**CHAPTER 4: DATA ANALYSIS AND FINDINGS**

This chapter presents the findings (and analysis) from the four data collection tools, (as well as secondary data) that the researcher used for the collection of data to answer the research objectives and questions revealed in Chapter 1.

**4.1. Data collection**

As denoted in Chapter 3, the data was collected from semi-structed individual and group interviews, the researcher’s individual observations throughout the interviews and in the country as well as the interviewees’ observations, the analysis of archival data from the Bank of Namibia, and questionnaires distributed to three respondents at the Namibian Investment Centre and the Bank of Namibia. Pseudonyms (e.g. Mr. X/ Institution Y) were used to protect the anonymity of individuals and/or institutions who requested to remain unidentified. Apart from this, secondary data was also used.

**4.2. Response rate**

**Interviews** 40 24 60% **Questionnaires** 3 2 67% **Total** 43 26 60.5%

**4.3. Discussion of findings**

|  |
| --- |
|  |
| **Data Collection Method**  | **Number contacted/distributed to**  | **Frequency of responses**  | **Percentage**  |



**Table 6: Response rate (n = 43)**

Firstly, it is important to communicate that the views of the individuals interviewed or those who completed the questionnaire, do not always represent the views of the institutions where they are employed or ones which they are affiliated with. Moreover,

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all the interviews were very coherent and shared resembling views. Thus, information saturation was reached at the 4th interview, with every subsequent interview and questionnaire adding limited value. Nonetheless, therefore, direct/indirect quotations were only selected from interviews and questionnaires which the researcher deemed more insightful and comprehensive, with the overall general finding from all the interviews being discussed, analyzed, and conveyed in summary.

**4.3.1. The impact of FDI in Namibia**

Archival data from the Bank of Namibia reveals that FDI has been concentrated in the mining and quarrying industry for the past 2 years, with the industry being ranked either as first or second for FDI absorption for the past decade – a result of more than 50% of inflows settling there. This demonstrates a dominant level of resource-seeking FDI and green-field investments (new plants) as explained by UNCTAD and the literature (Gorynia, Nowak, and Wolniak). (see Figure 9 and Appendix 10) Mr. Willy Shimbome, Chief Trade Promotion Officer at the NIC, also confirms that Namibia mostly “attracts resource-seeking FDI” and green-field investments.

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**Figure 9: Foreign Direct Investment by Sector (% Share). *Source:* BoN (2018)**

Furthermore, considering that the Bank of Namibia further classifies the mining and quarrying sector as one of the most significant backbones of the country’s economy because the country has been heavily dependent on the extraction and processing of minerals for export, very well since independence, and with the industry contributing approximately 11.5% to GDP annually over the past 5 years; making it the largest contributor to GDP – with growing annual monetary contributions at that, it is logical to conclude that FDI has undoubtedly contributed positively to Namibia’s economic growth in terms of the GDP figure, in agreement with the literature (Chowdury and Mavrotas; De Mello; Tiwari; Adusah-Poku). (see Appendices 8 & 9 for GDP by Activity)

The question around whether the industry’s specific additions to GDP have resulted in holistic economic growth that goes beyond the GDP figure, which in itself has quite a number of pitfalls, however, remains unanswered, and will not be addressed as it is beyond the parameters of this qualitative study.

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Nonetheless, therefore, Mr. Floris Bergh, Portfolio Manager at Capricorn Asset Management, emphasizes that although he believes that FDI has, to a greater extent, carried more costs than benefits, “it is better to have it than not to have it because, at least, it keeps the economy going, and we would be much worse off without it.” As Hein and Kahn however suggest, in order to become fully- fledged modernizations and emancipate themselves from the world’s inherent capitalist system, developing countries should steer away from heavy dependence on FDI, which is implied by the aforementioned current state of dominant FDI in the country’s largest GDP-contributing industry.

Namibia’s mining and quarrying industry confirms Asiedu and Morrisset’s conclusion that natural resources correlate positively with FDI inflows. This opens up a contemplation by a possibility brought forward by Asiedu, Sachs and Werner, and Ross, that Namibia could have hence fallen victim to the resource curse, because although the country has exhibited good economic growth over the years (prior to the commencement of the present-day economic depression in 2016), it has not displayed robust, vibrant, and most of all, sustainable economic growth, otherwise it would not find itself in its current economically-depressed state. Moreover, although the quality of life has improved to a certain extent, as well as the per capita income, the Gini coefficient14 remains one of the highest in the world, and immense poverty continues to plague the nation – all indications of the Resource Curse. One side of The Dutch Disease15, specifically, which Frankel argues could be one of the causes of the Resource Curse, is one of the major reasons the country is believed to be in a depression today – many contend that growth in the years prior to the depression, was, for the most part, fueled by government spending.



