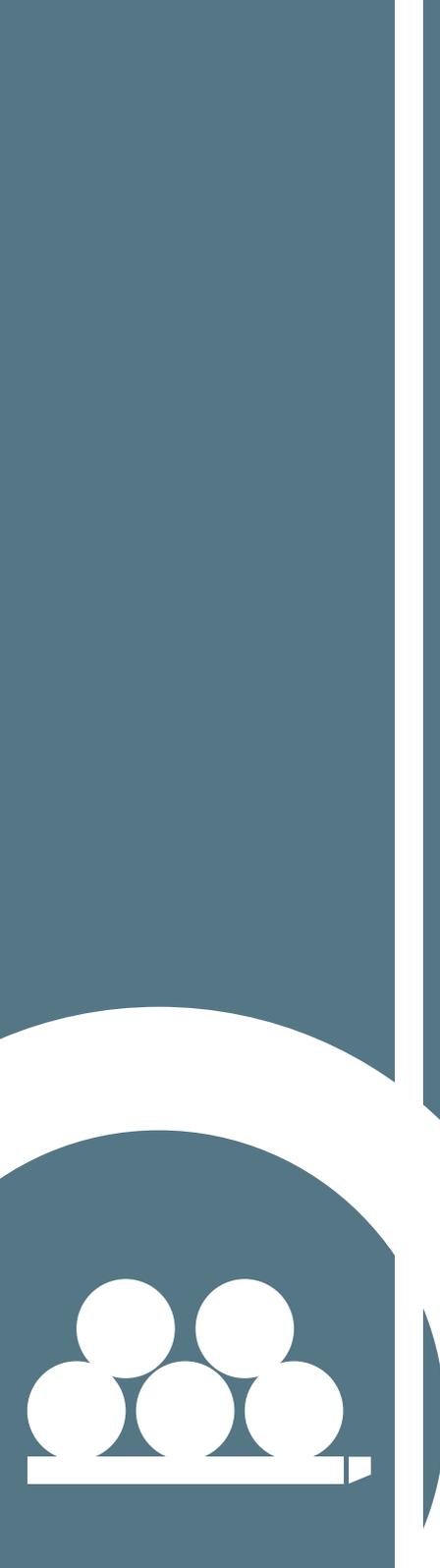




MINISTRY OF INDUSTRIALISATION,
TRADE AND SME DEVELOPMENT

Growth Strategy for Namibia's Metal Fabrication Industry and Associated Value Chains





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FOREWORD



The Industry Growth Programme is part of the ongoing efforts to reinforce Namibia's economic growth, to reduce income inequality and to increase employment for its citizens. This Industry Growth Strategy forms part of the support to selected manufacturing industries envisaged by the Growth at Home strategy, which promotes Namibia's competitive advantages and opportunities. This is envisaged through the Special Industrialisation Programme whose aim is to provide targeted support for value chain analyses and feasibility studies.

It is through the implementation of this and other strategies that the Ministry of Industrialisation, Trade and SME Development, in close cooperation with other line ministries, will support local value addition, upgrading and economic diversification. The efforts will help to structurally transform Namibia's economy favouring the most productive and efficient economic activities, and local industries will be provided with improved market access at home and abroad.

The Industry Growth Programme is an important element of the war against poverty and a further step on Namibia's path towards becoming a highly competitive, industrialised nation with sustainable economic growth as depicted in Vision 2030. As such, this strategy's implementation through 2020 is geared towards strengthen-

ing forward and backward linkages within the Namibian economy as envisaged in the Harambee Prosperity Plan.

Metal Fabrication is a strategic industry that has, in agreement with the fourth National Development Plan, been selected for a more specific focus on its economic development. Key stakeholders from the business community and public administration who have a vested interest in the Namibian industry's prosperity for the benefit of all have engaged in extensive consultations and substantially contributed to this programme.

They are now eager to implement interventions along the value chain effectively. Many of the suggestions and concerns raised by entrepreneurs and civil servants in extensive discussions have been distilled into this document. This interactive process has once more demonstrated that Namibians together can shape an enabling environment in which the manufacturing sector can thrive and the wellbeing of the Namibian people be advanced.

I am sure that the Industry Growth Strategies have the potential to remove challenges and accelerate economic development in the prioritised areas. The interventions planned for 2016 onwards will allow the targeted industries to prosper according to their inherent abilities. This strategy is a living document. As such, additional comments or remarks from stakeholders are welcome and can be addressed to the Ministry of Industrialisation, Trade and SME Development.

I am confident that, in the vein of the Harambee Prosperity Plan, all stakeholders involved will pull in the same direction in the upcoming implementation phase - as they have done in strategy building - for the advantage of a thriving Namibian economy that creates jobs, incomes and sustainable growth.

Hon. Immanuel Ngatjizeko
Minister of Industrialisation, Trade and SME
Development

The Industry Growth Programme is an important element of the war against poverty and a further step on Namibia's path towards becoming a highly competitive, industrialised nation with sustainable economic growth as depicted in Vision 2030.

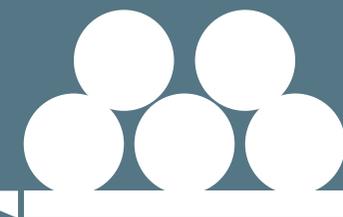
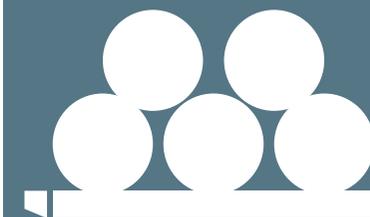


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ACRONYMS AND ABBREVIATIONS

BMZ	German Federal Ministry for Economic Cooperation and Development
DRC	Democratic Republic of Congo
EN	European Union
FDI	Foreign Direct Investment
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HS	Harmonized Commodity Description and Coding System
IBR	Inverted box rib
IR&D	Internal Research and Development
ISC	Industry Skills Committee
ISIC	International Standard Industrial Classification
ITC	International Trade Centre
IUMP	Industrial Upgrading and Modernisation Programme
LISUP	Livelihood Support Programme
MBO	Management by Objective
MHAI	Ministry of Home Affairs and Immigration
MITSMED	Ministry of Industrialisation, Trade and SME Development
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
NAD	Namibia Dollar
NBII	Namibia Business Innovation Institute
NCCI	Namibia Chamber of Commerce and Industry
NCRST	National Commission on Research, Science and Technology
NDP4	Fourth National Development Plan
NMA	Namibian Manufacturers Association
NQA	Namibia Qualifications Authority
NSA	Namibia Statistic Agency
NSI	Namibian Standards Institution
NTA	Namibia Training Authority
NTF	Namibia Trade Forum
RD&I	Research, Development and Innovation
RoR	Receiver of Revenue
RSA	Republic of South Africa
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAM	Social accounting matrix
SANS	South African National Standards
SME	Small and medium enterprise
TC	Technical Committee
USD	US Dollar
VAT	Value Added Tax
VC	Value Chain
VET	Vocational Education and Training
VTC	Vocational training centre



1. NAMIBIA'S METAL FABRICATION INDUSTRY AND ITS VALUE CHAIN



1. NAMIBIA'S METAL FABRICATION INDUSTRY AND ITS VALUE CHAIN

1.1 Industry Definition

The definition of the metal fabrication industry is based on the International Standard Industrial Classification (ISIC) of All Economic Activities, Revision 4. Metal fabrication falls into Section C (Manufacturing), Division 25 (Manufacture of fabricated metal products, except machinery and equipment). This division is subdivided into three major groups and 10 classes of metal fabrication activities which reflect the industry's major product lines, such as fabrication of structural metal products (2511); tanks, reservoirs and containers of metal (2512); steam generators (except central heating boilers) (2513); weapons and ammunition (2520); and cutlery, hand tools and general hardware (2593). Division 25 also covers metal-working service activities, such as metal forging, pressing, stamping and roll-forming (2591) and the treatment and coating of metals and machining (2592).

A brief survey of Namibian companies engaged in metal fabrication has revealed that a significant number of companies also perform economic activities that fall within Division 28 (Manufacture of machinery and equipment), in particular Class 2821 (Manufacture of agricultural and forestry machinery). These companies produce, among other things, ploughs, seeders and other specialised equipment and supplies for the agricultural sector. Furthermore, there is a strong overlap between metal fabrication and economic activities that fall within Division 29 (Manufacture of motor vehicles, trailers and semi-trailers) and in particular classes 2920 (Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers) and 2930 (Manufacture of parts and accessories for motor vehicles), which includes bumpers. Class 3011 covers shipbuilding, except the building of vessels for sports or recreation, and the construction of floating structures. It also includes the manufacture of sections for ships and floating structures.

Hence, while the ISIC classification of the metal fabrication industry is clear cut, in practice many Namibian companies engaged in the industry - particularly small

companies - operate in various divisions at the same time, making it more challenging to classify them clearly as metal fabrication SMEs. Usually companies that operate in various divisions are classified according to share of turnover in a specific industry. However, this means that a company's classification might change over time because of shifts in demand for its products.

From a trade perspective, the basic criterion used in international statistics to classify metal fabrication products is the type of metal input predominantly used in the processing or manufacturing. Hence, the Harmonised System (HS) distinguishes at the two-digit level between articles of iron and steel (73), copper (74), nickel (75), aluminium (76), lead (78), zinc (79), tin (80), other metals (81), tools, spoons and forks of base metal (82) and miscellaneous articles of base metal (83). Since most metal fabrication activities carried out in Namibia are based on imported steel inputs and to a lesser extent on aluminium inputs, most of the industry's output is products that fall within HS 73 and 76. However, it has to be pointed out that the two-digit codes represent a very wide range of products with very different degrees of processing and manufacturing, and even an analysis of four-digit HS product codes would be too aggregated, since Namibian domestic production often does not cover the entire HS four-digit product range.

1.2 Global and Regional Industry Performance

Trends Regarding Essential Inputs: Iron Ore and Crude Steel

The trade in iron ore was dominated in 2014 by Australia (51% of global exports), Brazil (23%) and South Africa (4%). Total exports in iron ore increased by 10.1% to 1,476 m tonnes, slightly down from an increase of 10.6% in 2013. South African iron ore exports stayed flat in 2014 at 65 m tonnes, after increases by 20% in 2013 and 2% in 2012.





Global crude steel production and trade is increasingly dominated by China, which accounted for 49.3% of global production or 822.7 m metric tonnes of a total of 1,667.6 m tonnes in 2014. China was followed by the EU-28 (10.2%) and Japan (6.6%). South Africa ranked 15th, with a share of 0.4% and a volume of 6.6 m metric tonnes in 2014 compared to 7.2 m tonnes in 2013. Production of crude steel in the whole of Africa declined by 6% from 16.0 m to 15.0 m tonnes. Regional production accounted for only 0.9% of global production (see Figure 1).

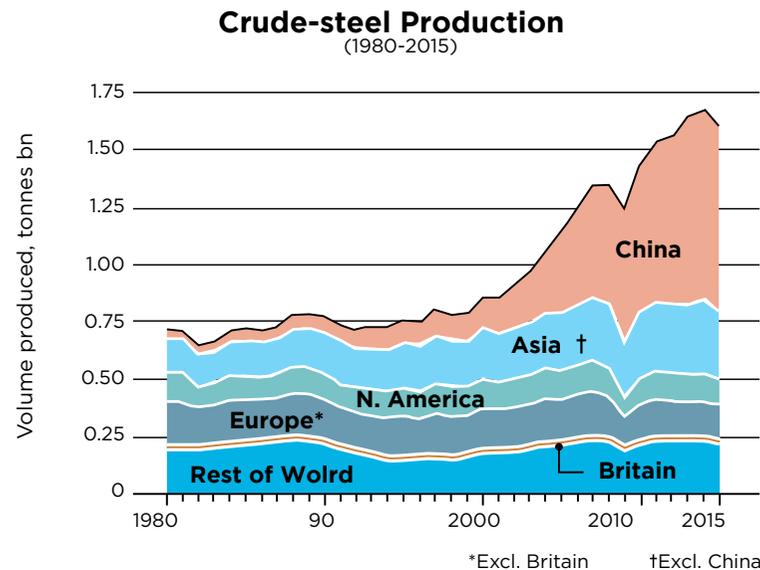


Figure 1: Trends in global crude steel production
Source: The Economist, Feb. 27, 2016

China was also the main exporter of steel, with 88.6 m tonnes, followed by Japan with 40.9 m and the EU-28 with 35.5 m. However, while Chinese exports increased sharply - by 53% - Japanese dropped by 3% and EU-28 exports remained almost flat (+1%). Exports from Turkey, which ranks seventh on the exporter list, declined by 8% to 15.6 m tonnes in 2014. South Africa does not feature among the 10 biggest steel exporters. Based on data from the South African Iron and Steel Institute, the country exported 2.2 m tonnes of steel products in 2014, up from 1.9 m in 2013, and 1.3 m during the first eight months of 2015. 68% of total exports went to other African countries.

can countries in 2014, compared to 66% during the first eight months of 2015.

More recently, the South African steel industry is said to be in a crisis, with retrenchments and even business closures imminent, owing to global overcapacities, slower growth of the Chinese economy and the transition of the Chinese economy from manufacturing goods for export to providing services domestically. These changes mean that cheaper steel is sold on the global markets (see Figure 2), which not only affects steel producers in South Africa but has resulted in recent retrenchments in the industry elsewhere, for instance in the United Kingdom. The South African government has imposed import duties of 10% on imported steel products, which are sourced mainly from China. It is estimated that China's steel production may eventually drop by 20% in order to adjust to the lower demand.

