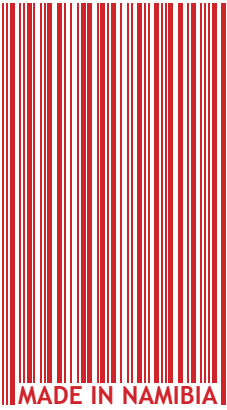




INDUSTRIAL UPGRADING AND MODERNIZATION PROGRAMME (IUMP) FOR NAMIBIA

MADE IN NAMIBIA





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Background

1

1.1 Introduction

The Namibia Industrial Upgrading and Modernization Programme (IUMP) represents a national pillar of the sub-regional Industrial Upgrading and Modernization Programme for the Southern African Development Community (SADC IUMP)¹. The Namibia IUMP was developed in 2009-2010 backed by state funding and drawing upon the knowledge and regional expertise developed during the formulation of the SADC IUMP. The Namibia IUMP was validated on 2 December 2010 by the country's key stakeholders. In preparation for the programme's start-up, the Ministry of Trade and Industry of Namibia has constituted the National Steering Committee (NSC) for the Namibia IUMP implementation.

On 27 October 2011, the Ministry of Trade and Industry (MTI) requested the United Nations Industrial Development Organization (UNIDO) (Steering Committee and Upgrading Office).

As the above inputs constitute initial technical capacity for the successful launch of the country-level upgrading activities, on 24 April 2012, MTI requested UNIDO to provide technical assistance in implementing the national IUMP within the framework of Namibia's Industrial Policy. UNIDO's expected contribution to the implementation of

the national IUMP will consist of provision of high level advice through deployment of international experts, and capacity building inputs for national stakeholders, particularly on methods and good practices in the area of industrial upgrading and enterprise competitiveness.

1.2 Objectives

The overall objective of programme is to contribute to the strengthening of industrial capacities of Namibian SMEs to face the double-challenge of regional and world integration and, in particular, in the context of trade liberalization and thereby to support efforts to reduce poverty.

Specifically, in the context of the liberalization of trade worldwide, the Programme aims:

- to support the dynamics of upgrading and modernization of industries and related services, and
- to improve their competitiveness, growth, job creation and access to national, regional and international markets.

The above objectives are in line with the SADC Regional Indicative Strategies Development Plan (RISDP), the Namibian National Development Plan 3 (NDP3), Namibian National Industrial Policy Framework, as well as the Manufacturing Strategy Framework. The Programme objectives are also in agreement with the goals of the African Union and NEPAD's drive for Accelerated Industrialization in Africa as agreed by the African Heads of State and Government in Addis Ababa in January 2008. This agreement and the subsequent adoption of an Action Plan for the

Accelerated Industrialization of the continent was concretized during the 18th Conference of the African Ministers of Industry (CAMI 18) held in Durban, South Africa from 24-28 October 2008.

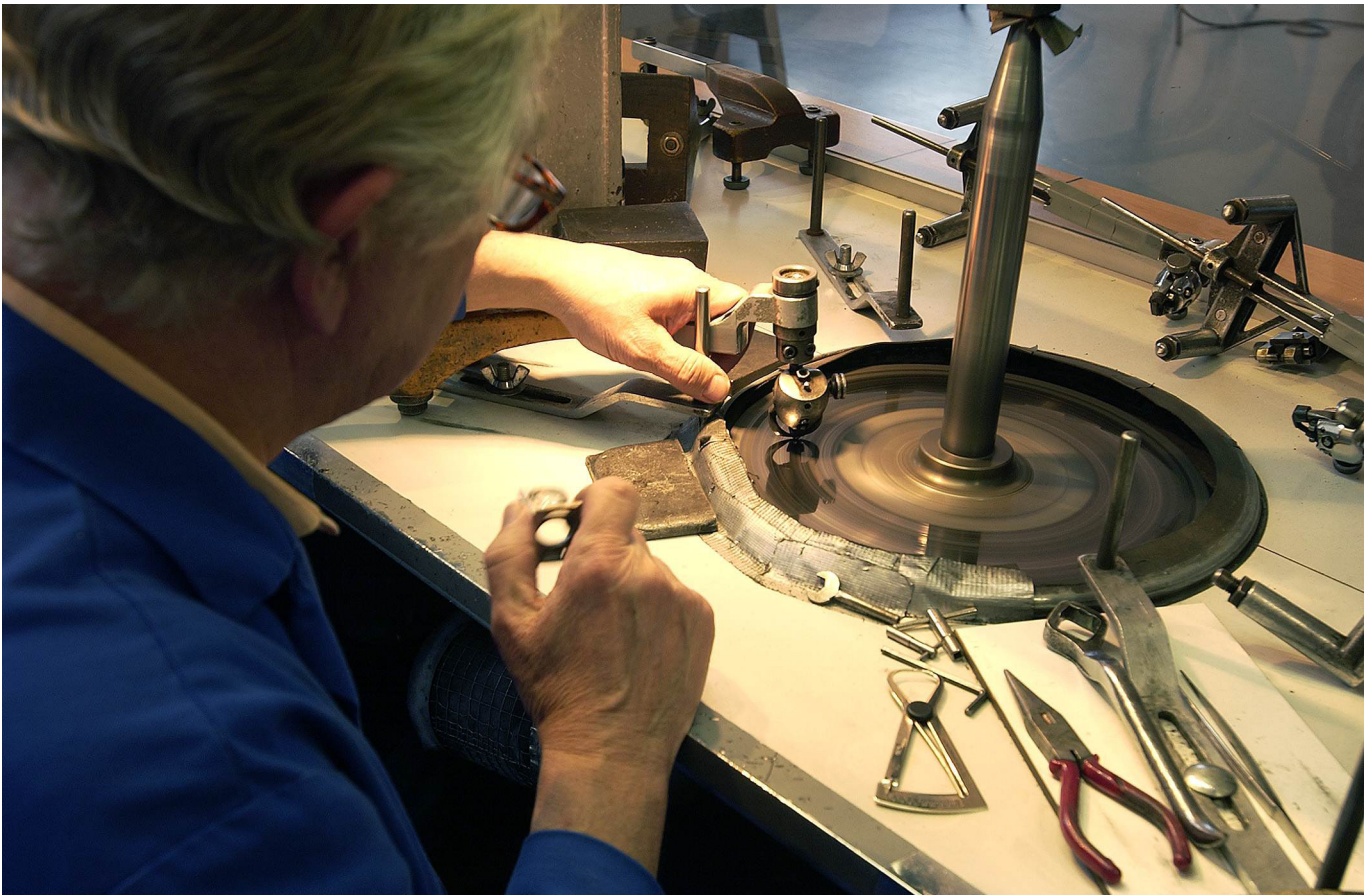
1.3 Expected Impact

The experience of developing countries that have already implemented similar development programmes (Tunisia, Senegal, Syria, Egypt, Morocco, UEMOA, etc.), allows the following estimations of the Programme's potential impact to the Namibian economy and to the local industrial sector, in particular. Specifically, the Programme will contribute to the country's development by:

- Strengthened institutional and programme management capacities of the major stakeholders;
- Reinforced capacities of the technical support institutions, business advice and consultancy centres in providing business development services to local producers;
- Establishment/strengthening of financial mechanisms and products for SMEs' competitiveness improvement and upgrading;
- Strengthened capacities of the pilot existing manufacturing SMEs operating in the priority sectors with expansion of upgrading momentum to the entire business community during the roll-out phase;
- Annual increase in employment by 5 to 10% and the 10%-growth of an engineer-to-staff ratio at the beneficiary companies, and new employment opportunities created indirectly in agricultural, mining

¹The SADC IUMP has been developed by UNIDO in 2007-2009 upon the official request received from the SADC Secretariat to support the region's efforts to boost industrialization and economic integration of the region. The SADC IUMP was endorsed by the key regional and national stakeholders from the SADC Member States including Namibia during the Regional Validation Workshop held on 31 March – 2 April 2008, in Johannesburg, South Africa. Subsequently the Programme was approved by the SADC Committee of Senior Officials at the meeting held in Lusaka, Zambia in July 2008. The Programme was adopted by the SADC Ministers of Industry on 19 June 2009.

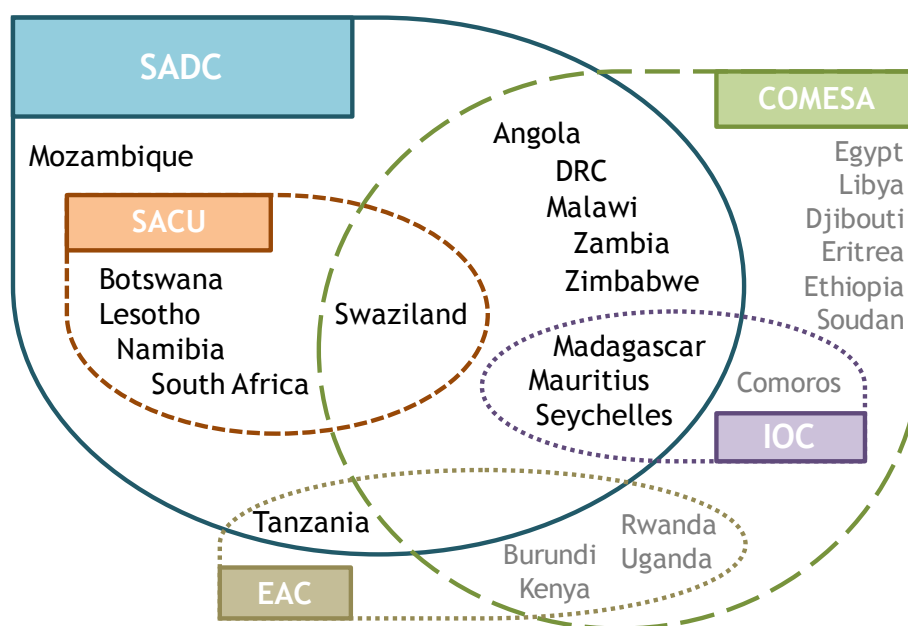
- and services sectors;
- Growth of industrial production and increase in the turnover of the beneficiary enterprises by minimum 10-15% per year;
 - Improved productivity, reactivity and flexibility, strengthened managerial capacities and marketing skills, and the production costs mastered and cut down;
 - Increased value-added by 10-15% per year and 10%-increase in the cash flows from exports operations (including intraregional trade) in beneficiary companies;
 - Enhanced exports capacities and imports substitution, and stronger linkages across the priority value chains;
 - 10% of the SMEs unable to export prior to the Programme implementation, start to commercialize abroad; and
 - Development and strengthening of the local expertise in order to extend its services to other sectors not directly addressed by the Programme.



2.1 SADC Context

SADC is composed of 15 countries with more than 200 million inhabitants. The SADC Regional Economic Community is configured as depicted in the diagram below:

Figure 1: Regional Configuration of SADC Countries



Out of the 15 Member States, 6 are Least Developed Countries (LDCs), and the GDP per capita ranges from USD 326 (WB, 2011) in Malawi to USD 6,742 (WB, 2011) in Mauritius.

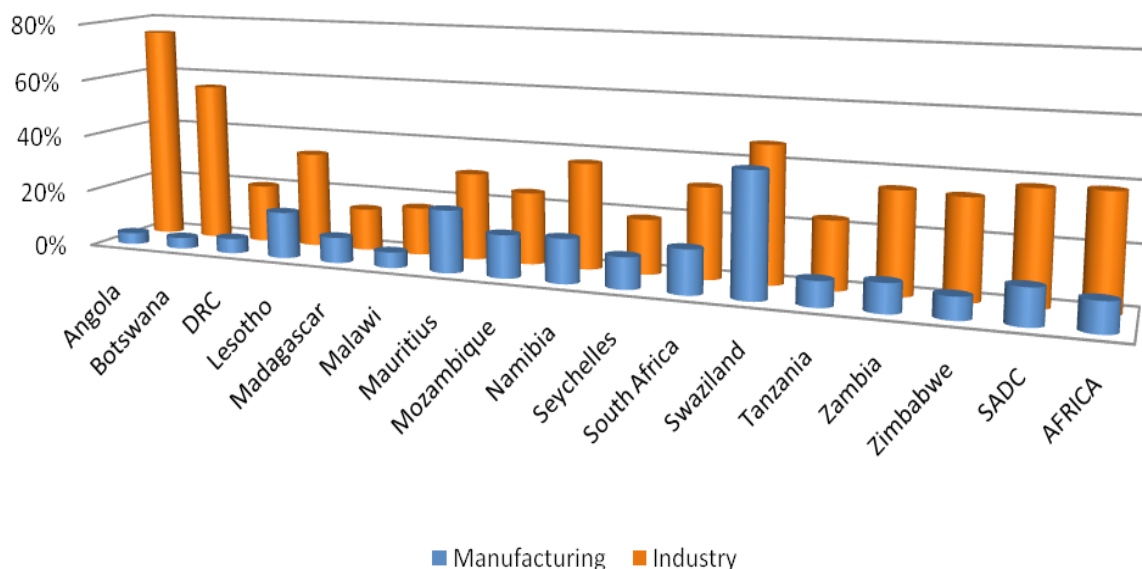
Industrial Sector and Related Services in the SADC Region

The main characteristics of the industrial sector in Southern Africa are as follows:

- Weak manufacturing output with very modest contribution to GDP on average (7.1%; African Development Bank, 2011)
- Manufacturing value-added per capita is from USD 23 in Tanzania to USD 1002 in Mauritius
- Prevalence of small units serving local or at best regional markets
- Marginal transformation
- Pre-dominance of raw materials in exports
- Limited access to medium and long term capital and funding for industrial development

The chart below shows that in SADC countries, the industrial sector's contribution to the GDP varies from 14.53% in Madagascar to 74.96% in Angola. On average, the industrial sector of SADC countries represents 38.00% of the GDP (African Development Bank, 2011).

Chart 1: Share of Industry and Manufacturing Sector to National GDP, 2006



Source: African Development Bank, 2011

The share of manufacturing sector in GDP ranges from 3.93% in Botswana to 41.98% in Zambia. The SADC average is 7.51% (African Development Bank, 2011). However, with its vast amount of natural resources, trained manpower and a market of several millions of people, the Southern Africa region possesses a great potential to succeed in all segments of the industrial value chain. Along with national industrialization strategies, the regional distribution of the value chain cannot be neglected, as it could provide additional value-added to the region if such issues as harmonization of industrial and trade policies as well as competitive trade and manufacturing of goods are addressed.

Problems to be Solved in SADC Region

The following problems need to be solved in the SADC Region:

- Low performance and lack of competitiveness of the majority of industries in the region;
- Outdated technologies in the majority of industries;
- Insufficiency in the national institutional support and expertise capacity;
- Weak local and foreign investments flows;
- The informal sector is largely represented but suffering of low productive perfor-

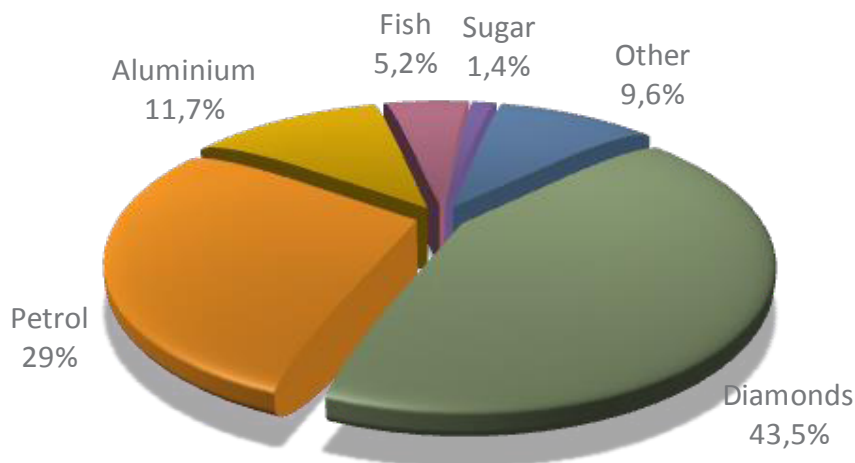
mance and limited access to financial services;

- Unfavorable business environment;
- Weak industrial performance and marginal transformation of raw materials;
- Little diversification of economy (only 5 commodities in 8 SADC countries constitute more than 75% of their total exports);
- Almost 90% of exports consist of mineral and agricultural goods;
- Absence or inadequate capacities of the technical support institutions (with exception of the South Africa)
- Industries and support services (packaging, agricultural equipment, maintenance, etc.) are under-developed.