14The Gini coefficient is the most commonly-used measure of income inequality.
15 To reiterate, the Dutch Disease manifests when a currency appreciates, and government spending rises as a reaction to a commodity boom. This in turn results in “the expansion of nontraded goods and service sectors such as housing, and surrenders uncompetitive non-commodity export sectors such as manufacturing. If and when world commodity prices go back down, adjustment is difficult due to the legacy of bloated government spending and debt and a shrunken manufacturing sector.” (Frankel, 2010)

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It in fact was, as fiscal consolidation measures currently underway in the economy are not easing the depression in any way, which has led to borrowings from countries and institutions such as China and the AfDB respectively.

In like manner, the odds that natural resources have derailed aggregate FDI from the non-resource sector into the resource sector, as affirmed by Poelhekke and Van Der Ploeg, could very well be true, as the country is lagging behind its long-term industrialization and development targets, such as the all-

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Namibia should give heed to and direct investment to assets that play a pivotal role in stimulating and sustaining economic growth in the long run, which is the opposite of what the extractive industries do, as advocated by World Development Indicators in the literature. In addition, natural resources need to be managed prudently because high economic growth is commensurate with the depletion of natural capital. Not only that, it can be deduced that Namibia already is, and is becoming increasingly dependent on its natural resource industry (since resource rents grow together with FDI), with the Minister of Mines and Energy calling for more exploration of minerals and other resources. This could push the country toward environmentally unsustainable behavior and ecological disorganization. (Long, Stretesky, and Lynch) Equally important, as aforementioned, the Minister of Mines and Energy, and the Minister of Finance, have publicly expressed their disagreement towards an overpowering majority of FDI agreements in this industry, conveying that they don’t believe

encompassing Vision 2030
fix a few systemic flaws in order to prevail in terms of governance and economic performance, similar to other resource-rich countries that have defied the Resource Curse and thrived, as prioritized by the literature. (Iimi; Engelbert; Larsen)

. Nonetheless, this implies that Namibia needs to



16 Vision 2030 is Namibia’s overarching, all-encompassing developmental document, created in 2004. Concisely, it’s aim is to direct the creation of “a prosperous and industrialized Namibia, developed by her human resources, enjoying peace, harmony and political stability”. (National Planning Commission, 2004)

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they have been structured beneficially and optimally for both parties (the investor and the country), with the country being at the “losing” end by receiving 20%, 10% or no percentage at all of mining profits. The only form of economic income from such ventures (where no share of the profits is received, especially), being the taxes paid, royalties, and employment.

Mr. Erasmus Shivolo, Mining Commissioner at the MME, elaborates, “the only extractive industry agreement which currently seems to be structured well, is the NAMDEB joint venture, through which diamond-mining profits are divided between De Beers and the Namibian government in a 50/50 proportion. Other agreements, I believe, needed more research, insightful calculations, and deliberations, before they were concluded in order to create an offer that is lucrative to the investor, yet equally beneficial to the Namibian nation”. Mr. Shivolo explains that there are more sides to the NAMDEB agreement that makes it highly beneficial for both parties, but said he cannot disclose these, as they are confidential.

Besides that, as theorized by the literature (Feldstein; Razin and Sadka; Goldstein; Odenthal), Debmarine (which is NAMDEB’s wholly-owned marine diamond mining subsidiary) makes visible efforts to transfer knowledge to its employees and thereby develop Namibian human capital by putting significant emphasis on “skills development through a wide range of programmes including: bursaries, technical training, long-term trainees, self-study assistance, leadership development, and safety awareness. Annual expenditure on human resource development exceeds N$20m. For this reason, the Namibian portion of the workforce has increased from 18% to 80% since 2002 when the company migrated from South Africa to Namibia, which is a clear indication of knowledge transfers, “especially in the light of the scarcity of highly-specialized marine diamond mining skills in Namibia.” (Debmarine, 2019)