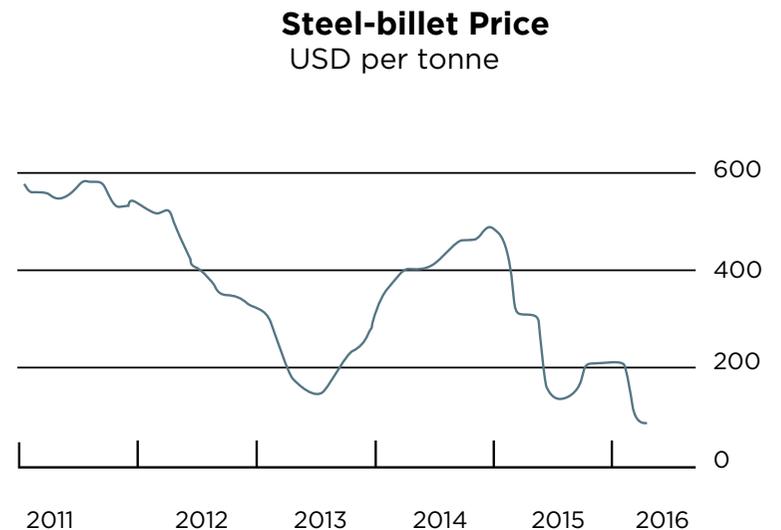


Figure 2: Effect of global overcapacities on steel price
Source: The Economist, Feb. 27, 2016

The biggest importers of steel in 2014 were the USA (39.4 m tonnes), the EU-28 (30.5 m tonnes) and South Korea (21.8 m tonnes). South Africa imported 1.3 m tonnes in 2014 and 1.1 m tonnes during the first three quarters of 2015, mainly from the Far East (77.8%) and the EU-27 (18.4%), with only 0.5% originating from other African countries.

Trends Regarding Trade with Iron and Steel Articles

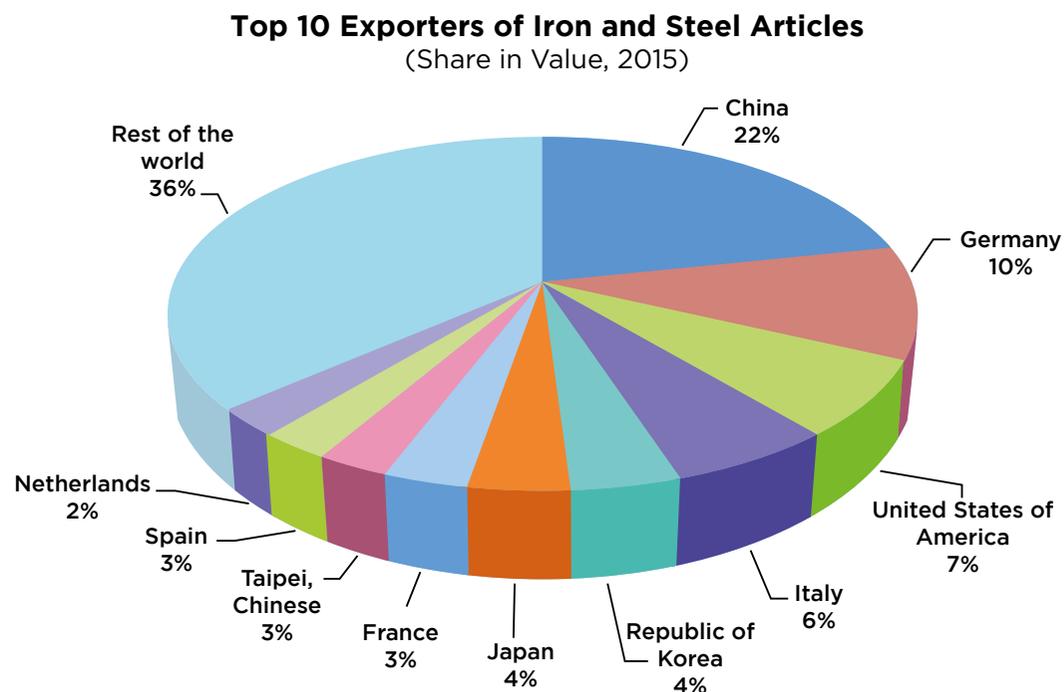


Figure 3: Top 10 exporters of iron and steel articles (share in value, 2015)
Source: ITC calculations based on UN Comtrade statistics

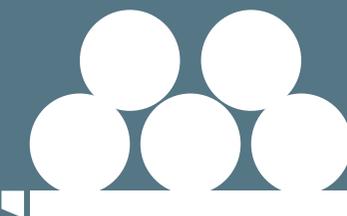
As pointed out in the industry definition, a significant share of trade with products of the metal fabrication industry is in the HS code 73 products. According to UN Comtrade statistics, between 2011 and 2015, China grew its share in world market exports of iron and steel products from 17 to 21.7%. Other major exporting countries and their shares in global exports (by value) in 2015 are represented in Figure 3. The entire African continent only accounted for 0.7% of global exports in iron and steel articles in 2015, with South Africa alone accounting for 0.4%. The regional world export share has been steadily declining in recent years, while its share in world imports has remained more or less stable at 5.4%.

1.3 Industry Background and Evolution in Namibia

There are no known studies on the metal fabrication industry in Namibia. Zaaruka and Namakalu examined the potential for diversifying non-mineral exports in 2002, but fabricated metal products were not part of the study. Kadhikwa and Ndalikokule assessed the potential of the manufacturing sector in 2007 and briefly analysed the performance of the metal fabrication industry in the Namibian economy, but without entering into an in-depth analysis.

As part of the growth strategy for the metal fabrication industry, a producer and product database was started

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as a tool for monitoring the strategy’s successful implementation and to help analyse whether companies are actually growing in terms of turnover and number of employees and whether they are diversifying their product ranges.

The producer database currently contains about 110 companies from across the country and includes information about each company’s number of years in operation, number of employees, turnover, value of equipment and range of products. Additionally, interviews were carried out in Windhoek with manufacturers, traders of inputs and products and private-sector associations, and a questionnaire was sent to companies located outside Windhoek. The following analysis is based on a total of 32 interviews and returned questionnaires and provides a snapshot of the industry.

The longest-established company has roots from as early as 1925. Five companies are more than 30 years old, including one which has been in operation for almost 60 years and another for 50 years. 39% of companies were established more than 10 years ago; 12% have been in business from three to five years, and another 12% from five to 10 years. 21% were started one to three years ago, and only 15% of companies started operations within the last year. The survey revealed that there are a number of well-established companies around Windhoek in particular, while in other major towns across the country such as Gobabis, Okahandja, Swakopmund, Walvis Bay, etc., many companies have entered the market over the past 10 years.

Table 1. Number of companies by years in operation and number of employees

	0 to 5 employees	6 to 10 employees	11 to 25 employees	26 to 50 employees	51 to 99 employees	100 and more employees
<1 yr.	5					
1 to less 3 yrs.	5	1	1			
3 to less 5 yrs.	1	1	2			
5 to less 10 yrs.	1	2		1		
>10 yrs.		1	4	5		2

Source: Metal fabrication survey and interviews

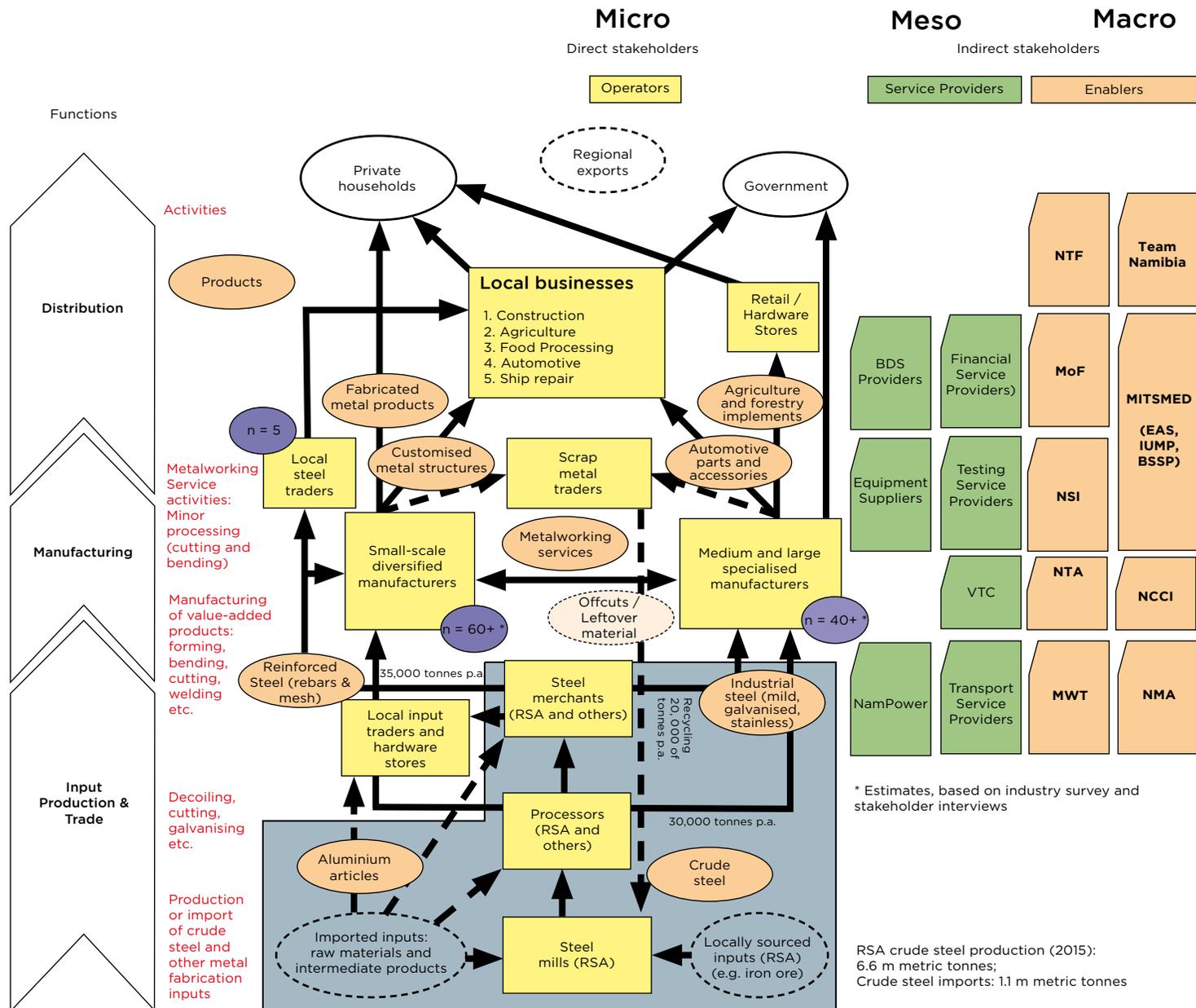
1.4 Characterisation of Namibian Producers and Businesses

The industry is very diverse, not only in terms of years in operation, but also in company sizes and product ranges. Based on information from various sources including local authorities and business associations, there are more than 100 businesses involved in metal fabrication.

Almost all of the companies that participated in the survey are wholly Namibian owned. Two companies have foreign minority shareholders, of 20% and 25.9% respectively. One company previously owned by a Namibian was sold to a South African company when the owner retired. One of the companies that participated in the survey is owned by a permanent resident.

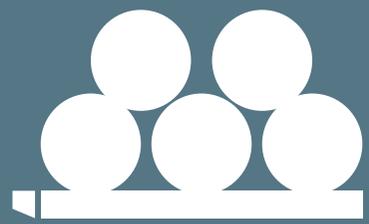
The interviews and the survey indicate that most companies employ up to five employees (38%), while 22% employ between 11 and 25 employees. 19% have between 26 and 50 workers and 16% between six and 10 workers. Only two companies employ more than 100 workers. The brief overview indicates that the metal fabrication industry is dominated by small companies. A cross-tabulation between number of years in operation and number of employees shows that the number of employees increases with the years in operation (see Table 1).

Also, company turnover varies greatly in line with number of employees and years in operation. A few companies recorded turnovers of less than NAD 1 m per annum, while about half of the companies interviewed have turnovers of more than NAD 10 m up to NAD 130 m.



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Figure 4: Value chain map of the Namibian metal fabrication industry
Source: GIZ ProCOM, based on Schade 2016



Namibian companies are involved in manufacturing industrial steel and aluminium products mainly for the construction sector.

The value-chain map (see Figure 4) displays the various operators in the Namibian metal fabrication industry and the value chains for the major product groups from the perspective of most relevant inputs, major clients and market segments currently served by the industry. The mapping exercise distinguishes between industrial steel (mild, stainless and galvanised) and aluminium as one sub-chain and reinforced steel (rebars and mesh) as another (see next chapter on product classification).

The map shows that important functions within this industrial value chain take place outside Namibia, namely primary production (the production of basic inputs in steel mills, either in the RSA or in other countries) and first-stage processing (decoiling and cutting activities) that generates the intermediate goods that serve as essential inputs for most of the Namibian metal manufacturing activities. As the map shows, even input trade is performed to a great extent by wholesalers and steel merchants outside the country. In particular, the specialised medium- and large-scale metal manufacturers in Namibia source their production inputs directly from abroad due to their larger order volumes, whereas the predominant input sourcing for smaller Namibian manufacturers is via local hardware stores and steel traders. Some of the foreign steel merchants also maintain exclusivity agreements with Namibian input traders and therefore do not sell directly to Namibian metal manufacturers.

Namibian steel traders mainly buy reinforced steel from South African steel merchants and sell to construction companies, after performing minor processing in the form of cutting and bending, i.e. local metalworking service activities. The value chain for industrial steel and aluminium products involves first-stage processors, mostly located in South Africa, who purchase bulk steel from steel mills and decoil and cut it according to their customers' preferences. The local metal manufacturing companies form, bend, cut and weld the metal inputs, making a broad range of products either for direct distribution and use in construction, agriculture, ship repair and transport (accessories for motor vehicles) or for further distribution, via Namibian hardware stores, to local businesses and end consumers.

