



- It would strengthen the cause of the NEEEF and NEEE Bill if some
 - Regarding the current ownership structure of businesses by size (number of employees) and by sector (mining, manufacturing etc.) in order to analyse the current situation and to target
 - Regarding the management structure of companies by size and sector based on information available with the Employment
- An analysis of the changes in the composition of management in businesses since gazetting the Affirmative Action Act of 1998 would

General observations



- · It is important to grow the economy in order to open new opportunities for entrepreneurs and employees and thus increase the participation of disadvantage persons in the economy.
- Growing the economy requires financial resources that might not be sufficiently available if financial institutions provide primarily funding for new ownership structures of existing businesses.
- Investment in quality education at all levels is a fundamental enabler for empowerment.
- The NEEE Bill deviates substantially from the NEEE Framework in that there is less emphasis on equity and empowerment and in the narrowing down of the group of beneficiaries

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Economic Ownership Pillar

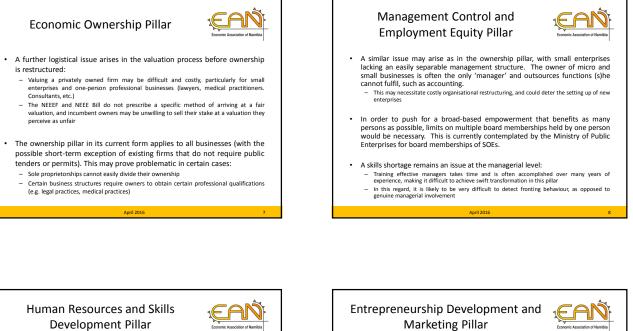


In general, ownership is a fundamental pillar of a market-based economy and any prescription concerning the ownership structure could have negative impacts on the economy, the competitiveness of the country and its attractiveness to domestic and foreign investment.

- Ownership forms a key component of the prescriptions of the NEEEF, but real empowerment should go further than being a shareholder Employee shareholding should be explored further and a clear awareness and education strategy should be designed to inform employees about the pros and cons of such an initiative.
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 - It is uncertain whether ordinary Namibians, many of them first-time investors of limited means, will be able and willing to bear this risk
- The NEEEF also requires that new, previously disadvantaged shareholders may only sell their stake to previously disadvantaged Namibians This likely to reduce the value of the share when sold on, by reducing the pool of potential buyers The creation of two classes of shares (i.e. previously disadvantaged and otherwise) could lead to a parallel market and rent-seeking behaviour to incorporate the precived price difference The need to clear transactions for NEEEF compliance could seriously inhibit the smooth operation of the MSX

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Corporate Social Responsibility Pillar



These aspects have not

 This pillar is also an important aspect of a broad-based empowerment policy. However, it needs to be ensured that CSR spending is not concentrated on a few locations and or a few activities. Furthermore, it needs to be ensured that rural and urban poor communities benefit.

Human resource development and training is a fundamental pillar of empowerment. To be successful it requires close cooperation and coordination

The human resources pillar focuses on the criterion of money spent on

This does not necessarily guarantee effective skills development, and an alternate focus in this
regard would be on the quality of training, the number of individuals trained and the
suitability of their skills equired

The criteria for this pillar relate to percentages of wage bill spent on training:

This could have the unintended consequence that firms reduce their wage bill, via retrenchments or slower wage growth, in order to comply

Smaller businesses, which can least afford to be locked out of government tenders, will find it more difficult to comply with this mandatory pillar, as they

New enterprises usually struggle the first few years to make ends meet. Any additional costs will make it even harder to break even.

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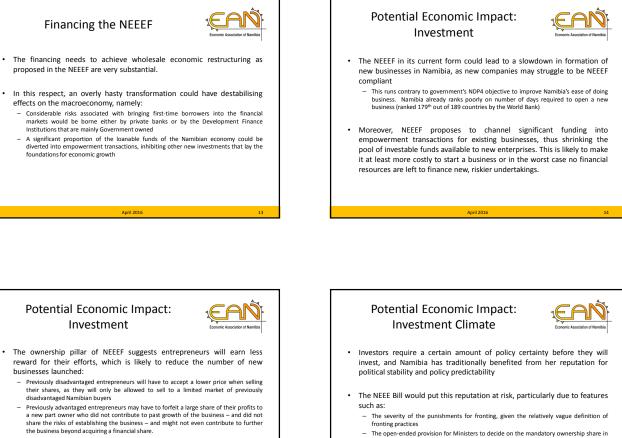
frequently lack the capacity and structures to offer formal training

between the private and public (education) sectors. received sufficient attention in the framework and bill.

training:

- The specifics of the pillar could be better refined to encourage the most beneficial kinds of CSR spending and to ensure CSR projects achieve a national coverage.
- Similarly to the human resources pillar, criteria would benefit from a closer link to outcomes rather than focusing on monetary inputs.
- Furthermore, similar to the human resource pillar as well, it needs to be ensured that it does not result in additional cost pressure in particular for micro, small and medium-sized or new companies.

