preferences based on local content. Namibia is neither a member nor an observer of the WTO Government Procurement Agreement.

3. In November 2000, a VAT replaced the sales taxes. The only export tax is levied at 1% on diamonds). Exports are subject to licences; some are non-automatic. Exporters, especially those with EPZ status, benefit from a range of incentives, including income tax concessions and tariff exemptions on imported inputs. Manufacturers also receive income tax concessions, and new investors in manufacturing may negotiate special tax packages.

4. Namibia has several parastatals some of which hold monopolies or exclusive rights, e.g. over supply of utilities. Many have performed poorly, and the Government is taking steps to improve their performance, including possible privatization. Draft competition legislation is to be implemented in 2003. Namibia has taken important steps to strengthen intellectual property protection; copyright legislation was amended in 2000, and new legislation is to be passed on industrial property in early 2003.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Registration, and import duties and related measures

5. Under the SACU Agreement, BLNS countries, including Namibia, apply import duties and related measures in line with South Africa. However, applied customs tariffs, excise duties, valuation methods, origin rules, and contingency trade remedies are, so far, the only trade policy measures harmonized throughout SACU. These common policy measures are covered under the Main Report. For import duties and related measures, there are differences among SACU members in customs procedures, import duties (other than customs tariffs and excise duties), and duty and tax concessions.

6. Importers must have an import permit from the Ministry of Trade and Industry and be a Namibian citizen or resident. Use of customs clearing agents is optional. Agents are licensed by the Directorate of Customs and Excise in the Ministry of Finance.

7. Namibia has streamlined its customs procedures. It uses a single administrative document (NAMSAD 500) for customs declaration, and has adopted the ASYCUDA system. According to authorities, this system works well, and covers some 90% of entry points. Namibia intends to upgrade

to ASYCUDA ++ during 2003. It introduced its own Customs and Excise Act (Act No. 20) in 1998 to replace the South African legislation. Customs maintains a consolidated monthly import entry procedure to enable regular importers of SACU products to enter them on a monthly customs declaration. It also has a direct trader input System (DTI) linked to the ASYCUDA system. The DTI is for use by cargo carriers and freight forwarders and enables entry documentation to be processed electronically. According to the authorities, it takes on average two to four hours to clear commercial imports, provided that all documents are in order. A bond guarantee system operates.

8. Namibia has invoked the SACU provisions available to BLNS countries to protect infant industries on three occasions. The industries concerned are: UHT milk production (implemented in 2001), pasta (implemented in 2002), and broilers (granted in 2002 but yet to be implemented); a new pasta factory has been established. The arrangements allow additional tariffs on all imports, including from SACU countries, to be phased out over eight years. These additional tariffs were set at: 10% for three years, 7% for three years, and 4% for two years for UHT milk; 40% for four years, 30% for two years, and 20% for two years for pasta; and 46% additional tariffs for four years, 30% for two years, and 20% for two years for broiler production, which received the highest infant industry protection.

9. The SACU agreement contains no criteria on how these provisions are to be applied; the industry must simply be an infant industry, i.e. younger than eight years. Namibia also has no specific guidelines or public procedures for determining whether to grant such protection and at what levels. The relevant ministry consults all stakeholders, including importers, producers, and consumers. Criteria used to assess a request for infant industry protection include employment, foreign exchange earnings, and other benefits to the economy. The applicant must provide precise details of planned activities, including production and prices. Prices are monitored after protection is imposed to ensure that they remain competitive.

10. Namibia's three statutory marketing boards collect various producer and processor levies to finance their operations, including promotional and research activities. For example, the Namibian Agronomic Board sets a producer levy of 2.6% on maize and wheat production; a processor levy of 0.65% on local and imported milled maize and wheat; and, from 8 August 2002, a horticultural levy of 1.2% on all such products produced and imported (Agronomic Industry Act No. 20 of 1992).[49] All levies apply equally to imports. A fuel levy also applies to all petroleum products sold in Namibia.

11. In November 2000, the general sales tax (GST) and the additional sales duty (ASD) were replaced with a value added-tax (VAT) on goods and services at a general rate of 15%; some products, such as exports, are zero-rated, while a number of basic household commodities and services, such as medical, education, and certain financial services, are exempt.[50] Certain luxury goods were taxed at a higher VAT rate of 30%; however, these products became subject to the standard rate of 15% from October 2002 when the 30% rate was abolished (Value-Added Tax Amendment Act, No. 6 of 2002). The VAT is applied uniformly to domestic and imported goods, including from other SACU members. The base for levying VAT on imports varied slightly between

[49] The levies are applied to prices set periodically by the Board, and cannot exceed the producer price or the "landed cost" price of imports (purchase price, including any taxes and duties, and transport costs to the final destination in Namibia). Horticultural products covered by the levy are specifically listed, and cover a wide range of fruit and vegetables (Government Notices No. 145, 146 and 147, *Government Gazette* of 30 August 2002).

[50] Suppliers of zero-rated products (e.g. exporters), can claim tax credits for VAT paid on inputs, while those of exempt products cannot.

SACU and non-SACU countries until 1 October 2002.[51] Since then, VAT is levied on all imports based on the f.o.b. price plus 10% or, if greater, the "open market value" of the product (Value-Added Tax Amendment Act, No. 6 of 2002). This change effectively extended the base applied to SACU imports, (landed duty free) to non-SACU imports which were previously taxed on their landed duty-paid price. For administrative reasons, this usually means that imports are levied VAT on the f.o.b. price plus 10%, thereby avoiding the difficulties of determining an open market value. This implies that, tariff-dutiable imports may be treated favourably over domestic goods since VAT is not levied on the import parity (the landed duty-paid) price.

(ii) Import prohibitions and licensing

12. Few significant changes have occurred in Namibia's import licensing regime since 1998. All imports, including agricultural commodities, must be licensed by the Ministry of Trade and Industry. In general, the licences are for statistical purposes (automatic licences). However, non-automatic licensing applies to imports of medicines; chemicals; frozen, chilled, fish and meat; live animals and genetic materials; controlled petroleum products; firearms and explosives; diamonds, gold and other minerals; and seemingly all second-hand goods such as clothing and motor vehicles. The issuance of a non-automatic licence is generally subject to a permit from the relevant ministry, for example, the Health Ministry for medicines, the Ministry of Mines and Energy for minerals, and the Ministry of Environment and Tourism for endangered species covered by the Convention on International Trade in Endangered Species of Wild fauna and flora (CITES).

13. Imports of meat for re-export are banned, according to authorities, to help satisfy EU food safety requirements for beef exports, including tracing of animals. Namibia also prohibits imports of cigarettes with a mass above 2 kg. per 1,000 cigarettes. Whole-grain (white) maize, maize meal, wheat and wheat flour are subject to seasonal import bans; import licences are not issued until all locally-produced maize and wheat is milled. The authorities indicated that these arrangements do not restrict imports in practice because locally grown grains tend to be sold quickly, after which import licences are issued automatically. Prices are determined by the market between millers and farmers and, according to authorities, reflect import parity prices, mainly from South Africa. The Namibian Agronomic Board controls trade (imports and exports) of controlled products (Agronomic Industry Act of 1992, and 1993 regulations) through permits required for import/export licensing.[52] For imports, the permits are non-transferable and are issued daily following take-up of the domestic crop; they are valid for three months. However, permit restrictions have been applied periodically; for example, for three months during the period April 1997 to April 2000.[53] The Meat Board of Namibia monitors imports of live animals (cattle, sheep, goats, and pigs) and their meat thought its permits which are required for their licensing.[54] The permits are valid for three months and are non-transferable. Permit refusals may be appealed to the agricultural ministry.

14. Non-automatic licences seemingly apply to imported second-hand goods, such as clothing, leather products, and motor vehicles. In practice, it seems that only registered welfare agencies can import used clothing and leather products and, apparently, licences are not issued to import used cars.

[51] Previously, VAT on imports from non-SACU countries was levied on the duty-paid price (f.o.b. price and tariff duties) plus the value of any services relating to the good, such as commission, packaging, transportation, short-term warranty insurance, and warranty expenses, to bring it to a landed-duty equivalent.

[52] Controlled agricultural commodities are defined in Government Notice No. 293, 1996. Horticultural products were declared as agronomic crops subject to the Agronomic Industry Act, 1992 in August 2002 (Government Notice No. 146, Government gazette, 30 August 2002).

[53] WTO document G/LIC/N/3/NAM/3, 6 April 2000.

[54] WTO document G/LIC/N/3/NAM/3, 6 April 2000.

15. The SACU tariff-quota arrangements on certain agricultural imports apply different levels to each BLNS country. They allow Namibian imports below an annual quota to be duty free. While such direct imports into Namibia pay no duty, those entering through other SACU countries are subject to the relevant tariff rates; this is rebated after the goods are imported by Namibia. Tariff quotas apply to wheat (quota of 50,000 tonnes with an in-quota tariff rate of 0%), cheese (300 tonnes at N$5 per kg.), butter (400 tonnes at N$5 per kg.), and skimmed and whole milk powder (700 and 400 tonnes respectively, at N$4.50 per kg.).

16. Import prohibitions are also applied on goods such as obscene material and environmentally hazardous products, including toxic or radio-active waste, to protect health, safety, and morality. Namibia is a signatory to the Montreal Convention on the Emission of Ozone Depleting Substances, and the Vienna Convention and the London Amendment; the International Atomic Energy Agency; and the Basel Convention on Trade in Toxic or Hazardous Waste. Namibia signed the Cartagena Protocol on Biosafety in 2001.

(iii) Standards and other technical requirements

17. Since 1991, the South African Bureau of Standards has undertaken Namibia's standardization and quality assurance functions.[55] However, Namibia is in the process of strengthening its own standardization and certification requirements under the Government's National Quality Policy announced in June 1999. It plans to create the Namibian Standards Board to reduce its heavy reliance on South African standards, especially on labelling requirements and on manufactured products. Legislation is being debated in Parliament and passage is expected in 2003. The Namibia Standards Information and Quality Office in the Ministry of Trade and Industry has been the official body for these activities, representing Namibia's membership in the International Organization for Standardization (ISO) and making available South African and international standards in Namibia.[56] Imported and domestically produced goods are covered mainly by South African and ISO standards, on which Namibian standards are to be based.

18. Sanitary and phytosanitary provisions apply, on a consignment basis, to agricultural imports, such as livestock, meats, and cereals. All imports of plants and plant products, including controlled agricultural commodities of wheat and maize, require an import permit (Agricultural Pest Act, 1973). The permit is issued by the Ministry of Agriculture, Water and Rural Development; it requires the importer to submit a phytosanitary certificate and country of origin certificate from the exporting country. The Ministry also imposes strict veterinary controls; to obtain an import permit an importer of live animals and meat must have a veterinary permit issued by the Ministry (Veterinary Services), or by the Livestock Improvement Board for stud animals (Animal Diseases and Parasites Act, 1956). Obtaining an import permit requires the original health certificate issued by the veterinary authority in the exporting country. The O.I.E. Animal health Code is used as a guide for setting import requirements relating to SPS and quarantine. These do not generally discriminate between countries; veterinary permits are needed for imports from all countries.[57] As parts of Namibia are free of foot-and-mouth disease to protect its herd and to safeguard its exports to the EU animal imports from countries without this free status are prohibited. Namibia sets additional SPS and quarantine measures where necessary to meet international market requirements.

19. Most testing is still performed in South Africa, largely because of a lack of facilities in Namibia. Export certification is also usually conducted in South Africa, when required, such as for

[55] WTO document G/TBT/2/Add.42, 9 December 1997.

[56] It has been notified to the WTO as accepting the TBT Code of Good Practice. WTO document G/TBT/CS/N/21, 7 August 2000.

[57] WTO document G/LIC/N/3/NAM/3, 6 April 2000.

fish exports to the EU, although this is expected to change following the approval of facilities at Walvis Bay.

(iv) Government procurement

20. Government procurement of goods and services must be made through the Tender Board of Namibia (Act No. 16 of 1996), except for statutory bodies, local authorities or regional councils approved by the Minister of Finance. The Minister of Finance appoints Board members from various ministries. The Board awards the procurement contracts. Contracts above N$10,000 must be let by public tender.[58] Such tenders are advertised widely in the press and are open to foreign suppliers. The Board operates a two-envelope tendering system, and suppliers must have the necessary technical expertise.

21. Namibian-registered (including foreign) domestic suppliers receive price preferences based on local content. For Namibian-made goods, price preferences range from 6% for local content (in production) of 10% to 25%, up to 20% for local content exceeding 90%. For goods assembled in Namibia, price preferences range from 3% for local content of 10% to 25%, up to 10% if local content exceeds 90%. In the case of services, domestic suppliers and CSI (Certificate of Status Investment) foreign investors receive price preferences of 5%, while the preferences for small-scale domestic industries range from 2% to 5%, depending on employment levels. Price preferences of 2% to 5% apply for suppliers located in communal or underdeveloped areas, and of 2% for a fully domestically owned Namibian public company. Preferences are cumulative, and are applied to tender prices. In rare cases where tenders are equal after allowing for all adjustments, including price preferences and socio-economic factors, contracts are awarded based on local content levels. Tender decisions may be appealed to the Board, the Ombudsman's Office, and to the courts.