Offcuts and leftover material from larger and smaller metal fabricating companies are marketed to scrap metal traders who resell it to South African steel mills for recycling.

1.5 Classification of Namibian Products

Namibian metal fabrication products can be classified according to their major market segments or end uses, i.e. the industries and sectors they supply:

According to the metal fabrication survey conducted for this report, Namibian companies are involved in manufacturing industrial steel and aluminium products mainly for the construction sector. Most structures and goods fabricated for this use are made according to customer specifications. Construction-related metal manufacturing activities are part of ISIC Division 25. A number of companies also provide metalworking services to other companies in order to maximise the use of their equipment. Services include cutting, bending and blasting of metal products using advanced equipment such as laser cutters (also covered by ISIC 25, specifically 2590). Overall, the bulk of metal fabrication products in Namibia are destined for the construction sector.

Metal fabrication companies also adapt implements for the agricultural sector, such as ripper-furrowers or hammer mills for millet rather than maize, to specific Namibian conditions and needs. As pointed out in the industry definition, this is an overlap between activities covered by ISIC divisions 25 and 28. This market segment is relevant in particular for the smaller, non-specialised companies across the country.

Some of Namibia's metal fabrication companies are also involved in manufacturing parts and accessories for motor vehicles, particularly bull bars, tow bars and trailers. These economic activities are part of ISIC Division 29 (2920 and 2930).

Fabrication for the ship repair and maintenance industry (ISIC Division 30) is currently unusual and largely confined to repair services, with only occasional fabrication of structures, but could hold opportunities for the future owing to expanding infrastructure (dry docks). The ship repair industry in Walvis Bay has grown over the past 10 years; a synchro lift and three floating docks have been bought.

According to industry stakeholders, not only has the range of end uses increased over recent years, but so has the range of products manufactured locally. Products such as palisades, light steel frames, garage doors and roof sheets are now manufactured in Namibia. Some companies have moved from more basic manufacturing activities, such as producing roll bars and tow bars, to more advanced stages, such as manufacturing roof trusses. Based on the survey results, most companies are considering expanding their businesses because of growing domestic demand and because they plan to produce new items such as nails and screws. A few enterprises see additional export opportunities. The demand for additional bulk water infrastructure could provide an opportunity for manufacturing water pipes. The viability of producing, for instance, poles for road signs or guard rails for the increasing road network should also be investigated. Producing fibre cement boards to fill steel frames could be considered, though the current demand might still be too low. However, it would extend the value chain of cement production and link it to metal fabrication.

Table 2 is not an exhaustive list of products but provides a good summary of the current product range, grouped according to ISIC, Rev. 4 divisions and classes.

As suggested in the previous mapping exercise, an alternative way of classifying the range of Namibian metal fabrication products is by the major metal input they use; this is the logic followed by trade statistics based on the Harmonised System (HS). Almost all Namibian metal fabrication activities are based on three major imported inputs (intermediate goods): aluminium articles, industrial steel and reinforced steel (including mesh). Industrial steel can be further disaggregated into mild, galvanised and stainless steel.

The most common form of industrial steel used by Namibian metal manufacturers is mild steel. It is estimated that steel traders in Namibia imported some 30,000 tonnes of steel in 2015, about 80% of which was mild steel. To put this figure into perspective, a steel plant in South Africa produces about 100,000 tonnes per month.

Galvanised steel is used at the coast due to the climatic conditions and for products like electricity pylons, lamp posts and road signs throughout the country to prevent

corrosion. Currently, it is little used beyond the coast because of the semi-arid climate. Therefore, the volume of galvanised steel probably does not amount to more than a few hundred tonnes per month. The demand for galvanised steel may increase if prices come down, since it requires less maintenance, such as coating and painting. However, pre-fabricating steel structures in Namibia that need to be galvanised is not viable; galvanisation takes place after the structure is fabricated, and there is no galvanisation plant in Namibia. The transport of the completed structure to South Africa for galvanisation and back to Namibia is prohibitively expensive. Thus, all galvanised steel products are currently imported.

Larger imported volumes of stainless steel, which is mainly used in the food and beverage industry and for hand railings, could reduce costs and potentially open new market segments that are currently served by other steel products.

Reinforced steel and mesh is exclusively imported by about five traders and sold to construction companies, with limited value addition taking place in Namibia via cutting and bending. The booming construction industry has resulted in increased demand for reinforced steel (re-bars and mesh), estimated at 3,000 tonnes per month. The demand is mainly driven by government projects, such as new office buildings.

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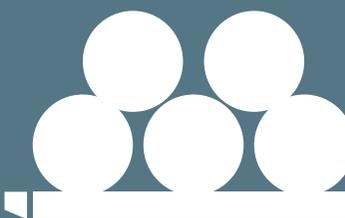


Table 2: List of metal fabrication products made in Namibia

ISIC		
25	Manufacture of fabricated metal products, except machinery and equipment	<ul style="list-style-type: none"> • Gutters and down flows • Steel roof structures, roof trusses • Roof sheeting - corrugated, IBR (inverted box rib), Klip-Lok • Light steel framing • Aluminium extrusions • Flashings • Steel and aluminium frames for doors, windows • Doors for cold storage rooms • High-security doors for prisons, etc. • Garage doors • Shop fronts (aluminium) • Palisades • Water tanks and water pipes • Silos • Skipper bins • School furniture • Beds for hostels, hospitals • Stands for hospital monitors • Road signs • Stainless steel products for the food processing industries including breweries and abattoirs • Fencing • Exploration drills for the mining sector • Other customer-specific products
259	Metalworking service activities	<ul style="list-style-type: none"> • Sand, shock and grit blasting • Metal bending • Laser cutting
2821	Manufacture of agricultural and forestry machinery	<ul style="list-style-type: none"> • Farm gates • Agricultural implements specialised for conservation tillage and conservation agriculture methods • Hammer mills • Pearl millet and maize thresher • Pearl millet and maize dehuller
2920	Manufacture of automotive parts	<ul style="list-style-type: none"> • Bodies (coachwork) for motor vehicles • Trailers and semi-trailers
2930	Manufacture of parts and accessories for motor vehicles	<ul style="list-style-type: none"> • Bull bars, tow bars • Trailers
3011	Building of ships and floating structures	<ul style="list-style-type: none"> • Metal structures to customer specifications

Source: Schade 2016

1.6 Local Industry Performance

Industry's Contribution to GDP (%)

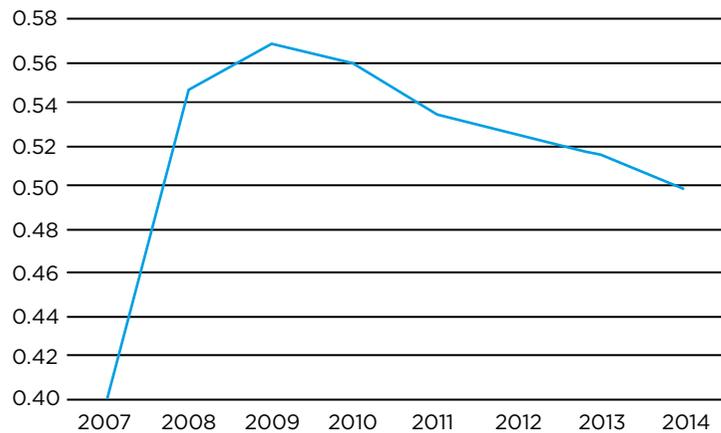


Figure 5: Fabricated metal industry's contribution to GDP, percentage
Source: NSA, 2015a

In nominal terms, the fabricated metal industry's value addition rose from NAD 247 m in 2007 to NAD 697 m in 2014, while in real terms it increased by NAD 100 m to NAD 504 m over the same period.

The fabricated metal industry has contributed between 0.40% (2007) and 0.57% (2009) to the country's gross domestic product (GDP) over the past eight years. After peaking at 0.57%, the industry's contribution declined steadily to 0.50% in 2014 (see Figure 5). Comparing the industry's performance to manufacturing at large, however, paints a slightly different picture: Its share rose to 4.8% of total manufacturing GDP in 2008, dropped over the next three years, but has been on a continuous upward trend since then, reaching 4.6% in 2014. The industry's good performance within manufacturing is also reflected in its growth rate between 2008 and 2014, which averaged 3.5%, compared to the average growth rate of the manufacturing sector, which was only 2.2%. However, the industry showed a weaker performance than the economy at large, which grew by 4.5%. This resulted in the industry's declining contribution to the GDP.

Industry's Growth (%)

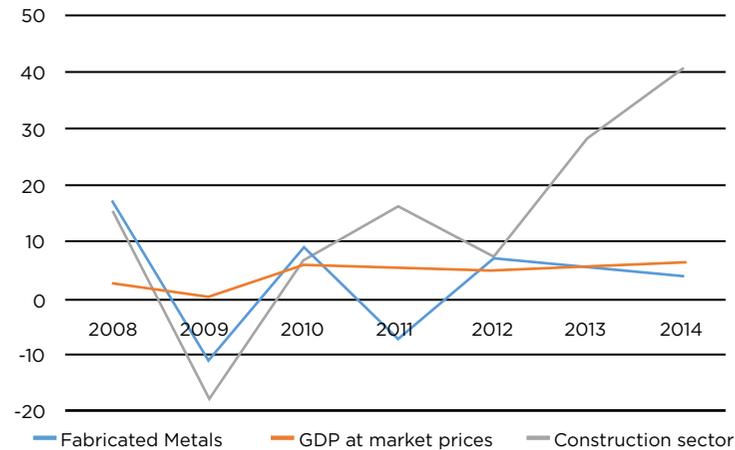
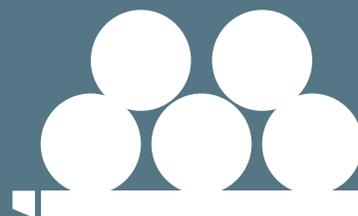


Figure 6: Fabricated metal industry growth in comparison, percentage
Source: NSA, 2015a

Since quite a number of companies, especially larger companies, supply the construction sector with finished products, these figures suggest that Namibian metal fabrication companies have not benefitted from the boom in the construction sector. The construction sector grew by 13.8% over the same period and increased its contribution to the GDP from 3.5% in 2007 to 4.9% in 2014 (see Figure 6).

Based on the annual Labour Force Surveys conducted between 2012 and 2014, employment in the industry has risen substantially, from 266 employees in 2012 to 1,431 employees in 2014. As shown in Figure 7, the growth can be attributed to a large extent to employment in manufacturing parts for vehicles, which increased to 647 employees from zero in the years before. These figures certainly must be treated with some caution. The strong increases could be the result of the sampling, since activities are not spread evenly across the country, and/or to changes in the classification of companies, as the case of the production of vehicle parts suggests. Moreover, the Bank of Namibia cited 1,210 employees in the metal fabrication industry back in 2003 (Kadhikwa and Ndalikokule, 2007:12).

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Employment in the Industry

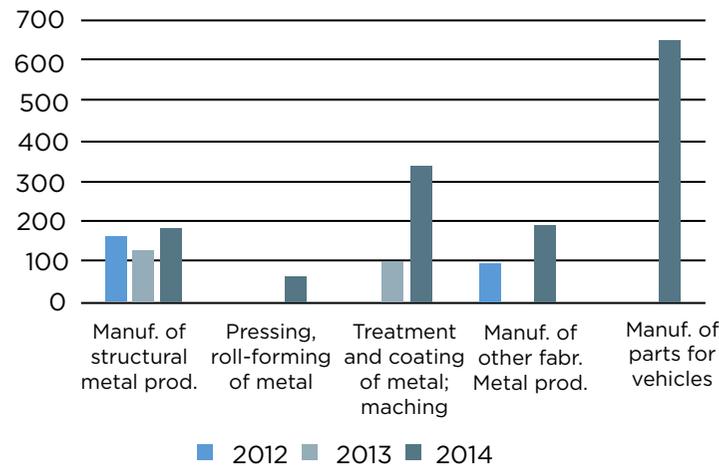


Figure 7: Employment in various sub-sectors of the metal fabrication industry
Source: NSA 2015b

The following section contains a more detailed analysis of exports and imports of aluminium and steel products at the Harmonised System (HS) four-digit level. Care should be given, however, before drawing strong conclusions, since exports and imports fluctuate and are influenced by a number of factors, such as foreign direct investment and investors' procurement preferences, and not only by the performance of the domestic metal fabrication industry. Furthermore, analysis at the HS4 level is still too aggregated, since domestic production often does not cover the whole HS4-level product range. The following analysis nevertheless provides some useful insight into the trade patterns.

The value of exports of unwrought (HS 7601), scrap (HS 7602) and powder aluminium (HS 7603) increased by 887% between 2004 and 2014, from NAD 1.3 m to NAD 12.3 m. The increase is owed to export of scrap aluminium, which rose by 935% during the period and accounted for 99.8% of the value of these three HS codes in 2014. The value of fabricated metal products (HS 7604 to 7616) grew by 131% over the same period, from NAD 11.7 m to NAD 27.1 m. Aluminium structures and parts of structures (HS 7610) and table, kitchen and household items made of aluminium accounted for 54% of the value

of exports in categories 7604 to 7616 in 2004, but after some fluctuations, the share dropped to 25% in 2014, while the export value of aluminium stranded wires and cables increased from 2% to 24%.