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The rest of the interviewees are of the same opinion as Mr. Shivolo, and Mr. Eino Emvula - CEO of Namibia Asset Management, who tells, “simply put, foreign investors come to Namibia to look for a return and nothing else. Thus, we can’t give them an offer that is not attractive enough by demanding an overwhelming share of profits as a country. On the other hand, we also cannot get into agreements that are to our detriment. A perfect balance needs to be struck.” This discussion is in line with the literature, in that one of the downsides of FDI is that FDI could, through [excessive] profit repatriation, reduce, rather than raise, domestic savings and investments, which could distort balance of payments. (Moran)

Furthermore, Mr. Shivolo accentuates that “from a different, positive standpoint, FDI in the extractive industry has provided much-needed financial capital and know-how which could not be found within Namibian borders, and which would afford Namibians the opportunity to own shares in mines. No Namibian is willing to take that risk. Mining is extremely capital-intensive, and so is exploration. With exploration, especially, the risk is even higher because there is no assurance that deposits of a certain resource will be discovered.” This is in agreement with Goldstein and Odenthal in the literature, who reveal the narrowing of the gap between capital needs and domestic savings as one of FDI’s benefits. Mr. Willy Shimbome thus contributes, “the existing mines contribute to the country’s economy through corporate taxes, export levies, royalties and of course, through employment. It is advisable that the little received should be ring-fenced and utilized to create a fund that could lend money to local companies for investing in future mining activities, to acquire skills for mining jobs, or to fund feasibility studies and environmental impact assessments of new mining explorations, in order to assist the locals in bringing their Exclusive Prospecting License (EPL) projects to bankable stages, and to more [sophisticated] investors.”

Moving on from FDI in the mining and quarrying industry, it is important to acknowledge that this section, has, to a greater extent, focused on this industry

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because it dominates the inflows of FDI, and is consequently the industry which is mostly affected by it, and where its (FDI’s) impact is hence more observable.

Throughout every interview, there was a clear observation and understanding that FDI is viewed in an extremely negative light overall, since, across the board, there have only been a few examples (received from the interviews and questionnaires) that have made a recognizable positive difference and that individually had a noteworthy impact on the Namibian economy, namely above- mentioned NAMDEB, and Ohorongo Cement. One which specifically has a negative connotation is controversial Ramatex Textiles – one of the most significant manufacturing investments ever to have been made in Namibia and most possibly Namibia’s worst FDI experience, which, after its closure in 2008, left what seems to be a strong bitter taste in the mouths of many Namibians, along with hard lessons to be learned, and understandably so...

According to Mr. Danny Meyer - SMEs Compete CEO, a team of economists from Government Institution X, a team of business analysts from IJG Securities, and Mr. Willy Shimbome, Ramatex resulted in a disastrous FDI example because it continuously misled the country by providing false information to hide its true intentions of using Namibia merely as a temporary production location. This was implicitly part of Ramatex’ global strategy but the Namibian government seemed to think otherwise. The company’s principal reason to invest in Southern Africa was to take advantage of the African Growth and Opportunity Act (AGOA) which comprises selected African countries who can export to the US duty-, and quota-free (criteria for selection are set by the US government). It ended up choosing Namibia because of “a very generous package of incentives (e.g. corporate tax holidays, free repatriation of profits, exemption from sales tax, etc.), in addition to a pre-existing EPZ program (which will be elucidated later on) with concessionary transport and utility provisions. The government went to great lengths to be “business friendly”. (Flatters and Elago, 2008)

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Furthermore, the factory closed abruptly without the workers receiving retrenchment packages (and leaving thousands unemployed), extensively abused workers’ rights, didn’t offer paid sick leave, remunerated extremely low wages, gave no employee benefits, had poor health and safety measures, was explicitly hostile towards trade unions, provided no compensation in the event of accidents, and supervisors abused employees. By the same token, Ramatex employed a significant number of Asian migrant workers primarily from China, the Philippines and Bangladesh, behind the claim that they are trainers, who were, in reality, actually employed as production workers. Workers were divided into nationalities with each nationality being remunerated differently. To make matters even worse, Ramatex paid no taxes, received water and electricity at subsidized rates, and caused severe environmental damages by polluting the Goreangab Dam and underground water resources. With regard to pollution, the Namibian government was warned by Earthlife Africa17 but took no precautionary measures. In fact, shockingly, the municipality took over the company’s waste management while the company should have rectified its damages at its own costs.