22. Namibia is not a member of, nor observer to, the WTO plurilateral Agreement on Government Procurement.

(v) Local-content requirements

23. Preferences granted to Nambian-registered supplies, under the government procurement regime, are based on local content. "Namibianization" policies in fisheries favour local content (Chapter IV(2)(i)).

(vi) Other measures

24. Namibia has no official countertrade or offset arrangements, or agreements designed to influence the quantity or value of goods and services exported to Namibia. Namibia imposes no trade sanctions.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Registration and taxes

25. There are no registration requirements specific to exporters. Meat exporters must be registered with the Meat Board.

[58] Treasury instructions and public rules operate on tenders below N$10,000; for example, at least three quotations are required.

26. The only export tax is a recently introduced 10% tax on unprocessed diamond exports (Chapter IV(2)(iii)). Royalties and levies are imposed on mineral and fish exports.

(ii) Export prohibitions, controls, and licensing

27. Exports, except to SACU members, are subject to automatic licencing, except for some products that require a non-automatic permit. These include medicines; live animals and genetic materials; all ostrich breeding materials; meat and game products; protected species under CITES; plants; firearms and explosives; and minerals, including diamonds and gold. The Meat Board issues free of charge automatic export licences for meat and live animal (cattle, sheep, goats and pigs), including to SACU members, mainly for monitoring and statistical purposes. Veterinary certificates must also accompany meat exports certifying that they are free of disease.

28. Export quotas applied by the Meat Board were terminated in 1996, along with quotas on exports of sunflower products. Seasonal quotas on whole-grain maize and wheat were permanently lifted in June 1998. The Diamond Trading Company (an international cartel operated by De Beers) markets all Namibia's diamonds and periodically sets commercial export quotas to limit over-supply of diamonds. The Government does not sanction these quotas; it has 50% equity with De Beers in Namded Diamond Corporation**.**

(iii) Export subsidies, assistance, and processing zones

29. The Ministry of Trade and Industry (Export Promotion Subdivision) funds limited export promotional activities, such as participation of companies in overseas trade fairs and exhibitions, including meeting costs of travel, accommodation, and production of promotional brochures.

30. Namibia operates a number of schemes providing tariff exemptions and concessions on imported inputs that benefit exporters to non-SACU markets. These include duty drawback on capital equipment and manufactured inputs used in exports, and remissions on imported goods used in the manufacture, processing, equipping or packing of goods exclusively for export. A duty credit certificate scheme also provides full duty credits on imports of inputs used in manufacturing and clothing and accessories for export. SACU members are yet to further harmonize their tariff and tax concessions (rebates, refunds, and drawbacks of customs duties on imports).

31. An 80% tax deduction exists on income derived from manufactured exports, other than meat or fish. Eligible manufacturers must be registered with the Ministry of Trade and Industry and the Ministry of Finance. Additional income tax deductions of 25% to 75% of eligible export promotion expenditure apply, depending upon the firm's export growth over the previous three-year average.[59] Eligible expenditure includes overseas market research; overseas advertising and promotional expenditure, such as attending exhibitions; bringing foreign buyers to Namibia; submitting quotes for foreign orders; finalizing contracts; and appointing overseas agents under a programme approved by the Ministry of Trade and Industry.[60] Advance grants of up to 50% of eligible expenditure on the direct costs of securing new export markets are also available for activities approved by the Namibian Investment Centre.

[59] The additional tax deduction is 25% of eligible expenditure if export growth is 10% or less; 50% if it is between 11% and 24%; and 75% for growth of more than 24%.

[60] The Ministry of Trade and Industry also runs the Trade Information Centre to promote exports. It assists Namibian companies to research existing and potential export markets by providing a range of information, such as on products and markets, companies, business news, business opportunities, and foreign trade regulations and barriers. The Centre maintains a Trade Information Database that is provided free of charge.

32. The minority-state-owned Offshore Development Company (ODC), supported by the Ministries of Finance, and Trade and Industry, provides lines of credit (loans) to promote manufactured value added. It manages two lines of credit totalling N$66 million (US$11 million). One line, of N$36 million (US$6 million), is from the Eximbank of China for on-lending to the Northern Tannery Project. The other, from the Eximbank of India, is for concessional on-lending to wholly Namibian-owned manufacturing companies and joint ventures interested in sourcing Indian technology, including industrial machinery and equipment. The loan covers 90% of the contract price, and repayments are to be completed in seven equal instalments after a grace period of 20 months; the interest rate is 14% annually. The ODC is also establishing an Offshore Financial Services Centre.

33. The ODC (in collaboration with the Namibian Investment Centre) also administers export processing zones (EPZ) to encourage export-led industrialization and the transfer of skills and technology. EPZ investment is subject to the 1995 Export Processing Zones Act (not the Foreign Investment Act). Zones have been expanded at Walvis Bay and Oshikango, and another site is being considered at Katima Mulilo in the Caprivi area. Enterprises outside such zones may also have EPZ status, provided such "free-points" also export at least 70% of their production outside SACU.[61] All EPZ enterprises are subject to the same regulations, and according to the authorities, there is minimum leakage of unaccounted sales onto the domestic market. Traditional meat and fish processing are excluded from EPZ status. There are 107 EPZ companies including both foreign and domestic firms; 21 are operational, 56 are working on implementation plans, and 30 have closed. Total investment planned from approved EPZ firms is currently around N$11 billion; so far N$4.2 billion has been invested and almost 10,000 jobs created. Manufacturing activities covered include acrylic bathroom products, car components, rebuilding of motor vehicles, polished diamonds, clothing, and refined zinc and copper.

34. EPZ firms are eligible for cash subsidies for the costs of training Namibian workers in approved programmes. EPZ firms can hold foreign currency accounts in local banks. Foreign incorporation is acceptable, but EPZ status is needed before commencing operations. Applications must be submitted via the ODC to the EPZ Committee, which is chaired by the Minister of Trade and Industry; they are generally processed in one to four weeks. EPZ enterprises/free points are granted unlimited exemption from income tax, and from tariffs and other input taxes.[62] The income tax rebate applies to all income, not just from exports; this raises the value of the concession to beneficiaries and increases the incentive for manufacturers to raise export shares to 70% of production. At this level, the incentive for additional exports disappears. Such generous arrangements suffer the same economic shortfalls as any government assistance, i.e. developing inefficient activities that are dependent on government support. They can also be costly in revenue forgone. This erodes the tax base, compounding budgetary pressures and transferring the tax burden to other taxpayers, including consumers and the many producers that are not major exporters. They are also of questionable effectiveness in attracting foreign investment.

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Incentives

35. The Small Business Credit Guarantee Trust, launched in 1999, provides credit to small and medium enterprises (SMEs). It operates as a joint venture between the Government, five commercial banks, and the Namibia Development Corporation; it receives no direct government funding. The

[61] Re-export operations, such as re-packaging and break-bulk activities, are allowed.

[62] Since the VAT replaced the sales taxes, all producers receive relief for domestic taxes paid on inputs used to produce exports through tax credits for VAT paid on inputs.

Trust guarantees up to 80% of individual loans from participating financial institutions, subject to a ceiling of N$250,000. The Ministry of Trade and Industry also funds the Feasibility Studies and Business Plan Support Programme for SMEs. Funding is capped at N$150,000 per study, and any Namibian business is eligible, including majority domestic-owned joint ventures.

36. The Namibian Development Corporation also assists industrial development. The Government is in the process of establishing the Namibian Development Bank.

37. Tax incentives assist manufactured exports (section 3(iii)). Manufacturing enterprises receive a corporate tax abatement of 50% for five years, which is then phased out uniformly over ten years. It applies to all manufacturing operations approved and registered by the Ministry of Finance in consultation with the Ministry of Trade and Industry. Manufacturers can also claim income tax deductions of 25% of wages paid to Namibian production-line employees to encourage labour-intensive processes, and of expenditure on pre-approved training activities. Those investing in new manufacturing operations may also negotiate a special tax package with the Ministry of Trade and Industry (Chapter II(3)).

38. The Special Industrialization Programme encourages certain manufacturing activities, such as food processing, leather products, textiles and clothing, wood products, paper products, and motor vehicle components. Assistance may be though equity participation, provision of industrial infrastructure, support for joint ventures or preferences for local manufacturers.

39. Farmers benefit periodically from emergency drought relief. In 2002/03, for example, N$1.5 million was given to livestock farmers north of the veterinary Cordon Fence in the form of a subsidy of N$150 per head for cattle delivered to the abattoirs. The Meat Board administered the scheme on behalf of the Government. Drought relief costing N$36.4 million was provided from April 1996 to November 1998,[63] and again in 1998-99 at a cost of N$2.1 million.[64] Marketing incentives (subsidies) were paid to farmers at N$15 or N$100 per animal sold, depending upon size, to encourage farmers to reduce stock levels. A restocking scheme to replace breeding animals sold during the drought also paid N$13 or N$70 per head. Transport subsidies of N$3.77 per kilometre were paid to contractors transporting animals to markets.

40. The state-owned Agribank of Namibia accounts for about 60% of rural credit. It provides interest rate subsidies on farm credit schemes run by the Ministry of Agriculture, Water and Rural Development, such as the Affirmative Action Loan Scheme, and the National Agricultural Credit Programme. The Affirmative Action Scheme provides concessional interest rates on loans to subsistence farmers to purchase commercial farmland; it cost N$12.0 million in 1999-00.[65] The National Agricultural Credit Programme provides concessional seasonal loans to subsistence farmers for crop production, and longer-term loans for the purchase of animals and breeding stock as well as for essential farm development; it cost N$6.5 million in 1999-00.[66] The North/South Incentive Scheme supports communal farmers who purchased land under the Affirmative Action Loan Scheme to buy non-diseased cattle from south of the Veterinary Control Zone. This scheme cost N$1.6 million in 1999-00.[67]

41. Subsistence farmers also benefit from subsidized inputs. These cost the Government almost N$1 million in 1999-00, and covered fertilizers, seeds (millet and maize), and ploughing services

[63] WTO document G/AG/N/NAM/7, 12 July 1999.
[64] WTO document G/AG/N/NAM/11, 12 May 2000.
[65] WTO document G/AG/N/NAM/14, 27 June 2001.
[66] WTO document G/AG/N/NAM/14, 27 June 2001.
[67] WTO document G/AG/N/NAM/14, 27 June 2001.

provided by private contractors. Veterinary services provided by the agricultural ministry to control pests and livestock diseases and to operate quarantine facilities to safeguard meat exports cost N$29.5 million in 1999-00.[68]

42. The Government assists farmers, in particular those located in the communal areas, with research and extension services provided by the Ministry of Agriculture. In 1999-00, the Ministry spent some N $35.2 million on these services.[69] The Ministry also funds agricultural research on crop and livestock suitability, productivity, and conservation; N$18.6 million was spent in 1999-00.[70]

(ii) State-owned enterprises and privatization

43. A number of parastatals operate in Namibia (Table III.1). They include monopolies in key utilities, for example, electricity and telecommunications, and in air transport. However, they employed only about 2% of the workforce in 1997. Parastatals may also potentially undermine the private sector and can lead to inefficiency, especially where competition is weakened as a result of, for example, de facto or statutory monopolies.

Table III.1
Classification of state-owned enterprises

REGULATORY TYPE
Karakul Board; Meat Board; Diamond Board; Law Reform & Development Commission; Legal Practitioners Disciplinary Committee; Board of Legal Education; Namibian Agronomic Board; Trust for Maritime Fisheries; Financial Institutions Supervisory Authority

SERVICE RENDERING
Natural monopoly
Nampower; TransNamib (rail); Namibia Water Corporation; Namibia Airports Company; Nampost

Competition restricted by regulation
Few potential investors:
National Petroleum Corporation; Namibia Broadcasting Corporation; TransNamib (Road); Namibian Ports Authority; Telecom Namibia; Roads Authority
Many potential investors
National Housing Enterprise; Windhoek Machine en Fabrik; August 26 Holdings Co.; Roads Contractor Co.

Competitive environment
National Fishing Corporation; Seaflower Whitefish Corporation; Seaflower Lobster Corporation; Meat Corporation; Namibian Press Agency; New Era Publication Co.; Namibia Wildlife resorts; Namibia National Re-Insurance Corporation; Premier Electric; Namibian Bricks Enterprise; Star Protection Services; Patriot Construction Co.; Amalgamated Commercial Holdings; Namibia Institute for pathology

Not/partially self-funding
Social Security Commission; Agribank; Namibia Development Corporation; Development Fund of Namibia; Development Brigade Corporation; Namibia Schools Sport Union; Motor Vehicle Accidents Fund; Guardian's Fund; Road Fund Administrator; National Monuments Council; National Theatre of Namibia[a]; Polytechnic of Namibia[a]; University of Namibia[a]; Namibian College of Open Learning[a]; Rundu College[a]; Windhoek College of Education[a]; Ongwediwa College of Education[a]; Caprivi College of Education[a]

a State-owned enterprises that provide services/products with external benefits, i.e. products that would be under-supplied in a competitive market and that warrant government intervention.

Source: "Report on a Governance Framework for State-Owned Enterprises in Namibia", Submitted to Cabinet, 25 October 2001, Annexure A, p. 1 of 1.