SADC Exports Composition

Prevalence of oil and mining commodities, agricultural and other unprocessed goods in SADC's exports to the EU (>90%)

Figure 2: SADC Main Exported Products to EU



Comparative Advantages

SADC has the following comparative advantages that could be transformed, with the correct interventions, into competitive advantage:

- The low-cost labor which needs professional training
- Low tax levels in some countries (Lesotho, Mauritius, Mozambique, Namibia)
- Stable secondary supply base for large global retailers who seek to diversify their sourcing and spread their risk
- Key positions in production of minerals (79% of African aluminum production, 99.3% of chrome, 97% of copper), fish, sugar and other agro-foods
- Good potential for the food-processing value chain
- Proximity to the raw material sources
- Proximity to Europe and the east coast of the US
- Language and time zone advantages
- Ethical production
- Diversified ecosystems thus enabling a broad range of agro-pastoral products

Priority Industrial Sectors in SADC

The SADC Industrial Upgrading and Modernization Programme is based on the following priority sectors, which were identified by the SADC Governments:

1. Agro-food processing
2. Processing of Minerals (metallic and non-metallic) products
3. Chemicals and Pharmaceuticals
4. Textiles and Garments
5. Leather and Leather products
6. Forestry
7. Fisheries
8. Machinery and Equipment
9. Services

2.2 Namibian Context

2.2.1 Introduction

Namibia has experienced several years of moderate economic growth, mainly due to strong performance in diamond production and prudent macroeconomic policies. GDP growth averaged 4.9% a year over the period 2000-05 and about 4% from 2006-2008. However, the Namibian economy is poorly diversified, relying heavily on extractive mining for export earnings and fiscal revenue, and is thus exposed to large and unpredictable fluctuations in commodity prices.

Table 1: Main macro-economic indicators of Namibia

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Population (millions)	1.9	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
GDP, at constant 2004 prices (in N\$ ml.)	34,396	34,802	36,468	38,014	42,679	43,758	46,853	49,371	51,490	51,076
GDP Growth Rate (%)	3.5		6.7	3.5	6.6	4.2	4.8	5.5	2.9	0.7
GDP at Current Market Prices	27,125	30,535	35,430	37,304	42,678	46,177	54,028	62,080	74,016	78,169
Gross Capital Formation (% GDP)	17	21	20	19	19	19	22	24	26	25
Public capital formation (% GDP)	4	4	3	3	3	3	3	3	4	5
Private capital formation (% GDP)	13	17	17	16	16	15	18	21	22	20
Net National Savings (% GDP)	17	12	15	14	19	19	24	20	18	9
Inflation (CPI) (%)	-	9.2	11.4	7.1	4.2	2.3	5.1	6.7	10.4	8.7
Exports Volume Growth (Goods) (%)	-	1.13	1.29	0.97	1.07	1.15	1.31	1.30	1.28	0.91
Imports Volume Growth (Goods) (%)	-	1.25	1.19	1.21	0.87	1.05	1.20	1.47	1.38	1.05

Source: Central Bureau of Statistics

There are good prospects for improving non-traditional exports and increase the profits of traditional exports.

2.2.2 GDP Growth

Namibia's economy is small and closely linked to that of South Africa. GDP growth accelerated to 5.6% in 2002-04, then slowed down to 4.6% in 2005-06. Real GDP growth rates were estimated at 5.5% in 2007, 2.9% in 2008 and 0.7% in 2009. Decline in GDP growth is directly attributable to the global economic crisis. However, there are signs of economic recovery due to increased global demand for minerals, reflected in high international prices for key export commodities such as diamonds, uranium, zinc, copper and gold. The economic structure has remained fairly stable over the past decade, with services contributing more than 55% of value added.

Table 2 below shows the contribution to GDP by the sectors of the Namibian economy during 2009.

Table 2: Sectoral contribution to GDP, 2009

Sector	GDP (%)
Agriculture and forestry	5.0
Livestock farming	3.1
Crop farming and forestry	1.9
Fishing and fish processing on board	3.5
Mining and quarrying	10.4
Diamond mining	3.6
Other mining and quarrying	6.8
Primary industries	18.9
Manufacturing	13.5
Meat processing	0.3
Fish processing on-shore	1.4
Other food products and beverages	5.3
Other manufacturing	6.4
Electricity and water	2.4
Construction	3.7
Secondary industries	19.6
Wholesale and retail trade, repairs	11.0
Hotels and restaurants	2.0

Table 2: Sectoral contribution to GDP, 2009 (Continue)

Sector	GDP (%)
Transport and communications	4.8
Transport and storage	2.0
Post and telecommunications	2.8
Financial intermediation	4.2
Real estate and business services	7.6
Real estate activities	5.3
Other business services	2.3
Community, social and personal service activities	3.1
Public administration and defence	10.3
Education	7.5
Health	3.2
Private household with employed persons	0.7
Tertiary industries	54.4
Less: FISIM	1.2

The above scenario is depicted in Figure 3.

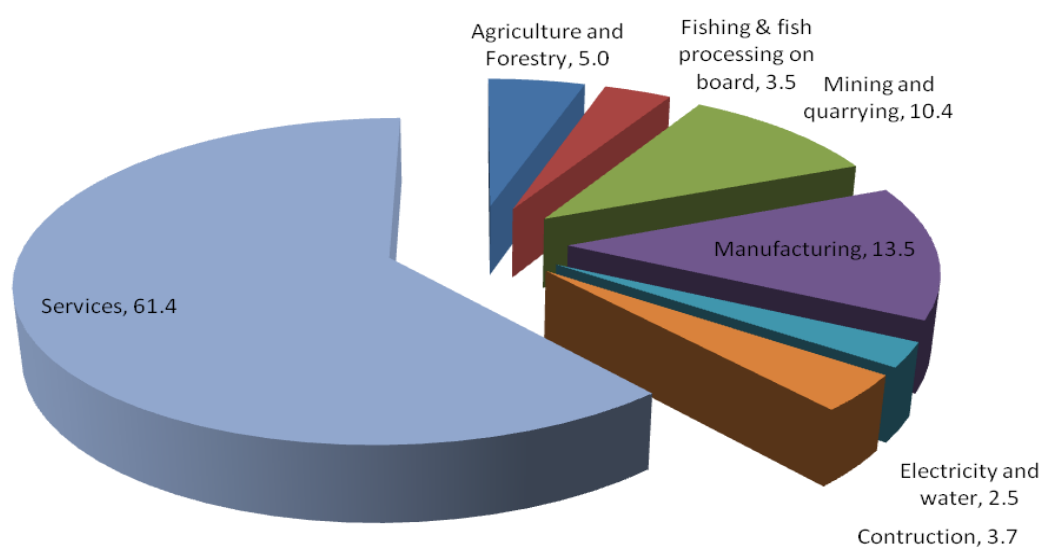


Figure 3: Contribution to GDP

Source: Central Bureau of Statistics

The levels of employment in the various sectors of the Namibian economy according to the Labour Survey of 2008 are as shown in Table 3 below

Table 3: Employment levels by sector (2008)

Industry	Rural			Urban			Namibia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Agriculture	10,008	37,208	47,216	1,645	3,927	5,572	11,652	41,135	52,788
Fishing	124	676	800	127	391	518	251	1,067	1,318
Mining & Quarrying	237	1,392	1,629	1,435	5,830	7,265	1,672	7,222	8,894
Manufacturing	1,363	1,464	2,827	7,062	11,072	18,133	8,425	12,536	20,961
Electricity, Gas & Water	465	984	1,449	597	3,338	3,936	1,062	4,322	5,384
Construction	917	6,012	6,928	1,135	15,252	16,388	2,052	21,264	23,316
Wholesale and Retail Trade, Repair of motor vehicles	10,117	4,355	14,472	16,054	19,638	35,691	26,170	23,993	50,163
Hotels and Restaurants	2,240	1,723	3,963	4,876	2,477	7,354	7,117	4,200	11,317
Transport, Storage and Communication	439	1,051	1,490	2,572	11,535	14,107	3,012	12,586	15,598
Financial Intermediation	394	278	672	4,898	3,268	8,166	5,292	3,547	8,838
Real Estate, Renting and Business Activities	1,155	995	2,150	6,416	6,184	12,600	7,571	7,179	14,751
Public Administration, Defense & Social Security	1,865	4,241	6,106	7,158	14,450	21,608	9,024	18,690	27,714
Education	11,841	5,378	17,219	7,796	3,498	11,293	19,637	8,875	28,512
Health and Social Work	2,128	2,034	4,162	6,659	3,119	9,777	8,787	5,153	13,940
Other Community, Social & Personal Services	930	810	1,740	4,275	5,381	9,656	5,204	6,192	11,396
Private Households with employed persons	7,448	2,899	10,348	20,751	4,872	25,623	28,200	7,771	35,971
Extra-territorial Organizations & Bodies	0	73	73	0	0	0	0	73	73
Not recorded	0	124	124	222	165	387	222	288	511
Total	61,672	71,696	123,369	93,678	114,397	208,075	145,351	186,093	331,444

Source: Ministry of Labour, and Social Welfare, Labour Survey 2008

Poor marketing, the small size of the domestic market, and the inability to add processing value and penetrate foreign markets all act as constraints on agricultural development.

2.2.3 Inflation

Inflation averaged 4.7% during 2005-2007 due to prudent fiscal and monetary policy and a favourable external environment. However, the annual average inflation grew in 2006 (5.1%) and 2007 (6.7%) mainly due to high increases in international crude oil and food prices and a weaker domestic currency.

Inflationary pressure continued into 2008, with annual inflation increasing to 10.4% in 2008 before declining to 8.7% in 2009. The decline in inflation was attributed to the tightening of monetary policy by the Bank of Namibia, a collapse in international oil prices and consequent decreases in food prices.

2.2.4 Primary sector

Primary industries, including agriculture, fisheries and mining are the mainstay of the Namibian economy.

2.2.4.1 Agriculture

The share of agriculture in GDP has fallen continually since independence, and currently hovers around 6.8%. This sector is dominated by meat products such as beef, mutton and goat meat.

The real value added in the agriculture sector recorded a slight increase of 0.7% in 2009 when compared to the 2.8% registered for 2008. The livestock subsector registered a 0.2% growth in 2009 when compared to a growth of 6.7 percent recorded in 2008. The poor performance in the livestock subsector was due to a decline in the number of animal marketed and exported on hoof. Farmers had to postpone the selling of some of their livestock for purposes of restocking after the good rainfall, despite high meat prices.

The crop farming subsector increased to 1.2% due to good rainfall and better management of natural disaster by farmers. However, food demand still exceeds supply, with imports of staple food from South Africa and Zambia filling the gap. Poor marketing, the small size of the domestic market, and the inability to add processing value and penetrate foreign markets all act as constraints on agricultural development.

Meat remains the major export product. Other export oriented farming products have developed recently in the south, especially grapes, pearl millet/mahangu and horticultural products.

2.2.4.2 Fisheries

Fishing is also a strong contributor to GDP, accounting for about 5.6%, but it exhibits a strong cyclical pattern since it is influenced by weather conditions, energy prices, and the exchange rate. After two consecutive years of contraction, the sector recovered gradually in 2005/06. This was mainly due to restrictions on hake fishing as well as the prohibition of vessels from fishing in depths of less than 200 metres.

The real value added by fisheries sector declined by 5.3% in 2008, followed by a further decline of 14.1% in 2009. This decline is mainly attributed to lower landings recorded in 2009 for demersal species.

Most fish caught in Namibia are exported to Spain, although efforts are under way to find new export markets in Asia, especially for species such as abalone.

2.2.4.3 Mining sector

The mining industry accounts for around 8% of GDP, and is dominated by diamond extraction and processing, making Namibia the world's seventh-largest producer by value. Rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds. Mining accounts for more than 50% of foreign-exchange earnings and roughly a third of fixed capital formation. Namibia is the fourth-largest exporter of non-fuel minerals in Africa, the world's fifth-largest producer of uranium, and the producer of large quantities of lead, zinc, tin, silver, and tungsten. However, the mining sector employs only about 3% of the population, reflecting the switch from labour-intensive onshore diamond extraction (at independence) to capital-intensive marine operations.

Cutting and polishing of diamonds also contribute to economic activity. NamDeb, a 50/50 joint venture between the Namibian Government and De Beers, is the largest diamond company in Namibia.

Various non-diamond operations include: Ongopolo, Rosh Pinah, Skorpion and UraMine. Rössing and Langer Heinrich started to mine uranium in Namibia. Petroleum exploration has also been undertaken with the active involvement of BHP Billiton, Hunt Oil and Neptune.

Real value added in the mining and quarrying sector declined by 2.9% in 2008 followed by a massive decline of 45.0% in 2009. Both the diamond and other mining subsectors have registered declines of 49.7% and 22.5% in 2009 respectively. This was the result of major reductions in mineral production in 2009 that have been attributed to low demand of minerals due to the global financial crises.

2.2.5 Secondary sector

2.2.5.1 Industrial sector

Namibia's industrial structure is based on its natural resource endowment, the desire to develop value addition to its natural resources, technological capacity and South Africa's industrial strategy. This has resulted in Namibia having an industrial sector that is based largely on resources such as fish, fisheries products, livestock and livestock products, minerals etc.

In addition, Namibia is linked to neighbouring countries through its extensive road and rail network. This gives export-oriented industrialization a chance to succeed. Namibia has very effective telecommunications and ICT infrastructure.

However, despite serious attempts to address the structural imbalances in the economy over the last 19 years, primary sectors of mining, fisheries and agriculture have maintained their dominance as major contributors to the GDP, employment, foreign exchange earnings and government tax revenue.

2.2.5.2 Manufacturing sector

Namibia has a relatively small manufacturing sector, which is largely based on its resource endowment. Therefore, the manufacturing sector consists predominantly of fisheries and meat. Other manufacturing activities include food, beverages, textiles, wood and wood products, paper and paper products, chemicals and chemical products, non-metallic products, and machinery and equipment.

The manufacturing sector, accounting for about 11% of GDP, recorded an annual growth of 2.1% in 2008, followed by a steady 6.0% growth in 2009. The on-shore fish processing sector recorded a growth of 12.6% in 2009 compared to -3.6% in 2008. The meat processing recorded a growth of 3.8% in 2009 compared to a decline of 8.4% in 2008. Other food products and beverages manufacturing sector recorded a growth of 7.5% in 2009 compared to the 10.0% in 2008. "Other manufacturing" also improved from -2.1% in 2008 to register a growth of 3.5% in 2009.



The government's diversification efforts appeared to be bearing fruits, especially with the establishment of Ramatex Textiles, the refining of zinc at Scorpion Mine and the establishment of several diamond cutting and polishing operations in the country. Ramatex Textiles alone employed about 6000 workers and exported its products to the United States of America under the AGOA regime. However, Namibia also suffered from the phasing-out of the Multi-Fibre Agreement (2006-2009), leading to job losses in the textile industry. For example, the closure of Ramatex resulted in its 6,000 employees being laid off. Companies in other large industrial sectors, such as the dairy sector, are also facing intense competition from South Africa and China.