A similar picture emerges on the import side of aluminium products: the value of unwrought, scrap and powder aluminium rose by 1,399% between 2004 and 2014 due to the rise in scrap aluminium imports from NAD 0.3 m to NAD 7.7 m, accounting for 99.9% of the value of imports for these three HS codes. It is assumed that the imported scrap aluminium is being re-exported, and the difference between imports and exports is Namibian scrap aluminium. Based on this, Namibian scrap aluminium grew by 412% over the period, from NAD 0.9 m to NAD 4.6 m. The figures suggest that the share of unwrought aluminium imported for further fabrication in the country is rather insignificant.

The value of imports and exports of articles of iron and steel (HS 73) increased by 448% and 729% respectively from 2004 to 2014. Exports accounted for 12% of imports in 2014, up from 8% in 2004. The export value of tubes and pipes (HS 7304) and other articles of iron or steel (HS 7326) showed the strongest increases, of 3,729% and 1,406% respectively. The value of exports of tubes and pipes jumped more than threefold between 2013 and 2014, from NAD 59.5 m to NAD 184.7 m. It is assumed that the exports are to a large extent or even exclusively re-exports, since the value is much lower than that of imports. Due to the sharp increase of exports in category HS 7304, it accounted for 44% of exports under HS 73, while the share of iron or steel structures (HS 7308) dropped from 33% (2004) to 21% in 2014. HS 7308 also dominated imports, accounting for 28% in 2014, followed by other articles (HS 7326) with 19% and tanks, casks, drums etc. with a volume of less than 300 litres (HS 7310) with 14%. The share of HS 7310 in total HS 73 imports has declined over the years. More work needs to be done to find out whether this could be linked to increased domestic production. A breakdown of HS 72 (iron and steel) to HS4 level was not available. An analysis at the HS4 or even HS6 level is recommended in order to determine whether imports of less-processed steel are increasing and more advanced fabrication is taking place domestically.

A number of companies in Namibia are involved in the construction of trailers and automotive parts, which are part of HS 87. The value of exports and imports of trailers and semi-trailers (HS 8716) grew by 731% and 506% respectively between 2004 and 2014. These growth rates are above the growth of exports and imports for HS 87 as a whole, which stood at 417% and 367%. The value of trade in parts and accessories of vehicles (HS 8708) increased less than average for the sector, at 404% (exports) and 299% (imports). As stated above, drawing any conclusion regarding import substitution would require an analysis at the HS6 level.

The growth strategy for the metal fabrication industry aims at changing these trade patterns by increasing the export value of fabricated aluminium and steel products over the value of unwrought, scrap and powder aluminium and steel, while at the same time increasing the value of imports of unwrought metal over the imports of processed metal products. Furthermore, the increasing value of imported scrap metal could warrant investigation into sourcing additional imports and processing more scrap metal in Namibia.

Finally, a comparison of the social accounting matrix (SAM) for 2004 and the SAM for 2013 also suggests that the import dependency of the industry has increased. In 2004, 65% of the total supply of fabricated metal was imported (Lange & Schade, 2008). This share increased to 77% in 2013 (Schade, 2015). Again, it should be noted that the industry includes 'machinery and equipment' and that the available data does not allow an analysis of the level of processing of the imported fabricated metal. However, since the fabricated metal industry's growth performance is behind the construction sector's performance, it could well be that most of the imported metal products were not further processed in the country and consequently that the import dependency for final fabricated metal products has increased. Therefore, there appear to be opportunities for further processing activities in Namibia.

1.7 Global and Regional Demand for Products of the Industry

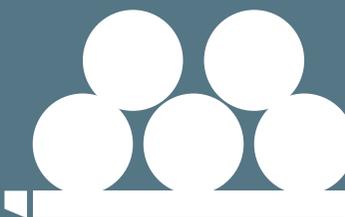
Namibian companies produce almost exclusively for the domestic market, although a number of companies have occasionally exported to Angola. The dominance of South African manufacturers in the region benefitting from economies of scale poses a challenge for Namibian manufacturers to entering neighbouring countries.

Key factors making South African products more competitive than Namibian products for export to the region and neighbouring countries include:

- Overall cost more favourable (lower input costs for supply of raw steel or aluminium)
- Better performance due to more favourable economies of scale
- Broader variety of products and more aggressive sales and services
- More pronounced innovative spirit

The industry growth strategy thus should focus on interventions that allow Namibian metal fabrication companies to become more competitive with the South African metal production industry. This will not only lead to more import substitution but might even improve the longer-term perspectives of selected products for export to other neighbouring countries.

The dominance of South African manufacturers in the region benefitting from economies of scale poses a challenge for Namibian manufacturers to entering neighbouring countries.



2. IDENTIFIED OPPORTUNITIES FOR AND CONSTRAINTS TO INDUSTRY GROWTH



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This chapter describes the identified constraints to and opportunities for the Namibian metal fabrication industry according to the following analytical framework, which was applied during the industry stakeholder engagements:

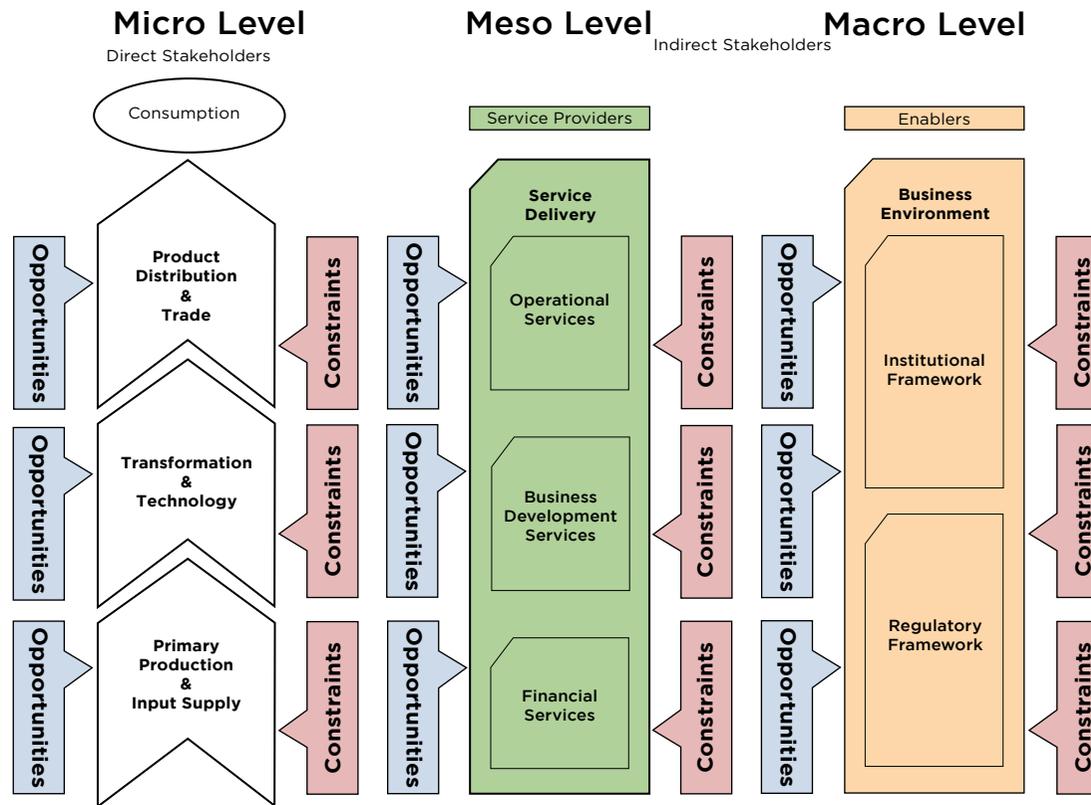
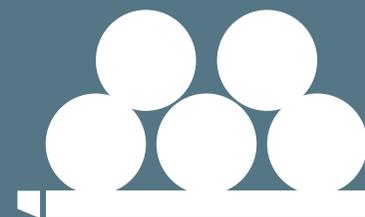


Figure 8: Analytical framework developed to detect opportunities and constraints
Source: GIZ ProCOM

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2.1 Primary Production and Input Supply

Namibia has neither a steel industry nor decoiling facilities for thicker steel and larger volumes. Hence, all steel is imported, mainly from South Africa, though a few larger companies import steel from China and India. Major Namibian metal manufacturing companies import steel from South African companies that break up large volumes they purchase from steel mills in South Africa and elsewhere and decoil and cut the steel according to their customers' requirements. Namibian traders involved in buying and selling reinforced and mesh steel also buy from these first-stage processors.

The margins at South African companies are estimated to be about 2.5% for reinforced and mesh steel used in the construction sector and between 5% and 7% for decoiling. Large margins are added for cutting steel using laser technology, plasma and oxygen cutters. Reportedly, margins reach up to 40%, but this could not be verified.

Some of the South African processors have exclusivity agreements with Namibian steel traders and hardware stores, prohibiting Namibian manufacturers from buying directly from them. They have to purchase steel from the Namibian traders. Trade margins are said to be in the range of 20% to 30%.

Given the current global oversupply of steel, all-time-low prices for crude steel and consequently imminent closure of steel mills in various parts of the world, combined with electricity supply constraints in Namibia, it is quite obvious that a steel mill for Namibia should only be considered in the longer term. Namibia will therefore continue to import reinforced steel and export scrap metal. According to industry sources, some 1,800 tonnes of scrap metal is exported monthly. Scrap metal was trading at USD 195.52 per tonne at the London Metal Exchange on 30 November 2015.

Although the current low steel prices could be an advantage for the Namibian metal fabrication industry, as they reduce input costs, South Africa has introduced a 10% duty on imported steel to protect its own steel mills.

Since Namibia is a member state of the Southern African Customs Union (SACU), the duty affects Namibian companies too.

Owing to way the input supply chain currently functions, Namibian companies often face an input cost disadvantage compared to South African manufacturers that buy larger quantities and hence receive rebates or pay lower prices. In addition, transport costs are often higher than over comparable distances in South Africa, since potential cargo space is not filled to capacity in both directions. Furthermore, an additional layer is often added in the supply chain in the form of steel traders/wholesalers in Namibia.

A first step to reducing sourcing-related transport costs would be to consolidate cargo from South Africa and other sources. This would benefit not only manufacturers ordering smaller volumes but also companies with large volumes, who could then optimise transport capacities. In another step, Namibian companies could combine orders in order to benefit from lower prices for and/or rebates on larger volumes, as their South African competitors do. Over time, even establishing a 'buying house' could be considered.

Once the demand for specific steel-input products is established, a feasibility study for establishing a decoiling plant and additional cutting facilities should be conducted. This would move more value-adding activities to Namibia and reduce overall input costs.

Galvanised steel is imported exclusively from abroad, as Namibia does not have a galvanisation plant. Steel structures are galvanised after they are produced. Namibian metal fabrication companies are presently not involved in the manufacture of galvanised steel structures, since it is not viable to fabricate the structures in Namibia and then transport them to South Africa for galvanisation. Another feasibility study is needed to establish the viability of a galvanisation plant. It is assumed that a domestic galvanisation plant would mean lower costs for galvanised steel, which could increase demand for galvanised end products; the maintenance costs for galvanised steel structures are lower than for non-galvanised structures, which need to be coated and painted.

Identified Constraints	Identified Opportunities
<p>High transport costs, along with lack of coordination/co-operation among manufacturers, which increase overall sourcing-related costs and hamper overall competitiveness of local industry</p> <p>Relatively high import costs for specialised products, such as stainless steel, due to low order volumes</p> <p>Unfavourable payment terms, in particular for SMEs (e.g. cash orders)</p>	<p>Source cost savings through closer coordination and co-operation among industry stakeholders</p>
<p>High profit margins for third parties (South African steel processors and Namibian traders) and exclusivity agreements between them, which increase sourcing costs for Namibian manufacturers</p> <p>The need to import essential inputs (aluminium, industrial and reinforced steel) at higher costs, though there might be scope for local processing facilities from which local manufacturers could source with better conditions than those from RSA suppliers</p>	<p>Source securely and cost effectively through local, import-substituting input production facilities</p>

2.2 Transformation and Technology

The production process depends on the product and ranges from completely automated to semi-automated and manual processes. Some companies employ movable machinery to produce on site according to customer specifications. Flat steel coils weighing 3.5 tonnes are imported – usually from South Africa – and then decoiled, formed, bent and cut into the final products. Generally, no sophisticated machinery or equipment is required. The low and often infrequent demand for specific products limits investment in specialised equipment that would not be fully utilised.

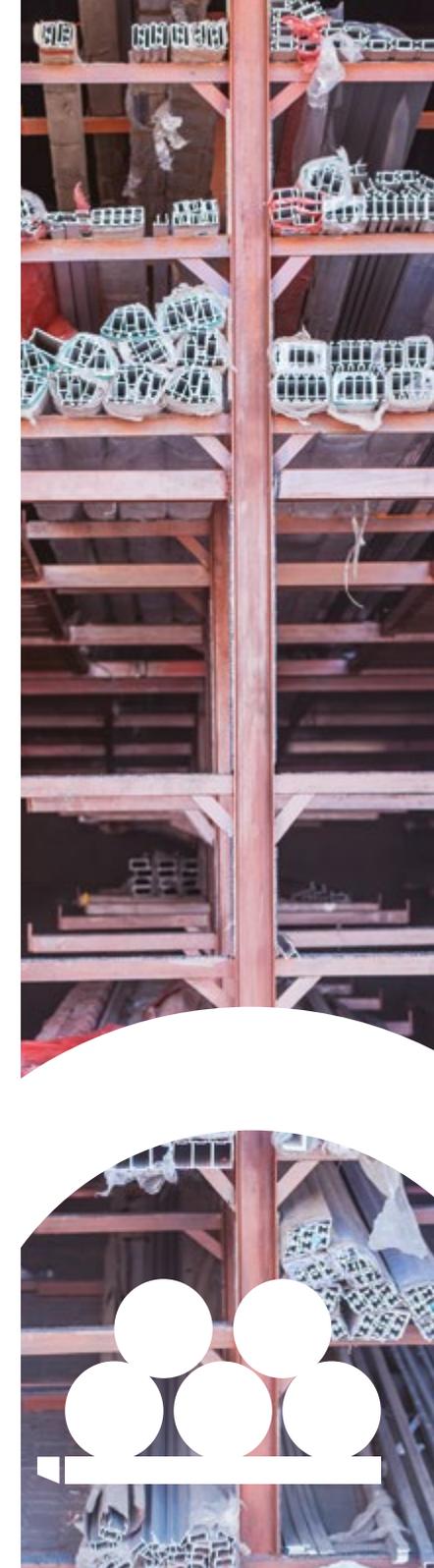
Investment in equipment varies widely in line with the size of the company and the degree of specialisation. Some small and medium-sized enterprises (SMEs) have invested a few hundred thousand Namibian dollars (NAD), while the equipment of larger and more established companies amounts to up to NAD 15 m. Some of the recently established SMEs have benefitted from the Equipment Aid Scheme implemented by the Min-

istry of Industrialisation, Trade and SME Development (MITSMED) or are awaiting approval of their applications. Smaller companies' equipment consists of bending machines, steel presses and welding equipment.