44. Namibia has notified to the WTO the Karakul Board, the Meat Board of Namibia, and the Namibian Agronomic Board as state-trading enterprises within the meaning of Article XVII:4(a) of the GATT 1994.[71] The Karakul Board oversees the purchase, processing and export of karakul pelts

[68] WTO document G/AG/N/NAM/14, 27 June 2001.
[69] WTO document G/AG/N/NAM/14, 27 June 2001.
[70] WTO document G/AG/N/NAM/14, 27 June 2001.
[71] WTO document G/STR/N/6/NAM, 24 July 2000.

by the producers' cooperative, but does not engage in trade. The Meat and the Agronomic Boards have no direct export activities. The Namibian Agronomic Board, which "markets" (but is no longer involved in purchasing) major cereals of wheat, maize, flour, and meal, and the Meat Board of Namibia do not import directly, but they control imports as they are responsible for issuing import permits for cereals (wheat, maize, flour, and meal) and meat (of cattle, sheep, goats, and pigs) as well as for live animals. The Meat Board also issues abattoir and meat processing licences based on production capacities. There are no restrictions on licensing abattoirs. Although MEATCO, a privately run parastatal, has no meat export monopoly, it had until recently the only abattoirs approved for sales to the EU under the Cotonou Agreement.

45. The Cabinet Committee on Economic Development and Parastatals (CCEDP) reviewed government policies in October 2001, and adopted a governance policy framework for state-owned enterprises.[72] Many parastatals, supported by substantial government loan guarantees, expenditure and other commercial advantages, were found to be financially distressed with high debt levels and declining capital productivity. The State Finance Bill of 2001 also gave the State's Treasury greater control over parastatals, including enhanced accountability through improved accounting and financial reporting systems and disclosure of information; limited borrowing powers; and greater powers for the Minister of Finance to inspect their financial affairs. The 2002/03 Budget renewed efforts to improve parastatal management and accountability, including their commercialization in preparation for eventual privatization. The State-owned Enterprise Governance Council (SOECG) was formed to oversee implementation of government policy on parastatals and to monitor their performance. It is to report to cabinet through the CCEDP. The Divestiture Sub-Committee (DSC) of four ministers, chaired by the Minister of Agriculture, Water and Rural Development, was also established to identify insolvent state-owned enterprises (SOEs) for closure; monopolistic SOEs for restructuring to improve performance; and to partially privatize profitable SOEs and to use the proceeds to extinguish debt of bankrupt SOEs and for infrastructure and social public investment.[73] The new Central Governance Agency (CGA) within the Ministry of Finance will, as the Secretariat of the DSC and SOECG, monitor compliance of SOE management with the new requirements. These include promoting better corporate governance by SOEs through improved disclosure requirements and management practices. The CGA is to also facilitate regulation of SOE prices by identifying monopolistic sectors where this is needed to ensure that prices realistically reflect costs.

46. The partial liberalization of the debt-laden Air Namibia has slipped from July 2002 to 2003; the Government still intends to take over its outstanding debt of N$1.4 billion. Other possible candidates for privatization are Nampower and Telecom Namibia, both profitable entities. Current government guidelines are to consider divestment on a case-by-case basis and to avoid concentrating economic power and foreign control of assets. The Government is preparing its divestiture policy framework. Privatization efforts largely reflect the need for privatization receipts and lower subsidies for loss-making parastatals to ease budgetary pressures. During early 2002, the Government invited expression of interests from merchant banks, including the Bank of Namibia's Offshore Banking Unit in Mauritius, wishing to assist in the divestiture of parastatals. However, no privatization timetable has been announced, and considerable public opposition exists.

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[72] "Report On a Governance Policy Framework for State-Owned Enterprises in Namibia", Submitted to Cabinet, 25 October 2001.

[73] The Government also intends to create a fund from privatization receipts to redistribute assets of SOEs to disadvantaged employees and organizations. Other members of the DSC are the Ministers of Finance, and of Works, Transport and Communication, and the Attorney-General. The Minister of Fisheries and Marine Affairs chairs SOECG. Other members are the Minister of Foreign Affairs, Information and Broadcasting, and the Minister of Higher Education, Training and Employment, and the Director-General of the National Planning Commission.

(iii) Competition policy and price controls

47. A draft Competition Act has been released for comment and is expected to become operative during 2003. Currently, competition and fair trading practices fall under the Trade Practices Act, 1976 and the Merchandise Act, 1941. SACU members are to develop common policies on unfair trade practices and to adopt policies on competition, and to cooperate in their enforcement (SACU Agreement).

48. The Government sets prices of petrol, diesel, and paraffin (Petroleum Products and Energy Act, 1999). Although the Namibian Agronomic Board has legislative authority to set producer prices for wheat and maize, these have been based on market prices (import parity) since 1994-95.

(iv) Protection of intellectual property rights

49. Namibia has taken important steps to comply with the TRIPS requirements. Copyright legislation was amended in 2000. The TRIPS Council reviewed Namibia's intellectual property legislation during 2001 and 2002.[74] The Government plans to replace old laws on trade marks, patents and designs with consolidated WTO-compliant legislation, the Intellectual Property Act, due to be enacted in early 2003. Namibia is a member of the Berne Convention, the Hague Agreement, the Madrid Agreement and the Patent Cooperation Treaty, and has joined the Paris Convention on the Protection of Patent Rights. It has been an observer of the African Regional Industrial Property Organization (ARIPO) since independence; Parliament approved membership in 2002 and ratification is expected in 2003. Namibia notified to the WTO its contact points under the TRIPS Agreement in the Ministry of Trade and Industry for trade marks and industrial designs; the Ministry of Foreign Affairs, Information and Broadcasting for copyright and related rights; and the Ministry of Agriculture, Water and Rural Development for plant and animal varieties.[75]

(a) Copyright and neighbouring rights

50. Copyright law (Copyright and Neighbouring Rights Protection Act No. 6, 1994, as amended) is administered by the Directorate of Copyright Services of the Ministry of Foreign Affairs, Information and Broadcasting. It protects intellectual property of literary, artistic, and musical works embodied in such mediums as films, sound recordings, broadcasts, and published editions, by providing owners exclusive rights as required by the Berne Convention. Computer programs are protected as "literary works", but not databases or compilations of data; authorities are considering whether to extend protection to cover these. Performers also have exclusive rights to broadcast or communicate to the public, and to make fixations and reproductions. Copyright protection is for the life of the author plus 50 years. Performers receive the same protection, in principle. Rental rights are recognized, but are not specified by the type of work, such as for phonograms, computer programs and cinematographic works. Rental rights applied in Namibia are mostly for audiovisual works, musical works, and books. General exemptions or limitations to exclusive rights are restricted to cinematographic films, sound recordings, and broadcastings.

51. The right holder (including licensees and the author or performer) can take civil proceedings against infringements through Namibia's standard courts. Relief may be by damages, interdicts restraining the illegal activity, or destruction of illegal works. The holder can request Customs to prohibit imported copies of works provided the owner gives security to cover Customs for any liability or expenses incurred. Imports of unlawful reproductions of any works relating to copyright

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[74] For Namibia's responses to questions raised by members during the review, see WTO documents IP/C/W/248/Add.1, 11 April 2001; IP/N/6/NAM/1, 30 March 2001; and IP/C/W/248, 29 March 2001.

[75] WTO document IP/N/3/Rev. 6, 1 March 2002.

are also prohibited under the customs legislation (Section 123 of the Customs and Excise Act). Copyright legislation also makes infringements criminal offences carrying imprisonment and/or fines, of three years and N$12,000 for first offence, and five years and N$20,000 for a second conviction. The Minister removed ambiguity on copyright protection of foreign works by a Government Notice, in 2001, which extended such protection, as the legislation required (Section 63).[76]

(b) Industrial property rights

52. The current patent, trade mark, and design laws, the Patents and Design Act No. 37 of 1952, Patents Act No. 57 of 1978 and Proclamation No. 17 of 1923, as well as the Trade Marks in South West Africa Act No. 48 of 1973, are to be replaced with the new Industrial Property Act, which will cover all forms of industrial property protection. The Registration of Companies, Patents, Trademarks and Designs Division, of the Ministry of Trade and Industry, administers industrial property legislation.

Patents

53. The proposed legislation will broaden the scope of patented works to specifically cover inventions, whether products or processes, provided they are new, involve an inventive step and have an industrial application. Unlike the current legislation, which allows for no patent exclusions, the proposed legislation excludes from patents mainly scientific discoveries, diagnostic, therapeutic and surgical methods for treatment of humans or animals, plants and animals and essentially biological processes for their production, and inventions contrary to public order or morality. Neither legislation provides for specific limited exceptions to exclusive rights. Patent holders will be protected under the new legislation though extending exclusive rights against selling and importing illegal products, which are enforceable in the courts. Remedies to the right holder include damages, injunctions restraining the illegal activity, and destruction of illegal works. Criminal penalties will apply fines and/or imprisonment of up to one year. Patent protection be remain for 20 years.

54. Under the new legislation, when it is in the public interest, the Government may authorize compulsory non-exclusive licences, predominantly for domestic supply, without the holder’s consent, with "equitable remuneration" to be paid, and for non-voluntary licences.[77] Public interest covers national security, nutrition, health or the development of other vital sectors. Non-voluntary licences can be issued if the patent has been insufficiently used in Namibia, and the party has unsuccessfully attempted to acquire a licence on "reasonable terms and conditions" within a "reasonable time", defined as four years from the date of filing of the patent application or three years from when the patent was granted, whichever period expired last. The proposed legislation has transitional arrangements to protect existing patents. It does not allow for reversal of burden of proof in civil proceedings on infringements of process patents.

Industrial designs and utility models

55. The proposed legislation will extend protection by broadening the definition of industrial designs in line with the Locarno Agreement Establishing an International Classification for Industrial Designs. Textile designs will be covered. The registered owner of the design will have exclusive right of use, including importation, and may take court proceedings against illegal use. Neither

[76] Government Notice, Minister of Foreign Affairs, Information and Broadcasting, 13 June 2000. This notice, applied retrospectively from 15 March 1996, extended the provisions of the Copyright Act to all member countries of the Berne Convention.

[77] Under existing legislation, compulsory licensing is possible for patents relating to food, medicine, and plants, dependent patents; and abuse or insufficient use of patent rights.

existing nor the proposed legislation allows for issuance of compulsory licences. The protection period for industrial designs will remain at 15 years (five years initially, renewable twice).

Trade marks and other distinctive signs

56. Although legislation currently protects trade marks for goods and services, the new Act will expand the coverage, in particular, of service marks and include protection of trade names and sound marks, in line with TRIPS and the Paris Convention. A mark will cover any visible sign capable of distinguishing goods and services of an enterprise. Proposed legislation retains the registration period of trade marks at ten years, renewable indefinitely every ten years, and a period of non-continuous use of five years. The registered trade mark owner may take court proceedings against illegal use, and criminal penalties of fines and imprisonment of up to one year will apply. The new Act will protect well-known marks by preventing registration of identical or confusingly similar marks. In 2000, 2,100 trade mark applications were lodged.

Geographical indications

57. While current law does not cover geographical indications, the new legislation will protect wines and spirits consistent with WTO requirements. The legislation is being drafted separately and, if ready in time, will be added to the proposed industrial law when approved by Cabinet; otherwise the industrial legislation will be amended to incorporate geographical indications.

Lay-out designs (topographies) of integrated circuits

58. Current legislation protects lay-out designs as copyright. The proposed law will provide protection against unlawful importation, sale or distribution (for commercial purposes) of topographies, including integrated circuits, and the industrial articles that incorporate them. However, neither law provides for derogations where a purchaser of an integrated circuit had no knowledge that it contained an unlawful topography. The term of protection for topographies will remain at 15 years (five years initially, renewable twice).

Undisclosed information

59. Existing and proposed legislation makes no specific provision for undisclosed information.

Protection of intellectual rights in biodiversity

60. Namibian is developing a *sui generis* system to protect new plant varieties, micro-organisms and non-biological and microbiological processes, as part of the National Bio-diversity Programme run by the Ministry of Environment and Tourism.

(c) Enforcement of intellectual property rights

61. Imports of pirated products are prohibited under the copyright and customs legislation, while those infringing trade marks or patents may be suspended pending legal action. Such action occurs in Namibia's ordinary civil courts, and may involve criminal prosecution and damages, injunctions, and destruction of illegal works. Courts may order interlocutory or temporary injunctions pending final judgement. In order to obtain evidence, the High Court may instruct legal officers to enter the premises of the alleged infringer to seize offending material and equipment (the Anton Piller Order). Only the police have ex officio powers under the copyright and proposed industrial property legislation.

IV. TRADE POLICIES BY SECTOR

(1) OVERVIEW

1. Namibia is a small agrarian economy rich in minerals, especially diamonds, and fish. Some three-quarters of the population depend on farming for their livelihood, and, along with diamonds, processed food, especially fish and meat, are major sources of foreign exchange and government revenue. Insecure private land tenure of communal farms and the lack of a well functioning land market impair agricultural productivity and investment. Land reforms, agricultural development and resettlement programmes to promote citizenship land ownership are high government priorities; the latter to be financed by a new land tax. The Namibian Agronomic Board controls trade in wheat, maize and flours; import quotas (or threat of) to ensure domestic production is used before imports are allowed. The Meat Board of Namibia regulates livestock, especially beef and live animals, and controls trade. Namibia's annual EU quota of 13,000 tonnes under the Cotonou Agreement is unfilled.

