

Republic of Namibia

**Data Collection Survey on  
the Namibia – Japan High-level  
Forum on Economic Development in  
Republic of Namibia**

**Final Report**

October 2011

Japan International Cooperation Agency (JICA)

International Development Center of Japan Inc.  
(IDCJ)

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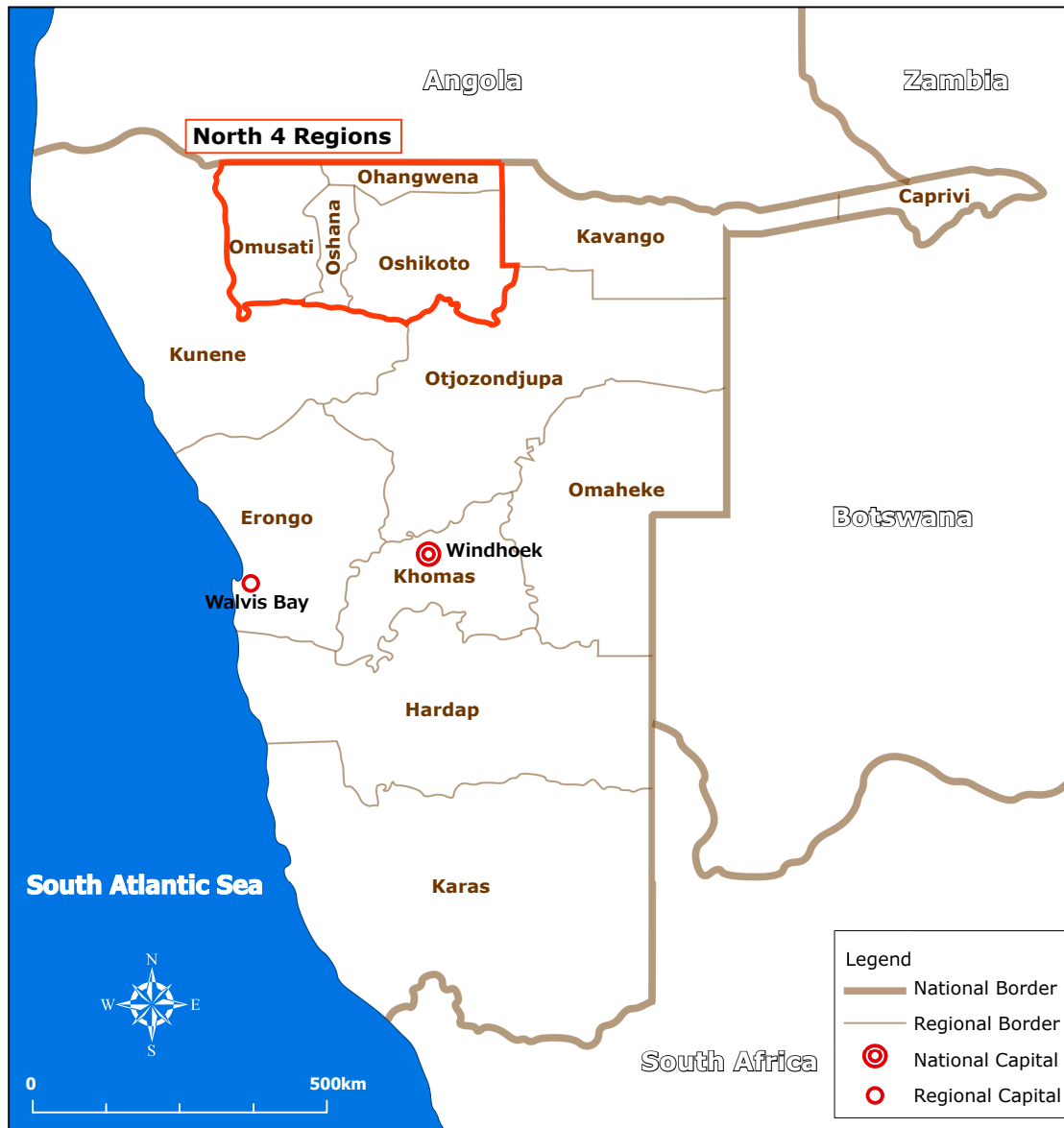
The following exchange rate is applied to this report.