Recently, some companies have invested in laser and other cutting equipment and now offer cutting services to other companies as well. The expansion of the Walvis Bay harbour has initiated investment into new technologies in the harbour town.

Overall, there is little innovation in the Namibian metal fabrication industry in terms of applied technology and products. In particular, small enterprises cover a similar, diversified product range with little product and market specialisation. This diversification is seen as a survival strategy for smaller companies given the reduced size of the domestic market.

The MITSMED's IUMP currently does not include the metal fabrication industry. If it expanded to the industry, in combination with a technology auditing scheme, it



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would offer opportunities for companies audited by industry experts to implement some or all of their recommendations.

The MITSMED is also responsible for the Equipment Aid Scheme that has benefited a number of metal fabrication companies. Its more targeted application to the metal fabrication industry will support a more diversified, innovative and dynamic industry. Once an application for procurement of equipment is approved, the selection of the supplier should not be left to the ministry but should be closely discussed with the applicant. The company usually knows the specifics of the equipment best and is therefore in the best position to decide which supplier suits its needs. Approval of applications for equipment needs to be linked to the market demand for the final

product or for services in order to avoid underutilising the equipment.

Electricity prices are considered too high by some industry stakeholders. Although the Namibian economy has so far been spared from load shedding, some metal fabrication businesses have invested in their own renewable energy sources, in particular solar energy. This is a strategy to lower energy costs over time but could also be used as a differentiation strategy. Sustainable development now receives more attention, after the agreement on the Sustainable Development Goals. Therefore, renewable energy in the production process could be used as both a cost-saving and product-differentiation strategy.

Identified Constraints	Identified Opportunities
Lack of innovation and IR&D culture within the industry Limited cooperation and information sharing among stakeholders on production and technology-related issues	Incentivise product and process innovations to increase productivity and competitiveness of local industry through new and existing incentive schemes for industrial upgrading
Non/underutilisation of equipment procured via the Equipment Aid Scheme (instead of support to innovative business ideas) Innovation and productivity do not reach their full potential when public administration is involved in the supplier selection for Equipment Aid	Link Equipment Aid Scheme to market demands for products and services and to product and process innovation efforts
High utility costs (electricity)	Reduce production costs by using innovative, energy- and resource-efficient equipment Use renewable energy sources in the production process as a cost-saving strategy (and as part of a marketing/ product differentiation strategy for local manufacturers)

2.3 Product Distribution and Trade

Based on the survey, Namibian metal fabrication companies have overall experienced either strong or slight growth in their businesses, which is supported by aggregate GDP figures for the industry and by the performance of the booming construction sector as the most important demand segment. As has been pointed out, the customer base of the Namibian metal fabrication industry consists mainly of the construction, agricultural and transports sectors as well as hardware stores. Only a few companies produce for the mining sector and the rather new ship-repair sector. While larger companies usually supply a specific sector, such as construction or exclusively hardware stores, smaller companies tend to have a more diverse customer base and produce for the agricultural, transport and construction sectors at the same time. Companies supplying hardware stores manufacture not only standardised products but also tailor-made products suiting customer specifications.

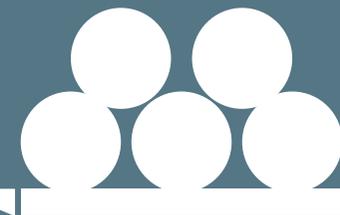
Some companies reported that they have lost business to South African firms entering the Namibian market or are facing stiff price competition from firms based in South Africa. This is particularly apparent for companies producing fabricated metal structures and other inputs for the construction industry, such as door and window frames. South African companies apparently try to compensate for the declining demand on the South African market by gaining a larger market share in the Namibian market. One of their strategies is offering lower prices than are available on the South African market. This is not unique to the metal fabrication industry but is experienced by other local industries as well, such as dairy production. The situation needs to be monitored closely to avoid negative impact on the Namibian manufacturing sector. A Namibian company that produces about 13,000 door frames and 11,000 window frames per month has to compete with a South African company that produces about 90,000 and 60,000 frames respectively per month. In consequence, Namibian companies must counteract economic advantages for South African producers that are linked to large-scale production and its economy of scale with other types of competitive advantages. These can include: delivery time, flexible product design according to client specification, lower transport

costs for final products, service packages and after-sales services, payment conditions, production/delivery of small quantities, creating a strong Namibian product branding, client-focused marketing with direct contact with potential and existing clients, functioning key-account-management strategies, etc. In conclusion, the competitive advantage of Namibian metal fabrication companies of all sizes is their flexibility to provide tailor-made products to customer specification, be it on site or in factories. In addition, they are in a better position to provide after-sales services.

Marketing of Namibian products in hardware stores, in particular those belonging to South African retail chains, is often hampered because decisions are taken in South Africa. Some companies are currently in negotiations with hardware stores to sign memoranda of agreement for the supply of their products, while others find it challenging to gain access to the stores. SMEs hardly have access to the decision makers and face challenges convincing them of the quality of their products and the reliability of supply. South African decision makers are often unfamiliar with Namibian producers and therefore reluctant to offer shelf space. The challenge is not limited to hardware stores that are part of South African retail chains; Namibian producers also face stiff price competition from foreign companies in hardware stores, because of their economies of scale. Payment conditions by retail stores also disadvantage local SMEs, which often lack the financial resources to bridge, for instance, 30-day payment terms. It is expected, however, that the launch and implementation of the Namibia Retail Charter, although membership is voluntary, will offer Namibian companies improved access to retail outlets.

Industry stakeholders feel that larger government investment programmes would be useful to support local metal manufacturing. As of now, even if Namibian companies are awarded government tender, final products are often imported rather than procured from local manufacturers. Furthermore, local content requirements agreed upon with foreign investors are not systematically monitored and enforced. Hence, Namibian metal fabrication companies do not yet benefit from government programmes and foreign direct investment to the extent possible. Closer consultations with relevant government institutions about products and services available in the

The competitive advantage of Namibian metal fabrication companies of all sizes is their flexibility to provide tailor-made products to customer specification, be it on site or in factories.



Namibian producers can become more competitive through product differentiation efforts and clear adherence to agreed-upon technical, social and environmental standards.

country and local content requirements for products to meet quality and price expectations are effective ways to support local metal manufacturers, with spinoffs for the whole economy. This would require closer consultation and cooperation among industry stakeholders, which could eventually lead to the creation of an association of metal fabrication companies.

Policy coherence within government can be strengthened in order to achieve the objectives of the overarching Vision 2030, the medium-term NDP4 and the Growth at Home strategy. As envisaged in the new Public Procurement Bill, preference should be given to local companies that also source their inputs locally. State-owned enterprises and private-sector companies should consider emulating this approach.

As mentioned, infrequent demand for certain products limits investment in new technologies, as the equipment will most likely be underutilised once the specific order or project is completed. Since government investment into infrastructure, including offices and housing, is a main driver for the construction sector and therefore for the sector's metal fabrication supply industry, longer-term certainty about government projects (beyond the three-year Medium-term Expenditure Framework) could improve private-sector investment planning and support investment in additional production capacities and new technologies. These investments could stimulate innovation, strengthen the sector's competitiveness and position it well to take on more and larger projects from the private sector too.

Most companies supply the domestic market with occasional exports to neighbouring countries, such as Angola. However, this is not the result of a deliberate export strategy but simply of foreign customers ordering from Namibian manufacturers. While a number of companies, smaller and larger, regard exports to Angola, DRC and Zambia as a future opportunity for construction material and agricultural implements in particular, no company has yet established a firm foothold in these markets. Since the drop of oil prices, the Angolan market appears to have become even more challenging than before, and Namibian companies have received fewer orders.

While it might remain challenging for Namibian producers to compete on prices with foreign companies that benefit from economies of scale at every level of the value chain, Namibian producers can become more competitive through product differentiation efforts. Such efforts could include the brand 'Made in Namibia' through Team Namibia and clear adherence to agreed-upon technical, social and environmental standards.

Standards institutes and testing facilities ensure the safety of final products and hence protect the consumer, and can also level the playing field between competitors by enforcing compliance. The Namibia Standards Institute (NSI) has established a technical committee (TC6) to develop standards for the construction industry. The committee has recently adopted standards for cement and is currently looking into the applicability of the EN Eurocodes for other building materials. While the NSI does not have testing facilities, other institutions such as the University of Namibia and the Namibian University of Science and Technology (previously known as Polytechnic of Namibia) have facilities to test, for instance, the wind and load resistance of roof sheets. However, none of these testing facilities are internationally accredited, and quantity surveyors require SANS-certified material based on South African Bureau of Standards requirements. Material sourced from South Africa is usually certified, but material imported directly into Namibia from elsewhere in the world is not necessarily. It is therefore necessary to develop the local capacity to test imported and domestically produced material and assist in the accreditation of the laboratories in order to level the playing field between foreign and domestic producers. Furthermore, adherence to internationally benchmarked standards will differentiate Namibian products from imported products without approved quality standards.

In addition to product standards, the industry could discuss and implement social and environmental standards that will contribute to the acceptance of the industry in society and ensure its sustainability. Globally and domestically, awareness of environmental standards is growing, as the recently approved Sustainable Development Goals and climate change deal exemplify. The climate change deal has led to country-specific intended national determined contributions outlining the path to a low-carbon future. Although this deal was negotiated between gov-

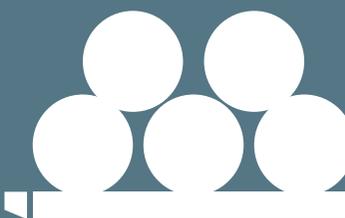
ernments, the private sector and households likewise play an important role in reducing greenhouse gas emissions. The metal fabrication industry should therefore identify ways to reduce input and resource use. Agreeing upon standards will also secure export opportunities in the future, since environmental standards, like social,

sanitary and phyto-sanitary standards, can become non-tariff trade barriers.

Last but not least, there is currently no producer and product directory that can be accessed on the Internet by potential customers, including retail outlets.

Identified Constraints	Identified Opportunities
<p>Difficulties in accessing foreign-owned retail chains (RSA) due to absence of decision makers</p> <p>Difficulties of local manufacturers in convincing retailers of quality and reliability of supply</p> <p>Payment terms of retailers, which are difficult to meet for local SMEs</p>	<p>Improve access to hardware stores and retail outlets through implementing a retail charter and monitoring of progress</p>
<p>Stiff price competition from imported products and difficulties competing on prices in the local market (higher production costs than foreign competitors, lack of economies of scale, SA companies sell at dumping prices in Namibia)</p>	<p>Establish a product differentiation strategy (from cheaper imports) in targeted market segments to be achieved by adherence to agreed-upon technical, social and environmental standards</p>
<p>Lack of information and promotional efforts concerning available quality products and services offered by the industry</p>	<p>Close existing information and promotion gap on currently available local products and suppliers</p>
<p>Use of imported rather than local manufacturing products by public tender-winning (local and foreign) companies</p> <p>Insufficient information on local content requirements and lack of monitoring of compliance</p>	<p>Increase benefits to local manufacturers from government investment projects and FDI projects</p> <p>Take the new Public Procurement Act as an opportunity to discuss and promote more local sourcing</p>
<p>Size of domestic market and unpredictable medium- to long-term demand reduces companies' readiness to invest in new and specialised equipment (machinery and production facilities)</p>	<p>Increase planning horizon for public investment programmes beyond the three-year Medium-Term Expenditure Framework to support investments in additional production capacities and technologies</p>
<p>Lack of product standards and internationally accredited testing facilities</p>	<p>Level the playing field between foreign and domestic producers by developing the local capacity to test imported and domestically produced materials</p>

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Overcoming the skill shortages requires close cooperation and consultation between the industry and the VET sector to ensure that the demand of the labour market is met.

2.4 Service Delivery

A number of support service institutions play an important role in the efficient running of the metal fabrication industry. The institutions range from educational facilities and financial institutions to standards institutions and testing facilities and even the transport sector. The demand for support services is often determined by the size of the business (number of employees and turnover). Larger companies are usually more sophisticated and specialised and hence require a better-educated workforce and more specialised skills in both their production and administration departments. The education sector therefore has a more direct impact on the productivity of their business operations than on smaller companies’.

Productivity and innovation are further constrained by the lack of qualified employees. It is believed that temporary support from foreign professionals as well as foreign students interested in internships could boost innovation in the industry and lead to increased productivity. Experts in metal fabrication could conduct audits of existing machinery and equipment, particularly in micro and small enterprises, to identify the potential for increasing productivity by using innovative, energy-efficient, resource-efficient equipment. The audit should include a review of the production process at large in order to improve its efficiency and productivity and the quality of the final products.