2. The fishing industry also relies heavily on preferential (duty-free) EU access. Depleted fish stocks hamper development; restrictive catch quotas are aimed at rebuilding stocks and achieving sustainability. No new long-term fishing rights (except for horse mackerel) will be awarded for six years; a moratorium may also be set on catching the scarcest species e.g. pilchards. Revised fisheries legislation has strengthened management and "Namibianiziation" policies. Government priority is to encourage fishing joint ventures between established foreign firms and Namibian entrants. Allocation of fishing rights and quota fees favour Namibian involvement and domestic processing by foreign-owned operators. These policies may reduce the industry's efficiency (e.g. through allocation of uneconomically small catch quotas to Namibians and encouraging inefficient processing). The industry's domestication may also be overstated if foreign firms simply adopt "Namibianization images" so as to receive special treatment, such as reduced quota fees. The Government may therefore be forgoing substantial revenue from fish resources for questionable gain.

3. Namibia is currently reviewing its minerals policy. Diamonds are mined mainly by the jointly state-owned Namded Diamond Corporation and exported through the De Beers' international cartel. Trade in diamonds is controlled. Mineral royalties of 5% and 10% (precious stones) apply; the 10% royalty on unprocessed diamonds has been replaced recently by an export tax. A higher company tax rate of 55% applies to diamond income. Namibia has gas but no oil reserves. To encourage oil exploration, royalties were reduced from 12.5% to 5%, company tax rates lowered to 35%, and the additional profits tax amended. The duration of exploration licences was also increased, and arrangements were introduced compelling operators to meet decommissioning costs at project completion. Petrol and diesel prices are controlled based on import-parity. The Government requires private oil companies to hold strategic stocks of petroleum products. Draft gas legislation was introduced in June 2001 to develop a downstream gas subsector; it also created an independent Gas Regulatory Authority.

4. Manufacturing comprises mainly food processing, including fish and meat, which account for over 60% of manufactured exports. The main policy measure to expand manufacturing exports is the Export Processing Zone Development programme. The garment industry is expected to be boosted by the U.S. AGOA initiatives, albeit restrictive. Tariffs are the main trade policy instrument protecting manufacturing; rates average 11.8%.

5. Services have an important bearing on the economy's performance. GATS scheduled commitments are minimal, and Namibia did not participate in the WTO basic telecommunications and financial services negotiations. The 51% state-owned joint venture, Namibia Telecom, has a

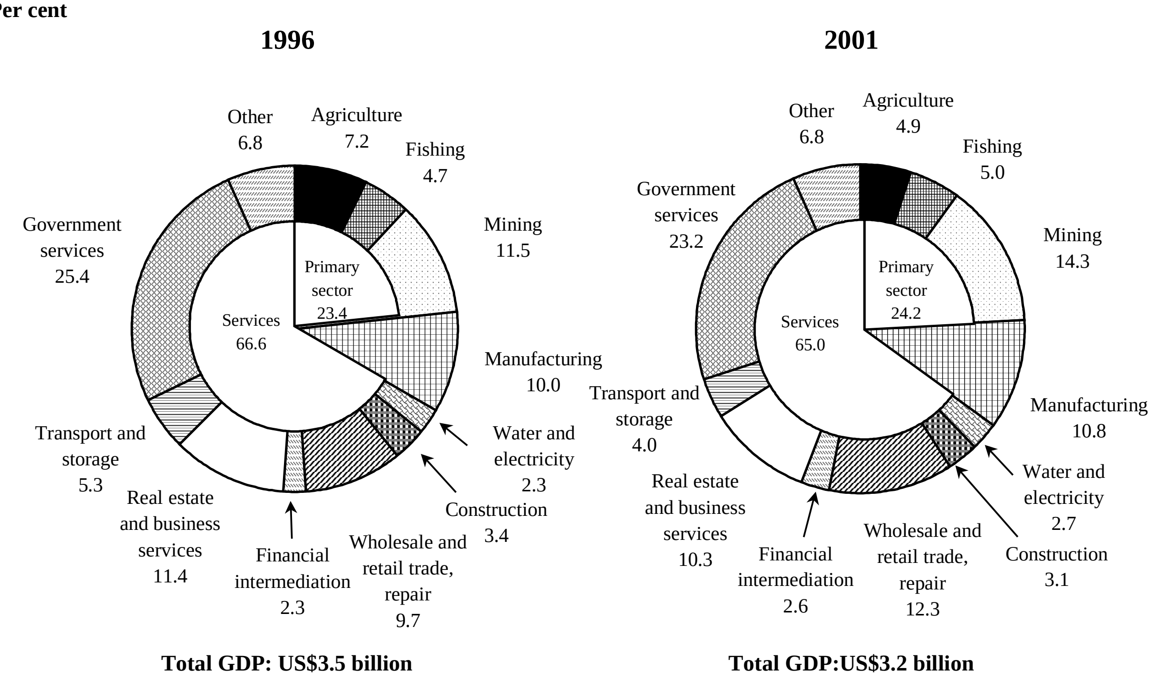
monopoly on basic services; deregulation has been postponed from 2000 to 2004 at the latest. The Government's recently adopted telecommunications policy and regulatory framework follows SADC principles. The state-owned Nampost has a monopoly over postal services. Private foreign institutions dominate the supply of financial services. Prudential regulation of banks has been strengthened, and the Namibian Financial Institutions Supervisory Authority established. Insurance companies must re-insure at least 20% (reduced from 25%) of assets with the parastatal NamibRe. The parastatal TransNamib dominates land transport. Air Namibia's partial privatization has slipped until 2003. The Namibian Tourist Board was formed in 2000, and a draft revised tourism policy for 2001-10 was released. Government-owned tourism facilities in protected areas are managed commercially; other facilities are privately owned.

(2) PRIMARY SECTOR AND ENERGY

6. The main primary activities in Namibia are mining, agriculture, and fishing. These accounted for about 24% of GDP in 2001 (Chart IV.1). Over half of primary output in 2001 was minerals, and agriculture and fishing each accounted for about one fifth. Since 1996, the relative importance in GDP of mining in particular, and of fishing has increased while that of agriculture has declined. Primary exports (including processed fish, meat, and foodstuffs) accounted for about 95% of merchandise exports in 2001; minerals accounted for almost 60% of these primary exports. Some three-quarters of the population depend on agriculture for their livelihood.

Chart IV.1
Sectoral composition of GDP, 1996 and 2001

Per cent



***Source*: Central Bureau of Statistics and National Planning Commission (2002), *National Accounts 1993-2001*.**

(i) Fisheries

7. Fisheries continues to be one of the main drivers of Namibia's economic growth. Some 95% of fish caught is exported, mainly as processed fish to SACU and EU markets. Fisheries employs about 14,000 workers; about 60% work in some 16 processing plants. Fish quota levies are an important source of government revenue. The industry's development has been hampered by scarcity of key fish resources, and the authorities are trying to rebuild stocks through sustainable management. There have been serious financial difficulties in pelagic fishing, due to over-fishing and depleted pilchard stocks, and low world prices for fish meal, oil, and canned fish. Total fish landings increased from 511,400 tonnes in 1997 to 588,400 tonnes in 2000 (Table IV.1), i.e. from N$1.25 billion to N$2.0 billion. The total landed catch fell in 2001 to 545,800 tonnes, but rose in value to N$2.3 billion.

8. The Ministry of Fisheries and Marine Resources sets Total Allowable Catch (TAC) limits for seven species based on scientific assessment of fish stocks. They are allocated to licensed fisheries with "exploitation rights" as non-transferable quotas. Total TACs were cut in 1997 from 592,750 tonnes to 519,260 tonnes, but increased to 638,300 tonnes in 1999 (Table IV.2). TACs rose to 637,400 tonnes in 2001 before being cut substantially in 2002 to 562,000 tonnes. In 2002, the TAC was set at zero for pilchards and was reduced considerably for horse mackerel. The Government announced that, to conserve fish stocks, no new long-term fishing rights, apart from horse mackerel, would be awarded for six years. TACs are distributed among right holders in each fishery as non-transferable quotas. In line with the Government's goals of "Namibianization' and empowerment within the sector. Fishing rights are not freely transferable.[78]

Table IV.1
Fish landings of main commercial species, 1997-01
('000 tonnes)

Fish species	1997	1998	1999	2000	2001
Pilchards	27.7	68.6	44.7	25.4	7.8
Hake	117.6	150.7	164.3	162.8	173.7
Horse mackerel	301.8	312.4	320.4	344.3	314.8
Monk	10.3	16.4	14.8	14.4	12.4
Kingklip	2.3	2.2	3.7	3.9	..
Tuna	1.3	1.4	1.2	2.4	..
Rock lobster	0.2	0.35	0.3	0.36	0.36
Other fish species	50.2	53.6	28.6	34.9	..
Total	**511.4**	**605.7**	**577.8**	**588.4**	**545.8**

.. Not available.

Source: Ministry of Fisheries and Marine Resources, *Annual Report 2001*, p. 25; and Namibian authorities.

9. The Marine Resources Act (No. 27) of 2000 and the subsequent Regulations Relating to the Exploitation of Marine Resources (No. 241) of 2001 replaced the 1992 Sea Fisheries Act, and came into force on 1 August 2001. This strengthened fisheries management and continues previous policies, including "Namibianization" of the fisheries industry to empower formerly disadvantaged groups. Criteria for granting fish exploitation rights include whether the applicant is a Namibian citizen or, if a company, whether Namibians have beneficial control; ownership of the fishing vessels; the advancement of Namibians; the contribution of marine resources to food security; and cooperation with other, especially SADC, countries. The duration of the fishing right also depends on the extent of Namibian involvement and domestic processing. Majority-owned Namibian enterprises are given

[78] Nichols (2003).

preferences in awarding fishing rights. Enterprises with less than 50% ownership of a vessel or of an onshore processing plant in the relevant fishery are entitled to four-year rights. Where such vessel or plant ownership is 50% to 90%, Namibian enterprises are granted seven-year rights, enterprises that are at least 90% Namibian owned are entitled to ten-year rights.[79] Majority foreign-owned enterprises are granted rights depending on their onshore processing activities. Such rights are limited to four years if they have no onshore processing plant; to seven years with investment in processing facilities; and to ten years if they make a major contribution to Namibia's development, such as employing over 500 Namibians in processing facilities. To encourage investment, the Government recently extended the duration of fishing rights from four to seven years; seven to ten years; and from ten to fifteen years. An additional fishing right of twenty years was introduced for companies permanently employing at least 5,000 Namibians in processing facilities.

Table IV.2
Total allowable catch (TACs), 1998-02
('000 tonnes)

Fish species	**1998**	**1999**	**2000**	**2001**	**2002**
Pilchards	65.0	45.0	25.0	10.0	0
Hake	165.0	210.0	194.0	200.0	195.0
Horse mackerel	375.0	375.0	410.0	410.0	350.0
Crab	2.0	2.0	2.0	2.1	2.2
Rock lobster	0.3	0.35	0.35	0.4	0.4
Orange roughy	12.0	6.0	2.4	1.875	2.4
Monk	..	..	..	13.0	12.0
Total	**619.3**	**638.3**	**633.8**	**637.4**	**562.0**

.. Not available.

Source: Ministry of Fisheries and Marine Resources.

10. Quota fees are structured to encourage Namibian registration and ownership of fishing vessels, and to promote onshore processing (Table IV.3). Quota fees are lowest for Namibian vessels, those registered in Namibia with at least 51% beneficial ownership and with at least 80% Namibian crew. Namibian-based vessels pay higher fees.[80] Foreign vessels are levied the highest fees. For example, on "wet hake fish', the quota fees paid by foreign vessels are triple those paid by Namibian vessels and double the level for Namibian-based vessels. Fees are rebated (fully for horse mackerel) if the catch is processed on-shore, including pilchards processed into fish-meal. The rebates are fixed amounts; their percentage of the quota fee therefore varies between foreign and Namibian vessels. Quota fees were increased for the first time in May 1999, by 10%, and again substantially in 2001. By-catch fees are payable also on 19 fish species caught by licensed vessels to stop them from targeting species in which they have no quota. Fees range from N$1,200 per tonne on hake, to N$6,500 per tonne on orange roughy. Levies, ranging mainly from N$10 per tonne on horse mackerel to N$150 per tonne on orange roughy, also fund fisheries research. Licence fees apply to all fishing vessels; the fees range from N$20 to N$200 annually, depending on tonnage and whether the vessels are used as processing plants. In 1998, total fees paid amounted to N$88.9 million.

[79] Less ownership in vessels or processing plants will be considered for large ventures.

[80] Namibian-based vessels are Namibian registered but are not domestically majority-owned and have a crew of less than 80% Namibians.