As a way to strengthen the country's manufacturing sector, the government has embarked upon import-substitution strategy. Some products, such as household utensils, household stainless items, food, hardware, brushware, stationeries, footwear, office steel furniture, cleaning materials, uniforms, pharmaceutical products etc that are imported into the country, can be manufactured in Namibia, according to the government.

The Namibian Government also recognizes the importance of the SME sector in creating employment as well as an important source of household income. According to Impact Assessment Research carried out in 2004, the SME sector contributes about 12% to GDP and employs approximately 20% of the labour force in Namibia. Consequently, the government has put in place a number of support programmes and measures/instruments to support the sector. These programmes/measures included: tax and non-tax incentives, incentives for manufacturers/exporters, tax free export processing zone regime, the Small Business Credit Guarantee Trust, Vendor Development Programme, Group Purchasing Scheme, Cooperative Development Scheme (e.g. NAMTEX), sites and premises development programme, business plan and feasibility studies support programme, Trade fair and exhibition support programme, Entrepreneurial training/development programme and the Technology transfer programme. In addition, the Tender Board Act being amended to facilitate the purchase of locally produced goods and services.

2.2.6 Tertiary sector

2.2.6.1 Tourism

Among services, tourism (represented by hotels and restaurants) stands out in terms of contribution to export earnings. Tourism is the third biggest foreign exchange earner after mining and manufactured products. Tourism also contributes 3.7% of GDP and 4.7% of total employment, although the indirect contribution is estimated to be about 16% of GDP and 17.7% of total employment.

Namibia's spectacular deserts, consisting of red dunes where some of the world's most unusual flora and fauna can be found, its canyons (e.g. the famous Fish River Canyon), the Skeleton Coast, its renowned national parks and scenic mountains combine to make the country an attractive venue to ecotourism. The worldwide publicity generated by the presence in the country of well-known Hollywood stars also helps to boost Namibia's image as a favourable tourism destination.

The real value added in the hotels and restaurants sub-sector recorded a slow growth of 2.7% in 2008, followed by a higher growth of 8.5% in 2009. The hotels sub-sector recorded an increase of 14.2% in 2009, while restaurant sub-sector recorded a decline of 18.7% in the year.

2.2.6.2 Wholesale and retail trade

In 2008 the wholesale and retail sector was negatively affected by high inflation rates which discouraged consumer demand, however, government intervened to decrease VAT on specific food stuffs giving relief again to the sector. The wholesale and retail sector recorded a real value added growth of 3.1 percent in 2009 when compared to the 2.9 percent registered in 2008. The growth is mainly due to expansion in beverage product and increased investment in storage and distribution facilities, and also the sale of new and used vehicles which seem to have increased in 2009 beside the financial crisis.

2.2.6.3 Transportation infrastructure

Namibia's has an extensive, well-maintained rail and road network. One arm of the road network, the Trans-Kalahari Highway, is part of Walvis Bay-Botswana-Gauteng-Maputo Corridor linking Namibia to Botswana, South Africa and Mozambique. Another arm of the road network, the Trans-Caprivi Highway, is part of the Walvis Bay-Caprivi-Ndola-Lubumbashi Corridor linking Namibia to Zambia and DRC. A third arm of the road network is the Walvis Bay-Oshikango-Namibie Corridor, which is part of the North-South Corridor linking South Africa to Angola through Namibia. The Namibian railway system links Windhoek with Walvis Bay to the west, Gobabis to the east and Tsumeb and Grootfontein to the north. The country boasts a modern airport and civil aviation facilities.

The real value added for the transport, storage and communication sector recorded a relatively high growth of 5.4% in 2009 as compared to growth of 2.7% in 2008. The transport sub-sector grew at 7.0% in 2009.

2.2.6.4 Telecommunications

Namibia's telecommunications infrastructure is modern, digital and provides direct dialing to most parts of the world. This infrastructure allows for modern tele-services such as ADSL, ISDN, teleconferencing, video conferencing, call forwarding and call barring.

During 2008/2009, the posts and telecommunications sector recorded a decline in growth of 4.0%.

2.2.6.5 Electricity and water

Real value added of the electricity and water sector grew by 3.2% in 2008 and recorded further growth of 6.0% in 2009. The growth in 2009 was due to the electricity subsector which grew by 8.2% while the water sub-sector growth declined to 3.0% during the year.

2.2.6.6 Real estate

The real estate market in Namibia is also showing moderate growth, which, combined with new infrastructure investment, is providing support to the construction industry.

Real estate, renting and business services have recorded a growth of 4.4% in 2008, followed by 5.6% in 2009. This growth can be attributed to activities of both the real estate sector which grew at 4.6%, and business services which grew by 8.5%.

2.2.6.7 Construction

The value added for the construction sector has recorded a decline of 9.2% in 2009 as compared to an increase of 16.0% in 2008. The poor performance in 2009 is mainly due to a decline in civil engineering works and related services in mining and quarrying; and transport, storage and communication sectors.

2.2.6.8 Informal sector

The informal sector's contribution to the economy is still very small, with retailing and distribution dominating the operation of the sector rather than manufacturing activities. The informal sector in Namibia has its origins in the past policies of apartheid which were designed to secure cheap black labour for the white-dominated mining, commercial agriculture and manufacturing industries.

At the moment there are no accurate statistics as to how many businesses there are in the informal sector and the number of people employed. The lack of statistics could indicate a lack of interest in this sector and the perceived insignificance in the economy. Nonetheless, the informal sector provides jobs and incomes for an estimated 60,000-80,000 people.

2.2.6.9 The financial sector and micro-finance

Namibia has a well-developed financial sector. It comprises of the central bank, four commercial banks, insurance companies, and development finance institutions, non-bank financial institutions such as medical aid funds, retirement funds, collective investments, capital markets, stock exchange and microfinance institutions.

Namibia has four commercial banks, namely Bank Windhoek, First National Bank of Namibia, Standard Bank Namibia, and Nedbank, which have branches operating nationwide and offer a comprehensive range of banking services, including specialised merchant banking, international services, electronic banking and teller services. In terms of the modernity of its instrument, efficiency and strength, the Namibian banking sector is one of the best-developed systems



in Africa, probably second only to South Africa. Nevertheless, the central bank is concerned that the banking sector is not sufficiently competitive.

The real value added for the financial intermediation sector grew by 9.8% in 2008, followed by a slower growth of 6.6% in 2009. This growth was attributed mainly to the insurance and pension sub-sector which recorded an excellent growth of 23.9% in 2009. The other financial intermediation recorded a slight decline of 0.7% in 2009.

The Namibia Financial Institutions Supervisory Authority (NAMFISA) was established through the NAMFISA Act of 2001 to supervise and regulate the non-banking financial industry. One of its core objectives is to educate and protect consumers from abuse by providers of financial services and products.

Financing for SMEs is available through:

- Government's SME support schemes under the Ministry of Trade and Industry. This covers part of the cost of feasibility studies, business plans, etc. In addition, the Ministry of Trade and Industry is in the process of setting up an SME Bank which will cater for the financing needs of SMEs;
- Development Finance Institutions, such as Development Bank of Namibia;
- Commercial banks – Bank Windhoek has an SME Branch; other commercial banks also provide financing to SMEs.

The Namibia Stock Exchange is a source of long-term financing for larger companies that wish to go public.

The Financial Sector Assessment Programme (FSAP) conducted jointly by the International Monetary Fund (IMF) and the World Bank in 2006 found that although the Namibian banking sector was well developed, it had some shortcomings, including limited access to financial services. Other concerns include the high transaction charges and other fees charged by the commercial banks.

The Namibia Finance Sector Charter, currently being developed, is expected to address these shortcomings.

Micro-finance

Micro-finance in Namibia is an infant industry whose structure is still developing. Providers of micro-finance are diverse entities with differing goals. They include micro-lenders and other institutions such as non-governmental organizations (NGOs), private commercial banks, state-owned and postal banks, finance companies, insurance companies, credit unions and credit and savings cooperatives. The micro-finance institutions in Namibia contribute towards the country's sustainable economic development by improving access to financial services for those ordinary Namibians and micro and small enterprises in the rural, semi-urban and urban areas of Namibia, who have been mostly excluded from the formal banking system. This clientele are economically active, generate income and create employment.

The establishment of the Namibian Financial Institutions Supervisory Authority (NAMFISA) in 2002 as a regulatory and supervisory body legitimized the micro-lending industry. NAMFISA ensures that the micro-lending industry sticks strictly to regulations that bar harmful practices. These regulations, among other things, forbid charging higher interest than allowed in the Usury Act, lending more than 50% of a borrower's take-home salary, or recovering loans through physical confrontation.

The micro-lending sector has experienced steady average growth of 27% per annum between 2003 and 2006, a lower growth of 10% in 2007 and a slightly increased growth of 13% in 2008. The growth in micro-lending can be attributed to the increased need for credit that is not met by the formal financial sector. The total loan book was about N\$2,368 million in 2008 and provisionally N\$3,151 million in 2009. Reasons for loans requested include both once-off expenses, like fees, medical bills, and funerals, but also more common things like groceries and transport.

According to NAMFISA, the number of registered commercial micro-lenders increased from 74 in 2003 to 312 in 2008.

The Microlenders' Association of Namibia (MLA) is of the opinion that micro-lending is a more responsible industry now than in the early 1990s. MLA has recommended interest rates of around 26% as fair.

As well as commercial businesses, a number of non-profit organisations and development projects have become involved in micro-finance.

The Bank for Micro-Entrepreneurs (the "FIDES BANK OF NAMIBIA"), formerly Koshi Yomuti, (or Banking 'Under the Tree'), is focusing on offering customized and affordable financial services to the poorer parts of Namibian population. Its services include savings, credit and transfer services for micro and small entrepreneurs as well as self-employed Namibians in rural and urban areas.

There is also a steadily growing micro-finance sector within Namibia's co-operative movement. In addition to marketing surplus agricultural products, the co-operatives have been providing small loans to their members as a way to cater for their immediate needs and fund the establishment of small businesses.

Currently, there are 61 co-operatives registered with the Ministry of Agriculture, Water and Forestry. Of this number, over 100 have savings and credit schemes for their members. There are also 2 dedicated savings and credit cooperatives in Namibia.

2.2.7 Economic integration

Since independence, the Namibian Government has pursued free-market economic principles designed to promote commercial development and job creation to bring disadvantaged Namibians into the economic mainstream. To facilitate this goal, the government has actively courted donor assistance and foreign investment. The liberal Foreign Investment Act of 1990 provides for freedom from nationalization, freedom to remit capital and profits, currency convertibility, and a process for settling disputes equitably.

There is also a steadily growing micro-finance sector within Namibia's co-operative movement.



Namibia's future economic development is based on the National Vision 2030, which sets measurable targets to be achieved.

With its small domestic market but favourable location and a superb transport and communications base, Namibia's economic development depends heavily on regional economic integration. The country's membership of both SADC and the Southern African Customs Union (SACU) with South Africa, Botswana, Lesotho and Swaziland are aimed at facilitating this process. Windhoek hosts the SACU Secretariat. Within SACU, no tariffs are imposed on goods produced in and traded among the member states. SACU is also currently negotiating a Free Trade Agreement with the United States, the European Free Trade Association (EFTA) and the Southern Common Market (MERCOSUR). The SACU-United States FTA, however, has been put on hold due to disagreements over several issues, including "new issues" such as investment, government procurement and competition. This agreement will now be replaced by a less comprehensive version known as the Trade and Investment Co-operation Agreement (TICA).

The Economic Partnership Agreement (EPA) negotiations are ongoing. When completed, the EPA is expected to assist Namibia to have both the regional and international market access for its manufactured products.

Apart from SACU tariffs, the country employs very few trade restrictions. The degree of openness of the Namibian economy is evident from its high import/GDP and export/GDP ratios. This high degree of openness together with a lack of significant diversification of economic activities makes the Namibian economy vulnerable to external shock.

2.2.8 International Trade

Main Exports and Imports

The main exports of Namibia are diamonds, minerals, fish, livestock and its by-products. The main imports include food and beverages, vehicles and machinery. The main export destinations are UK, South Africa, Spain, France and Switzerland, while the principal import sources are South Africa, Germany, USA and France.

About 80% of total imports come from or through South Africa, which absorbs only 30% of exports. The European Union (EU) represents the main export market, in particular the United Kingdom (diamonds) and Spain (fish). Namibia is also actively taking advantage of the African Growth and Opportunity Act (AGOA), which allows apparels manufactured in Namibia duty-free access to the US market.

The United States also represents an important source of heavy equipment and machinery imports.

Namibia's transactions with the rest of the world are characterized by a small deficit in goods and a small surplus in services. Nevertheless, since 2006, booming exports in diamonds, gold, zinc and copper - reflecting higher international prices - have narrowed the trade deficit. In addition, a surge in SACU receipts has resulted in a strong improvement in the current-account surplus. The growth in mineral exports continued in 2007 and 2008, further improving the trade balance. The current account is also expected to benefit from increased tourism revenue and higher receipts from investment abroad.

Foreign Direct Investment (FDI) is heavily biased towards the mining sector, which attracted 65 per cent of major projects in the 2003-06 period. FDIs from China have been mainly in business properties, mining, retail

and restaurant sectors. Namibia is in the process of amending the Investment Law to provide attractive incentives for investors and exporters.

2.2.9 Business confidence

Business confidence is quite strong, as reported in the monthly IJG1 Business Climate Index produced by the Windhoek based Institute for Public Policy Research (IPPR). The IJG1 Business Index has been rising steadily since January 2008, indicating further confidence in the future prospects of the Namibian economy. This is however, tempered by the negative impact of the global financial and economic crisis.

2.3 Programme Justification and Priority Sectors

2.3.1 Vision 2030 objectives

The overarching goal of the national Vision 2030 is for a prosperous and industrialized Namibia, developed by her human resources, enjoying peace, harmony and political stability.

The major objectives of Vision 2030 are to:

- (i) Ensure that Namibia is a fair, gender responsive, caring and committed nation, in which all citizens are able to realize their full potential, in a safe and decent living environment.
- (ii) Create and consolidate a legitimate, effective and democratic political system (under the Constitution), and an equitable, tolerant and free society, that is characterized by sustainable and equitable development and effective institutions, which guarantee peace and political stability.
- (iii) Develop a diversified, competent and highly productive human resources and institutions, fully utilizing human potential, and achieving efficient and effective delivery of customer-focused services which are competitive not only nationally, but also regionally and internationally.
- (iv) Transform Namibia into an industrialised country of equal opportunities, which is globally competitive, realising its maximum growth potential on a sustainable basis, with improved quality of life for all Namibians.
- (v) Ensure a healthy, food-secured and breastfeeding nation, in which all preventable, infectious and parasitic diseases are under secure control, and in which people enjoy a high standard of living, with access to quality education, health and other vital services, in an atmosphere of sustainable population growth and development.

The Namibian Industrial Upgrading and Modernisation Programme will therefore facilitate the development of the industrial sector as a key contributor to economic growth and development in the country as envisaged under National Vision 2030 and the NDP3.

- (vi) Ensure the development of Namibia's 'natural capital' and its sustainable utilization, for the benefit of the country's social, economic and ecological well-being.
- (vii) Accomplish the transformation of Namibia into a knowledge-based, highly competitive, industrialized and eco-friendly nation, with sustainable economic growth and a high quality of life.
- (viii) Achieve stability, full regional integration and democratized international relations; the transformation of an aid-recipient country to that of a provider of development assistance.