1 US Dollar = 81.70 Yen

1 US Dollar = 6.79 Namibia Dollar

(Average rate during April to June 2011)

Disclaimer: The views expressed in this report are those of the study team, and do not necessarily represent those of JICA or JICA policy.



**Republic of Namibia and Study Area**

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Data Collection Survey on the Namibia – Japan High-level Forum  
on Economic Development in Republic of Namibia

Final Report

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Republic of Namibia and Study Area

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## **Abbreviations**

CBT	Community Based Tourism
CPD	National Continuous Professional Development System
DRC	Democratic Republic of Congo
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
JB	Johannesburg
JICA	Japan International Cooperation Agency
MAWF	Ministry of Agriculture, Water and Forestry
MCA	Millennium Challenge Account
MET	Ministry of Environment and Tourism
MOF	Ministry of Finance
MPWT	Ministry of Works and Transport
MRLGH	Ministry of Regional and Local Government and Housing
MTI	Ministry of Trade and Industry
NDP3	Third National Development Plan
NPC	National Planning Commission
NTA	Namibia Training Authority
NTB	National Tourism Board
OSBP	One Stop Border Post
PPIAF	Private Provision of Infrastructure Advisory Service
SADC	Southern Africa Development Community
TEU	Twenty-foot Equivalent Unit
UNAM	University of Namibia
UNDP	United Nations Development Programme
WB	Walvis Bay

## **1. General**

### **1.1 Background to the Survey**

#### **1.1.1 High Level Policy Dialogue Forum for Namibia-Japan Cooperation**

The relations between Namibia and Japan have been good ever since 1990, the year of independence of Namibia. Since then, there have been some cooperation activities focusing on “economic growth” and “improvement of livelihood in rural areas.” On October, 2007, Mr. Pohamba, President of Namibia, visited Japan and requested Japan to consider expansion of cooperation between two countries. In 2008, Japan International Cooperation Agency (JICA) formed the Task Force to explore farther potentials of economic cooperation between Namibia and Japan. In this context, JICA had sent "JICA Mission on the Economic Development" to Namibia several times. Through discussions between Mr Pohamba, President of Namibia, and "JICA Mission", it had been agreed to form a "Namibia-Japan High-level Forum on Economic Development". The Forum is expected to be a place to discuss development priorities, strategies and plans of action for Namibia-Japan cooperation. The National Planning Commission Secretariat of Namibia has been appointed to be the secretariat of the Forum by the President.

#### **1.1.2 Further Challenges**

After several visits of the JICA Mission to Namibia, the Task Force had come up with three working hypotheses for development strategies as explained in Table 1. These hypotheses, however, were still very preliminary in nature, and thus there was a need to compile more detailed information and data to examine the validity of the basic assumptions. Given such understanding of Namibia, it was also expected to draw a refined idea of development strategies for Namibia that could be a starting point of discussion in the Forum. In this regard, JICA decided to send the present Study Team to Namibia to collect "Basic Information for Namibia-Japan Economic Development Cooperation".