Table IV.3
Quota fish fees, 2001
(N$ per tonne)

Fish species	Foreign vessel	Namibian-based vessels	Namibian vessel	Rebate for onshore processing
Hake				220.00
- wetfish	1,200	600	300	
- frozen	1,450	850	550	
Horse mackerel				Full quota fee
- processed at sea	180	120	80	
- processed on land	100	60	40	
Pilchard		165	110	27.50 if for processing fish meal
Crab[a]	1100	650	400	165.00
Rock lobster	1,4000	8,500	5,000[b]	
Tuna	950	550	350	
Monk				
- wetfish	1,600	800	400	
- frozen	1,950	1,150	750	
Orange roughy	2,900	1,500	1,000	

a Other than spider crab or red crab.
b A rebate equal to the full quota fee per tonne applies to Namibian vessels for the first 8 tonnes of rock lobster.

Source: Ministry of Fisheries and Marine Resources.

11. Such policies seemingly have increased the degree of domestic fish processing; currently some 60%, on average, of the total catch is processed onshore. The Namibians' share of quotas has also increased from 16.5% in 1989 to 72% in 1999.[81] Moreover, over 80% of the almost 300 licensed vessels are either Namibian-owned or Namibian-based, and the share of Namibian crew has increased steadily from an average of 47% in 1995 to 66%.[82] This level is expected to increase to 90%. Government priority remains the allocation of quota to Namibian entrants. It announced in 2001 that "new comers and the established companies will have to form joint ventures if they are to qualify for fishing rights and quotas."[83] The Government has granted some 42 fishing rights to some 89 Namibian companies.[84] However, one view is that such policies have resulted in uneconomic quotas being allocated to Namibian entrants and has not promoted economic growth or social welfare.[85] In the case of the hake quota, for example, about 25% of the TAC has been allocated to 16 new Namibian entrants since 1994, corresponding to a quota of some 3,000 tonnes each. These policies have encouraged foreign companies to present a "Namibianized" image in order to meet the Government’s requirements for special treatment, including reduced quota fees.[86] Nominee shareholders and other methods have been used to achieve majority domestic ownership while retaining overseas control.

12. Any benefits from Namibianization policies must also take account of their financial cost to the government through revenue forgone. Quota receipts have fallen, both absolutely, from N$108.6 million in 1994 to N$75.2 million in 1998, and as a share of landed fish values, from 12.3%

[81] Erastus (2002), p.12.
[82] On-shore workers are at least 95% Namibian.
[83] People’s Business (2002), p. 4.
[84] People’s Business (2002), p. 5.
[85] Erastus (2002).
[86] Manning (2000).

to 4.7%.[87] Substantial fish resource rents are therefore being fore gone, and the economic merit of these policies has been disputed.[88] Namibia may be better off economically to fore go the uncertain benefits from "Namibianization" measures, and instead focus on maximizing resource rents to provide additional government funding for areas such as health, education, housing, and vital infrastructure.[89] Making quotas tradeable between companies may also be more efficient, and would remove the current incentives for transferring quota rights under various non-transparent and undesirable guises.[90] Policies to promote domestic fish processing may also be questioned. They encourage resources into processing which, if inefficient, dissipates the economic rents from fishing and may penalize efficient producers competing for resources, especially capital. Continued over-reliance on domestic protection, with SACU tariffs on fish imports of up to 30%, and on substantial tariff preferences in foreign markets that shelter exports from international competition, can be both an indicator and a contributing cause of inefficiency.[91]

13. Despite the economic uncertainties associated with localization or "Namibianization" policies, Namibia's rights-based fishing system and associated quota fees have re-generated Namibia's fishing industry which, at independence, suffered badly from over-fishing by foreign fleets. Employment and investment have increased substantially, and the number of whitefish processing plants has grown from zero in 1991 to over 20 in 2002.[92] The fishing industry is not subsidized; Namibia strongly opposes subsidies believing that they cause over-capitalization, distort trade unfairly, ultimately lead to over-fishing, and encourage illegal, unreported, and unregulated fishing practices.[93] Namibia has implemented an integrated programme of inspection and patrols to ensure compliance with its fisheries laws. This includes comprehensive coverage of larger vessels by on-board observers; systematic sea patrols to detect unlicensed vessels and to monitor the licensed fleet; and surveillance of all landings at the two commercial fishing ports, Walvis Bay and Luderitz. It is also well advanced in implementing a national satellite-based vessel monitoring system.

14. The Marine Resources Fund, for financing fisheries research, replaced the Sea Fisheries Fund. The Fisheries Observer Fund was also established to finance the Fisheries Observer Agency from an additional fish levy on processors, thereby strengthening current inspection capabilities by on-board observers. The new legislation also created the Marine Resources Advisory Council, comprising both public and private fishing representatives, to advise the Minister on wide-ranging matters affecting the industry.

15. Namibia belongs to the Convention on the Conservation and Management of Fisheries Resources in the South East Atlantic Ocean, to be administered by the South East Atlantic Fisheries Organization (SEAFO). Signed in April 2001, it provides for the long-term sustainable management

[87] Another reason is that quota fees had not been adjusted since their inception, until May 1999. See Ministry of Fisheries and Marine Resources online information. Available at: www.mfmr.gov.na.

[88] Erastus (2002), p. 19.

[89] Manning (1998).

[90] These include the widespread practice of chartering vessels whereby the quota holder signs over the use of the seasons' quota for a tonnage fee, and the lessee assumes responsibility for the quota fees and all arrangements regarding catching, processing, and marketing. Another method is to obtain a controlling interest in or form a joint venture with a company that has a quota. See Manning (2000), p. 31.

[91] For example, tariff preferences of up to 24% apply in the EU under the Cotonou Agreement, and trade between SACU members is duty free. Horse mackerel can be exported duty free to Zimbabwe under the Namibia-Zimbabwe Preferential Trade Agreement.

[92] Nichols (2003), p. 4.

[93] Nichols (2003), p. 2.

of fish in the high seas of the south east Atlantic Ocean.[94] Namibia ratified the Convention in November 2001. Fish species covered are alfonsino, orange roughy, armour head, wreck fish, deepwater hake and red crab. SEAFO's headquarters are in Namibia, and the Ministry of Fisheries and Marine Resources provides the interim secretariat. Members are to ensure that their flag vessels use sound fishing practices and are appropriately monitored.

(ii) Agriculture, livestock, and forestry

(a) Main features

16. Agriculture production varies depending on climatic conditions, but has generally averaged (with forestry and livestock) some 6% of GDP in recent years (excluding meat processing). The dualistic agriculture sector consists of commercial and subsistence subsectors. Commercial farming has shown little growth until recently, and subsistence farming now produces about the same value of output. Subsistence agriculture consists of rain-fed crops, mainly millet, sorghum, and maize, and extensive livestock grazing on communal land, predominantly in the Northern Communal Areas. A few horticulture crops are also grown, especially beans, pumpkins, melons, groundnuts, and spinach. Commercial farming occurs on freehold farms averaging some 5,000 hectares; it focuses mainly on maize, wheat, and cotton as well as beef production for export to the EU under preferential arrangements, and mainly live cattle, sheep, and goats to South Africa. Beef production accounts for about 80% of meat production, and for 40% of agricultural output; ostrich breeding has increased. Commercial farming has recently diversified into irrigated grapes. Communal farming supports 95% of the nation's farmers, but covers about half of total agricultural land. The Government is encouraging increased production and processing of millet, and the introduction of cotton on the larger communal farms of up to 20 hectares.

17. Namibia is self-sufficient in red meat, but imports about half of its cereal requirements, especially maize and wheat. Cereals provide about 50% of the total calorie intake of Namibians. Pearl millet (commonly called mahangu), the staple food, and sorghum are the major cereals grown, mainly by subsistence farmers. Only some 10% to 15% of millet production is traded; however, a certain quantity is informally imported duty-free from Angola for border use. Imports of sugar and dairy products, such as concentrated milk, cream, cheese, and butter, are important. Most foodstuffs are imported from South Africa.

18. Agricultural development, and diversification into higher-value-added crops, such as cotton, grapes and indigenous fruits, are high government priorities. Current strategies remain those of the National Agricultural Policy released in 1995. The main goals are to raise agricultural productivity, real farm incomes, and food security through opening the agriculture sector to the benefits of regional trade integration. Government policy has been to phase out distorting agricultural subsidies that discourage the private sector, unless they meet clearly defined social goals. Measures to support agricultural prices ceased some time ago. The Government sees its main role as creating a favourable macroeconomic policy environment, and providing certain services, such as extension advisory services, research, and credit, and facilitating private marketing of commodities. Farmers are assisted by input subsidies on fertilizers, seeds, and ploughing; vaccines are no longer subsidized. For example, the level of subsidy on mahangu seed was N$1.50 per kg., which lowered the farm price to N$3.50 per kg.[95] However, the Government does not supply any farm inputs; these are provided by the private sector. The Government also funds emergency drought relief schemes, which generally

[94] Signed between Namibia, Angola, South Africa and the United Kingdom (for St. Helena and its dependencies of Tristan da Cuhna and Ascension Island) and the EU, Iceland, Norway, Republic of Korea, and the USA.

[95] Hansohm et al. (1999).

take the form of per head subsidies to assist drought-stricken farmers to sell or re-stock livestock (Chapter III(4)(i)).

19. Land reforms are a high government priority. The Government intends to establish small-scale farming on acquired commercial farms.[96] The White Paper on Resettlement Policy of 1997 and the National Land Policy announced in 1998 involves alleviating poverty by allocating purchased land to the poor. The Agricultural (Commercial) Land Reform Act of 1995 supports the subdivision of commercial agricultural land subject to maintaining economically sized viable units. The Government has purchased some 90 farms at a cost of over N$70 million; other funds have been used to provide food handouts to farmers. A study by the Legal Assistance Centre found that no resettlement project had yet become autonomous. It recommended that the Government adopt a more transparent land reform programme based on a coherent development strategy. The Communal Land Reform Act, passed in August 2002 (Act No. 5), provides for the allocation of communal land rights by Chiefs and Traditional Authorities, under the control of newly established Communal Land Boards.

20. A land tax, to be introduced from April 2003, will finance resettlement programmes and release undeveloped or under-utilized land. Over 12,000 commercial agricultural farms have been identified for taxation, and their valuation was completed in April 2002. Draft legislation has been prepared. The tax rate is to be 0.75% of the value of undeveloped Namibian-owned land, rising to 1% on all developed land or land held by absentee owners. The tax is expected to raise N$18 million annually.

21. To improve efficiency of water use across various users, the Government is conducting the Namibian Water Resources Management Review. NamWater, a parastatal formed in 1998 to handle bulk water supplies, has legislative authority to set tariffs on a full cost-recovery basis, and usage tariffs are being raised to phase out water subsidies. According to the Ministry of Agriculture, Water and Rural Development, cost recovery increased from 51% in 1995-96 to 93% in 1999-00.[97] However, subsidies still apply for many uses, especially irrigation. A recent White Paper on Water Policy proposed increasing fees to N$0.13 per litre on water to improve efficiency. A new Water Act is to replace the 1956 legislation.

22. Tariffs on unprocessed agricultural commodities average 5.5%, and are predominantly *ad valorem*, ranging from zero to 35% (Main Report, Chapter III(3)(ii)). However, since unprocessed agricultural commodities are largely not traded internationally, farmers in practice appropriate a share of tariff protection afforded for processed foodstuffs, through higher domestic prices for non-traded farm outputs. Tariffs on forestry and logging average 3%, and are all *ad valorem*, ranging from zero to 25% (Main Report, Chapter III(3)).

(b) Policy by product category

Cereals

23. Import quotas apply on wheat and maize and their products, from all sources (including other SACU members), until domestic production is sold to millers. According to authorities, domestic grains are generally sold quickly so that unrestricted imports can occur early. Although, in the case of maize, the quotas have rarely operated, these arrangements and the threat of such restrictions, along

[96] Hansohm et al. (1999), p. 71.
[97] Ministry online information. Available at: www.op.gov.na/Decade_peace/agri/htm.

with protection in the milling industry, may still raise local cereal prices, even if authorities believe this is not the case.[98]

24. The Namibian Agronomic Board is the official marketing board of controlled agricultural products: wheat, maize, and flours.[99] Its objectives are to promote agriculture by facilitating the production, processing and marketing of such products.[100] Prices are determined by negotiations between millers and producers without government intervention. The Board does not set prices (since 1996); it provides only annual import parity prices to farmers and millers as information on cereals (e.g. from South Africa, Europe, Argentina and United States). All producers and processors of controlled products (over five tonnes annually) must register with the Board. Its Mahangu Marketing Intelligence Unit, established in 1999, disseminates millet prices and other key information to growers and processors. The Board chairs a Millers Forum and licenses millers. While the incumbent miller dominates the milling industry, the Board has recently licensed additional mills. One new miller, a South African firm, imports his grain requirements. According to the authorities, the Board no longer restricts milling licences. The Board is privately funded through producer/processor levies (Chapter III(2((i)).

Other crops

25. Following the report of the Government's Cotton Task Team in 1997, the Namibian Agronomic Board compiled a Cotton Development Plan to promote cotton, in conjunction with the Ministry of Agriculture, Water and Rural Development. It envisages increasing seed cotton production threefold over five years to at least 15,000 tonnes annually. The private sector is being encouraged to develop a cotton ginning plant; latest expectations are that a private plant will be established with no government funding. Cotton is currently exported to South Africa for processing. Namibia's expanding textile and clothing industry is expected to provide an increasing domestic market.