The strategies for achieving the objectives of Vision 2030 are implemented through policies and programmes elaborated in the National Development Plans.

2.3.2 National Development Plan 3

The National Development Plan 3 (NDP 3), the first systematic attempt to translate the Vision 2030 objectives into concrete policies and actions, is based on eight Key Results Areas (KRAs), namely:

- i. Competitive economy;
- ii. Productive utilization of natural resources and environmental sustainability;
- iii. Peace, security and political stability;
- iv. Regional and international stability and integration;
- v. Equality and social welfare;
- vi. Quality of life;
- vii. Productive and competitive human resources and institutions;
- viii. Knowledge-based economy and technology-driven nation.

The Namibian Industrial Upgrading and Modernisation Programme will therefore facilitate the development of the industrial sector as a key contributor to economic growth and development in the country as envisaged under National Vision 2030 and the NDP3.

2.3.3 Namibian IUMP Priority sectors

The Namibian Industrial Upgrading and Modernisation Programme aims at contributing towards the realization of the objectives of the proposed Industrial Development Strategy. Specifically, the Programme will contribute towards achieving the following strategic goals:

- To improve global competitiveness of enterprises based in Namibia
- To promote the inflow of FDIs
- To create conditions that promote job creation
- To promote and facilitate skills development

The priority sectors proposed for the Namibia Industrial Upgrading and Modernization Programme are:

- Agro-food processing
- Fisheries
- Pharmaceuticals (including Cosmetics and African Traditional Medicines)
- Minerals (metallic and non-metallic) processing

The Ministry of Trade and Industry, Ministry of Agriculture, Water and Forestry, Ministry of Fisheries, and the Ministry of Mines and Energy have to ensure establishment of appropriate mechanisms, give them maximum autonomy and initiatives, allocate all necessary resources, continue interaction with major stakeholders, and set up the follow-up and evaluation mechanisms.

The Programme will be flexible and adapted to the changing socio-economic and political environment.

The Programme will be flexible and adapted to the changing socio-economic and political environment.



3.1 Objectives

Overall objective - To contribute to the strengthening of industrial capacities of Namibian SMEs to face the double-challenge of regional and world integration and, in particular, in the context of trade liberalization and thereby to support efforts to reduce poverty.

Specific objectives

To support the dynamics of upgrading and modernization of industries and related services, and to improve their competitiveness, growth, job creation and access to national, regional and international markets within the framework of globalization and economic diversification.

The above objectives are in line with the SADC Regional Indicative Strategies Development Plan (RISDP), the Namibian National Development Plan 4 (NDP4), Namibian National Industrial Policy Framework, as well as the Manufacturing Strategy Framework.

3.2 Main beneficiaries of the Programme

The main beneficiaries of the Programme are:

- Manufacturing enterprises and companies providing related services: The SMEs in Namibia eligible to the Programme will directly benefit from the UNIDO's approach and methodology and will improve their productivity, quality management and export capacities, upgrade their equipment and enhance their competitiveness.
- The national institutions providing industrial support and professional education in Namibia: These institutions will receive technical assistance (in the form of institutional support and equipment) in formulating policies and procedures, implementing activities related to industrial upgrading, providing professional training and innovations, and improving competitiveness of SMEs in Namibia.
- The Ministry of Trade and Industry, Ministry of Agriculture, Water and Forestry, Ministry of Mines and Energy, Ministry of Fisheries and the National Planning Commission: They will directly benefit from technical assistance provided within the Programme implementation. This will include capacity building programmes for the staff of the ministries and National Planning Commission, including Agencies operating under the ambit of these Ministries.

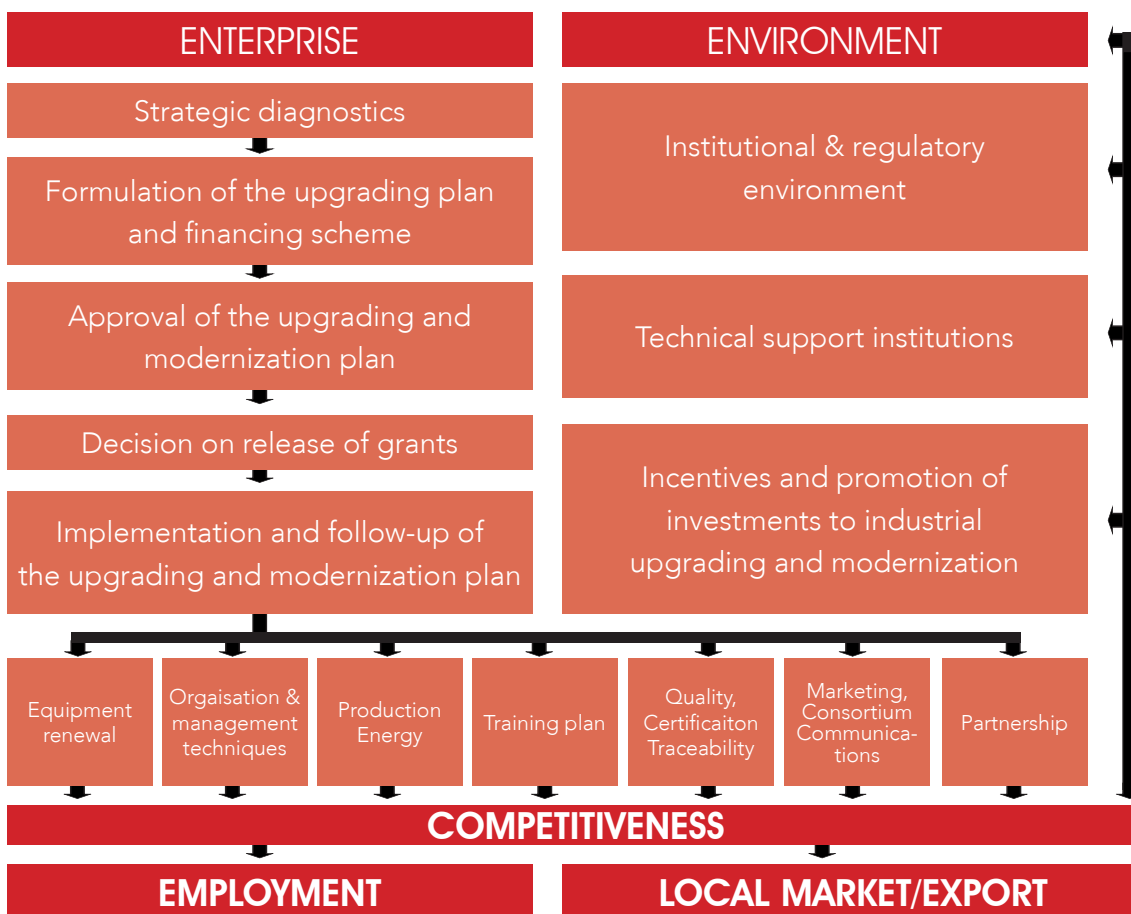
3.3 Approach and Criteria of Eligibility to the Programme

The development of the Namibia Industrial Upgrading and Modernization Programme benefited from the experiences of industrial upgrading programmes implemented in several countries, notably Tunisia, Algeria, Senegal, and currently underway in UEMOA countries. It also took into account the recommendations of evaluations made by the EU and UNIDO for upgrading projects in Tunisia, Algeria and Senegal.

These approaches aim to upgrade and improve competitiveness of companies with potential for further development through strengthening productive capacities and improving the quality of related services and business environment in general. This will allow companies to build capacities necessary to produce manufacturing goods in compliance with different international technical regulations and quality standards.

The approach also calls for undertaking actions intended to improve the financial situation of companies, their productive performances and energy efficiency, ability to produce according to international standards and technical requirements and to facilitate their integration into the world market. The figure below gives an overview of UNIDO's Upgrading Approach.

Diagram 1: Overview of UNIDO's industrial upgrading approach



¹Evaluation of European Community Support to Private Sector Development in Third Countries (<http://www.oecd.org/dataoecd/32/25/36029538.pdf>)

3.3.1 UNIDO Approach

UNIDO's approach leads not only to providing direct assistance to the companies but also to strengthening of institutional environment and technical support institutions, consolidation of economic data and its dissemination, and to the development of specific and tailored-made programmes. The approach is based on the following components:

3.3.1.1 Upgrading and Modernization

This axis has four consecutive steps: the pre-diagnosis, the strategic diagnosis, the formulation and implementation of the plan for upgrading and modernization.

1. The pre-diagnosis consist in conducting research campaign based on questionnaires, which are administered (1) to determine the eligibility of the enterprises to the plan for upgrading and modernization, and (2) to identify the field of survey to formulate and adopt the diagnosis and plan for upgrading and modernization. The declaration of interest will be a part of the questionnaire to serve as an attribute of enterprise's fully voluntary participation in the current Programme.
2. In the context of globalization and rapid technological progress, the strategic diagnosis aim to analyze competitiveness of the local companies. The special emphasis will be put on the SADC Free Trade Zone launched in August 2008 and application of the Common External Tariff (CET) by 2010.

The diagnosis will thus reveal the strengths and weaknesses of the companies and will allow identification of strategies to be followed as well as the short and medium-term actions for upgrading and modernization to be implemented within this Programme. The diagnosis will also propose a financial plan to carry out the selected actions.

3. The upgrading plan will mainly cover:
 - The short- and medium-term strategy and objectives;
 - Already implemented activities to raise the companies' interest;
 - The action plan of 'soft' investments activities with special emphasis on companies' competitiveness;
 - The plan of financial sustainability of the company.

There are two types of upgrading activities:

'Hard' upgrading activities in the form of acquisition and installation of the upgrading laboratory and production equipment;

'Soft' upgrading activities: which may include training of companies' staff, direct assistance of experts in the establishment or development of the production, sales and quality management systems, support in ISO 9001, 14000, 17025, 22000 certification, introduction of HACCP system, purchase of software, establishing

accounting system, audit on energy management, energy saving activities, etc.

The UNIDO approach also considers assistance in implementing upgrading action plans according to:

The global approach of companies upgrading, which includes global strategic diagnosis, formulation of upgrading plans and technical assistance in implementing priority activities; and

The specific approach, which consists in assessment of a company's specific problem and assistance in implementation of related activities.

3.3.1.2 Upgrading Technical Support Institutions

Upgrading technical support institutions is a key prerequisite to improve marketing and productive capacities and competitiveness of industries.

One of the main reasons for the poor competitiveness of Namibian companies appears to be the weak technical skills and qualification of the technical support institutions. Their technical capacities are insufficient to satisfy the real needs of the industrial sector. As a result, the companies do not get the quality of technical support they need to produce goods that can respond to the current market needs and meet international quality standards, sanitary and safety requirements.

The current situational analysis shows that the Namibian R&D and training institutions, the specialized technical centres and laboratories, the controlling, auditing and certification bodies do not possess the necessary capacities to support the companies, which, consequently, have to seek foreign expertise at additional costs and thus affects their competitiveness.

It is, therefore, crucial to address capacities of technical support institutions within the implementation of the Upgrading and Modernization Programme. The proposed approach is as follows:

- Step 1:** To assess current situation in the area of technical support to the industrial sector and related services. This step should identify the nature and extent of needs in technological upgrading.
- Step 2:** To prepare the plans for technological upgrading for each of the beneficiary structures. These plans, prepared in close cooperation with the institutions, will particularly include the first priority 'soft' and 'hard' investments activities as well as action plans.
- Step 3:** To implement technological upgrading plans through:



- Upgrading infrastructure and equipment to attain compliance with international standards and technical requirements;
- Upgrading methodologies for operations and technological process;
- Organization of training in horizontal and sectoral competencies (technology, quality, safety, standards/certification, etc.);
- Direct assistance and training throughout the exploitation process.

The following results are expected:

- i. Technical centres and training institutions strengthened or established in various industrial sub-sectors of Namibia;
- ii. Critical mass of national and expertise trained and operational;
- iii. National institutions for technological support established and operational.

The technical support institutions will also play the role of centres for Business Development Services (BDS) providing institutional and technical support for strengthening the business support infrastructure as well as directly for the establishment and operations of SMEs in the manufacturing sectors. For example, the proposed Namibia Business Innovation Centre (NBIC) aims “to enhance innovation, job creation, entrepreneurship, and income generation, thus contributing to the sustainable development of the Namibian economy and consequently to its global competitiveness.” NBIC plans to develop and implement Innovation programmes, R&D programmes, Entrepreneurship programmes, Infrastructure facilitation programmes.

Under a Supplier Development Programme, to facilitate strategic sourcing of inputs from local companies, technical expertise will be developed in specific industrial sectors. This will facilitate skills development and technology transfer. Technology benchmarking will also be undertaken. Furthermore, international R&D partnerships will be promoted linking companies in Namibia with regional and international counterparts. A Technology Platform will also be established in Namibia to facilitate local supplier networking.

The technical support or training institutions will be established for sectors which provide a critical mass of enterprises sufficient for financial sustainability of such institutions. For the sectors with a lower number of enterprises the Programme will establish the BDS Centres to respond to the needs of SMEs operating in various manufacturing activities.

3.3.1.3 Strengthening economic information infrastructure (Strategic positioning studies)

Access to relevant economic data and information has always served as an essential element in decision-making processes both for political and business leaders helping them to build their development strategies.

In order to update relevant information, it was proposed to conduct a survey on identification and strategic positioning of about 10 priority and contributing sub-sectors/products in the SADC region. In Namibia, this study will focus on 3 out of the 4 priority and contributing products/sectors, namely agro-food processing, fisheries, processing of minerals, pharmaceuticals during the kick-off phase of Programme implementation.

The results of this survey should reflect the basic features of the industrial sector or sub-sectors. The study will track key economic indicators over the last several years and reveal the investment opportunities, export performances and trends, etc. in emerging sectors. Besides, the survey will enable analysis of intra- and inter-regional competitiveness of the Namibian companies and propose the actions to improve their position in the global marketplace.

3.3.1.4 Development of consortia and export promotion infrastructure

Several countries that have already implemented the programmes on upgrading have an experience in establishing consortia in order to strengthen export capacities of the national SMEs.

The consortia give the best fit to SMEs that have already reached an appropriate production level and, possibly, have some experience in exports, but still need assistance to face the challenges of globalization and trade liberalization processes. These conditions are usually met by manufacturing or services companies. On the other hand, small agricultural producers or craftsmen do not possess the necessary production capacities, human and financial resources to face the demand and competition of the world market. The export consortia can also be established for cooperatives that meet the criteria set up for the SMEs.

The benefits of establishing and joining the export consortia or export promotion networks comprise:

- diversification in goods supply;
- better negotiating capacities while bargaining with potential buyers;
- prospects to expand the export destinations to remote regions;
- better understanding of markets and reduction of business risks;
- reducing the costs of promotional activities (common website/production catalogue, exhibition booth, etc.) and less risks related to exploring and exporting the new business opportunities abroad.

The current approach offers the following 4 steps of establishing export consortia and export promotion networks:

- Identification of national partners in public and/or private sectors (export promotion agencies, sector associations, chambers of commerce and industry etc);
- Training of export consortia leaders to support their creation and ensure their sustainability;

- Awareness raising activities and identification of target groups: to organize, in cooperation with national partners, the seminars and meetings which will present the concept, services and benefits of export consortia. Distribution of questionnaires to companies participating in the seminars inquiring about the interest expressed. Selection of the companies interested in creating an export consortium. The selection process will gather together a group of companies coherent in terms of activities/production, size, organizational structure and human resources, knowledge of export techniques, their current and target markets, required services, etc.
- Assistance to selected companies in establishing and launching the export consortia and export promotion networks, notably in fixing their:
 - common objectives;
 - services offered;
 - organization (human resources, logistics, etc.);
 - the most appropriate juridical status;
 - mechanisms of self-financing (membership fees, possibility of external funding, etc.);
 - business plan, promotion programme and budget;
 - assistance needed to carry out the business plan and promotional activities.
- Assistance to the national partners in establishing the legal and financial assistance measures.