Moreover, although there was investment in fixed capital, today the buildings stand idle without any specific purpose. There was also no significant transfer of knowledge which would have manifested in the country possibly having an emerging textile industry by now, at least. In Ramatex’s case, specifically, FDI emphasized Namibia’s institutional weakness (the company managed to continue with despicable and objectionable operations for years without the government intervening to improve the status quo – some government officials even defended Ramatex) rather than its strength, as stressed by the literature. (Hausmann and Fernández-Arias) Irrefutably, the case in point submits a severe contrast against a priori benefits presented by the literature in Chapter 2. (Feldstein; Razin and Sadka; Goldstein; Odenthal)



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Earthlife Africa is “a non-profit organisation, founded in Johannesburg, South Africa, in 1988, that



seeks a better life for all people without exploiting other people or degrading their environment.” They



want to encourage and support individuals, businesses and industries in reducing pollution,



minimizing waste, and protecting natural resources. (Earthlife Africa, 2019)

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Newly established Whale Rock Cement, a cement factory joint venture between Chinese and Namibian partners, has beneficially created competition in the domestic environment, challenging Ohorongo Cement, which was the only cement producer in the country. This is a welcomed benefit supported by the literature. (Goldstein; Odenthal) There has however been an observation by Mr. Y, that the individuals employed in key knowledge-enhancing positions on site, are Chinese, and not Namibian. Therefore, there is no valuable knowledge flowing over to Namibian citizens. However, since the establishment is new, provided that it remains a going concern, benefits and/or disbenefits thereof are still to come into being and be observed, ascertained, and assessed.

Ohorongo Cement, a foreign direct investment by SCHWENK Cement from Germany, has been quite exemplary. Mr. Shimbome underscores, “This green field investment project was implemented successfully. The company created quality jobs for the locals, invested in a biomass energy-producing power plant, and acts as a socially responsible corporate citizen by sponsoring various events and offering scholarships to locals, amongst others.” It should also be noted that Ohorongo Cement kick-started the cement-manufacturing industry, being the Namibia’s first cement producer, a highly welcomed benefit congruent Feldstein, Razin and Sadka, Goldstein, and Odenthal in the literature.

Admittedly, of course, all, if not most Namibian FDI cases, carry general benefits such as fixed capital formation and dispensing additional money into the economy through employment and corporate taxes as imparted by Goldstein, Odenthal, and Loungani and Razin. But evidently, other longer-term, specific, highly sought-after benefits explained in Chapter 2 have not accrued automatically.

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**4.3.2 Policies pertaining to FDI in Namibia**

Although there are a number of policies that are directly or indirectly affiliated with or linked to FDI, only the most prominent and impactful ones will be expanded on, namely the Export Processing Zone (EPZ), the Special Incentive for Manufacturers, the Foreign Investment Act (FIA), and the Namibian Investment Centre (although this is not necessarily a policy, it is a spin-off of the FDI-inspired Foreign Investment Act).

**4.3.2.1 Economic Processing Zone (EPZ) Act**

With its enactment in 1995, government saw the Act as a solution to high unemployment, especially because domestic and foreign investment in the first five years of independence had by far fallen short of expectations.

A comprehensive study carried out by the Labour Resource and Research Institute (LaRRI) in 1999 reveals that EPZs didn’t create 25 000 jobs and drive the transfer of skills and technology needed to galvanize manufacturing industries in the country. Millions of public funds spent on developing infrastructure and promoting the policy were an expenditure in futility. (Jauch, 2008)

Mr. Shimbome specifically comments, “The Export Processing Zone regime has not been successful and did not deliver expected results. It has been stated that it should be reviewed in order to come up with better incentive packages. It has performed rather poorly because it requires the companies to export their products outside the country and, for that matter, outside the SACU18 countries. The export business is costly and



18 The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa, and Eswatini. The economic structure of the union links the member states by a single tariff and no customs duties between them. The member states form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the member states for

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the major trading partner country is South Africa, which, unfortunately, is a SACU member.” [This somewhat also presents a limited market challenge]