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**Table 1 Working hypotheses and outline of assumptions to examine**

Hypotheses	Preliminary assumptions to examine
Hypothesis 1: Industrial (agro-based) development of Northern Area	"Introduction of commercial crops to small scale farmers is effective to induce industrial development in the Northern communal land areas."
Hypothesis 2: Comprehensive development of Greater Walvis Bay Area	"Development of Greater Walvis Bay Area induces port/logistics related activities and is effective to create a growth core in the country."
Hypothesis 3: National investment and industrial development promotion policy	"Appropriate national investment and industrial development promotion policy will induce more FDIs and thus create job opportunities in the country"

## **1.2 Objectives and outputs of the Survey**

The objectives of the Survey are to:

- Collect basic information to examine validity of the three working hypotheses of development strategies (see Table 1). These hypotheses will be part of the agenda for "Namibia-Japan High-level Forum on Economic Development".
- Identify key factors and issues to consider in formulation of economic development strategies for Namibia that will be the starting points for discussion of future Namibia-Japan cooperation in the respective fields of development.

Expected outputs of the Survey are the following items:

- Collection of up-to-date basic data and information related to examination of 3 hypotheses.
- Collection of documentation on current policy priorities and measures taken by the Namibian Government regarding the key issues,
- Information on business strategy and priority areas of investment by private sector with references to 3 hypotheses.
- Collection and review of results of recent cooperation projects by donor countries and international agencies related to the 3 hypotheses, and,
- Confirmation of long-term priority issues, areas, and potentially applicable resources of cooperation by Japan.



### **1.3 Survey Area**

The major target Area of this study includes the Northern Area (Ohangwena, Oshikoto, Omusati, and Oshana), Walvis Bay Area, and Windhoek. Some key information on South Africa and Angola is collected and reviewed as well.

### **1.4 Ministries and Authorities of the Namibian Government that are involved**

The outputs of the Survey will be used by the "Namibia-Japan High-level Forum on Economic Development" as inputs. Therefore, the National Planning Commission Secretariat, Office of the President, which will also be assigned as the secretariat of the Forum, is most closely involved with the Survey.

Since the Survey and the Forum are going to handle a wide area of economic activities and development policies, the following ministries of which ministers are members of the National Planning Commission are also involved:

- Ministry of Trade and Industry (MTI)<sup>1</sup>,
- Ministry of Agriculture, Water and Forestry (MAWF),
- Ministry of Finance (MOF),
- Ministry of Public Works and Transport (MPWT), and
- Ministry of Regional and Local Government and Housing (MRLGH).

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<sup>1</sup> Since MTI is a coordinator of the "Commission on Trade and Economic Development", closer coordination is needed during implementation of the Survey.

## 2. Development Scenario for Namibia: Promoting a key industry for National Economic Development

### 2.1 SWOT analysis of Namibia

Figure 1 indicates strengths, weaknesses, opportunities and threats for Namibia compiled by the study team through data and information collection. These items are compiled in the following sections.

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>■ Good location from the point of economic geography (WB Port)</li> <li>■ Good access to inland countries</li> <li>■ Abundant mineral resources</li> <li>■ Steady financial balance and current account</li> <li>■ Rich tourism resources</li> <li>■ Political stability, limited corruption</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>■ Small domestic market</li> <li>■ Shortage of skilled labour</li> <li>■ Limited capacity of ports</li> <li>■ Low qualified railway service</li> <li>■ Lack of self-analysis and strategies for economic development</li> </ul>
<ul style="list-style-type: none"> <li>■ Economic development at SA, Angola</li> <li>■ Mineral resource development at inland countries</li> <li>■ Economic integration of SADC members</li> <li>■ Deepening economic relation between southern Africa and Asia</li> </ul>	<ul style="list-style-type: none"> <li>■ Infrastructure development of rivals (having ports, connecting inland countries)</li> <li>■ Drop of mineral resource price</li> </ul>
<p><b>Opportunities</b></p>	<p><b>Threats</b></p>

Source: Study Team

**Figure 1 SWOT Analysis of Socio Economy of Namibia**

**Strengths:** Walvis Bay, which has the potential to be a hub port on the western side of the African continent, and has good access to inland countries is a strength for Namibia. There is a favourable fiscal balance and current account due to rich natural resources such as diamonds and uranium. This is an advantage in terms of mobilizing capital resources for economic development. Having tourism resources like natural parks and wildlife, and a certain existing tourism market are important from the point of tourism development. Lastly, a stable political situation and limited corruption are advantages for doing business in this country.