The awareness raising activities as well as the launch of 2 or 3 pilot export consortia are envisaged within Phase 1 of the Programme implementation.

3.3.1.5 Promotion of partnership and industrial coaching

Investment and technology promotion is one of the most efficient ways to ensure companies' development, acquire advanced experience and capacities and to gain access to new markets.

This is especially pertinent to the SMEs in Namibia where imperfections in business environment largely affect the companies' growth. The bottlenecks for business development, in particular, include:

- an absence of technical and markets monitoring;
- difficulties to access the technical or normative information;
- lack of well-qualified staff;
- lack of specific skills, notably in the field of quality or safety procedures;
- difficulties in accessing financial resources.

Partnership with similar companies or being a part of the global supply chain can be used as "strategic arms" promising quick solutions to the above problems. The more the companies are homogeneous, the more relations are facilitated among them and the stronger is partnership.

Despite the existence of historical business ties between companies in Namibia

and other SADC countries on the one hand and the European Union on the other hand, there is still a big gap in terms of performance and overall development. Moreover, notwithstanding the regular character of those ties, they are often few, short-lived and therefore unfavorable to most companies in Namibia.

After initial assessment of existing companies, the original methodology of technological and managerial upgrading will promote the voluntary partnership among the participating companies. This methodology aims to promote the development of interregional cooperation through experience exchange between entrepreneurs of Namibia, other SADC countries, other African countries, EU, USA, Canada, Latin America and Asian countries, conducting industrial coaching missions, etc. It is also intended to establish a network of support institutions for private sector development in order to ensure sustainable contribution to the partnership promotion.

These activities could be carried out through and by UNIDO's Investment and Technology Promotion Offices (ITPO), technical support institutions and investment promotion agencies of Namibia and other SADC countries.

Notably, these activities will comprise:

- Identification of market opportunities and technological scenarios and analysis of existing companies' capacities for partnership;
- Development of partnership and investment strategies and formulation of related projects and putting them on the platform;
- Training of business executives on negotiation skills and formulation of partnership contracts and development of promotional materials necessary for communication of partnership policies;
- Organisation of promotional and mobilization seminars abroad and identification of potential partners;
- Support in searching for financial partners;
- Supporting enterprises in effective accomplishment of their partnership agreements/contracts.

3.3.2 Criteria of eligibility to the Programme

The criteria of the companies' eligibility to the Programme will be finalized and validated by the National Steering Committee, which will take into account the specificities and the size of industrial sector.

In general terms, eligibility to the Programme is open to any small and medium-sized enterprise interested and voluntary to the improvement of industrial performance and competitiveness, provided that it is:

- Legally created according to Namibian legislation (including industrial enterprises that may have part of their production systems outside Namibia)
- Majority Namibian owned entity – 70% or more
- Operating at least 2 years;
- Belonging to priority manufacturing sectors;



The Programme allows conducting simultaneously both the global and specific upgrading plans.

- Employing (over the year under review) a minimum 10 employees;
- Producing marketable production;
- Not a subsidiary of a transnational company, a very large national or regional industrial group;
- Showing positive financial performance (a positive net worth for the year under review and for the last financial year)
- In operation for more than two years
- A positive net worth for the year under review
- Ability to contribute between 1 – 20% of interventions cost
- Registered with the MTI
- Having a Good Standing Certificate from the Ministry of Finance

The Programme allows conducting simultaneously both the global and specific upgrading plans. The company, according to its performance level and priorities, will be able to choose the best possible solutions proceeding through a short and free-of-charge pre-diagnosis.

Implementation of the global upgrading plan will improve company's entire performance dealing with its management and production systems, whereas the specific upgrading plan will only touch the particular functions through the specific activities.

Skipping the long diagnosis or the business-plan elaboration, the specific approach will allow the rapid introduction of state-of-the-art management systems (CAM, CAMM, ERP, ITC), marketing techniques, cost calculation tools, quality management methodologies and techniques, etc.

3.5 Programme components and outputs

The Programme will be implemented through three integrated components:

Component I

Support upgrading and improving the competitiveness of agro-food processing, pharmaceuticals and fisheries enterprises possessing a high potential for growth, exports and job creation.

Component II

Strengthening institutional capacities of technical support institutions (public, sectoral and private) involved in enhancing productive and exports capacities of the Namibian manufacturing and service enterprises, and ensuring compliance of their production with international standards (TBT/SPS, etc).

Component III

Strengthening institutional capacities of Namibian Ministries, Departments and Agencies responsible for the legislative, institutional and administrative management of economic and industrial activities. It will involve review/sharpening and implementation of industrial policies and strategies for the

development of the national and regional value chains for the selected priority sectors, and improving the export potential and competitiveness of products from these sectors.

The Programme is expected to be implemented through achieving the specific outputs described below.

Component I	
Support for upgrading and improving competitiveness of industries	
This component covers the key activities on upgrading and modernization ¹ of industrial companies. The major beneficiaries are the companies of the priority industrial sectors largely contributing to the national economy. They will benefit from activities on upgrading and improving their competitiveness. Several activities can be launched simultaneously as the component covers activities relating both to the pilot and roll-out phases of the Programme implementation.	
Immediate Objective	Support the dynamics of industrial upgrading and improving competitiveness, overall economic growth and access to the national, regional and international markets. Build capacity of Namibian enterprises to implement the Programme of Industrial Upgrading and Modernization.
Problems to be solved	<ul style="list-style-type: none"> • Low productivity, competitiveness and attractiveness of Namibia industrial sectors; • Weak diversification of the industrial sectors and marginal transformation; • Weak internal managerial, technical and financial capacities of local enterprises; • Lack of effective marketing activities, product innovation and weak cooperation and distribution networks at regional and international levels.
Output I.1	Strategic positioning study of 3 out of the 4 priority and contributing products/sectors, namely agro-food processing, fisheries, processing of minerals, pharmaceuticals
Output I.2	Thorough diagnosis and upgrading plans for pilot manufacturing enterprises eligible to the Programme (5 to 6 enterprises per priority sector)
Output I.3	Technical support and coaching of SMEs for the implementation of the upgrading activities in the pilot beneficiary companies (priority to 'soft' investments activities) (global approach and specific approach)
Output I.4	Establishment of export consortia in the selected priority sectors
Output I.5	Design and implementation of the national programmes of communication and promotion of the Programme (development of promotional materials and thematic website for Namibia) and organization of trade-related information dissemination seminars on Programme's results.
Output I.6	Undertaking of "Upgrading Tours" for the managers of industries at the regional and international levels.
Output I.7	Promotion of projects on industrial partnership/industrial coaching among the companies eligible to the Programme to facilitate technology transfer. Providing support to negotiating process (business-plan and fund-raising)/strategic coaching.

Component II	
Establishment/upgrading of the technical support institutions	
Strengthening institutional capacities of public, sectoral and private technical support institutions in the area of enhancing productive and exports capacities of Namibian manufacturing and service enterprises, ensuring compliance of their production with international standards, and long-term sustainability of economic growth.	
Immediate Objectives	Upgrading and modernizing industrial support institutions; improving quality of business climate and exports capacity
Problems to be solved	<ul style="list-style-type: none"> • Limited capacity of the technical support institutions to provide technical assistance and upgrading activities for export sectors; • Deficiencies in the quality infrastructure and difficulties in coping with TBT and SPS requirements; • Narrow range of business support services; • Limited support for promoting company competitiveness; • Insufficient capacities of institutions providing technical, vocational and professional training and R&D
Output II.1	Diagnostic conducted and action plans developed for upgrading of two to three technical support institutions promoting priority and key export sectors (e.g. Namibian Investment Centre, Namibia Manufacturers' Association, Namibia Chamber of Commerce and Industry, Namibia Business Innovation Centre, Development Bank of Namibia, etc.)
Output II.2	Capacities and capabilities of selected technical support institutions reinforced through training, study tours, purchase of software, small equipment, documentation, etc.
Output II.3	Training provided for the staff of the Upgrading Office and 30 national experts, trainers, engineers and technicians on the approach and methodology on industrial upgrading and enterprise competitiveness
Output II.4	Networking of intermediary organizations in Namibia with counterparts in the region, Europe, Asia, etc.
Output II.5	Strengthening capacities of investment promotion agencies and establishment of an investment platform in order to respond to the needs of investors and operators in the area of upgrading and modernization
Output II.6	Establishment of Subcontracting Exchanges and "aftercare" services.
Output II.7	Assist in development of new products in Namibia (based on results of Strategic Positioning Studies)
Component III	
Strengthening institutional capacity for improving competitiveness of industries	

¹ In the programme, 'Upgrading' refers to 'soft' investments activities, while 'Modernization' stands for 'hard' investments activities involving providing new equipment.

² The global approach of companies upgrading includes global strategic diagnosis, formulation of upgrading programme, and technical assistance in implementing priority activities.

³ The specific approach consists in diagnosis of the company's specific problem and assistance in implementing activities, which lead to solve this problem.

<p>This component aims to strengthen the institutional capacities of Government Ministries to carry out the policies and programmes which address the development of industrial sectors and related support services with a high potential for exports (e.g. agro-food products, pharmaceutical products, fisheries products etc), job creation and economic growth. Component III provides activities related to the analyses and diagnostic studies for priority manufacturing and services sectors, the formulation of national policies through public/private dialogue and the establishment of sectoral development strategies in accordance with national policies and priorities. It also provides assistance in strategies for developing the value chains for the selected priority products/sectors and improving the general business environment to make it more conducive to private sector development.</p>	
<p>Immediate Objective</p>	<p>Ensuring macroeconomic, institutional and administrative framework favorable and conducive to development and improving the competitiveness of the selected priority value chains (products/sectors) at national, regional and international level</p>
<p>Problems to be solved</p>	<ul style="list-style-type: none"> • Need to improve institutional capacities necessary to support upgrading and modernization activities; • Need to fine-tune institutional framework (policies, legal framework) and mechanisms for supporting SMEs to improve their performances and competitiveness; • Need to upgrade the industrial network to make it more competitive at the national and international levels; • Enhancing effectiveness of programmes and mechanisms (legal, financial etc.) for establishment and growth of SMEs.
<p>Output III.1</p>	<p>Capacity building for the Ministry of Trade and Industry, Ministry of Agriculture, Water and Forestry, Ministry of Fisheries and Marine Resources, Ministry of Mines and Energy, National Planning Commission etc for the implementation and follow-up of the Programme</p>
<p>Output III.2</p>	<p>Design and assistance in establishing incentive mechanisms for exports of priority products in coordination with export consortia activities (Output 1.5)</p>
<p>Output III.3</p>	<p>Provide support in accessing economic and trade information on the domestic, regional and world markets in order to facilitate the marketing of Namibian products at domestic, regional and international levels (in coordination with activities of Output II.6)</p>
<p>Output III.4</p>	<p>Feasibility study and establishment of financing schemes to facilitate access of local SMEs to funding necessary to implement upgrading and modernization activities and to fulfill their investment plans (in coordination with activities of Output II.6)</p>
<p>Output III.5</p>	<p>Setting-up of a mechanism for Monitoring and Evaluation of the Industrial Upgrading and Modernization Programme at national level</p>

Annex 2 of the document provides the Logical Framework Analysis of activities leading to the achievement of the above outputs, whereas Annex 3 presents their Implementation Schedule.

4.1 Basis for budget estimation

The budget for the Industrial Upgrading Programme for Namibia is based on the number of beneficiaries, the cost of running the Upgrading Office, the general situation on the ground, and our expertise in developing similar Upgrading and Modernization Programmes. However, for a start, the following number of beneficiaries is hereby proposed.

Table 4: Distribution of beneficiaries

	No of beneficiaries
A. Enterprises Upgrading	
• Agro-food processing	6
• Pharmaceuticals	3
• Fisheries	3
• Minerals processing	6
Total for companies	18
B. Technical Support Institutions	3*
C. Government Ministries	5**

Note:

* Three Technical Support Institutions will be supported during the pilot phase of the Programme

** Capacity building in the 5 Government Ministries will be repeated in years 2 and 3



4.2 Indicative Budget

The Indicative Budget will consist of Programme components, management, coordination and follow-up costs. The annual proposed budget summary is as shown in Table 5 below.

ESTIMATED COSTS	2012/2013			2013/2014			2014/15		
	Fixed Costs N\$	Variable Costs N\$	TOTAL N\$	Fixed Costs N\$	Variable Costs N\$	TOTAL N\$	Fixed Costs N\$	Variable Costs N\$	TOTAL N\$
COMPONENT I	1,653,037	2,002,718	3,655,754	900,407	5,691,120	6,591,527	1,859,237	3,688,403	5,547,639
COMPONENT II	2,388,483	4,407,525	6,796,008	2,388,483	8,273,775	10,662,258	687,333	3,866,250	4,553,583
COMPONENT III	3,986,533	0	3,986,533	584,233	0	584,233	584,233	0	584,233
MANAGEMENT, MONITORING & EVALUATION									
- Upgrading Office	515,500	0	515,500	515,500	0	515,500	515,500	0	515,500
- Technical Expertise	859,167	0	859,167	859,167	0	859,167	859,167	0	859,167
- Monitoring & Evaluation	137,467	0	137,467	137,467	0	137,467	137,467	0	137,467
	1,512,133	0	1,512,133	1,410,000	0	1,512,133	2,100,000	2,901,460	1,512,133
Total	9,540,187	6,410,243	15,950,429	5,385,257	13,964,895	19,350,151	4,642,937	7,554,653	12,197,589
UNIDO Support Cost	2,058,254	0	2,058,254	2,058,254	0	2,058,254	2,058,254	0	2,058,254
Grand Total	11,598,441	6,410,243	18,008,683	7,443,511	13,964,895	21,408,406	6,701,191	7,554,653	14,255,843

NB: Exchange rate - €1 = N\$10.31

The Programme of Industrial Upgrading and Modernization in Namibia is expected to have a significant impact on the industrial sector and overall economic performance of the country. More specifically, the Programme will contribute to the country's economic development by:

- Strengthening managerial capacities and marketing skills;
- Improving productivity and flexibility;
- Mastering and cutting down production costs;
- Improving quality and sanitary standards;
- Recovery and re-launch of suspended productive activities;
- Building capacities of technical support institutions, business advice and consultancy firms;
- Development of export capacities and import substitution;
- Creating employment opportunities directly in manufacturing industries and the agricultural sector, and indirectly in the services sector;
- Development and strengthening of local expertise in order to extend its services to other sectors not directly affected by the Programme.

Moreover, the Monitoring Framework and the Investment Platform could allow Namibia (particularly the Economic Cluster) to refine the information systems and industrial strategies and policies.

Besides, the Programme is expected to contribute to improving the public-private dialogue resulting directly in enhanced promotion of investment, employment and exports.

Finally, the involvement of the financial sector at the start of the Programme, together with mobilized expertise, business-plans designed according to the banks requirements, and "lobbying" as the result of communication within the Programme - all these factors could result in increase of financial resources allotted by the banking sector and diversification of the financial services pattern.

The examples of developing countries which have already implemented the industrial upgrading and modernization programmes (e.g. Tunisia, Senegal, Egypt, Syria) provide good guides that allow the estimation of the Programme's potential impact on the Namibian economy. The expected impact of the Programme in Namibia on the key economic indicators is as follows:

Industrial production

The level of production performance in Namibia is fairly satisfactory, although

recent changes in the international economic environment (the financial crisis, food crisis, etc) are beginning to produce unacceptable results. The Industrial Upgrading and Modernization Programme will have an immediate impact by increasing efficiency in using available production capacities and resources. Growth of industrial production and increase in turnover of the beneficiary companies by 8-10% per year seem attainable.