Therefore, it becomes very challenging for the EPZ companies to set up successful ventures in Namibia.” Moreover, Mr.Y, and a group of economists from Government Institution X strongly emphasize that Namibia’s EPZ Act motivates the establishment of footloose enterprises because there are no lasting linkages with the broader Namibian economy, and there is no value addition whatsoever, just processing for export. “The EPZs are like small little countries with their own rules, within another country [Namibia]. Because they are two distinct countries, the benefits which flow over to the bigger country are superficial and trivial,” they metaphorically assert. This is in symmetrical agreement with UNCTAD and Odenthal in Chapter 2, and it does not meet UNCTAD’s investment policy criteria of sustainability and effectiveness, and modernization of EPZs, also highlighted in Chapter 2. An example of a company lured by an EPZ, given by the abovementioned parties, is a recently-launched Peugeot Assembly Plant that has already aroused a lot of skepticism, and whose effects as an EPZ-operator are still to be seen.



products originating in these countries; and there is a common external tariff that applies to nonmembers of SACU. (SACU, 2019)

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**4.3.2.2 Foreign Investment Act (FIA)**

The Foreign Investment Act has been highly criticized by the respondents, especially because of the fact that it has remained unchanged since its passing in 1990, even after disasters like Ramatex transpired. Ms. Angela Dau Pretorius, Deputy Director of Investor Services at the NIC, specifically points out, “The FIA is currently under review because it does not effectively serve its purpose. Some of its major flaws, for instance, are that it only makes provision for the promotion of foreign investments in Namibia and not local investments, and similarly, a ‘Certificate of Status Investment’ can only be awarded to foreign nationals, [based on the dominant and stringent criteria (see Appendix 12) that they have made a relatively large investment]. The Act will therefore be replaced by the Namibia Investment Promotion Act (NIPA).”

In harmony with the literature, Mr. Meyer strongly argues, “One cannot prioritize foreign investors and leave domestic investors unattended to. Especially because foreign investors will not put their money where there is no indication of locals putting their money. Both categories of investments inarguably play a vital role in any economy, but domestic investment needs to lead the way.” Hence, both main points in discussion totally defy UNCTAD’s suggestion to keep investment policy flexible and up-to-date, whilst not segregating local and foreign investors, and prioritizing local investors as well.

**4.3.2.3 Special Incentives for Manufacturers (SIM)**

Having only been raised and addressed by Mr. Shimbome, he maintains, “The special incentives for manufacturers and exporters of goods have brought about some positive spin-off effects to the local economy, however, their impact remains minimal because the incentives are restricted to companies involved in manufacturing.” Figure 10 below elaborates on the incentives offered. As importantly stressed by the

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literature, and in concurrence with Mr. Shimbome, exhibited incentives might not have been effective as planned because they haven’t been practically and periodically assessed and subsequently reoriented or tailor-made to target multiple industries (UNCTAD), and some crucial economic determinants might not be in place. (Malampally and Sauvant)



**Figure 10: Special Incentives for Manufacturers, Exporters and EPZ Enterprises
*Source:* High Commission of the Republic of Namibia, South Africa (2019)**

**4.3.2.4 Namibia Investment Centre (NIC)**



The NIC is Namibia’s Investment Promotion and Facilitation Agency. According to Mr. Meyer, “The NIC should be restructured to become an effective ‘one-stop shop’ where investors can comfortably and smoothly get information and get immediate and direct assistance especially regarding paperwork and so forth. This should be in addition to determining which investments should be approved [depending on the benefits they offer] and which ones not.” Ms. Angela Dau Pretorius, Deputy Director of Investor Services at the Centre, confirmed that the

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conversion to a ‘one-stop shop’ has been recognized and efforts are being made to bring it to fruition. Mr. Meyer’s suggestions match with those of the literature in that a ‘one-stop shop’ can be employed to streamline and simplify bureaucratic processes whilst serving as an investment screening mechanism. (UNCTAD, Odenthal)

The team of business analysts from IJG Securities, along with Mr. W and a team of economists from Government Institution X also posit that the NIC should play a critical role in channeling investments into specific strategic sectors, in line with Odenthal, who postulates that resources should be allocated efficiently to lucrative sectors that hold priority.

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**CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

Notwithstanding the fact that government has made significant strides in luring FDI to the country, it has become evident that foreign investors have indeed, to a lesser extent, carried the developmental interests of Namibia at heart, which is justifiable because it is not required of them. Nonetheless, this is attributed to the country’s mixed economic system, and inadequate policies that prioritize the attraction of private capital, at the expense of the benefits that are supposed to come with it, and thus, to a certain correlating degree, at the expense of the Namibian nation. This chapter goes ahead to present the conclusions and recommendations based on the findings contained in Chapter 4, and in correspondence with the research objectives specified in Chapter 1.