26. Grape production is expected to increase to some 14,000 tonnes in 2002, especially in the Aussenrehr district. Grapes are mainly irrigated from the Orange River, which borders South Africa. Namibia has negotiated a basic annual water entitlement of 50 million m^3 at a fee of N$0.04 per m^3, along with a provisional water entitlement of 20 million m^3 annually until 2007.[101] Producers prefer to establish their own water supply rather than sourcing at subsidized prices from the bulk water supplier NAMWATER, a parastatal established in 1998.[102]

27. Over 80% of grapes are exported to the EU for table consumption. Namibia can export up to 900 tonnes annually of seedless grapes duty free to the EU market (Cotonou Agreement) under preferential quota.[103] This quota applies from 15 November to 20 December. According to authorities, the size of the EU quota and its coverage of only seedless grapes are major limitations on

[98] For example, it has been estimated that removing these import controls would benefit consumers by lowering the domestic white maize price by 20% and price of wheat by between 10% and 23%. Hansolm et al., p. 53.

[99] According to authorities, the sunflower industry has collapsed since it was deregulated in 1996, processors of, for example, margarine and cooking oil, have closed.

[100] The producer of a controlled product cannot sell, import or export it unless the Board issues a permit. Imports require a fumigation certificate, a phytosanitary certificate, and an additional declaration by the county of origin that it has no genetically modified organisms (GMOs).

[101] The agreed fee has not been collected by South Africa.

[102] Kalili (2000), p. 4.

[103] Since Namibia is the only ACP country that grows seedless grapes, it has the full EU quota, which was increased by 100 tonnes in 1997.

the industry's growth. Some grapes are used to produce raisins for export to South Africa. Producers prefer to use South African export points because of inefficient storage facilities and practices in Namibia, such as having to share cold storage with fish and beef, and mishandling by customs officials.[104]

28. No recognized grading system exists for grapes. Exporters use the Perishable Products Export Commodities Board Standards. These are adopted by the EU and are stricter than those adopted by the South African Bureau of Standards. Overseas inspectors visit Namibian farms during harvest to certify that grapes are exported according to the standards of importing countries. Government policy is to adopt Codex Alimentarius standards on imported foodstuffs and for export certification.

Livestock

29. The Meat Board of Namibia regulates livestock and related products (Meat Industry Act, 1981). It issues operating licences to abattoirs, and controls imports and exports through permits related to public health standards. Slaughter prices are market determined based on export returns, to, for example, the EU and South Africa. Livestock producers must register with the Board. A traceability and quality assurance scheme, required by the EU for export, was launched in 1999 (the Farm Assured Namibian Meat Scheme). It helps in certifying that beef complies with health and hygiene standards by enabling stock to be traced back to the farm. Under the Stock Brands Act, administered by the Meat Board, all cattle must be branded, and movement permits are issued by the Directorate of Veterinary Services. Cattle exports to South Africa must also be branded. The Board also assists the Ministry in paying drought relief subsidies.[105] A meat AB classification scheme was introduced in December 1998 based on EU and South African standards.

30. The Meat Board periodically provides short-term (less than one year) commercial loans to meat processors to promote and develop the industry. In 1999, loans totalling N$6 million were made to two major producers to encourage processing.[106] A Committee for the Restructuring of the Meat Industry was formed in 1998 to investigate restructuring possibilities, especially of the Livestock Improvement Board and the Meat Board, but it is not very active. The Meat Board stopped issuing slaughter quotas from 1 January 1999; these are commercially set and issued by Meatco and other abattoirs. The Board is privately funded: export or slaughter levies of N$4.6 million accounted for about one-third of total income in 1999. A substantial share of its income is from investments. It also collects an animal health levy on cattle, sheep, and goats for providing veterinary services, as well as classification, inspection, and administration fees. The Board operates a Cattle Stabilization Fund and a Small Stock Stabilization Fund, but these perform no price support or stabilization roles.

31. Meatco, a parastatal corporation established in 1986, remains the main exporter of beef (about 95% of exports). It is no longer the sole exporter to the EU under the Cotonou Agreement; the EU approved other abattoirs in 2002 to export beef, small stock and game, and ostrich. There are no restrictions on establishing abattoirs in Namibia, subject to them meeting municipal requirements and health regulations. Namibia's annual duty-free meat quota to the EU is set at 13,000 tonnes. The quota is generally unfilled: it has met twice in the last ten years (1993 and 2000); usage fell to 46% in 1997. Quota utilization rates fell from 88% in 2001 to 85% in 2002. The main reasons are that there is insufficient cattle for slaughtering, and that only meat from Namibia's foot-and-mouth disease-free

[104] Kalili (2000), p. 19.

[105] The Board runs a Government Drought Relief Fund, in which the Government contributes financially. In 1999, the Government contributed N$4 million.

[106] In 1998, Meatco repaid the last instalment of a N$3 million interest-free loan made in 1990 to develop a sheep abattoir.

zones can be exported; this accounts for only about half of the national herd. The quota also covers only de-boned meat of certain high-value cuts.

32. The Karakul Board of Namibia, formed in 1982 (Karakul Pelts and Wool Act), oversees the processing and marketing of karakul pelts internationally under a joint venture with a producer co-operative that does the trading. The industry is small; most farmers have shifted into sheep or cattle grazing.

(iii) Mining

33. Namibia's mineral deposits are extensive, and mining contributed about 14% to GDP in 2001, up from 12% in 1996. Diamonds account for about 90% of the total value of mineral exports. Namibia also produces uranium, copper, gold, silver, lead, and zinc (Table IV.4). Mineral products, especially diamonds, are Namibia's main export earner.

Table IV.4
Output of selected minerals, 1997-01

Mineral	1997	1998	1999	2000	2001
Diamonds ('000 carats)	1,416.3	1,465.9	1,632.9	1,546.7	1,487.3
Uranium (tonnes)	3,415.3	3,278.0	3,171.0	3,201.0	2,640.0
Copper ('000 tonnes)	16.0	7.0	0	13.0	15.0
Lead ('000 tonnes)	14.0	13.0	10.0	10.0	13.0
Zinc ('000 tonnes)	40.5	42.1	37.4	32.9	37.0
Gold (kg.)	2,302.0	1,855.0	2,008.0	2,399.0	2,694.0

Source: Ministry of Mines and Energy.

34. Tariffs on imports of minerals average 0.7%, and are all *ad valorem*, ranging from zero to 10% (Main Report, Chapter III(3)(ii)).

35. The main diamond producer is Namded Diamond Corporation, an equal joint venture between the Government and De Beers. It produces about 85% of Namibia's diamonds. Under a renewed sales agreement between the two parties in 1999, all diamonds are sold through the international cartel operated by De Beers, the Diamond Trading Company. De Beers Marine Namibia (DBM Namibia) is contracted by Namded to provide prospecting, sampling, and mining services for its offshore leases. Other major producers include Namibian Minerals Corporation (Namco) and Diamond Fields Namibia. Namco is expanding operations following restructuring; LL Mining Corporation, with Israeli interests, has 53% equity and has invested US$25 million. De Beers imposed export quotas on diamond purchases from its Namibian affiliates (Namded and DBM Namibia) in November 2001 to control over-supply of diamonds at a time of weak international demand. These were to have ended in 2002. Diamonds accounted for over 80% of exploration and prospecting expenditure, totalling N$249 million in 2001 (up from N$167 million in 2000). Diamonds are increasingly found offshore.

36. Copper production ceased following the liquidation of Tsumeb Corporation, owned by Gold Fields of South Africa, in 1998. However, copper mining and smelting was re-commenced in 2000 by Ongopolo Mining and Processing Limited. Uranium output at the Rossing Mine, 31% owned by Rio Tinto and 3.5% by the State, declined in 2001 from 3,201 tonnes to 2,640 tonnes. The Skorpion zinc mine and refinery, owned by Anglo Base Metals, are expected to come on stream in 2003 at a cost of over N$3 billion; planned annual production of 150,000 tonnes of pure zinc metal will put it in the world's top ten largest zinc mines, and is expected to add up to 4 percentage points to mining GDP. The refinery (but not the mine) has Export Processing Zone status and is exempt from all taxes.

37. Royalties are levied on production at 10% on rough and uncut precious stones and 5% on unprocessed "dimension" stones. The Minister may determine royalties of up to 5% on other minerals; however, this has not been used according to officials. There is no mandatory requirement for the Government to take equity participation in mining ventures; apart from Namded, the only government equity in mining is a 3.5% stake in the Rossing uranium mine. In 2001, 583 non-exclusive (and 160 exclusive) prospecting licences were awarded, up from 510 (and 155) in 2000. Five mining licences were awarded in 2001 (also 5 in 2000) and 73 (37 in 2000) licence applications (new and renewal) were pending.

38. While mineral policies and legislation have changed little since the last Trade Policy Review of Namibia, both have been reviewed and changes are pending. The Ministry of Mines and Energy has drafted a new minerals policy through an extensive consultation process involving all stakeholders. The process started in 2001; background studies were completed and discussion documents released for consideration by stakeholders at public workshops in 2001 and 2002.[107] The new minerals policy aims to attract foreign investment in mineral exploration and development, and is due to be presented shortly to Cabinet. It covers several themes, including policy statements on value addition, promotion, human resources, and government integration. When approved, the Ministry will develop a policy implementation strategy, expected mid 2003, to ensure that the policy is implemented within a specific timeframe. Future amendments to the Minerals (Process and Mining) Act, No. 33 of 1992 are designed mainly to empower the Minister to issue regulations to further address environmental protection and mine rehabilitation, especially following abrupt mine closures.

39. The new Diamond Act, No. 13 of 1999 (effective April 2000), controls illegal mining, exploration, and trade. It covers all rough but not polished diamonds. The Diamond Board advises the Minister on matters relating to the diamond industry, and is privately funded by percentage levies paid by producers on annual gross sales. The legislation specifies four types of diamond licence: a dealer’s licence to buy, sell, and export unpolished diamonds; a cutting licence to polish diamonds; a tool-making licence to set unpolished stones in tools; and a research licence. Holders of unpolished diamonds must be licensed or have a permit, or be a producer/contractor of diamonds under the Minerals (Prospecting and Mining) Act. Licence holders are to give preferences to employing Namibians, with "due regard to efficiency, economy and practicability", unless the qualifications, expertise, and experience are not obtainable locally. They are also to extend preferences to procurement of local products and services, and to train Namibian citizens. The import and export of unpolished diamonds require a permit.

40. Special ministerial powers ensure that there are sufficient regular supplies of unpolished diamonds domestically for cutting, tooling, and research, to help promote downstream processing. The Minister sets the terms and conditions of such sales according to current market prices. These provisions require the Minister to be satisfied that the domestic processor or researcher has been unable to acquire an adequate supply of unprocessed diamonds on reasonable terms and conditions. Exporters of unpolished diamonds may also be required to sell for a specified period, of up to six months, on normal terms where considered necessary to measure international prices to "test the market" to ensure that Namibia’s diamond returns are on par with other international suppliers.[108] The Diamond Act (section 62) also imposed an export tax of 10% on all unpolished diamonds not subject to the 10% royalty. Since the royalty applies to all licensed diamond producers, the export tax has effectively replaced the royalty. Exports of polished diamonds must be inspected by the Minister to

[107] Background papers included An Overview of the Namibian National Economy, An Overview of the International Minerals Industry, and a Review of the Mineral Sector of Namibia.

[108] These arrangements may only be invoked when the Minister is satisfied that the net proceeds received by the producer will not be less than the proceeds received otherwise, and cannot exceed 10% of the net proceeds.

ensure that they are actually cut and polished. A higher company tax rate of 55% applies to diamond mining.[109]

(iv) Energy

41. Namibia has gas reserves, but no oil. About two thirds of Namibia's energy consumption is from petroleum products, and about one third from electricity. In rural areas, the main energy source is fuel wood used for cooking. A White Paper on Energy Policy released in 1998 by the Ministry of Mines and Energy was tabled in Parliament in May 2002. The Ministry's Energy Policy Committee, established in 1996, also ran a public energy policy dialogue to obtain input from stakeholders. Energy policy covers access to affordable energy; investment and growth, including "black empowerment"; economic competitiveness and efficiency; and sustainability. Electricity, coal, and oil imports are duty free.

(a) Petroleum and gas

42. Private operators are exploring regional possibilities for developing the offshore Kudu gas field. The private sector conducts all exploration and production; off-shore/on-shore exploration licences may be applied for at any time.[110] Namcor, the state-owned oil and gas firm, restricts its activities to promotion, gathering data, and providing technical management, although it has extensive powers over exploration, production, refining, and marketing.

43. Government policy is to develop a downstream gas subsector. A draft Gas Act was released in June 2001. It aims to establish a natural gas transportation and distribution network for domestic gas supply and for export, including a mandatory licensing system and an independent national gas regulator. Investment in pipeline infrastructure is to be facilitated, and a competitive gas market promoted in the long term, including regional trade. The Gas Regulatory Authority will control gas transport, storage, distribution, and marketing; it will issue licences and monitor arrangements to ensure non-discrimination. Tariffs to gas distributors and consumers will require approval where competition is considered insufficient. The proposed legislation requires incumbent transporters of gas to provide inter-connection to other licensed transporters on terms agreed by the parties (or by the Minister in case of non-agreement). Licences for gas distribution are to be issued on a zonal basis for exclusive 12-year periods. Gas prices should reflect cost methodologies determined by the Authority and will be controlled. Cross-subsidies may be authorized. The Authority will set prices to protect customers against monopolistic practices. Exports and imports of gas require a licence.