Value added

Besides, an increase in production volume due to the growth of industrial production and enhancement of manufacturing processes should result in the net gain in value-added for beneficiary companies. Thus, the value-added of the beneficiary countries is expected to increase by 10-12% per year during the first 3 years of the pilot Programme implementation.

Investments

The expected impact on the global investments flow to Namibia is between N\$250 million and N\$500 million.

The pilot phase of the Programme will affect about 18 companies operating in priority manufacturing sectors of Namibia.

The technical assistance and grants for direct investments (necessary to upgrade and modernize companies) are estimated on average (between the costs of global and specific approaches) at N\$768,750 per enterprise. This covers 80% of the 'soft' investments costs and 20% of 'hard' investment costs.

Employment

The flow of the new investments and increase in industrial production will consolidate the existing employment (stabilization of the seasonal staff, switch to the permanent employment, and increase in the engineers-to-staff rate) and also creation of new jobs directly in industries, and indirectly in the agricultural sector and services related to industry.

It is expected that the Programme will contribute to the annual increase in employment at the beneficiary companies by 5-8%.

Exports

The coordinated support activities provided to the technical centers, investment and export promotion agencies might assist in achieving the following objectives:

- Increase in the cash flows from export operations (including intra-regional trade) of beneficiary countries by 10% per year.
- 10% of the companies not able to export before the Programme should start to commercialize abroad.

Expertise

Capacity building activities in the Programme will reinforce local expertise by the developing a core of 20 experts in industrial upgrading in Namibia.

Professional education

A considerable improvement in capacities of professional education institutions and training of artisans, technicians and specialized workers are expected in Namibia.



6.1 Management of the Programme

6.1.1 National Steering Committee

A National Steering Committee will be responsible for managing the National Industrial Upgrading and Modernization Programme. It will be supervised by the Ministry of Trade and Industry. It will comprise of representatives of the public, private and financial sectors.

The National Steering Committee will serve as a communication centre for appropriate policies (e.g. granting policies in Namibia, census of the existing support institutions, consultants to be included to the national and regional database, technical centres to be promoted, and approval of eligible companies).

It is proposed that the Steering Committee should be chaired by the Minister of Trade and Industry in his official capacity and reporting to Cabinet. Other members of the Steering Committee should be representatives from:

- Ministry of Agriculture, Water and Forestry
- Ministry of Fisheries and Marine Resources
- Ministry of Mines and Energy
- National Planning Commission
- Namibian Manufacturers' Association (NMA)
- Namibian Chamber of Commerce and Industry
- Namibia Standards Institution
- Development Bank of Namibia
- Bank of Namibia
- University of Namibia.

The National Steering Committee will be supported at the operational level by an Office for Industrial Upgrading and Modernization specifically established to facilitate the implementation of the Programme.

6.1.2 National Upgrading Office

A National Upgrading Office will administer relations with companies. The office will serve as the operational centre for the Programme implementation and undertake the following activities:

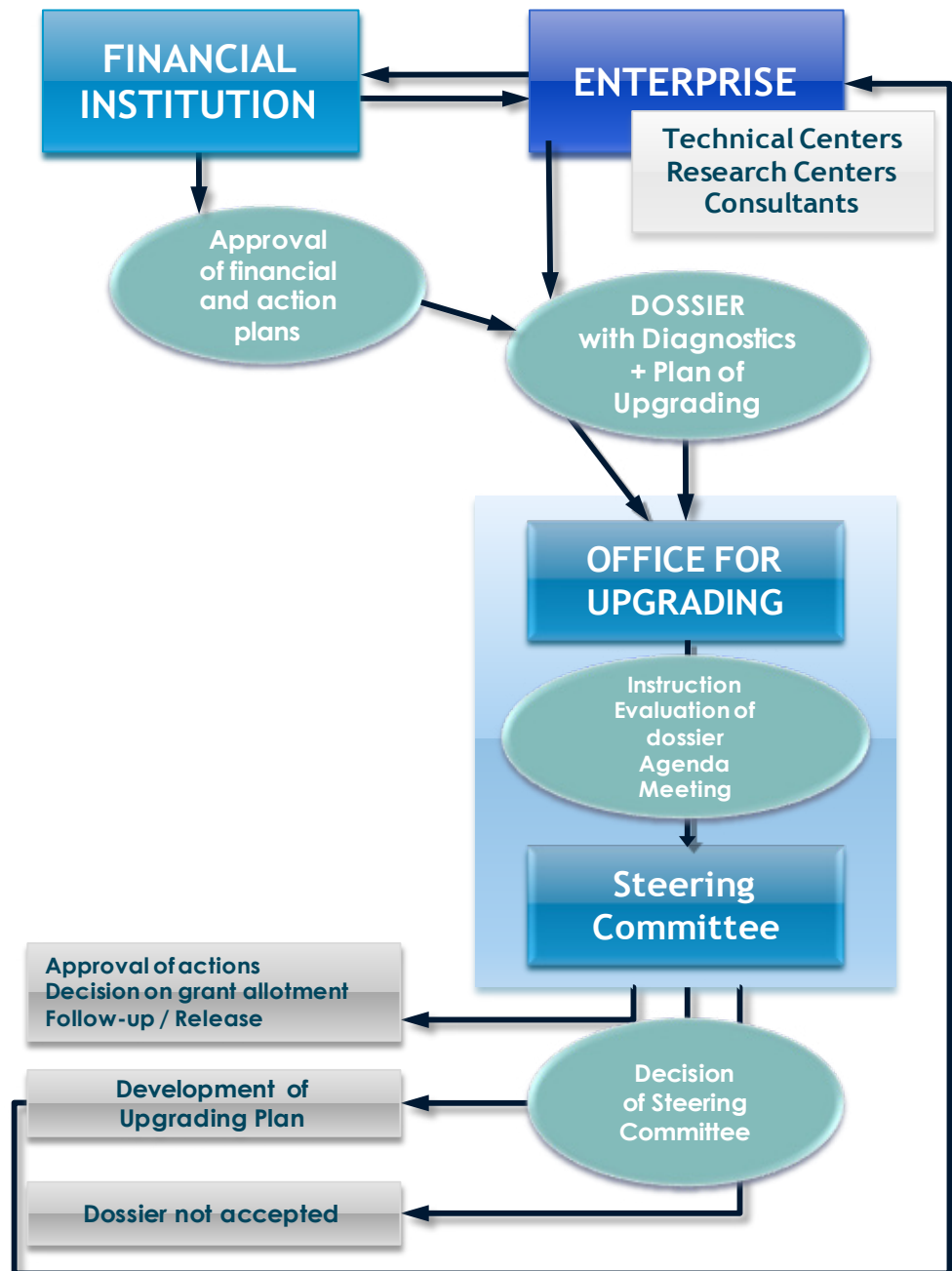
- conducting promotional and communication activities in Namibia;
- identify potential beneficiary companies according to pre-defined criteria of eligibility to the Programme;
- review of the Diagnosis and Upgrading Plans of beneficiary companies;

- ensure the follow-up of Upgrading Programme implementation;
- act as secretary for the National Steering Committee;
- assess the Programme's impact on beneficiary companies.

The National Upgrading Office could be an autonomous structure or supported by the Ministry of Trade and Industry. The personnel of the National Upgrading Office shall be qualified and competent, and possess significant experience in the industrial development.

The following diagram depicts the flow of processing the companies' upgrading dossiers and interaction between National Upgrading Office and the Steering Committee within this process.

Diagram 2: The Process of Industrial Upgrading and Modernization



6.2 Monitoring and Evaluation

The Regional Steering Committee in collaboration with the Technical Unit for Upgrading and Modernization will ensure the monitoring of Programme implementation. They will meet at regular intervals and report on progress of the Programme. The monitoring and evaluation will be carried out in accordance with rules and practices utilized by UNIDO and donor institutions. The Programme's schedule includes external monitoring and evaluation missions, a review and evaluation at the end of each phase of the Programme. UNIDO will take part in these activities.

At the national level, the National Steering Committee will take charge of the coordination and monitoring of the programme's activities.

Representatives of donor organizations will be invited to attend the main monitoring and evaluation missions related to the Programme implementation. The findings of these missions will be communicated to national counterparts, UNIDO and donor organizations through the National Steering Committee.

The National Steering Committee will elaborate criteria to evaluate results and to measure the progress in achieving the Programme's objectives. These criteria may be quantitative (evaluation of statistical data) and qualitative (appraisal and perception resulting from a subjective analysis). The detailed criteria will be specified in operational plans.

Evaluation missions will be scheduled and completed in a spirit of collaboration between staff and representatives of all stakeholders and donors, keeping in mind the commitment of the Parties to implement the Programme effectively and efficiently. These missions should be scheduled in advance and all procedural issues should be resolved jointly.

Reporting

The reporting procedures agreed between SADC, UNIDO and other parties to this Programme will be followed. These include the preparation of draft annual work-plan for approval by the Programme implementation monitoring committee. The first work-plan should incorporate the elements of the preliminary operational work-plan, report on the on-going activities scheduled for the current year and specify their implementation modalities.

The National Steering Committee will elaborate criteria to evaluate results and to measure the progress in achieving the Programme's objectives.

The annual operational plans will be designed for the calendar year.

Progress reports and final reports at the end of each phase will also be prepared. These reports will consist of a descriptive section and a financial section, which will cover the entire Programme.

Each report should provide a complete picture of all aspects of Programme implementation over the reporting period. The structure of these reports allows a comparison between the objectives and the scheduled or already implemented activities (including all expenditures), the anticipated results and those obtained, as well as the budget of the Programme. The structure of each report should correspond to the Programme's detailed description and budget breakdown.

The descriptive section of the report will contain the following elements:

- Summary and context of the Programme;
- Activities carried out over the reporting period (directly related to the Programme description and activities scheduled within it);
- Problems encountered and measures applied to overcome them;
- Adjustments made in the Programme implementation;
- Assessment of obtained results using the predetermined success indicators;
- Work-plan for the next period containing a definition of objectives and related performance indicators. If the report is submitted after the end of the reporting period, a new work-plan, albeit provisional, should always be prepared before that date.

The overall operational plan includes a critical analysis of the Programme in all its dimensions - in relation to the organizational evolution and missions of various beneficiaries.

The final report will include the above elements (except final bullet) covering the entire Programme implementation period, as well as information on financing by various potential sources.



Assumptions and Risks



SADC has launched its Free Trade Area with all its inherent components to liberalize intra-regional trade. SADC is also committed to the development and implementation of the common macroeconomic and sectoral policies, and the promotion of an investment-friendly business environment. The purpose of the regional strategy is in line with the Millennium Development Goals, the objectives of NEPAD and ACP/EU partnership agreements.

Namibia is equally committed to playing its role in realizing its national economic and social development objectives within the framework of the SADC Regional Indicative Strategic Development Plan (RISDP).

The present Programme aims to provide the necessary interventions in conformity with the SADC Industrial Upgrading and Modernization Programme in order to derive synergy with all the above objectives and initiatives, and improve the competitiveness of products from Namibia in the regional and global markets.

The success of the Programme will largely depend on:

- the political goodwill of Namibian Government and its commitment to finance the Programme;
- commitment (both personal and financial) of beneficiary companies to upgrade their productive capacities and thereby to improve their competitiveness;
- commitment of the local banks to finance the 'hard' investment activities;
- commitment by the Namibian Government to improve business climate and infrastructures;
- commitment of donors to contribute to the Programme funding.

The major risk is:

- failure of the financing mechanisms to provide sufficient funding for 'hard' investment activities proposed by this Programme
- other real risks.

The above-listed assumptions and risks are central to the achievement of the expected results. These assumptions and risks are however assessed to be quite unlikely due to the strong commitments and interest shown by the Namibian Government and technical support institutions in Namibia, companies and donors. Various actors in Namibia have committed to contribute to the Programme success by closely cooperating with UNIDO.

The Industrial Upgrading and Modernization Programme has been designed considering the development priorities of the SADC region and Namibia.

To encourage and motivate private sector enterprises to participate in the Programme, financing mechanisms will be introduced to improve accessibility of finance to SMEs for upgrading activities.

The Programme aims at reinforcing local capacities to ensure long-term sustainability.

ANNEX 1: EXAMPLES OF 'SOFT' INVESTMENTS ACTIVITIES

Corporate strategy and management

- Corporate diagnosis
- Management tools and internal strategy
- Strategic monitoring and follow-up

Quality management and standardization

- Quality management consulting
- Quality Management Systems Certification
- Standards, norms and specification of goods, raw materials and other components

Organization and Information systems

- Data management systems, ICT

Finance and accounting

- Financial management consulting services
- Fiscal consulting
- Legal consulting

Investment management

- Elaboration of investment proposals
- Investment financing consultancy
- Design of tender applications

Production process management

- Metrology services
- Raw materials and components trials
- Consulting on production delivery
- Manufacturing process
- Organization of manufacturing cycle (methods and planning of production)
- Consultancy on choice of equipment

- Engineering or re-engineering services
- Logistics

Maintenance

- Organization and management of preventive or curative maintenance

Product development and innovation

- Product design consulting and services
- Finished products trial
- Products certification and registration
- Industrial design
- Consulting on products technical design

Human resources

- Consulting on HR management
- Professional competence and performance evaluation systems
- Introduction of results-based management
- Professional development and advanced training for the top and middle management and employees

Marketing and communications

- Consultancy on marketing, distribution channels and sales methods
- Products promotion, advertisement and communications
- Subscription to electronic information services and thematic media
- Training on intercultural communication
- Consulting and training on export and foreign trade

Environment

- Certification of Environmental Management Systems
- Consultancy on environmental management

Consultancy and support for international partnership



Global Objective

To contribute to the strengthening of industrial capacities of the SADC countries to face the double-challenge of regional and world integration and, in particular, in the context of trade liberalization and economic diversification and, thus, to support efforts to reduce poverty.	<p>% of evolution of intra-regional and international trade and bilateral trade with EU.</p> <p>% of evolution of industrial sector's and, in particular, manufacturing sub-sector's contribution to GDP</p> <p>Enhancement of human development and poverty indicators.</p>	<p>National bureaus of statistics</p> <p>Statistics of United Nations System agencies (UNIDO, WB, ADB, EU, UNDP...)</p> <p>Reports on macroeconomic and sectoral situation (governments, donors, development agencies...)</p>	<p>Commitment to continued structural reforms to ensure sustainable economic growth</p> <p>Regular updating and on-going implementation of the Poverty Reduction Strategies</p> <p>SADC and EU Member States remain involved into the process of trade liberalization</p>
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Specific Objectives

Support the dynamics of upgrading and modernization of industries and related services, and to improve their competitiveness, growth and access to national, regional and international markets in the framework of trade liberalization and economic diversification through improvement of quality and productivity, employment creation and strengthening of technical support institutions	<p>Improvement in competitiveness indicators of industries and related services and SADC national economies as a whole</p> <p>Increase of market share (at local, regional and international levels) of target industries and related services of the SADC region</p> <p>Number of jobs created or pre-served</p>	<p>Mid-term and final evaluation reports of the SADC Upgrading Programme implementation</p> <p>Annual reports of UNIDO, EC, WTO, Breton Wood Institutions, World Economic Forum, Doing Business, etc.)</p> <p>Reports on macro-economic situation</p>	<p>Political goodwill to implement reforms and other arrangements related to the trade liberalization and economic diversification</p> <p>Commitments of all involved actors to ensure success of the Programme</p>
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COMPONENT 1: SUPPORT FOR UPGRADING AND IMPROVING COMPETITIVENESS OF PILOT INDUSTRIAL ENTERPRISES OPERATING IN SELECTED PRIORITY SECTORS