**5.1. Overall Conclusions
5.1.1. The impact of FDI in Namibia**

FDI has been both beneficial and costly to the Namibian economy. However, loosely speaking, the substantial cases that support FDI as a positive player in the Namibian economy seem to be fewer than those that do not. Not only that, FDI was generally viewed negatively by all respondents. Importantly, however, the problem is not FDI itself as a private financing option of choice, but how the government handles it, because technically, FDI can only go where the government allows it go, and to a certain degree, have the impact that the government allows it to have.

Findings that support FDI are that it contributes to economic growth particularly through its concentration in the mining and quarrying industry that is Namibia largest GDP-contributor, and substantial business entities such as NAMDEB (equal share of profits between De Beers and the Namibian government, and knowledge transfers with regard to diamond mining), Ohorongo Cement (exemplary practices, strict adherence to local laws, and the creation of a new

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industry), and to a certain extent, recently established Whale Rock Cement (driving competition in the cement-manufacturing industry).

Findings that are however on the opposing side of the spectrum, are FDI’s concentration in the mining sector, which suggests the exploitation of this sector by the government. This sector is not sustainable in the long run and leans towards ecological disorganization. Nevertheless, FDI concentration in the mining sector means limited investment into the country’s other lucrative sectors which can aid in the diversification and resultant stability of the Namibian economy; avoiding potential predicaments such as the Natural Resource Curse and the Dutch Disease. Ramatex Textiles, the country’s worst FDI experience also lies on the opposing side, having been offered incentives that were too generous, bringing about no knowledge transfers, and abominably contravening numerous local labor and environmental laws.

**5.1.2. Policies pertaining to FDI in Namibia**

With respect to policies, Namibia indeed has imperative, key policies and establishments in place to promote, facilitate, and guide FDI. They however have pressing shortcomings and limitations, and they are not monitored and implemented consistently and constructively. The Economic Processing Zones (EPZs), which have so far played a pivotal role in attracting two major investments seem to be effective in that sense, but they are weakly connected to the rest of the Namibian economy, and they engage in no value addition activities which can contribute more to the economy. The Foreign Investment Act (FIA) hasn’t prioritized both local and foreign investment, thus somewhat disregarding the importance of domestic investors/local direct investment (LDI) – a critical mistake because domestic investment can aid in encouraging foreign direct investment. The Special Incentives for Manufacturing (SIM) present a limitation in that they are limited to the manufacturing industry; ignoring other promising industries. Lastly, the Namibian Investment Centre

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(NIC) needs to become more efficient by being structured as a ‘one-stop shop’, and by applying strategized efforts to attract FDI to different rising industries.

**5.2. Recommendations**

*This section draws extensively on the* ***suggestions received from*** *and* ***corresponding allusions*** *made by* ***the interviewees*** *and* ***questionnaire respondents.***

**5.2.1. Policy restructuring and prudent, inclusive incentives**

This recommendation was highly motivated by Ms. Kauna Ndilula, Managing Director at Business Financial Solutions, Mr. Shimbome, and Mr. Emvula.

Policies should focus on improving the investment climate for all kinds of capital, domestic as well as foreign. It is the domestic policy framework that is crucial in terms of whether or not the net effects of FDI are positive. Thus, it is largely in the hands of domestic policymakers to make the best out of FDI. Generally speaking, FDI - when handled properly, through prudent, well- substantiated, and inclusive policy - can make a positive contribution to development. Hence, policy uncertainty which has also been active in the Namibian economy as of recent (mainly through the New Equitable Economic Empowerment Framework (NEEEF) policy19) should be curtailed drastically.

By the same token, when government gets external consultants to advice on policy or any other matter, they should ensure that suggestions or

19 The New Equitable Economic Empowerment Framework (NEEEF) represents a subset of the policies required to achieve greater equity in society. NEEEF consists of policies designed to restructure the private business sector to achieve equity in the economic ownership of productive assets, while creating employment. An example of a requirement, is that new enterprises must accommodate a 25% shareholding to previously disadvantaged persons before they are allowed to commence business. (NPC, 2015)



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recommendations are perfectly tailor-made. A one-size-fits-all model does not work. It is however also prudent to ensure that policies are in coherence with international investment policies and other policy areas, including social and environmental policies.

**5.2.2. Harness the informal sector**



In harmony with Mr. Meyer and Mr. Bergh’s suggestions, whilst having a considerably large informal sector, instead of constantly making efforts to lure FDI to the formal sectors, the Namibian government should harness the informal sector that is already existent, and make it the foundation of domestic investment, which can in turn encourage FDI.

**5.2.3. The NIC and addressing sectorial gaps**

The NIC needs to be reformed radically in order to become more effective and efficient by being converted into a ‘one-stop-shop’, for example, to screen investments to ensure that any potential investment offer at hand benefits the investor and country optimally, yet equally, and to prioritize the strategic channeling of FDI into specific promising, lucrative, and feasible sectors where comparative advantages can play a role, and that can have a lasting developmental impact on the country.

**5.2.4. Increase the availability of domestic savings**

Regulations pertaining to Namibia’s domestic savings (funds) in pension funds, for example Regulation 28, dictate that a minimum of 45% of their investments should be in Namibian assets, with a maximum of 3.5% in unlisted investments. Namibia has very few listed investments. Therefore, capital might not be allocated efficiently, and investors receive a suboptimal return. Nonetheless, this is not a suggestion for government to allow a larger percentage to be invested offshore, but to perhaps increase the maximum percentage investable

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in national unlisted investments, as this can aid in addressing capital needs that put much emphasis on the attraction of FDI, thereby potentially reducing our blind faith in foreign investment as the panacea to our development problems.

**5.2.5. Structural capacities and capabilities**

In order to attract more FDI, while simultaneously ensuring the challenges thereof don’t come along with it, Namibia needs to improve its structural capacities and capabilities. This entails prioritizing education and relevant skills-acquisition in the country, along with true, long-lasting capacity building, because an adequate knowledge base is non-existent. This will not only add value to the Namibian people and thus the Namibian economy, but it will give the country a better negotiating position in terms of FDI especially. In addition, due to a limited market, Namibia should prudently strive to become more integrated, or gain more opportunities that will give it access to more markets. Although it might take years, developing infrastructure that is in demand by investors is also imperative. Investors think long-term, not short-term. Hence, creating an environment that is conducive for business is crucial as well.

**5.2.6. Limited government intervention**

This recommendation was highly motivated by Mr. Y and Mr. Meyer.

The Namibian government and certain politicians often proudly state that they are going to create jobs for the people (thereby doing away with grave unemployment). The economy should however not be state-driven, it should be driven by the people (this can however only be achieved if the people have been equipped with various, all-embracing capacities (e.g. relevant education) to do so). The government can’t be a referee and a player at the same time. That is one of the prevailing reasons behind the country’s current economic depression. Each pillar of (the) GDP (equation) should not be left entirely to government, but to who can best manage it.

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**5.2.7. Managing public perceptions and opinion**

FDI is currently viewed in a negative light nationally, altogether with a number of loans that the government has obtained from the Chinese government. Likewise, many have started to not appreciate the growing number of Chinese people in the country, because they believe the country is being “sold away” to the Chinese. As previously mentioned, Whale Rock Cement, for instance, has many Chinese employees, amongst other examples.

For emphasis, Ramatex, especially, attracted enormous public interest in Namibia and it became a lightning rod for manifestations of differences over a variety of policy issues, and most especially for overall strategies for economic development.

Matters like these have now ceased to be an ‘elephant in the room’. People have started to discuss them widely and publicly, to the extent that Ministers have taken note of public concerns. Nonetheless, the government has to deal with these concerns more effectively and assuringly by presenting information or a vision that would gather public support rather than public contempt.

**5.2.8. Corruption**

Whether real or perceived, corruption pierces holes in a bucket which represents the Namibian economy. We will not fill up to our ultimate potential if these holes are not patched up, no matter how much aid, loans, FDI, or other sort of external financing we receive.

**5.2.9. Internal government and institutional coordination**



In this case, Mr. James Mnyupe, Managing Director at Allan Gray Namibia, mentioned a short, very valuable phrase which says it all. “Pause and Plan”.

Tremendous blame-shifting, especially in the public institutions, was observed, together with massive ambiguity regarding who is responsible for various

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policies, regulations, actions, and implementations directly or indirectly linked to FDI, as FDI does not operate in a vacuum.
It therefore does not come as a surprise that firstly, the Namibian economy as a whole is in its current depressed state, and secondly, that the country finds itself with serious FDI predicaments – one of them being disappointing FDI contracts. This substantiates that there is no coordination and coherence within the Namibian government.

To put this into perspective, Namibia recently held an Economic Growth Summit, presumably as a partial response to the president rallying cabinet on investment promotion earlier this year. The summit was described as a resounding success – the most successful one yet. It attracted and surpassed its intended investment target of US$970M by securing US$ 3.4B in investment pledges. The Namibian Investment Centre, where key employees and decision- makers were interviewed, played a pivotal role in its (the Summit’s) execution. As a Namibian, the researcher is duly proud and in awe of such a progressive undertaking. There is however a realistic matter that needs to be emphasized constructively, in relation to the opening statement. No matter how many economic or investment promotion summits are hosted, if there is no cohesion and coordination within the government, (who, in effect, is the policymaker and is thus at the helm of creating an environment where FDI can thrive sustainably), and between the government and all other major economic institutions, these summits will be an effort in futility, or if not a completely futile one, definitely a sub-optimal one.

Hence, there needs to be a pause, the government should obtain a bird’s eye view of the economy as a whole (with its respective, yet highly interactive and interdependent aspects/players), and then, afterwards, all government institutions should plan together (after having thoroughly consulted all the relevant entities in the private sphere) and put a very clear, strategic, and most importantly, achievable development agenda in place.

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Matters need to be fixed systematically first, before any produce of the system can actually bear good fruit. Otherwise, the only inevitable consequence will be a ‘race to the bottom’, and a very quick one at that.

**5.3. Theoretical and managerial implications**



Theoretical implications are quite limited, with the findings corresponding consistently with the theory. However, a theoretical consideration is not only how FDI can be beneficial or costly to developing or resource-rich countries, per se, but to what extent this materializes when different policies and governmental factors come into play. This hasn’t been theorized at large.

Concerning managerial implications, the overarching aim of this thesis was to analyze FDI in Namibia and give suggestions around how government can better approach it to eliminate any costs potentially associated with every respective case or agreement. The suggestions offered convey that FDI is complex - it can have a broader impact on the economy than what meets the eye. Thus, the government can appoint a team that continuously monitors and ascertains the comprehensive impact of FDI, and that puts immediate and effective rectification measures into action when red flags are detected, or works on giving any additional support when green flags are noticed. (This team can be a branch of the Namibian Investment Centre (NIC))

Equally, government can identify groups of stakeholders, and especially government institutions that are directly or indirectly linked to FDI, select key individuals therefrom, sit around one table, and determine how they can maneuver the different pieces of the economic puzzle to maximize the benefits of FDI, whilst minimizing the downsides thereof.

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**5.4. Limitations of the study**

This was not a quantitative study, which presents a limitation. It provides a broad picture of FDI in Namibia, without entirely zoning into each respective sector and all existing (whether substantial or not) individual FDI cases. In other words, a macro approach, as well as a rather simplistic cost-benefit analysis technique, was adopted.

**5.5. Direction for further research**

Research surrounding FDI in Namibia has never comprehensively combined quantitative and qualitative approaches in order to formulate a holistic and bigger, yet intensely detailed picture of FDI and its impact on the Namibian economy as a whole.

To solve this, micro, firm-level research, as well as macro, national-level research can be conducted altogether, while combining both qualitative and quantitative approaches, trying to quantify or somehow accurately and reliably measure the qualitative aspects, and then comparing the costs and benefits more comprehensively to better determine which, between benefits and costs, in fact outweighs the other, and what should in fact then be rectified and how, taking paramount factors such as policies into account.

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**EPILOGUE**



Lastly, all things considered, a few cardinal points must be borne in mind. The FDI problems existing in Namibia are not unique; they apply a fortiori to other (African) countries. FDI is a double-edged sword, with both benefits and dangers. The outcome can be ill as easily as good. The potential risks make a case for taking a nuanced view of its likely effects. Thus, there should be a change in how FDI is nurtured, taking its inherent and intrinsic nature into consideration, as this will very well determine whether it is beneficial or costly to the Namibian economy.

That said, inefficient, substandard FDI and resultant agreements need to be attenuated with immediate effect - they should have run their course a long time ago. It is time to take action – prudent, proactive, prosperity-seeking action that can avoid an even more calamitous state of FDI and economic affairs.

Thank you.