44. Amendments to the Petroleum Exploration and Production Act (1991) in 1998 reduced the royalty on new operations from 12.5% to 5% of the oil's f.o.b. market value. The rate of income tax on petroleum was also changed from 42%, on average, to 35%, and certain changes were introduced concerning deductibility for exploration expenditure.[111] The additional profits tax was also amended.[112] Alternatively, production-sharing arrangements may be negotiated with the parastatal National Petroleum Corporation of Namibia.

[109] The tax rate for non-diamond mining companies is 35%.

[110] Offshore licences were previously awarded in fixed licensing rounds, in 1991, 1994, and 1998. These resulted in total committed offshore exploration expenditure of over N$520 million.

[111] The previous income tax rate was calculated by a formula, but set at a minimum of 30%. The formula was y=65-480/x, where y=income tax rate and x=the percentage of taxable income of total income derived.

[112] Previously, there were three tiers of additional profits tax; 25% and the remaining two were negotiated.

45. The duration of exploration licences may be extended and the obligations of licence holders further regulated. Oil producers must submit plans on decommissioning facilities (after production) for ministerial approval one year before half of the estimated recoverable reserves have been extracted. The producer must create a trust fund and make annual deposits to meet the estimated decommissioning costs.[113] These amounts are set by the Board of Trustees in accordance with a formula based on levels of production, the expected environmental impact, and the size of the holding.[114] The Ministry of Mines and Energy administers, regulates and licenses petroleum exploration activities.

46. The Ministry of Mines and Energy amended the model petroleum agreement in 1998. Annual exploration and production licensing fees apply. Petroleum explorers and producers are required to train Namibians and agree on a minimum level of training expenditure. Explorers contribute to the Petrofund to train and educate Namibians. They are to employ Namibians to the extent possible, subject to qualifications, unless the necessary skills are unavailable domestically. Operators are also to use as much local content as possible, provided it is internationally competitive.

47. Petrol and diesel prices, along with selling margins, are controlled. LPG and paraffin prices are not regulated. Namibia imports all petroleum products, mainly from South Africa, and five private oil companies dominate the sector. Products are imported mainly at Walvis Bay, railed to inland depots and distributed to outlets by road. Prices are set on the basis of an import parity formula based on in-bond landed cost (IBLC), determined as a basket of international posted refinery prices. Margins are fixed for oil companies according to return on assets, and for retailers based on an annual survey of dealers' margins. New government regulations are being implemented to control the wholesale and retail markets, while retaining the prohibition on self-service outlets for employment reasons. The National Energy Council, chaired by the Minister of Mines and Energy, established the National Deregulation Task Force to examine fuel price deregulation. The basis of the IBLC import price was changed to 80% posted and 20% spot prices, instead of 100% posted prices, in 1997 as a closer proxy for import costs. The formula is currently being reviewed under SACU arrangements and a revised version is due to be implemented in April 2003. While government policy is for a more deregulated market, price deregulation will depend upon conditions regarding market size, entry barriers, and the balance of market power. All storage and transport infrastructure is privately owned, and the Government can require owners to provide non-discriminatory access at a fair price to other companies so as to facilitate access by additional players into the petroleum market.

48. Fuel prices have risen substantially in recent years; current prices (2003) are about N$4.00 per litre for petrol and N$3.80 per litre for diesel. Various taxes apply to petroleum products, including a fuel tax of N$0.12 per litre of petrol and N$0.10 per litre of diesel, as well as an excise duty of N$0.04 per litre. Road user charges (the RFA levy) of N$0.73 per litre of petrol and N$0.73 per litre of diesel also apply. A price equalization scheme is financed by the National Energy Fund levy of N$0.10 per litre of petrol and diesel. It subsidizes the freight costs from Walvis Bay to ensure that retail prices in remote areas are the same as at the nearest railhead. Subsidies normally cover about one quarter of sales. The Petroleum Products and Energy Act of 1990 controls the National Energy Fund, and the legislation is presently being reviewed to include all energy forms in the Fund.

49. Amendments to the Petroleum Products and Energy Act in 2000 granted the Minister of Mines and Energy more comprehensive regulatory powers, especially over imports, supply, storage, possession, and sales of petroleum products. Agreements between wholesalers (importers,

[113] The Board of Trustees comprises equal numbers of officials and licence-holder representatives, with officials filling the chairperson and vice-chairperson positions.

[114] Trust fund deficits in meeting decommissioning costs are to be met by the producer, while any surpluses will be returned.

distributors or exporters) and operators (selling outlets) restricting competition or using unfair contractual procedures and practices are prohibited. Licences are issued by the Ministry of Mines and Energy to control this strategic commodity (since 2000).

50. The Government requires strategic stocks of petroleum products of 165,000 tonnes in Walras Bay, which is kept as commercial storage by private oil companies. The stock reserves are set at three months of supplies for petrol and four months for diesel.

(b) Electricity

51. The state-owned national utility company, Nampower, has a monopoly over generation and transmission. Electricity is mainly imported from Eskom in South Africa (some 70%). Hydro-electricity is supplied from the Ruacana plant on the Cunene River.[115] The Van Eck thermal station in Windhoek generates electricity from imported coal. Power is distributed by distribution agencies, mainly 46 local authorities, each with a de facto monopoly within its geographic area. Rural electricity supply is the responsibility of the Ministry of Regional and Local Government and Housing, and this has been contracted out in the north to a private firm, NORED. Large mining and industrial users as well as commercial farmers can negotiate direct power supply from Nampower. Several competitive pressures are emerging, such as the prospect of new independent power producers, like the planned Kudu gas-fired plant, and the demand by new mining companies for power at import-competitive prices. Nampower is also a member of the Southern African Power Pool (SAPP). Namibia is examining the feasibility of establishing additional inter-connections with Angola, Botswana, and Zambia to improve electricity trade under SAPP and bilaterally, including exports. The Government plans to source all peak demand and at least 75% of electricity domestically by 2010.

52. The Government is taking steps to deregulate the electricity market. The Electricity Act (No. 2) of 2000, effective 12 July, established the Electricity Control Board as the independent regulator of the generation, transmission, distribution, import, and export of electricity.[116] The Board must license all such activities, and approve electricity tariffs.[117] Interconnection to the transmission system is covered; a transmission operator must provide access to a licensed supplier at a price approved by the Board. The Government has adopted a "single buyer" deregulatory model. Generation is to be deregulated to encourage independent power production and imports are to be sold to a single monopoly buyer, Nampower, for transmission. Geographic distribution monopolies will continue, but large users may still purchase directly from Nampower. Independent power producers wishing to export will be able to access the transmission system at competitive prices. Third-party access to the distribution system, such as by large users wishing to obtain electricity directly from Nampower or to use embedded generation by other suppliers, will also be allowed. A national electricity pricing policy is to be adopted to remove subsidies, including between different consumers, and allow for cost recovery.[118] Although privatization is the Government's general policy, there are no current plans to privatize Nampower. Its operations are now subject to government performance contracts. Nampower has also been restructured into regulated business units, such as generation, transmission, and distribution.

[115] Although power output varies enormously depending upon water supply, the Cunene River may offer substantial hydro-power potential. Feasibility studies are looking at additional projects, in cooperation with the Angolan Government.

[116] Previously, electricity was governed by South African legislation.

[117] The Board's administrative arrangements are contained in the Electricity Regulations: Administrative Electricity Act, 2000.

[118] For example, Nampower is subsidizing electricity used by cotton farmers in the Maize Triangle.

53. The Ministry of Mines and Energy and Nampower finalized a Rural Electrification Master Plan in 2000. About 10% of rural households had electricity in 2000, up from 8% in 1997 (5% in 1991), and 75% of urban households. Overall, some 30% of households have electricity. The Government plans to increase rural electricity access to 25% by 2010. Import capacity is to be enhanced by constructing a 400kW system from South Africa to Windhoek, estimated to cost N$950 million. Government priority is for rural users to have access to commercial fuels, such as paraffin, LPG, and diesel, at affordable prices to replace wood fuel. Measures include extending credit to purchase such appliances, and improving liquid fuel distribution.

(3) MANUFACTURING

54. Manufacturing accounted for about 11% of GDP in 2000. Food and beverages almost doubled over the period 1996-00 and accounted for half of manufactured output in 2001. Fish processing, which had expanded fourfold to reach almost one quarter of manufactured output in 2000, fell by over 40% in 2002. Other manufacturing includes mainly meat processing, metal fabrication, fish cans, wood products including furniture, chemicals, paints, plastic packaging, textile and leather products. Fish products account for some 60% of total manufactured exports, followed by meat processing (20%). Manufacturing accounts for about 7% of employment.

55. The main policy measure to expand manufacturing is the Export Processing Zone Development Programme. Currently around 80 firms have such status (21 operational), covering activities like agri-processing, food and beverages, electronics, motor vehicles, electronics, and textiles.

56. A new textile manufacturing plant opened in 2002, funded by Malaysian investment of N$980 million. It produces knitted fabrics and garments for export to the United States. It uses imported inputs, mainly from West African countries, and Namibian cotton. AGOA initiatives appear to be benefiting the apparel industry.[119] New investment of N$250 million was planned in 2001.[120] The Government believes that the AGOA, especially the textile and apparel provisions, have meant more than all the development assistance received since independence.[121] The first textile exports to the United States under the AGOA were in August 2002. AGOA benefits may also increase following the U.S. decision to "narrowly expand" trade opportunities by changing certain aspects of the scheme and to extend from 6 August 2002 "lesser developed beneficiary country" status to Namibia, despite its relatively high GNP, thereby allowing its producers to use third-country fabric in qualifying clothing (so-called AGOA II).[122]

57. A joint venture involving a U.S. firm is constructing the country's first cotton ginning plant for local and export sales. Cement production ceased in 1999. Namibia also exports motor vehicle components for Volkswagon.

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[119] It has been estimated that the AGOA will raise the level of non-oil exports from sub-Saharan Africa to the United States by between 8% and 11%, depending on how restrictive the rules of origin in the non-apparel sector are in practice. However, these trade benefits would have increased by up to fivefold if no products had been excluded from AGOA, and if less stringent rules of origin (namely the multifibre or MFA rules) had been applied. Such gains from AGOA represent losses for other suppliers due to trade diversion. See Mattoo, Roy and Subramanian (2002). The trade diversion in favour of sub-Saharan African countries may be at the expense of other, including developing, countries.

[120] USTR (2002).

[121] Ministry of Trade and Industry, p. 117, quoted in USTR (2002).

[122] U.S. Trade Act of 2002, 6 August.

58. Tariffs on manufactured imports average 11.8%; *ad valorem* duties generally range up to 60% (Main Report, Chapter III(3)). Relatively high average tariffs (above 20%) apply to tobacco (36%), clothing (35%), carpets (30%), knitted and crocheted fabrics (28%), leather products (26%), and footwear (21%).

(4) SERVICES

59. Services dominate Namibia's GDP. In 2001, they accounted for 65% of GDP (67% in 1996). The main components are services provided by the public administration (24% of GDP in 2001), real estate and business services (10%), wholesale and retail trade (including repairs) (10%), transport and storage (4%), and financial intermediation (3%).

60. Namibia made minimal commitments on services under the WTO General Agreement on Trade in Services (GATS). The commitments cover tourism, more specifically hotels and restaurants, as well as travel agencies and tour operators, and scientific and consulting services relating to offshore oil and gas exploration. Namibia committed to having no limitations on market access and national treatment for these services for all four modes of supply. It did not participate in the extended GATS negotiations on basic telecommunications (Fourth Protocol) or financial services (Fifth Protocol).

(i) Post and telecommunications

61. Two monopoly suppliers dominate telecommunications. The state-owned Telecom Namibia supplies basic services and the Mobile Telecommunications Company (MTC) (a joint venture between the Government (51%) and two Swedish companies, Telia International and Swedfund International) has a GSM network to provide cellular services. Telecom Namibia's performance contract with the Government specified 10% annual increasing in telephone penetration, from a teledensity of about 3% to 9% by 2000. In 2001, the teledensity was 6.4%, and 117,000 lines were connected. Population coverage was some 80%. New ISDN services were introduced in 1998, and voicemail and virtual telephony in 1999. MTC was expected to invest N$70 million in expanding the mobile network over the five-year licence period until September 1999. The renewed licence is for 15 years. The Government is considering issuing a second cellular phone licence. There were 20,000 mobile subscribers in 1999 (2% of the market). The Namibian Communications Commission is the sector's regulator, and the Ministry of Foreign Affairs, Information and Broadcasting the responsible ministry.

62. After announcing in 1999 that new entrants would be allowed by 2000, the Government extended the timetable to 2004 at the latest, when the telecommunications market would be fully opened. Namibia is a founding member of the Telecommunication Regulators' Association of Southern Africa (TRASA), inaugurated in September 1997 among SADC nations.[123] The Government approved a Telecommunications Policy and Regulatory framework in 1999 along the lines of the SADC Protocol on Transport, Communication and Meteorology, and the Model Regulatory Framework for Telecommunications. From 2002 until 2004, the Government may defer competition in any market segment for socio-economic reasons. The Government will establish a Universal Service Fund to finance universal services, such as basic telephone services in rural areas. All telecommunications equipment should comply with the National Operators Network and have type approval from the Namibian Communication Commission.