<p>I.1 Strategic positioning studies carried out and approved for 3 priority sectors</p> <p>I.2 Thorough diagnosis and plans of upgrading and modernization for the selected companies elaborated and approved</p> <p>I.3 Selected companies received support through implementing the upgrading activities</p>	<p>Reports of validation meetings</p> <p>Reports and correspondence from companies</p> <p>Increase in sales of the beneficiary companies by up to 15% on average</p>	<p>Reports on Programme activities implementation and monitoring, reports of concerned ministries and institutions, study reports</p> <p>Companies' management, Upgrading Offices</p>	<p>Commitment to structural reforms necessary for successful Programme implementation</p> <p>The companies are motivated</p>
<p>I.4 Export consortia established</p> <p>I.5 Communication strategy developed and implemented</p>	<p>Increase in sales of the beneficiary companies by up to 8% on average</p> <p>Documents carrying strategy and promotion materials (CD, films, guides, websites) are available</p> <p>Information seminars, newsletters, Website, media, etc.</p>	<p>Data on companies' turnover</p> <p>Data on companies' turnover</p>	<p>Involvement and participation of companies and intermediary organizations. Adherence and participation of the banking sector. Attractiveness and transparency of the system.</p> <p>Targeted institutions adopt the Upgrading and Modernization Programme</p> <p>Funds necessary for financing equipment and promotion materials available</p>
<p>I.6 Results of studies on different products are widely communicated</p> <p>I.7 Industrial partnership/ coaching campaigns carried out among the companies eligible to the Programme</p>	<p>50% of selected companies involved in the partnership campaign</p>	<p>Upgrading office, questionnaires</p> <p>Surveys, questionnaires, media</p> <p>List of established business relations</p>	<p>Funds necessary for financing equipment and promotion materials available</p> <p>Companies are motivated</p>

COMPONENT II: INDUSTRY SUPPORT INSTITUTIONS ASSISTED IN ORDER TO ESTABLISH AND STRENGTHEN BUSINESS AND TECHNICAL SERVICES TO SELECTED PRIORITY SECTORS

Activity description	Indicators	Means of verification	Assumptions
II.1 Diagnosis of upgrading plans for the technical support institutions carried out and approved	Approved upgrading plans	Reports on Programme activities and inquiry among clients	Terms of references are prepared and experts mobilized
II.2 Capacities and capabilities of counterpart institutions strengthened	The post-upgrading performance and satisfaction degree of the client companies	Institutional audits	Qualified staff available
II.3 Qualified staff available and willing to actively participate in the Programme	Number of persons trained and degree of involvement of institutions and national consultants	Reports on Programme activities implementation and monitoring, post-training evaluation Programme evaluation reports	Qualified staff available and willing to actively participate in the Programme
II.4 The network of intermediary organizations in Namibia with counterparts in the region, Europe, Asia, etc established and professional organizations strengthened	The network of intermediary organizations launched, business meetings organized	Formal texts on establishment and institutional evaluation	Targeted institutions adopt the Upgrading and Modernization Programme
II.5 Investment platform established	Capacities of the national counterparts strengthened	Media, Programme progress reports.	Commitment to structural reforms necessary for successful Programme implementation
II.6 Subcontracting Exchanges and aftercare services established, operational in one network and in connection with investment platform.	National strategies available. Increased level of industrial subcontracting services in the region.	Evaluation reports of Upgrading Programme and national programmes.	Involvement and participation of companies and intermediary organizations.
II.7 Manufacturing and marketing of new products	Number of new products developed and commercialized at the national and regional levels	Surveys Data on turnover and external trade statistics	Continued Government support to promoting exports of Namibian products

COMPONENT III: STRENGTHENING INSTITUTIONAL CAPACITY OF RELEVANT GOVERNMENT MINISTRIES FOR IMPROVING COMPETITIVENESS OF INDUSTRIES

Activity description	Indicators	Means of verification	Assumptions
III.1 Capacities of relevant Government Ministries enhanced for programme implementation and follow-up	Level of performance of Government institutions involved in the Programme	Institutional audits	Willingness of public and private sector to improve the environment to enhance global competitiveness of Namibian enterprises and qualified staff available and willing to actively participate in the Programme
III.2 Export incentive mechanisms established	Export incentive scheme operational	Reports on activities of the scheme	Government support for establishment of export incentive scheme
III.3 Enhanced/diversified portfolio of export products from Namibia	Increase in exports of new products; new markets identified	Reports of new products exported and new markets penetrated by Namibian products. External trade statistics	Continued Government support to promoting exports of Namibian products
III.4 Procedures and mechanism of financing for the SMEs set up	Funds/upgrading mechanisms approved and implemented	Report on activities of financial institutions	Donors and governments support establishment of upgrading funds
III.5 Information systems operational and Monitoring Framework developed	Performance reports regularly produced and fed into the national reporting system	Monitoring and Evaluation reports	Adherence of all stakeholders – companies, National Steering Committee, Namibian Government Ministries

ANNEX 3: PROGRAMME IMPLEMENTATION SCHEDULE

Programme Implementation Plan by Output	Year 1 Quarters				Year 2 Quarters				Year 3 Quarters			
	1	2	3	4	1	2	3	4	1	2	3	4
	COMPONENT I: SUPPORT FOR UPGRADING AND IMPROVING COMPETITIVENESS OF PILOT INDUSTRIAL ENTERPRISES OPERATING IN SELECTED PRIORITY SECTORS											
I.1 Strategic positioning study of 3 priority products/sectors (e.g.: agro-food, mineral and fisheries processing) taking into account national capacities determining industrial specialization												
I.2 Thorough diagnosis and upgrading plans for pilot manufacturing enterprises eligible to the Programme (5 to 6 enterprises per priority sector)												
I.3 Technical support and coaching of SMEs for the implementation of the upgrading activities in the pilot beneficiary companies (priority to 'soft' investments activities)												
I.4 Establishment of export consortia in the selected priority sectors												
I.5 Design and implementation of programmes on the national IUMP communication and promotion (development of promotional materials and thematic website for Namibia and organization of information dissemination seminars, etc.)												
I.6 Undertaking of "Upgrading Tours" for the managers of industries at regional and international levels.												
I.7 Promotion of projects on industrial partnership/industrial coaching among the companies eligible to the Programme. Providing support to negotiating process (business-plan and fund-raising)/strategic coaching.												

Programme Implementation Plan by Output	Year 1 Quarters				Year 2 Quarters				Year 3 Quarters			
	1	2	3	4	1	2	3	4	1	2	3	4
	COMPONENT II: INDUSTRY SUPPORT INSTITUTIONS ASSISTED IN ORDER TO ESTABLISH AND STRENGTHEN BUSINESS AND TECHNICAL SERVICES TO SELECTED PRIORITY SECTORS											
II.1 Diagnostic conducted and action plans developed for upgrading of two to three technical support institutions promoting priority and key export sectors (e.g. Namibian Investment Centre, Namibia Manufacturers' Association, Namibia Chamber of Commerce and Industry, Namibia Business Innovation Centre, Development Bank of Namibia, etc.).												
II.2 Capacities and capabilities of selected technical support institutions reinforced through training, study tours, purchase of software, small equipment, documentation, etc.												
II.3 Training provided for the staff of the Upgrading Office and 30 national experts, trainers, engineers and technicians on the approach and methodology on industrial upgrading and enterprise competitiveness												
II.4 Networking of intermediary organizations in Namibia with counterparts in the region, Europe, Asia, etc.												
II.5 Strengthening capacities of investment promotion agencies and establishment of an investment platform in order to respond to the needs of investors and operators in the area of upgrading and modernization												
II.6 Establishment of Subcontracting Exchanges and "aftercare" services.												
II.7 Assist in development of new products in Namibia (based on results of Strategic Positioning Studies)												

Programme Implementation Plan by Output		Year 1 Quarters				Year 2 Quarters				Year 3 Quarters			
		1	2	3	4	1	2	3	4	1	2	3	4
COMPONENT III: Strengthening institutional capacity for improving competitiveness of industries													
III.1	Capacity building for the Ministry of Trade and Industry, Ministry of Agriculture, Ministry of Fisheries and Marine Resources, Ministry of Mines and Energy, National Planning Commission etc. for the implementation and follow-up of the Programme												
III.2	Design and assistance in establishing incentive mechanisms for exports of the selected priority sectors/products in coordination with export consortia activities (Output I.5)												
III.3	Provide support in accessing the economic and trade information on the domestic, regional, and world markets in order to facilitate the marketing of Namibian products at domestic, regional and international levels (in coordination with activities of Output II.6)												
III.4	Feasibility study and establishment of financing schemes to facilitate access of local SMEs to funding necessary to implement upgrading and modernization activities and to fulfill their investment plans (in coordination with activities of Output II.6)												
III.5	Setting up a mechanism for Monitoring and Evaluation of the Industrial Upgrading and Modernization Programme at national level												

ANNEX 4: ORGANIZATIONS AND PERSONS INTERVIEWED

Organization	Name	Position	Tel. No.
Ministry of Trade and Industry	Malan Lindeque	Permanent Secretary	061-283 7233
Ministry of Trade and Industry	Nghidinua Daniel	Deputy Permanent Secretary	061-283 7258
Ministry of Trade and Industry	Steve Motinga	Director	061-283 7328
Ministry of Trade and Industry	Petrina Nakale	Deputy Director	061-283 7313
Ministry of Trade and Industry	Ignatius K. Mutilitha	Deputy Director (BEDP)	061-283 7305
Ministry of Trade and Industry	Silas Newaka	Principal Economist	061-283 7396
Ministry of Trade and Industry	Nekuma Frans	Industrial Engineer	061-283 7390
Ministry of Agriculture, Water and Forestry	S. N. A. Ipinge	Ag. Director (DART)	061-208 7066
Ministry of Agriculture, Water and Forestry	F. Joubert	Ag. Chief Veterinary Officer	061-208-7513
Ministry of Agriculture, Water and Forestry	Hiltrudis N Andjamba	Agricultural Economist	061-208 7673
Ministry of Agriculture, Water and Forestry	B. Rothkegel	DoP	061-208 7680
Ministry of Agriculture, Water and Forestry	Gillian Maggs-Kölling	Directorate of Forestry	061-208 7327
Ministry of Agriculture, Water and Forestry	Joseph Hailwa	Directorate of Forestry	061-208 7666
Namibia Development Corporation	Pieter F. de Wet	Acting Managing Director	061-206 2235
Ministry of Finance	Penda Ithindi		061-209 2923
Bank of Namibia	Gerson Kadhikwa	Senior Economist	061-283 5178
National Planning Commission	Martha K. Tsheehama	Chief Economist	061-283 4120
UNDP	Ojjo Odhiambo	Economics Advisor	061-204 6111
German Technical Co-operation (GTZ)	Tobias Gerster	Team Leader (PEG)	061-283 7232
German Technical Co-operation (GTZ)	Christina Rosendahl	Technical Advisor	061-222 447
Development Bank of Namibia	David Nuyoma	Chief Executive Officer	061-290 8001
Development Bank of Namibia	Michael N. Humavindu	Portfolio Manager: Research	061-290 8038

Namibia Manufacturers Association	Hennie Fourie	Chief Executive Officer	061-299 5000
Namibia Manufacturers Association	Wallie Roux	Member	061-400 668
Namibian Chamber of Commerce & Industry	Tarah N. Shaanika	Chief Executive Officer	061-228 809
CRIAA-SADC	Michel Mallet	Coordinator	061-220 117
Namibian Standards Institution	Riundja Ali Kaakunga	Chief Executive Officer	061-386 400
Bank Windhoek	Hans Sauer	Manager	061-299-1122
First National Bank	Onesmus Kandenge	Business Analyst	061-299 2037
French Embassy	Fabien Moury	Deputy Head of Mission	061-27 67 14
University of Namibia	Boniface S. Mutumba	Dean: Faculty of Econ and Management Science	061-206 3770
University of Namibia	Chinemba Samundengu	Lecturer (Food Process Engineer)	061-206 4118
University of Namibia	Mac Hengari	HOD, Management Sciences	061-206 3300
University of Namibia	Esau Kaakunga	Senior Lecturer & Head of Economics Department	061-206 3757
University of Namibia	Erold Naomab	Lecturer	081-394 4137
University of Namibia	T OChirawu	HOD, Politics & Admin	085-5615-762
University of Namibia	U L Paliwal	HOD, Accounting	08-1321-4321
KDI School of Public Policy and Management	Jin Park	Professor	+82-2-3299-1027

ANNEX 5: REGIONAL CONSULTATIVE WORKSHOPS (15 – 31 MARCH 2010)

The aim of the consultative workshops was to present the IUMP to beneficiary firms and invite their inputs and comments that will be used to update the draft Programme. The second purpose of undertaking the consultative workshops was to sensitize firms in the regions about the development of this important programme. A total of 70 firms attended the workshops.

There was low attendance at some of the workshops due to the use of less effective means of communication. More effective communication channels should be used in the future in order to improve on the participation at workshops/meetings. Also, most of the participants had difficulty in understanding English. Translation services should therefore be incorporated into the IUMP implementation process.

The above-stated challenges notwithstanding, very useful comments and inputs were received from all places visited. Participants find the Programme relevant and pledged their support toward its implementation. They look forward to the start of Programme implementation without delay. It can therefore be stated that objectives of the regional consultative workshops were met.

The following section presents a summary of the comments and inputs received during the workshops:

1. Comments and inputs

- a. Participants stated that they have problems of operational sites. Acquisition of land for business purposes is an expensive undertaking, especially for SMEs. Thus, the participants wanted to know if the Industrial Upgrading and Modernization Programme (IUMP) will address such difficulty. In response, the participants were informed that the Ministry of Trade and Industry (MTI) has a Site Development Programme and the IUMP can only collaborate with the Site Development Programme to avoid duplication of activities.
- b. In respect of the training component of IUMP, participants alluded to similar trainings which, in their view, were not beneficial as they were too general. An example was given of a training programme conducted by MTI in the utilization of machineries that were not available in Namibia, instead of providing training in machineries that are available in the country. Therefore, participants emphasized that the IUMP training should either be firm-specific or tailored to firms with homogenous characteristics.
- c. The participants raised a concern that some Government programmes are usually nicely developed and are never implemented.
- d. Even though finance, communication and marketing are key components of the IUMP, participants felt that the Programme should strengthen these areas during the implementation phase.
- e. Companies in Swakopmund and Walvis Bay felt that the Programme should not focus only on SMEs but should also involve large Namibian companies as they (large companies) could support the development and growth of the SMEs. In short, it is suggested that the IUMP should consider providing some form of support to large companies and also create linkages between SMEs and large companies.
- f. IUMP should also consider establishing a linkage with Programmes that support start-ups or newly established companies.
- g. To facilitate information dissemination under IUMP, the participants suggested that either Local Community Committees should be established to assist the Upgrading Office in providing information to the SMEs or the IUMP office should open branches around the country.