The supply of skilled boilermakers and welders, to mention but two specific needs, from tertiary institutions such as vocational training centres does not meet the demand in terms of quality or quantity. The Namibia Training Authority responsible for vocational training has established 10 industry skills committees (ISCs) that cov-

er a wide range of trades, among them the ISC for Manufacturing, Automotive Sales, Crafts and Arts. The NTA published the Manufacturing & Related Industries Sector Skills Plan in June 2014, and it estimates that the demand for general welders will increase from 300 in 2015 to 400 in 2020, while the demand for coded welders and for boilermakers will each increase from 200 to 300 over the same period (NTA, 2014:17). However, a total of only 63 trainees at the grade three level were enrolled in welding and metal fabrication at three of the seven public VTCs in 2013 (NTA, 2014:24). The report raised concerns regarding the quality of the students as well as the lack of industry involvement in the training, which is in line with the feedback received from the industry.

However, the lack of skills goes beyond metal fabrication workers and includes engineers and technicians as well. This skill shortage increases the cost of maintaining and servicing equipment and machinery, since technicians have to be imported from neighbouring countries, mainly South Africa. Overcoming the skill shortages requires close cooperation and consultation between the industry and the VET sector to ensure that the demand of the labour market is met. Since VTCs often lack advanced equipment for training their students, private-sector companies could offer internships to train VTCs students on their machinery. Currently, companies can claim grants for training their employees, limited to 50% of the training levy paid by the employer; the employer can benefit from another 35% for providing training for prioritised skills. The system was implemented in 2014, and the NTA intends to evaluate the effectiveness of the incentives in 2016. Regular consultations will also ensure that the VTC curricula are in line with the labour market demand.

Identified Constraint	Identified Opportunity
Shortage of specialised skills, especially in larger companies (sophisticated welding, spray painting, laser cutting, etc.), in terms of quality and quantity of workers, engineers and technicians; VTCs’ current offerings do not match industry demand (focus on blue-collar training curricula); experts have to be imported at high cost to service equipment	Get the industry actively involved in overcoming skill shortage

2.5 Business Environment

The Fourth National Development Plan (NDP4) has dedicated a whole chapter to creating a favourable business environment in Namibia. The NDP4 strategic areas include, among others, the institutional environment, education and skills, health, and infrastructure. While some of the plan's high-level strategies are being implemented, others need further attention. Although designed to create an overall conducive environment for the economy, these areas and strategies are also relevant for the growth of the metal fabrication industry in particular. This chapter will not repeat all the interventions proposed in the NDP4 but will highlight areas specifically mentioned as constraints by representatives from the metal fabrication industry. Most of the issues fall under the auspices of the Ministry of Industrialisation, Trade and SME Development, the Ministry of Finance and the Ministry of Labour and Employment Creation.

As mentioned in the constraint analysis, the metal fabrication industry is experiencing difficulties systematically involving foreign knowledge and skills in local skill upgrading and innovation projects. Therefore, industry stakeholders are convinced that by easing the approval of work permits for foreign professionals and foreign students interested in internships, local metal fabrication companies could become more competitive.

In order to stimulate manufacturing activities in Namibia, the government introduced incentives for manufacturers and exporters of manufactured goods in 1993. For manufacturing companies, these include tax incentives such as a reduced income tax rate of 18% for a 10-year period. Companies have to apply for the status to the Ministry of Industrialisation, Trade and SME Development, but the Ministry of Finance must ultimately approve the application. A few companies have confirmed that they have been granted manufacturing status, while a number of companies have applied but have not received any update on the status of the application, let alone a final approval. It appears that the procedures for applying for manufacturer status could be streamlined and shortened in order to provide effective incentives for companies

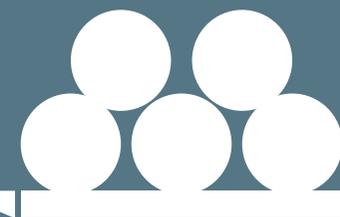
venturing into the manufacturing sector. Government has recently finalised the technical assessment of incentive schemes (Ministry of Finance, 2015:17), this information may be used to begin resolving this constraint.

The government is introducing a new public procurement bill that will provide preferential treatment for goods manufactured in Namibia or works and services provided by Namibian citizens (Government of Namibia, 2015:45). Once gazetted and implemented, the new bill will benefit the metal fabrication sector. However, it is not specific when it comes to sourcing goods by Namibian citizens that provide works and services to government. As reported, contractors involved in government's mass housing scheme source inputs such as roof sheets at least in part from abroad, although roof sheets are manufactured in Namibia. The government can therefore use its purchasing power to encourage local providers of works and services to procure their inputs locally, which would benefit the Namibian economy at large.

Furthermore, local content requirements for foreign companies involved in larger projects, such as developing new mining or infrastructure projects, are reportedly not always adhered to. Foreign companies often have preferred partners and suppliers with whom they have long-established relationships. There are a number of activities Namibian companies could carry out, but it would need the combined efforts of the private sector and government to inform investors about locally available goods and services. The government could consider including meaningful local content requirements in any investment agreements, provided that the quality and prices are in line with regional and international benchmarks.

Companies require certificates of good standing from the Receiver of Revenue (RoR) in order to bid for public tenders. The provision of these certificates is perceived as tedious by companies, and it was suggested to examine the RoR system, in particular concerning value-added tax return forms and RoR records, with the objective to reduce the time involved.

The government can therefore use its purchasing power to encourage local providers of works and services to procure their inputs locally, which would benefit the Namibian economy at large.



An industry association could engage more effectively with various stakeholders, such as government, training institutions, hardware stores, foreign investors, etc.

Customs procedures are cumbersome for material that is being transported to South Africa for processing and re-exported to Namibia. The requirement by the South African customs authorities to pay value-added tax (VAT) in cash, even if the amount will be reclaimed when the goods are returned to Namibia, affects the cash flow of companies. A handling fee is also deducted from the reimbursed VAT. To support regional value chains, these procedures should be revised and simplified.

Functioning financial markets play an important role in channelling financial resources to the most productive areas but also to new and innovative market entrants. Limited access to and high costs of finance hamper the development of small, micro and medium-sized enterprises in particular. This is regularly mentioned as a major constraint to doing business in Namibia, especially by SMEs, despite institutions such as the SME Bank. A number of measures have been introduced in line with the Namibia Financial Sector Strategy, such as the abolition of fees for cash deposits and withdrawals by companies with a turnover of under NAD 1 m. Other instruments, such as a venture fund, a challenge fund and a credit guarantee scheme, are currently being reviewed by the Ministry of Finance. Further new and innovative ways of removing barriers to financial services are needed.

Similarly, access to and cost of serviced land for business purposes is frequently mentioned as a major constraint that hampers investment and business expansion.

Transportation costs depend on the modes of transport used. It is often less expensive to transport heavy cargo such as metal by rail than by road. There is currently no direct railway link between Namibia and the Witwatersrand in South Africa, where most of the steel mills, processors and merchants are located. The NDP4 has identified the promotion of the Trans-Kalahari Railway line as a high-level strategy for Namibia to become a logistics hub. The railway system within Namibia needs urgent upgrading. Parts of the railway lines are dilapidated and/or not up to regional (SADC) standards. SADC standards recommend an axle load of at least 18.5 tonnes, but some bridges

can only carry 13.5 tonnes. The rolling stock (locomotives, wagons) also needs upgrading to increase the reliability of railway services. Fixing the railway network and ensuring compliance with SADC standards is one of the NDP4 strategies under public infrastructure, and both strategies must be pursued, not only to achieve the desired outcomes of the NDP4, but because the economy at large including the metal fabrication industry will benefit from lower transport costs and more reliable transport services. However, any upgrading of the transport infrastructure will benefit the importation of finished products as well.

Looking at the institutional framework conditions in terms of the organisational landscape of Namibia's metal fabrication industry, a number of companies are members of the Namibia Manufacturers' Association (NMA), the Namibia Chamber of Commerce and Industry (NCCI) and/or Team Namibia. While these business associations provide valuable services to their members, they are not always in a position to deal with industry-specific issues. Therefore, metal fabrication companies could consider establishing their own association. An industry association could engage more effectively with various stakeholders, such as government, training institutions, hardware stores, foreign investors, etc. However, any duplication with existing organisations should be avoided. One concern is that multiple memberships can create a financial burden for smaller businesses. Membership fees to NMA start at NAD 760 per annum for companies with a turnover of up to NAD 2 m and increase to NAD 2,100 per annum for companies with a turnover between NAD 2 m and NAD 6 m. Team Namibia charges 0.1% of company revenue as a membership fee, while NCCI membership fees stood at NAD 360 per annum for micro enterprises and NAD 1,500 per annum for small enterprises. In order to ensure affordability for micro and small companies, the current membership fees for existing organisations must be taken into account when deciding on the financing of a new association.

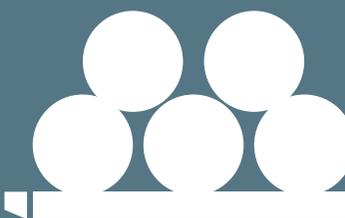
While trade unions as representatives of employees play an important role in the economy because of their collective bargaining power and as contact points for companies to resolve labour issues, the increasing

number of trade unions and consequently the competition between them could become detrimental to the business environment. Clear procedures need to

be in place for trade unions applying to be recognised as the exclusive bargaining agent of an employer so that the process does not become disruptive to the business.

Identified Constraints	Identified Opportunities
Difficulties in systematically involving foreign students and professionals in local skill-upgrading and innovation projects	Ease the process of acquiring work permits for foreign students and professionals
Obtaining manufacturer status involves a slow application and approval process perceived as opaque by industry players; lack of a common, clear definition of manufacturing from MITSMED and MoF	Streamline incentive schemes to attract further investment into metal fabrication; MoF has recently finalised the technical assessment of incentive schemes
Difficulties accessing public tenders with certificates of good standing because of frequent errors/inconsistencies in RoR system (VAT return forms and inconsistencies between RoR records)	Reduce costs and ensure effective use of government procurement power to support Namibian manufacturers
Access to and cost of finance (requirements of collaterals and other barriers)	Explore new and innovative ways and instruments of removing barriers to financial services
Cumbersome taxing and customs procedures; introduction of a 10% duty on imported steel by SA to protect their own steel mills, affecting Namibian metal manufacturers (higher input costs)	Increase political interest in strengthening regional value chains; assess impact of duty on competitiveness of metal manufacturing industry
Lack of reliable and cost-effective railway transport system (for heavy inputs and products); missing direct railway link to Witwatersrand in RSA; urgent upgrading needs for NAM railway system (lines and rolling stock) to meet SADC standards	Implement the NDP4 strategy for railway system upgrading (under public infrastructure)
Industry currently does not have its own representative body; lack of a permanent platform to address industry-specific issues (not always covered by existing business associations such as NCCI, NMA)	Create an industry association as a platform for addressing issues within the VC (such as sourcing and retail), service delivery (skills development/VTC); set affordable membership fees to increase number of members and strengthen influence of MBO.

IDENTIFIED OPPORTUNITIES FOR AND CONSTRAINTS TO INDUSTRY GROWTH



3. INDUSTRY GROWTH STRATEGY



3. INDUSTRY GROWTH STRATEGY

Government has identified the manufacturing sector as one of the priority sectors in the Fourth National Development Plan (NDP4). The strategic initiatives are relevant for the metal fabrication industry as a sub-sector of the manufacturing sector, targeted in Namibia's Execution Strategy for Industrialisation. The strategic initiatives of the NDP4 and the general reforms outlined in Growth at Home are therefore included in the following strategy, in particular those deemed relevant for creating an enabling environment for Namibia's metal fabrication companies.

3.1 Industry Growth Vision

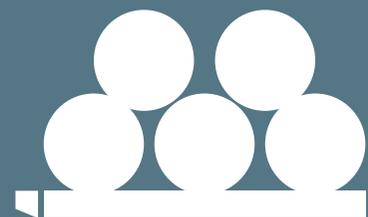
"By 2020, the metal fabrication industry will have become a dynamic player within Namibia's manufacturing sector and a role model for collaborative, innovative and sustainable business practices."

This vision is based on three key success factors:

- Close collaboration between value-chain stakeholders, i.e. inter-firm cooperation to source imports more cost effectively, upgrade local production technologies and add value to and effectively market metal fabrication products made in Namibia; cooperation among metal fabrication companies, providers of essential services for industry growth, ministries and other regulatory and policy-making bodies for improving the overall business environment;
- Innovation, in terms of processes and products;
- Sustainability, in terms of a low environmental impact, social acceptance (through training, adherence to social and environmental standards (incl. labour standards), etc.) and increased backward and forward linkages to the domestic economy.

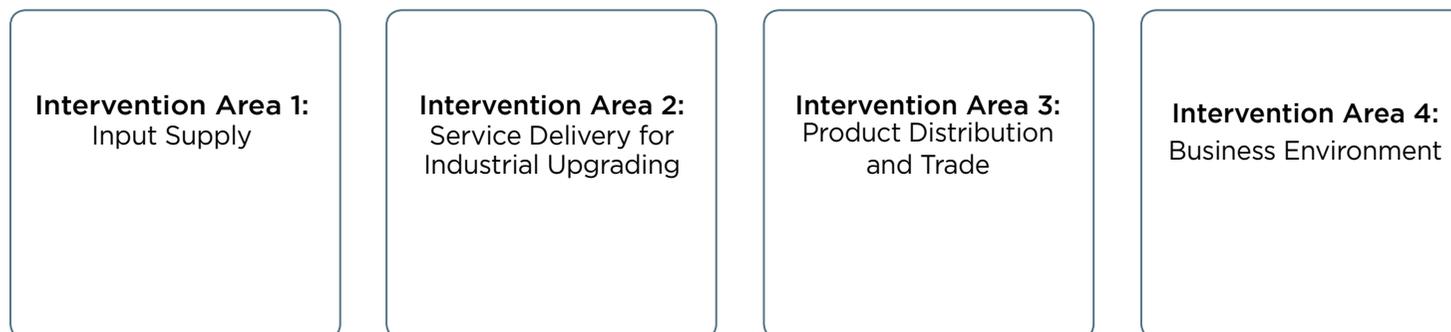
3.2 Industry Growth Indicators and Targets

- Grow the number of employees in the industry by 15% by 2020 compared to the numbers found in the company survey of 2015 and the Annual Labour Force Survey 2014;
- Increase the metal fabrication industry's value addition in constant prices by at least 5.5% annually between 2016 and 2020.



3.3 Strategic Objectives, Indicators and Proposed Interventions

Four core areas are identified where interventions are necessary in order to achieve the outlined industry growth vision by 2020. The change each intervention intends is captured in one strategic objective for each area, while progress made towards each objective is captured through area-specific indicators and targets. Finally, proposed interventions or projects are listed that, if successfully implemented, should ensure that the four strategic objectives and the industry growth vision are achieved by 2020.



Intervention Area 1: Input Supply

Strategic Objective 1:

“Establish effective inter-firm coordination and cooperation in the field of sourcing and reduce the industry’s dependency on imported inputs.”

Indicators and Targets:

- Grow the share of metal fabrication firms participating in and benefitting from collaborative sourcing schemes (Base 2015: 0%; Target 2017: 5%; Target 2020: 10%)
- Reduce sourcing-related costs of metal fabrication firms through sourcing inputs locally and improving supply-chain management and logistics (Base 2015: 0%; Target 2018: 5%; Target 2020: 10%)

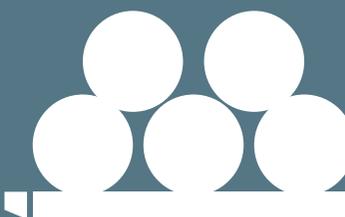
Proposed Interventions:

Int. Num.	Intervention	Expected Result	Proposed Champion(s)
1.1	Implementation of effective and efficient structures for consolidating cargo	<ul style="list-style-type: none"> • Reduced transport costs • Improved competitiveness 	Metal fabrication industry
1.2	Investigation of options for establishing a cost-effective buying house; implementation if deemed viable	<ul style="list-style-type: none"> • Reduced input costs • Improved competitiveness 	Metal fabrication industry
1.3	Establishment of the viability of secondary processing stage (feasibility studies for decoiling and advanced cutting facilities as well as galvanisation)	<ul style="list-style-type: none"> • Increased value adding in Namibia • Reduced input costs • Increased competitiveness • Additional employment • Economic diversification 	MITSMED
1.4	Research on viability and opportunities for steel mill, using domestic and – if available – imported scrap metal (pre-feasibility study)	<ul style="list-style-type: none"> • Increased value adding in Namibia among other things through better scrap metal prices • Reduced input costs • Increased competitiveness • Additional employment • Economic diversification 	MITSMED

Namibian producers often face input cost disadvantages because of lower purchase volumes and higher transport costs compared in particular to South African producers. The private sector will start consolidating cargo from South Africa in order to reduce transport costs. The cooperation will start on a rather informal basis, where Namibian producers contact each other when they order less than a full truckload of products. Over time, the informal approach will be formalised and extended not only to the transport itself but to ordering larger volumes of inputs. Inter-firm cooperation might ultimately result

in the establishment of a buying house that orders from companies abroad on behalf of Namibian producers and arranges transport. The private sector will drive the process and liaise closely with other value-chain operators and institutions at the meso and macro levels, such as the MITSMED.

Establishing more advanced decoiling and cutting facilities in Namibia would not only add more value in Namibia to metal products but could result in lower input costs for Namibian metal fabrication companies. All galvanised





steel products are imported from abroad, as Namibia does not have a galvanisation plant. It is economically not viable to fabricate steel in Namibia and send it for galvanisation to South Africa because of transportation and other costs involved. Finally, Namibian metal fabrication companies rely on steel imports from abroad, since Namibia does not have a steel mill. Currently, Namibian manufacturers benefit from relatively low steel prices, but that situation may change in the medium to long term. Feasibility studies for setting up a decoiling and cutting facility in Namibia as well as for a galvanisation plant will be conducted. At a later stage, the viability of a steel mill in the country could be explored. The MITSMED could take responsibility for conducting the feasibility studies but liaise closely with the metal fabrication industry.

Intervention Area 2: Service Delivery for Industrial Upgrading

The second strategic intervention area addresses the opportunities and constraints that have been identified in the dimensions Production and technology and Service delivery.

Strategic Objective 2:

“Establish effective industry support mechanisms in the fields of skill development, technological upgrading and process and product innovation.”

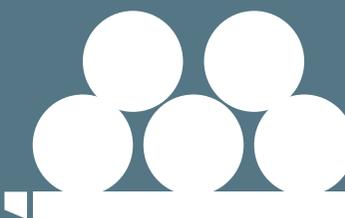
Indicators and Targets:

- Increase the number of VTC students who have successfully participated in job attachment programmes and have acquired critical metal fabrication skills
(Base 2015: 0%; Target 2017: 10%; Target 2020: 50%)
- Raise industry-specific IR&D spending to at least 1% of the industry’s contribution to GDP
(Base 2015: TBD; Target 2017: 0.5%; Target 2020: 1%)
- Increase the number of new manufacturing technologies and metal fabrication products developed and adapted to the Namibian context with active government support
(Base 2015: TBD; Target 2017: 10 new technologies/products; Target 2020: 20 new technologies/products)

Proposed Interventions:

Int. Num.	Intervention	Expected Result	Proposed Champion(s)
2.1	Identification of partner companies for practical training of VTC students in welding, boiler making and other related trades	<ul style="list-style-type: none"> Better-skilled metal fabrication workers Increased productivity 	Metal fabrication industry
2.2	Building and maintenance of network and partnerships between national and international IR&D institutions	<ul style="list-style-type: none"> Increased access to and application of innovative production processes and technologies Innovative products 	National Commission on Research, Science and Technology
2.3	Establishment of an industry think tank for innovation, processes and marketing, feeding into NBII	<ul style="list-style-type: none"> Identification and application of innovative production processes and products 	Metal fabrication industry
2.4	Expert audits of production processes and technologies	<ul style="list-style-type: none"> Improved productivity and product quality Support to innovation 	MITSMED
2.5	Exploration of efficiency potential through outsourcing non-core transformation activities to SMEs	<ul style="list-style-type: none"> Increased efficiency New business opportunities for SMEs 	NCRST
2.6	A National Innovation Competition/National Innovation Prize specifically for the metal fabrication industry	<ul style="list-style-type: none"> Support and incentives to intra-firm RD&I efforts Promotion of innovative metal manufacturing companies 	NCRST/MITSMED
2.7	Inclusion of the metal fabrication industry as a beneficiary of the Industrial Upgrading and Modernisation Programme	<ul style="list-style-type: none"> Modernisation of the industry, resulting in productivity and efficiency gains - innovation Increased competitiveness, additional jobs and new domestic and foreign markets 	MITSMED
2.8	Linking the Equipment Aid Scheme to market demands for products and product/process innovation efforts of metal fabrication SMEs	<ul style="list-style-type: none"> Increased utilisation of equipment Support to innovative business ideas and productivity gains 	MITSMED

INDUSTRY
GROWTH
STRATEGY



The vocational training centres provide basic skills in the trades they offer. However, students still need on-the-job training to equip them with the necessary skills, for instance to operate the equipment and machinery in use. Metal fabrication companies will offer job attachment programmes in close collaboration with the Namibia Training Authority (NTA) to provide the skills required in the industry. The NTA will use the vocational education and training levy to compensate the industry for their contribution to skill development and will review the current maximum repayment of the VET levy to companies providing training in order to ensure that the refund creates strong incentives. The industry and the NTA will consult with the MHA in order to ease access to foreign industry experts (see intervention area 4). The industry will discuss the details of the programme and identify suitable workplaces in 2016. In close consultations with the NTA, the programme will be introduced in 2017. The metal fabrication industry will lead the programme but will work closely with the NTA. If the industry decides to establish its own association, that association will manage the programme.

The Namibian metal fabrication industry shows some innovation by employing advanced production technologies such as laser cutters and producing new products such as light steel frames, palisades and garage doors. However, in order to increase the competitiveness of the industry, more investment into research, development and innovation (RD&I) as well as market research regarding demand shifts is needed. The National Commission on Research, Science and Technology (NCRST) will identify and liaise with national and international RD&I partners in order to infuse more innovation into the industry. The cooperation will include analysing future market trends and developments and capturing and circulating the information. The metal fabrication industry will consider establishing an industry think tank in the medium term, in close consultation with the NCRST and the Namibia Business Innovation Institute.

The inclusion of industry experts to identify more advanced production processes and technologies, including resource-saving technologies, in all sizes of companies will form an

integral part of the interventions in this area. The review will include the identification of processes that could be outsourced to more efficient, specialised companies, in particular to SMEs.

An annual National Innovation Competition and Innovation Prize to be awarded to local process and product innovation champions will be a complementary effective tool for promoting and rewarding RD&I efforts and will showcase innovative industry players as role models. It will also be a marketing instrument to promote new metal fabrication products made in Namibia at home and abroad, in relevant regional export markets and through the winners' participation in trade missions and trade fairs (see intervention area 3).

This set of innovation-related interventions will ensure the sustainability of the industry and increase its market share, ability to capture new markets and overall competitiveness. The NCRST and the MITSMED will identify RD&I partners as well as industry experts in 2016 and will start implementing the programme by 2017.

Upgrading the industry could involve financial resources beyond the capacity of companies and could therefore limit or prolong the process. The MITSMED has implemented the Industrial Upgrading and Modernisation Programme (IUMP) and pledged to support 10 companies with a maximum of NAD 7.5 m. So far, the IUMP does not include the metal fabrication industry. The MITSMED will extend the IUMP to the metal fabrication industry and increase the number of targeted beneficiaries as well as the financial allocation. This is justified, as the metal fabrication industry has been prioritised under the Growth at Home strategy. The MITSMED will include the industry in the programme in 2016 and allocate additional funds to the IUMP for the MTEF period starting 2017/18.

The MITSMED will consider to strengthen its support to metal fabrication SMEs through the Equipment Aid Scheme, and review processes to ensure effective support to innovative business ideas.

Intervention Area 3: Product Distribution and Trade

Strategic Objective 3:

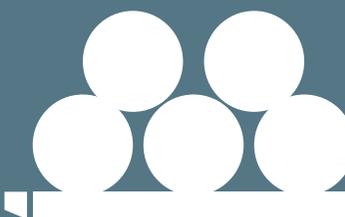
“Increase the share of Namibian metal fabrication products in key market segments at home and abroad with effective marketing, standardisation and trade support measures.”

Indicators and Targets:

- Increase the value of locally produced goods supplied to the public and retail sectors by 10% per year between 2016 and 2020 (Base 2015: TBD; Target 2017: +20%; Target 2020: +50%)
- Increase the overall value of local metal product sales to selected sectors of the Namibian economy (construction, agriculture, fisheries, transport and mining) by at least 25% between 2016 and 2020 (Base 2015: TBD; Target 2017: +10%; Target 2020: +25%)
- Grow the value of exported metal fabrication products (excluding re-exports) beyond manufactured exports at large (by 2020) (Base 2015: TBD; Target 2017: +x% (TBD); Target 2020: +y% (TBD))

Proposed Interventions:

Int. Num.	Intervention	Expected Result	Proposed Champion(s)
3.1	Regular updating & publishing (online, electronic and hard copies) of the producer and product directory	• Information about available producers, products and services easily accessible to domestic and foreign investors and the public at large	MITSMED
3.2	Promotion of Namibian metal fabrication products and production capacities via different social media	• Increased awareness about Namibian products among potential customers	Team Namibia
3.3	Promotion of Namibian metal fabrication products via domestic and regional trade fairs	• Increased awareness about Namibian products among potential customers	MITSMED
3.4	Investigation, development and implementation of domestic content requirements for procurement by the public and private sectors	• Increased demand for locally produced goods	Procurement Policy Unit
3.5	Increase in government procurement of locally produced goods (NDP4)	• Increased production, employment and investment with spinoffs for upstream and downstream industries	Procurement Policy Unit



Int. Num.	Intervention	Expected Result	Proposed Champion(s)
3.6	Implementation of Retail Charter and monitoring of impact	<ul style="list-style-type: none"> Improved access to retail trade space 	Namibia Trade Forum
3.7	Exploration of export potential through use of MITSMED trade/business centres planned in Angola, DRC and Republic of the Congo	<ul style="list-style-type: none"> New export markets 	MITSMED
3.8	Support to market studies to explore new product lines such as guard rails, metal poles, etc.	<ul style="list-style-type: none"> Increased domestic value addition and employment Diversification of export potential 	MITSMED/Metal fabrication industry
3.9	Creation and implementation of an information-gathering system and network covering market (national, regional and international) trends and developments	<ul style="list-style-type: none"> Improved decision making Quicker response time to market developments and new opportunities 	MITSMED/Metal fabrication industry
3.10	Development of national quality standards and certification requirements for the metal fabrication industry	<ul style="list-style-type: none"> Quality certifications Improved reputation and increased acceptance by various markets Potentially better prices Better branding 	Namibia Standards Institute
3.11	Definition and implementation of social and environmental industry standards for the metal fabrication industry	<ul style="list-style-type: none"> Product differentiation Preferential treatment in tender processes 	Metal fabrication industry

Visibility of the local metal fabrication industry to domestic and foreign customers (including foreign investors) is a pre-requisite for the growth of the industry through increased market penetration and sales. The industry's visibility will be increased through compiling and regularly updating a producer and product database that captures basic information about companies and the products they offer. The database will be available online to ease access to the information from everywhere. Furthermore, the industry's capacity will be promoted through various media, including social media and industry directories, as well as through the industry's systematic inclusion in national and regional trade fairs.

Government is implementing a new procurement bill that will provide preferential treatment to domestic companies and

domestically produced goods and services. However, the preferential treatment of Namibian companies in the tender process does not automatically result in increased demand for locally produced goods, since a company awarded a tender can still source the inputs from outside the country. Furthermore, the commitment to source locally to the extent possible should include private-sector companies and state-owned enterprises as well. Finally, investors often promise a certain share of local content in the implementation of their investment plans. However, verification of compliance with the local content stipulations needs to be strengthened. Government will implement and monitor the impacts of the new procurement bill. To maximise the benefits for Namibian companies, the Procurement Policy Unit in the Ministry

of Finance will investigate the options for local content requirements for public and private investment plans and for monitoring tools of compliance. The local content requirements will be clearly articulated in negotiations with domestic and foreign investors.

A number of industries in the private sector have signed or are about to sign voluntary declarations, such as the Retail Charter, the Mining Charter, the Financial Sector Charter, etc. However, so far there has been very little follow-up on the impact of these declarations. In particular, SMEs often struggle to access shelf space in hardware stores, owing to various factors including the procurement procedures and decision-making processes of the often foreign-owned hardware chains. The Namibia Trade Forum (NTF) has spearheaded the formulation of the Retail Charter in close consultation with the retail sector. The Retail Charter aims at easing access to shelf space for local producers and thereby increasing the demand for locally produced goods. The Retail Charter will be implemented as of 2016. It is therefore important to identify champions within the private sector who implement these declarations and make an effort to source locally. The NTF will implement and monitor the impact of the Retail Charter on the metal fabrication industry.

Successfully implementing the interventions will result in increased demand for locally produced goods and will attract investment into new production technologies and additional production capacities. This in turn will have positive spinoffs for possible upstream developments, such as a decoiling and cutting plant.

Namibian metal fabrication companies have only sporadically exported their products to neighbouring countries or beyond the region. The MITSMED is considering to construct trade/businesses centres in Angola, the Democratic Republic of the Congo and the Republic of the Congo that will be used to store and showcase Namibian products. The ministry will explore the export potential of these markets and investigate the possibility of using these warehouses as entry points into new export markets for the metal fabrication industry. Successfully implementing this intervention will diversify the industry's markets and reduce its vulnerability from reliance on the domestic market.

The metal fabrication industry covers a growing range of products. However, there are still a number of products that are exclusively imported from abroad. The MITSMED and

the metal fabrication industry will identify additional products that could be produced in Namibia, such as down flows, guard rails and metal posts, and conduct market studies to establish whether producing these items domestically would be economically viable. The results of the market studies will be disseminated to industry stakeholders (via their association) and used in the previously mentioned product-development and process-innovation support schemes.

Imported metal products from South Africa usually adhere to the South African National Standards enforced by the South African Bureau of Standards. The Namibian Standards Institute (NSI) has recently developed standards for the cement industry and is currently developing standards for the construction industry, which is a major user of metal fabrication products. However, there are currently no internationally accredited facilities in Namibia to test products. Therefore, imported products' compliance with international standards cannot be taken for granted. The NSI should develop standards for the metal fabrication industry; they should be applied to imported and local products to guarantee safety, protect local consumers and prevent inferior, non-compliant import products from being marketed in Namibia.

Furthermore, the metal fabrication industry will agree on and implement social and environmental standards to contribute to a low-carbon economy (among other things) and support the government's intended nationally determined contributions as well as the Sustainable Development Goals, for instance Goal 12, which commits countries to sustainable consumption and production patterns. The NSI will develop standards for the metal fabrication sector and will spearhead the development of testing capacities. It will furthermore assist testing facilities to comply with international standards and facilitate their accreditation. The metal fabrication industry will develop social and environmental industry standards that members will comply with.

Compliance with these national and industry-specific standards will distinguish Namibian products from imported products and ensure customers and end consumers of a certain standard. It will increase the industry's competitiveness through product differentiation. Overall, compliance with social and environmental standards will increase the industry's acceptance in the society and economy, secure potential export markets and ensure the industry's overall sustainability.



Intervention Area 4: Business Environment

This area combines proposed interventions to promote information exchange, coordination and cooperation among direct industry and stakeholders of the associated value chains, on the one hand, and with indirect stakeholders that perform support and regulatory functions on the other. Effective interaction at both levels is considered a key success factor to an enabling business environment and sustainable growth for the metal fabrication industry.

Strategic Objective 4:

“Create an institutional and regulatory environment conducive to industry growth by means of improved communication and coordination between private and public industry stakeholders.”

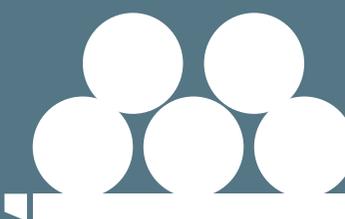
Indicators and Targets:

- Grow the share of metal fabrication companies participating in at least one industry-specific event and/or industry-led cooperation initiative per year to 50% by 2020
(Base 2016: 0; Target 2017: 25%; Target 2020: 50%)
- Reduce the number of critical bottlenecks in the regulatory framework and overall business environment between 2016 and 2020 by at least five (one per year)
(Base: 0; Target 2017: 2; Target 2020: 5)

Proposed Interventions:

Int. Num.	Intervention	Expected Result	Proposed Champion(s)
4.1	An inclusive industry meeting to discuss forms of better communication and closer cooperation within the sector.	<ul style="list-style-type: none"> • Closer cooperation and improved flow of information within the industry • More dynamic industry 	Metal fabrication industry
4.2	Determination of a business model for and required services of a possible industry association	<ul style="list-style-type: none"> • Decision concerning industry association and potential structure thereof 	Metal fabrication industry
4.3	Depending on outcome from 4.2, establishment of sector association	<ul style="list-style-type: none"> • Closer cooperation and improved flow of information within the industry • More dynamic industry 	Metal fabrication industry

Int. Num.	Intervention	Expected Result	Proposed Champion(s)
4.4	Regular meetings with all relevant stakeholders in the metal fabrication value chain	<ul style="list-style-type: none"> Improved coordination across the value chain, leading to improved efficiency for all 	Namibia Trade Forum
4.5	Streamlined access to foreign skills as a short-term measure to enable industries to operate optimally (NDP4)	<ul style="list-style-type: none"> Improved access to required skills 	Ministry of Home Affairs and Immigration
4.6	Streamlined application process for manufacturer status	<ul style="list-style-type: none"> Companies are granted benefits at the beginning of operations, when they are needed most 	MITSMED/MoF
4.7	Review of the incentive regime, with a view to streamlining and linking it to prioritised industries, including metal fabrication	<ul style="list-style-type: none"> Increased investment in metal fabrication and related industries 	MoF
4.8	Ensuring of accurate VAT records	<ul style="list-style-type: none"> Reduced administrative costs Eligibility for public tenders 	Receiver of Revenue
4.9	Improved access to and reduced costs of financial services (NDP4)	<ul style="list-style-type: none"> Reduced capital costs Lower entry barrier for start-ups 	Bank of Namibia
4.10	Finalisation, implementation and monitoring of new financing instruments, such as the Venture Fund, Challenge Fund and Credit Guarantee Scheme	<ul style="list-style-type: none"> Reduced capital costs Lower entry barrier for start-ups 	Bank of Namibia
4.11	Improved access to and reduced costs of serviced land for business services (NDP4)	<ul style="list-style-type: none"> Reduced capital costs Lower entry barrier for start-ups 	Ministry of Urban and Rural Development
4.12	Upgrading of the railway network to comply with SADC recommendations (NDP4)	<ul style="list-style-type: none"> Companies benefit from reduced transport time and costs 	Ministry of Works and Transport
4.13	Upgrading of rolling stock	<ul style="list-style-type: none"> Companies benefit from increased reliability and lower costs 	TransNamib
4.14	Review of viability of Trans-Kalahari Railway (NDP4) and increased efficiency of the TransNamib railway system	<ul style="list-style-type: none"> Companies benefit from reduced transport costs 	Ministry of Works and Transport



The metal fabrication industry consists of a range of companies diverse in size, product range offered, years in operation and location. A number of companies are members of various business support organisations such as the Namibia Manufacturers' Association, the Namibia Chamber of Commerce and Industry and/or Team Namibia. The metal fabrication industry itself, however, is unorganised, which limits its influence on the regulatory environment and policy issues. The proposed interventions for improving institutional framework conditions build on some of the proposed interventions for collaborative sourcing, production and marketing practices, namely industry collaboration in order to consolidate transport cargo. Informal cooperation to consolidate cargo could be used as a starting point for a formalised cooperation. The industry will organise an inclusive industry meeting and discuss forms of closer cooperation and possible business models thereof. Closer communication and cooperation within the industry will create a more dynamic and innovative industry and will therefore contribute to achieving the strategic objectives of intervention areas 1-3.

The growth of the metal fabrication industry relies not only on the industry itself but also on cooperation with all other stakeholders along the value chain, including suppliers, customers, service providers and regulators. A lack of communication and consultation between the stakeholders currently limits the industry's efficiency. The proposed industry association therefore would play an important role in regular consultations with other stakeholders to address the challenges metal fabrication companies currently face. However, even before establishing a formal association, the industry could start consultations with other stakeholders using the steering committee structure of the present growth strategy as a starting point. Regular consultations will result in improved efficiency not only for the metal fabrication industry itself but across the entire value chain.

The Namibian Government has introduced incentives for manufacturing and exporting companies. The application has to be approved by the MITSMED and thereafter the MoF. Some metal fabrication companies have benefitted from the incentive scheme, while others have applied but have given up following up on the status of their applications after some time. The MITSMED will champion the

review of the current application process for manufacturing and export status and propose binding timelines in the application process. The review will ensure that applicants receive regular feedback on the status of their applications and that final decisions are made within a reasonable period of time that takes into account the importance of granting the status for the commencement and/or continuation of the business. When an innovative metal fabrication company ventures into a new product line, this should be considered and treated as a different business. Furthermore, government will finalise the overall review process of the incentive regime and target it towards prioritised industries. These incentives do not necessarily need to be financial and can include other support mechanisms.

Despite the widely acknowledged skill shortage in the country, it remains challenging to import skilled labour from outside Namibia to support capacity development and innovation in the industry. Therefore, along with implementing the interventions regarding skills development, industrial upgrading and innovation, the industry will consult with the MHA and the MITSMED on how to ease access to foreign industry experts.

To qualify for public tenders, a company must provide a certificate of good standing from the Receiver of Revenue (RoR). However, the VAT records at the RoR are not always accurate, which prevents companies from participating in public tenders even though they do not have outstanding tax payments. The RoR will review the system of updating tax records and ensure that the records are always accurate and updated in a timely fashion. Companies will benefit from reduced paperwork and fewer resources spent on correcting the records, and they will be able to bid for public tenders.

For SMEs in particular, access to and cost of finance often rank among the main challenges in Namibia. Namibia's ranking in 'Getting Credit' dropped from rank 15 (2010) to rank 61 (2015) according to the World Bank's Doing Business Report. The Bank of Namibia will continue implementing the Namibia Financial Sector Strategy, which aims at addressing this challenge, among other things. As part of the strategy, the Bank of Namibia will finalise studies into new financial instruments such as a venture fund, a challenge fund and a credit guarantee

scheme. The proposed interventions will diversify financial instruments and thereby improve access to the funds that new and existing businesses most need. It will also reduce costs of capital and thereby reduce entry barriers for new businesses.

Like access to and cost of finance, access to and cost of serviced land are among the main obstacles for businesses. The Ministry of Urban and Rural Development will continue exploring avenues to accelerate land servicing for residential and business purposes in a way that supports and increases Namibia's attractiveness for domestic and foreign investment.

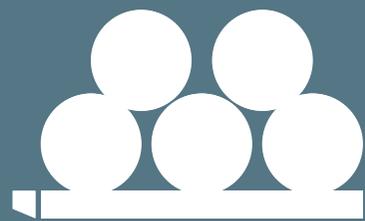
Metal products are often heavy, in particular the inputs. This makes the railway ideal for transport. Namibia's entire railway system needs to be rehabilitated and up-

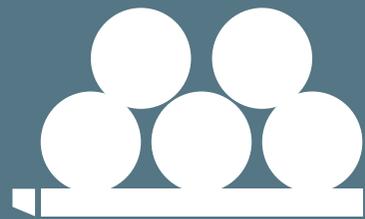
graded to cope with additional transportation demand. The proposed interventions build strongly on the NDP4 Strategic Initiatives. Compliance with the SADC standards for railway transportation needs (axle load, average speed, etc.) will be ensured, and the rolling stock will be upgraded. Currently, only one railway line links Namibia to South Africa, specifically to the Cape Province. Therefore, there is a need to establish the feasibility of the proposed Trans-Kalahari Railway link. More efficient transport systems will reduce transportation costs for Namibian companies and could result in higher profits and/or lower prices. While some of the proposed interventions are underway, regular consultations with the institutions involved will ensure that the interventions receive the necessary attention and remain on track. The responsibility for upgrading and extending the railway lines rests with the Ministry of Works and Transport, and with TransNamib for upgrading the rolling stock.



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