Value Addition, Technology and Innovation Pillar This pillar seems to overlap in its purpose with the upcoming export levy, and as such is likely to apply mostly to firms in the primary industries This pillar should include the level of detail incorporated by that levy, making judicious use of exemptions in cases where beneficiation destroys value (some fresh fish), is illegal (uranium), or economically not viable since Namibia does not produce the required volumes.



- Inward foreign direct investment is likely to fall, as investors would have to forfeit at least 25% of their profits to become NEEEF compliant. Some investment opportunities that were marginally profitable before NEEEF will not be worthwhile after it takes effect.
- their respective sectors Anecdotal evidence suggests that some inward investment has already been postponed due to uncertainty in recent months over the form that the NEEE Bill will take.

Potential Economic Impact: **Balance of Payments**



- The potential drop in inward investment to Namibia would worsen the balance of payments deficit
 - In recent years the large trade deficit, whereby imports have exceeded exports, has been offset somewhat by strong inward capital flows
 - If inward investment slows, the trade deficit could cause foreign reserves to diminish even faster than has been observed in the past few months, risking an eventual balance of payments crisis
- · As the NEEEF would also close off certain investment avenues for previously advantaged Namibians including those who have sold shares in their business to previously disadvantaged Namibians, it could accelerate capital outflows as these individuals choose to invest their capital abroad

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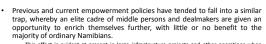
Potential Economic Impacts: Growth



- Lower inward investment and slower business formation would reduce the GDP growth rate in the medium- and long-term
- Since the focus of NEEEF and the NEEE Bill is on existing businesses, it could well affect the diversification and innovation of the economy with detrimental consequences for growth and employment creation
- While GDP growth is recognised to be a secondary goal in respect to the NEEEF, lower growth also implies weaker growth in government revenue, which is crucial to the provision of public services which are helping to reduce inequality of living standards

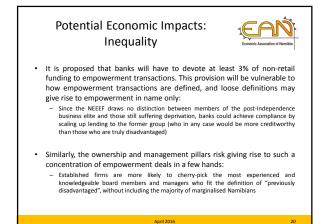
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Potential Economic Impacts: Inequality



- This effect is evident at present in large infrastructure projects and other operations when foreign companies partner with Namibian nationals without their true participation in the operations, without skills and knowledge transfers and hence without real empowerment
- The structure of the NEEEF leaves it as open to such window-dressing as previous policies, in spite of the strongly worded rhetoric and harsh disciplinary measures contained in the NEEE Bill.
 - Those to benefit from empowerment via NEEEF need only fit a broad definition of race, gender or disability, without any regard as to wealth accumulated in recent decades. "Previously disadvantaged" does not always equal "currently disadvantaged", but the NEEEF in its current form would make these definitions interchangeable in a legal sense.
 - The NEEE Bill narrowed the beneficiaries down to previously racially disadvantaged, thereby excluding the other two categories stipulated in the Namibian Constitution, namely women and people living with disabilities.

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 As touched on in the NEEEF document, varied approaches will be required in different sectors, and this is an idea that must be pursued further, as opposed to broad prescriptions across the economy. Hence the Framework needs to provide sufficient space for sectoral flexibility.

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Lessons need to be taken on board from the experiences of countries in the region, such as South Africa and Zimbabwe, on how empowerment

Alternative Proposals

- policies should not work: - Namibia can avoid the mistakes that have seen other countries eventually roll bac
- Namibia can avoid the mistakes that have seen other countries eventually roll back unsuccessful empowerment initiatives
- Ultimately, however, sustainable empowerment has to occur through education and skills transfer:
 - This should focus on quality outcomes, rather than monetary inputs
 - The idea of mentorship enlisting experienced and/or retired professionals could be considered
 - More emphasis could to be placed on internship and apprenticeship programmes

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