63. The Internet and other value-added services are open. There are five Internet suppliers.

[123] Other founding members are Botswana, Mozambique, South Africa, Tanzania, and Zambia.

64. The state-owned NamPost has a monopoly over postal, including courier, services. There are over 100 post offices in Namibia, and NamPost has about 700 employees.

(ii) Financial services

65. Financial services are relatively well developed. Service providers include five commercial banks, the state-owned Agricultural Bank of Namibia, the Post Office Savings Bank, several merchant banks, and a range of non-bank financial institutions, such as insurance companies, pension funds, and money market funds. All commercial banks are privately owned, with substantial South African equity. One, the Standard Bank of Namibia, is 100% South African owned. South African, French, and German interests primarily own the Commercial Bank of Namibia. Namibian equity is held in two banks, Bank Windhoek (56.4%), and the City Savings and Investment Bank (46.5%, and recently merged with the building society SWABOU). The First National Bank and the Standard Bank account for almost two thirds of the banking market. There are over 80 bank branches throughout the country. A capital market also operates around the Namibian Stock Exchange. Namibia is a member of the East and Southern Africa Banking Group and it participates in the Committee of Central Bank Governors of SADC countries.

66. The Bank of Namibia, the country's central bank, licenses all banks. Banking licence applications must meet the statutory requirements, such as a minimum capital requirement of N$10 million, be from fit and proper persons, and have permission from their home country prudential supervisor. There are no longer different classes of banking licences, and all licensed banks may participate in the full range of banking services. There are no restrictions on the number of banking licences, and foreign branches may operate in Namibia. The Namibian banking subsector has high gross margins, and, while the banks still have largely unexploited economies of scale, it is more profitable than in neighbouring countries. This suggests that Namibia could accommodate new banks.[124]

67. The Bank of Namibia Banking Supervision Division is responsible for prudential regulation of the banking system. These supervisory powers were enhanced in new legislation, the Bank of Namibia Act (No. 15) of 1997 and the Banking Institutions Act (No. 2) of 1998, effective 1 July. Namibia's prudential requirements are consistent with the Basel Core Principles. Minimum prudential standards cover liquid asset requirements, capital adequacy, exposure to single customers, and loan classification and provisioning. Namibia expects to implement the new BIS Capital Accord by 2005. Annual on-site auditing and examination of banking institutions were introduced in 2002. Anti money-laundering legislation along the lines recommended by the Commonwealth Secretariat was due to be passed in 2002. The Bank of Namibia must approve all mergers between financial institutions. It has sweeping powers to take over control of troubled institutions. The current legislation also enables it to change prudential ratios without requiring legislative amendments.

68. Non-bank financial intermediaries, except for building societies, are not supervised by the central bank. Their own boards of directors supervise non-commercial banks, including the Post Office Savings Bank, the Agricultural Bank, and the Namibian Development Bank. The Registrar of Financial Institutions in the Ministry of Finance supervises insurance and finance companies. While prudential regulation of banks has kept pace with developments, regulation of non-banking business, such as insurance, securities business, and broking services, has not, and this has systemic risk implications.[125] The Government has approved the transfer of the prudential supervisory functions of the Bank and of the Ministry to a new regulatory and supervisory entity established in 2002, the Namibian Financial Institutions Supervisory Authority.

[124] Ikhide (2000).
[125] Ipangelwa (1999).

69. As Namibia is a member of the Common Monetary Area, most commercial banks and non-bank financial institutions maintain close links with their South African parent or affiliated companies. Local inter-bank overnight lending is limited as local banks frequently use the South African inter-bank market. The major money-market instruments are demand and savings deposits, notice and fixed deposits, negotiable certificates of deposits, and treasury bills. Bank lending normally is by way of overdraft, mortgage loans, and leasing. Commercial banks provide about 90% of total credit to the private sector. The Bank of Namibia is examining ways to develop the secondary market for government securities.

70. The Namibian Inter-bank Settlement System was implemented from 10 June 2002. This system, called CRISP (Central Real-Time Interbank Settlement Processor) is based on real-time gross settlement (RTGS) principles, and enables all banks to exchange payments electronically in real time. All banks are connected to CRISP via SWIFT, the international de facto financial message carrier. Each bank has made a funds settlement agreement with the central bank; the regulatory framework for the payments system is contained in the Payment System Management Act, 2002. The system initially handles all domestic cheque payments and payments above N$5 million, and normal interbank transactions. It will be linked to other payments, such as automatic teller machines, credit cards, and electronic funds transfers by end-2003.

71. The Namibian Stock Exchange introduced computer trading in 1998, linked to the Johannesburg Equity Trading and run by the Johannesburg Stock Exchange. In 2001, it introduced a new settlement system, which enabled securities of dual-listed companies to be settled electronically. During 2001, new listing requirements were adopted in line with South Africa's changes. These included enhanced principles for corporate governance. The Namibian Stock Exchange adopted the same trading and information systems as the Johannesburg Stock Exchange in 2002. Overall capitalization of the Namibian Stock Exchange was N$512 billion at end-2001, up from N$371 billion at end-January 2001. This rise largely reflected dual-listed foreign companies. Most capitalization is for finance and mining companies. The Government intends to update the Stock Exchanges Control Act (No.1), 1985, to better regulate stock broking firms. The Namibian Stock Exchange also listed additional debt instruments; in November 2001, the Standard Bank of Namibia issued its first corporate bond. There are no restrictions on foreign portfolio investment.

72. The Namibian insurance market is served by a number of private, mainly South African owned insurance companies, which offer a broad range of services. Two insurance companies, Sanlam and Old Mutual, de-mutualized in 1999. The state-owned Namibia National Reinsurance Corporation (NamibRe) was established in 1998 with capitalization of N$20 million. Insurance companies must re-insure with NamibRe. The mandatory minimum share was reduced from 25% to 20% in July 2001. This arrangement will be reviewed after five years.

73. Pension and insurance funds must keep a minimum of 35% of their investments within Namibia.

(iii) Transport

74. The transport subsector is dominated by the state-owned TransNamib Ltd. It has a monopoly in rail transport services through its subsidiary, TransNamib Rail, and also operated the national airline, Air Namibia, until 1 April 1999. Transnamib is also a major supplier of road transport freight and passenger services through TransNamib Carriers. It no longer manages the port of Luderitz.

75. The transport subsector is relatively concentrated and dominated by a few operators, including state operators. The Department of Transport of the Ministry of Works, Transport and Communication is responsible for formulating and implementing transport policies.

(a) Road

76. Recent major construction includes the Trans-Caprivi Highway as part of the Walvis Bay-Ndola-Lubumbashi corridor, and the Katimi-Ngoma section. The Trans-Caprivi highway will provide Namibia a road network connecting the landlocked countries of Botswana, Zambia, and Zimbabwe. The Trans-Kalahari highway also provides an important route between Walvis Bay and Botswana. To accelerate customs formalities at the Botswana border, authorities have agreed to implement fast-track customs procedures for registered haulage operators on a trial basis. Namibia and other SACU countries are expected to have a common document and appropriate supportive legislation handling transit procedures before end-2004.

77. Road transport consists of bus, taxi, and road haulage operators. There are about 200 road haulage operators using some 1,700 trucks and a freight capacity of around 31,000 tonnes. TransNamib Carriers is the largest operator. All other operators are private; four are relatively large. Operators must be registered with the Namibian Traffic Information System and have an operator's card. Commercial road carriers no longer require permits to carry certain goods. Permits are needed for cross-border transport. Freight rates are set privately.

78. Namibia signed a bilateral Cross-Border Road Transport agreement with Zambia and Zimbabwe in 1999 to facilitate movement of goods and passengers between the countries. A joint Route Management Committee meets bi-annually to discuss problems impeding movement of passengers and freight between these countries. The Road Traffic and Transport Act No. 22 of 1999 does not refer to cabotage. However, the industry is being consulted during 2003, and if supported, the government would amend the legislation to allow for cabotage (both freight and passengers) with neighbouring countries on a reciprocal basis.

79. Bus operators service inter-urban and long-distance routes, including with South Africa. There are currently about 15 operators using some 100 buses. Four operators, including TransNamib Carriers, run scheduled bus services between Windhoek, Keetmanshoop, and Swakopmund. Fares are market determined, and there are no restrictions on new operators, apart from meeting technical requirements. Private operators are not subsidized. Some bus operators provide tour services, including the state-owned Transnamib Tours. Taxis are mainly owner driven. There are about 5,000 taxis in Namibia; about half operate in Windhoek. There is no restriction on the number of taxis, provided they meet safety and other technical requirements.

80. The Roads Authority was formed to manage the road network on a "user-pays full-cost recovery" basis. The Authority receives funds from road user charges, such as the fuel levy, licence and permit fees, and cross-border charges. It is planned to introduce a "weight-distance" levy.

(b) Rail

81. The rail network is being expanded by the construction of a new line from Tsumeb to Ondangwa, and the line from Aus to Luderitz is being re-opened to handle the additional freight passing through that port. Work also started in 2002 on the northern rail link from Tsumeb to Ondawanga, with two separate spurs to Oshakati and Oshikango. The Namibian railway network is linked only with South Africa. The Government removed the reserved goods scheme whereby 14 major commodities were reserved for rail transport. Rail remains the major mode for transporting bulk goods.

82. The National Transport Corporation Act No. 21 of 1997 regulates railway operations. Ownership of the rolling stock is vested in the Ministry of Works, Transport and Communication. The market sets freight rates.

(c) Sea

83. Namibia has two major ports, the main one at Walvis Bay, and another at Luderitz. Both are administered by the parastatal Namibian Ports Authority (NamPort). Both ports have undergone substantial modernization and upgrading, including dredging to deepen them. New container facilities at Walvis Bay, serviced mainly by weekly ships via Cape Town and Durban, provide among the quickest turnaround times in Africa. Luderitz is becoming particularly important for fishing and the offshore diamond industry. Cargo levels have increased substantially. Luderitz handles about 200,000 tonnes annually and Walvis bay some 2 million tonnes.

84. Two companies, one fully owned and the other 50% owned by TansNamib, provide liner services. There are about five private freight forwarders. There are no controls on entry into shipping or cabotage restrictions. Foreign vessels may operate domestic services between Walvis Bay and Luderitz without a permit, provided they meet sea worthiness requirements and customs and immigration regulations. According to the authorities, Namibia does not subsidize shipping services.

(d) Air

85. Air Namibia provides scheduled domestic services and international flights to Germany and the United Kingdom. A number of international airlines provide regular services to Windhoek under various bilateral agreements. Cabotage is prohibited. Most foreign carriers have third and fourth freedom traffic rights. COMAV is the only carrier to have negotiated fifth freedom rights.

86. The Air Services Act of 1949 and the Aviation Act of 1962 were both amended in 1998. There are no restrictions on supply of domestic aviation services provided the prospective carrier meets the legislative requirements. The Airport Company Act of 1999 commercialized the eight major airports. There are three international airports Hosea Kutako and Eros at Windhoek, and Ondangwa. The aerodrome network remains the responsibility of the Ministry, including those under the Namibian Airports Company. It runs them on a commercial basis. The provision of airport services is normally outsourced to private contractors.

87. Air Namibia has incurred substantial financial losses and is a heavy drain on the government budget; N$346 million was provided in the 2001/02 supplementary budget to recapitalize the airline and the 2002/03 budget provided an additional N$250 million. Air Namibia's partial privatization was announced recently, based on government taking over the airline's N$1.4 billion debt. The plan was for the Government to retain a 25% interest, with 40% to be sold to South African Airlink, 15% to a local aviation company, Comav, and 10% each to the National Union of Namibian Workers and Air Namibian employees. However, privatisation has slipped and is expected in 2003.

(iv) Tourism

88. Tourism receipts were estimated at N$2.1 billion in 2001. It is the third largest export earner, after mining and agriculture, and is thought to contribute about 8% to GDP, and employ over 50,000 persons.

89. The Ministry of Environment and Tourism is responsible for tourism policies. In 1999, the parastatal Namibia Wildlife Resorts took over from the Ministry the management of the 22 tourist resorts in protected areas. Although these are fully owned by the Government, they are managed

commercially. Other tourism facilities are privately owned. The Namibian Tourist Board was established in 2000 as a joint venture between the public and private sectors. As a statutory authority, the Board will assist in formulating tourism policies. The Board will regulate the industry by setting minimum standards, and will also promote the industry at home and overseas. The subsector is to be developed in a sustainable and responsible manner in accordance with the 1994 White Paper on Tourism. A revised draft policy for 2001-10 has been released. It proposed the selective use of investment incentives. The Government does not regulate tourism prices; these are market determined.

90. Tourist arrivals increased from approximately 400,000 in 1995 to 670,000 in 2001. Most (about 80% in 2001) come from Africa, especially South Africa (36%) and Angola (36%); the rest are mainly from Europe (17%), especially Germany (8%). In March 2002, there were 709 registered accommodation facilities.

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