- h. Participants from Opuwo recommended that the Programme should acknowledge Opuwo's special status which, they claim, was granted by the President some years ago. In response, the participants were requested to provide details of the said grant to MTI. In the Opuwo participants' view, the IUMP can only work if SMEs in that region are granted special status by relaxing the proposed qualifying criteria.
- i. The IUMP proposes that the composition of the IUMP National Steering Committee shall comprise of the Ministers/Deputy Ministers of key line ministries, educational institutions, and heads of other key support institutions e.g. NCCI, NSI, NDC, Commercial Banks, etc. The participants expressed concern over the timeliness of decision-making by a National Steering Committee with such high-level representation. Therefore, they suggested that the representation on the Steering Committee should be at Director or Deputy Director level. Participants further proposed that there should be a representative of the business sector in each region (chosen by the SMEs in that region).
- j. The participants pointed out that the Programme should address the lack of markets in different regions in Namibia.
- k. The participants indicated that they have a problem with obtaining input for their production processes. They also pointed out the shortage of maintenance services when their machineries break down. They proposed that the IUMP should devise ways to address this problem.
- l. The participants felt that the suggested contribution ratio, especially tangible investments (e.g. machinery/equipment) should be re-visited. Some participants suggested a 50-50 contribution from both sides while some other participants suggested a 40% contribution by government and 60% contribution by firms.

2. Schedule of the Regional Consultative Workshops March 2010

Date (2010)	Regions	Town	Venue
15 March	Karas and Hardap	Keetmanshoop	WAD Training Center -Kara
17 March	Erongo	Swakopmund	ELCRN ERHOLUNGSHEIM
19 March	Otjozondjupa	Otjiwarongo	TOTAL HAKAHANA
23 March	Kunene	Opuwo	OPUWO Community Center
25 March	Oshana Omusati and Ohangwena	Oshakati /Ongwediva	OSHANDIRA Lodge
26 March	Oshikoto	Tsumeb	MAKALANI Hotel
29 March	Kavango and Caprivi	Rundu	NGANDU SAFARI Lodge
31 March	Khomas and Omaheke	Windhoek	NAMPOWER Convention Centre

3. List of Participants

	Company Name	Person(s) Attended	Products	Contact Number
1	Kavango Mahangu and Maize Processing Project cc	Mr. Elodora	Mahangu and Maize processing	0812981651
2	Mupili Clemens Project	Mr. Mupili Clemence	Chairs, Beds, etc	0814256155
3	Klofiseda	Lyonien Isak	Woodwork	0812767398
4	Hafenies	J. Mbambo (Ms.) A. Hainwa (Ms.)	Maize processing	0812457762 / 0813391775
5	Pontx Brece Lets Make	Kuhuritha		085594857
6	Mukuve Shoe	J. Matheus	Shoes	0814199756
7	Karoro Shoem	Karorak Claus		0813693407
8	Usurawetu	Mbangu Lukas	Mahangu Milling	0811248052
9	MTI, Kavango	P. Tjikurljia		066-255916
10	Ngato RWMW	J. I Ortmann J. Kaushiwetu	Metal Work	0813483839 / 0812954068
11	Nyasa Milling	Leen (Ms.)	Process Mahangu	0813674907
12	Hair Salon	M. Nauyoma		0812398710
13	Endunge	Alex	Tents	0812615770
14	MCS Trading Enterprises	Maria Johannes (Ms.)	Fish Processing	0812596767
15	Cludia F/D cc	Frisha Ambata (Ms.)	Beauty Products	0816040156
16	Kristall Kelleris cc	Michael Weder	White and Red wine, Schnapps	064-570083
17	Tunacor Fishing Ltd	Frieda Hangula (Ms.)	Hake, Kingklip, Monk	0811229107
18	Bidvest Fisheries Holdings (Pty) Ltd	Hendrik v d Westhuizen	Hike portions, fillets	064-218455
19	Cadilu Fishing company	Oriver (Ms.) Barbara Duplessis	Fish Processing	064-218300
20	Talanam Fish Processing	Deon Swanepoel	Processed Fish	064-209998
21	Blessed Cosmetics	Alfried Matsuib	Cosmetics	0813244278
22	Konja Catering	Martha Kamuzeuao (Ms.)		0812735937
23	MTI Erongo	Oscar Sikanda		064-418000
24	Otjiwarongo Municipality	Petros Kuteewe	L. A. Council	067-302231
25	MGE CW	E. V. Kandjii (Ms.)	Comm. Dev. Officer	067-301269
26	MOHSS	Tjino Kandjii	CLD	0812316274
27	North West Link cc	Patrick Mumbuu	Mineral	065-273408
28	Limbandungila	Faima Ylalumb		0813072448
29	Kunene Investment	T. K. Kuhange	Mineral & meat Processing	0811493678

30	Fish Project	Tjakazapi Mbungwa	Aquaculture	0813535986
31	Traditional Leader	Elvis Japuhua	Councillor	0813116609
32	Otjihuzem Opuwo Project	Uasenina Vihange		0813366963
33	N.K. Kavari Construction	N.K. Kavari	Construction	065-273086
34	Tso Tso Stove	Makehorekua Matudi	Stoves	0813550508
35	Garden Project	Uritjo Kae	Maize	0813999758
36	Tukondjeni	Veronica Tjatumbu	Traditional Otjizumba/otjize	0813916750
37	MTI Hardap	L. Sinvula		063-240321
38	MTI Karas	J. Louw		063-222480
39	Southen Gem	J.J Umyer		0812693842
40	Edge Consultants	G. Bezuidenhoudt		0814432660
41	Fudheni Mahangu Project	Petrina Kambidhi (Ms.)		0812787984
42	Opoto Mahangu Crusher	F. M Inkono	Mahangu Processing	0812481285
43	R. G. Project	Ruusa M. Nashima	Fish Process	0812706430
44	Mahangu Women	Mutilitha Johanna	Mahangu Processing	0812787984
45	Community Member	Anna T Kangombe (Ms.)	Local Economic Development	0812928924
46	Ounongo Soap & Polish Manufacturing	Nderura	Soap manufacturing	0813852050
47	Otjinene Butchery	Kauta	Meat processing	0813068176
48	Kovii Bread & Soap	Claudia Rukero	Soap and Bread Manufacturing	0813193858
49	Bakery	Gerhardine Kavijtjene		0812375772
50	Omaze	Sarah Kahijeta	Cow Fat	0814446358
51	Hupa Monatjiri Bakery	Maria Kotjinjo		0812049289
52	Soap Manufacturing	E. Kanjou		
53	Sagarias Traiding	J. Sagarias	Manufacturing	0813733186
54	Epukiro Ostrich	G. Hengari		0813074694
55	J.B.W	E.N. Katip	Safety Equipment	0812601888
56	H.H.F	I. Hijakere	Maize & Milk	0813727685
57	Ekuapa	M. Ilatjio		0814398430
58	H & T Investment	N.N. Heneay		0814029444
59	CBAE	F. Kristofina	Agricultural Rural Development	0813853692
60	Women & Young Entr. Ass. Center	M. Hausiku	SME Consultant	0812295290
61	Shalondeanings	Laura Haludhilu (Ms.)		0812370110
62	MTI, WHK	N. Shityeni		0812690143
63	MTI, WHK	Christiaan		0814191979
64	MTI, WHK	S. P Shino		061-243298

65	MTI, WHK	H. Petrus		061-243298
66	MTI, WHK	Prof. Ayele		061-243298
67	MTI, WHK	Eben-Ezer		061-2832728
68	MTI, WHK	Jackson Nghi-yolwa		061-2832728
69	MTI, Omaheke	Patoko		062-564692
70	MTI, WHK	S. Hamunyela		061-2837278

Notes:

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REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

Directorate of Industrial Development

INDUSTRIAL UPGRADING & MODERNISATION (IUMP) INTERNAL PROCEDURES MANUAL

The following are the internal procedures to be followed in handling and processing of all IUMP related interventions applications.

1. All applications shall be addressed to the National Upgrading Office (NUO) attention of the Programme Manager – for assessment;
2. All applications shall be assessed against the established and published eligibility criteria;
3. All applications shall be acknowledged within 7 days of receiving the applications;
4. NUO will carry out a comprehensive assessment on all applicants together with Sector Specialists / Technical Experts;
5. Sector Specialists' findings on each applicant shall be presented and discussed at the National Steering Committee (NSC) level;
6. The chairperson shall submit the NSC recommendations and budgets to the PS for approval;
7. Project promoters shall be informed on decision within a week once taken;
8. Funding will be processed within 60 days;

9. All beneficiaries shall sign an agreement
10. Funding shall be transferred directly into the equipment and services suppliers' account/s;
11. All beneficiaries will provide proof that they received funding, in few cases where funds are transferred directly into the beneficiary accounts;
12. Intervention value for all applications will be judged on merit;
13. Interventions shall be offered either in "soft" or "hard" form or both;
14. All agreed interventions must be commissioned within one month of payment;
15. All beneficiaries should complete the biannual impact assessment form for five consecutive years;
16. All documents (applications, supporting documents, agreements, proof of fund transfers, etc) shall be retained for the period of five years, and thereafter transferred to the archive department;
17. There shall be background check against all suppliers of equipment and services, and a database of such suppliers will be established.
18. All equipment shall have at least one year guarantee and maintenance contracts.



REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

Directorate of Industrial Development

INDUSTRIAL UPGRADING AND MODERNIZATION PROGRAMME (IUMP) ELIGIBILITY CRITERIA

SECTORS

Projects will only be considered if they operate primarily in the following categories:

1. Agro-food processing
2. Fish processing
3. Pharmaceuticals and Cosmetics manufacturing (including bio diversity based products)
4. Minerals beneficiation (Metallic and non-metallic)

CRITERIA FOR FIRMS

Projects will only be considered if they meet the following criteria, which must be met in each case:

1. Majority Namibian owned entity – 70% or more
2. In operation for more than two years
3. Employing a minimum of 10 workers
4. A positive net worth for the year under review
5. Ability to contribute between 1 – 20% of interventions cost
6. Registered with the MTI
7. Having a Good Standing Certificate from the Ministry of Finance

TYPES OF INTERVENTIONS UNDER IUMP

INTERVENTIONS FOR FIRMS

Interventions can either be in a form of “soft” or “hard” support or both, as follows:

Hard:

1. Equipment purchase. This will be done in close collaboration with Equipment Aid Scheme.

Soft:

1. Technical training and coaching
2. Diagnostic studies and developing comprehensive upgrading plans
3. New operations and maintenance techniques in the production cycle
4. Product development and improvement
5. Marketing and Export promotion
6. Technology upgrading (researching, analyzing and developing production operations, assessing the installation of information systems, information management, internal and external networks, etc.)
7. Standards compliance; Testing and Calibration, etc.
8. Production costs analysis/ Maintenance programme management

DEFINITIONS:

The following definitions shall stand within the context of the IUMP

Modernizing: This refers to acquisition and installations of new systems and equipment within a company. These include production as well as management and operation procedures equipment.

Upgrading: This refers to the process involving all technical support services given to a company using existing systems and structures. This includes realignment of systems and demonstration of use.



REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

Directorate of Industrial Development

INDUSTRIAL UPGRADING AND MODERNIZATION PROGRAMME (IUMP)

Application form for companies seeking assistance

The Namibia Industrial Upgrading and Modernization Programme (IUMP) was developed as a national pillar of the sub-regional Industrial Upgrading and Modernization Programme for the Southern African Development Community (SADC IUMP), with objectives:

- to improve the competitiveness of local industries,
- to contribute to the strengthening of industrial capacities of Namibian SMEs;
- to diversify the national value-addition;
- to enhance capacities for job creation;
- to support efforts that reduce poverty;
- to achieve long-term presence on the international market place.

IUMP provides technical support (see further below) to manufacturing companies in four priority sectors: Agro-food processing; Fish processing; Pharmaceuticals manufacturing (including bio diversity based products) and Mineral beneficiation (metallic and non-metallic).

Please attach the documents specified below to the application form. Your application will not be processed unless these mandatory documents are provided.

- Company profile
- Latest financial year statement or six months bank statements
- A detailed description of what is needed exactly.
- Proof of business registration

Please feel free to add other relevant documents such as market studies, feasibility studies, business plans, and company brochures relevant to this application.

Return the filled-in application form, including attachments, to the Programme Manager of IUMP, office no 316, 3rd floor, Ministry of Trade and Industry, Block B, Goethe/Uhland Street, Private Bag 13340, Windhoek, Namibia. Tel: +264 61 283 7309, Fax: +264 61 259 676 or E-mail: kaapanda@mti.gov.na, llona@mti.gov.na

<p>1. BASIC INFORMATION ON COMPANY*</p> <p>All fields in this section are mandatory</p>	1.1	Company full legal name:		
	1.2	Management composition:		
	1.3	Employment structure:		
	1.4	Business sector / industry of company:		
		<input type="checkbox"/>	Agro-food processing	
		<input type="checkbox"/>	Mineral beneficiation (Metallic & non-metallic)	
		<input type="checkbox"/>	Fish processing	
		<input type="checkbox"/>	Pharmaceutical and Cosmetics manufacturing (including bio diversity based products)	
	1.5	Company's field of activities:	Please add details on company's main products:	
	1.6	Indicate your critical production input:		
	1.7	Indicate source of critical production input:		
1.8	Indicate where you would like to source critical input and why:			
1.9	Description of production processes:			
1.10	Current monthly production output in Units (provide records):			
1.11	Company's main markets (indicate if local or foreign):			

	1.12 Provide a list of your major buyers of the business products or services:		
	1.13 Where is the ideal market for the business products or services? Indicate if local or export:		
2. CONTACT DETAILS * All fields in this section are mandatory	2.1 Physical Address or P.O. Box:	2.2 Postal Code:	2.3 City:
	2.4 Name of contact person:	2.5 Position in the company:	
	2.6 E-mail address:	2.7 Phone number/s:	
3. LEGAL STATUS AND FINANCIAL INFORMATION * All fields in this section are mandatory	3.1 Business registration number or equivalent:	3.2 Year of establishment:	
	3.3 Form of ownership or legal structure:		
	<input type="checkbox"/> General partnership <input type="checkbox"/> Limited partnership <input type="checkbox"/> Limited company <input type="checkbox"/> Public limited company <input type="checkbox"/> Co-operative <input type="checkbox"/> Association or foundation <input type="checkbox"/> Other:		
	3.4 Specify the type/name of accounting software in place:		
3.5 Does the business have a bank account? (provide statement):			

	3.6 Financial information* Estimate	2011	2012	2013
	Turnover in	N\$	N\$	N\$
	Total current assets	N\$	N\$	N\$
	3.7 Employment information estimate	2011	2012	2013
	Number of permanent employees			
	Average number of temporary employees			
4. REQUESTED SUPPORT*: All fields in this section are mandatory	6.1 Type of support sought:			
	Equipment purchase		Hard	
	Technical training and coaching		Soft	
	Diagnostic studies and developing comprehensive upgrading plans		Soft	
	New operations and maintenance techniques in the production cycle		Soft	
	Product development and improvement		Soft	
	Marketing and Export promotion		Soft	
	Technology upgrading (research, analysing and developing production operations, assessing the installation of information systems, information management, internal and external networks, etc.)		Soft	
	Standards compliance; Testing and Calibration, etc.		Soft	
	Production costs analysis/ Maintenance programme management		Soft	

5. DIFFICULTIES EXPERIENCED IN CURRENT OPERATIONS	
6. POTENTIAL SOLUTIONS	
7. Company's proposed contribution to intervention cost	
8. REFERENCE *	Please indicate a reference for your company: e.g. chamber of commerce or other business / trade organisation / bank reference / business partner. Your reference will be contacted during the company review process. (The reference cannot be your company's own representative.)
All fields in this section are mandatory	8.1 Name of reference organisation *:
	8.2 Name of reference contact person *:
	8.3 Phone number *:
	8.4 Website address *:
	8.5 E-mail address *:
<p>I, the undersigned, being the person responsible in the applicant organization, certify that the information given in this application is correct and accurate.</p> <p>The applicant agrees that the information supplied herein may be verified with third parties (business and collaboration partner(s) and that contents of this form may be made available for publicity purposes in IUMP marketing materials.</p>	
Name:	Title or position:
Signature:	Date and place:

