

15 August 2023

The Honourable Minister

Ministry of Industrialisation, Trade and SME Development

Honourable Minister Lucia lipumbu

Windhoek

By Hand

Cc: Namibian Investment Promotion and Development Board (NIPDB)

C/o Mrs Nangula Uaandja

Via email: nangulanelulu.uaandja@nipdb.com

Dear Honourable Minister

NAMIBIAN INVESTMENT PROMOTION AND FACILITATION BILL

We refer to your ministry's recent presentations on the abovementioned bill (the "bill"). We understand the presentation held on 7 August 2023 at NIPAM, Windhoek, was the last of such presentations.

We are unaware of any advance public invitations. We were only made aware of the planned consultation on Friday, 4 August 2023, via social media. We also understand that Friday, 11 August 2023 (four days after the said consultation) was the deadline for input. Upon enquiry with your ministry some time ago, we were informed that the November 2021 version of the bill is the latest official / public version which formed the basis of the consultations in all regions.

Early in 2022 EPRA assessed the November 2021 version, and previously provided you with our report. We again attach a copy for your ease of reference. The following is clear from the said consultation in Windhoek last week:

- There is no intention to make any substantial changes to the November 2021 version.
- The "consultation" was not aimed at sincere debate on the principles of an optimal investment environment for Namibia.
- The concerns raised by EPRA (in the report attached hereto) as well as several other experts since November 2021, have not been addressed.
- From the aforementioned we deduct that it remains Government's intention to proceed with a bill that will remain damning for Namibia's investment environment.

Dear Honourable Minister, it is estimated that Namibia has amongst the highest, if not the highest unemployment rate in the world. Our current credit rating is “speculative”, commonly referred to as “junk”. Since 2016, investment in Namibia declined, and so did the economy, with only a small spark of improvement last year; but still not nearly enough to compensate for the decline over the preceding six years. It was also in 2016 that Government mooted the NEEEB and passed the impugned (and still inoperative) Investment Promotion Act. From economic indicators on investment, fixed capital formation, government debt, and many more, it is clear that these policies caused substantial harm to the economy. Most notably they contributed to a substantial decline in employment. We are informed that more than 86,000 graduates are now unable to find jobs.

In 2020 the Namibia Employers’ Federation conducted a study on *“The key challenges to doing sustainable business in Namibia”*. *“Burdensome regulation”* was found to be the primary obstacle for businesses, and thus also the primary obstacle to job creation. Despite this, Government keeps on adding more and more regulations. This may well be the root cause for Namibia’s scandalous unemployment rate. The second biggest challenge was found to be the *“low skills and qualifications of the workforce”*.

Although there is now some hype from Government over the economic potential posed by green hydrogen and oil discoveries, Namibia’s economy remains stuck in a very precarious position. With a suboptimal investment environment Namibia can simply not harness the potential these industries may present. We should not suffer under the illusion that (honest) investors are lining up to invest in Namibia. We must make investment in Namibia attractive, for we compete against many, far more attractive destinations. Some lie on our borders, but do not include Zimbabwe and South Africa, who also followed a similar economic policy direction as we are now.

Honourable Minister, we humbly, again submit that there is little to nothing in the proposed bill that makes investment more attractive. In reality (and what is written in the bill is the reality – not the pleasing imagery provided by those selling it), the bill simply proposes a host of additional obstacles for both local and foreign investors. Most concerning is the fact that Government intends to take full control over local and foreign investments, with the powers to decide who may invest, who investors may (and even must) partner with, in which industries may be invested, where (and where not) investments may be made, and prescribe (with unlimited scope) the requirements to which investors must comply with.

Dear Honourable Minister, we doubt that even in communist regimes do governments exert such extreme control over private sector investment. This does not bode well for investors, and definitely

does not create a friendly investment environment, despite the altruistic idea that government may have. Conducting business in Namibia is hard as it is, without Government telling local and foreign investors that they are not allowed to develop and run a winning formula. Investors will seek destinations where they are not dictated to, hampered and handicapped.

We find it difficult to understand why Government remains adamant to reduce Namibia's global competitiveness and create an even more toxic investment environment than already exists¹. This bill will create an institution of extraction, to pave the way to expand a rent-seeking economy. From such a system an extremely small portion of society benefits in the short term, at the expense of the larger population. Employment will stagnate, but more likely reduce, as we have witnessed since 2016, and the persons who will suffer most are the exact same Namibians who today cannot afford a bread to feed their children. The majority, most of whom currently cannot find jobs, will suffer, while a few (well connected) individuals will become rich. This is not "empowerment" but impoverishment.

The economic destruction and loss of investor trust that such policies create take many decades to remedy. With the massive unemployment rate, a steep increase in bank repossessions of homes and close to unsustainable government debt we are currently experiencing, this creates insecurity for local and foreign investors, and is a gamble we simply cannot afford.

Dear Honourable Minister, we implore you not to proceed with the bill. If there is indeed a need for legislation on investment (and note that many highly successful countries do not have dedicated investment legislation) we propose a completely different approach. We offer our assistance to assist you in identifying the obstacles and risks to make the bill a truly investor friendly bill.

Investment legislation must incentivise investment, not deter it. Government must create an enabling environment, not control it. Sustainable economic growth (and job creation) stems from an open, free market economy. A closed, government-controlled economy cannot flourish. From our own economic data from 2016 onwards this is already abundantly clear. There are numerous other examples across the world, for example Venezuela. It is our sincere desire, in the interest of all Namibians, and especially the youth and future generations, that Government changes its economic ideology, and thus economic policy direction, towards an open, free, non-discriminatory economy, to put our country back on a path to prosperity.

¹ Namibia's toxic investment environment has been well document. We can also provide some reports on this upon request.

We thank you for this opportunity to provide you with our comments.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Eben de Klerk', is positioned above the typed name.

Eben de Klerk
Advisor to EPRA