**Weaknesses:** It is difficult to introduce an industrial development strategy with import substitution due to the limited population (population of 2 million) and small domestic market.

There is a shortage of skilled labour due to the small population size, problems regarding basic education and restriction for foreign workers. The limited capacity of ports and deficiency in railway service (taking a long time and high cost) are becoming a bottleneck for development of industries in the inland area (An example is copper smelting in Tsumeb). In addition, the Namibian Government has a limited capacity for analysing socio-economic conditions and formulating an economic and industrial development scenario, and has not prioritized resource allocation and investment to date.

**Opportunities:** South Africa and Angola, which have larger populations have started rapid economic development, and are generating substantive economic markets. In addition to that, inland countries such as Zambia, Democratic Republic of Congo and Botswana are accelerating mineral resource export out of Africa. This is an opportunity for Namibia in terms of transporting the resources and materials which are used for mining. If these countries achieve economic development due to mining, it is possible to transport consumer goods to these countries in the future. It is also expected that there will be an increase in demand from Zimbabwe due to restoration and development in the medium or long term perspective. It is expected that lowering the trade barrier with neighbouring countries and development of infrastructure such as transport and electric power will benefit the southern African region in the process of the economic integration of SADC.

**Threats:** Countries such as South Africa, Angola, Mozambique and Tanzania, which have the same advantage in economic geography (good ports and access to inland countries), may expand transport infrastructure quicker, and develop logistics business earlier than Namibia. If this happens, it would mean that Namibia may lose the logistics market mentioned in the previous section. The other threat for Namibia is the weak market situation regarding mineral resources. If the mineral resource price drops, Namibia cannot provide financial resources for economic and industrial development due to a decline in fiscal balance and current account.

## **2.2 Constraints for Economic Development**

Observing SWOT analysis and the history of economic development, Namibia has the following constraints for economic development.

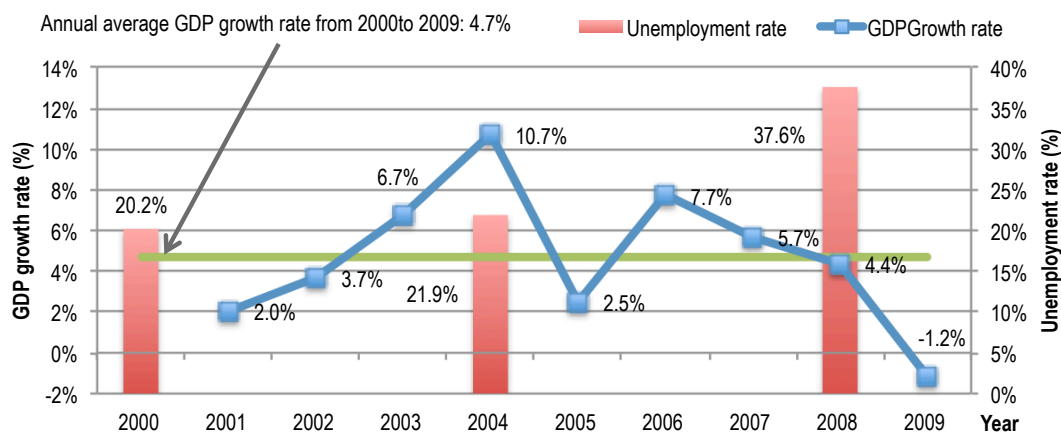
### **2.2.1 Weak employment generation by existing industry**

Industries which necessarily are located in Namibia, and also are competitive are diamond mining, uranium mining, fishery and fish processing. These industries contribute to national economic development but employment generation of these industries is limited. In particular,

employment by the mining industry is limited. In Namibia, the annual average GDP growth rate was recorded as 4.7% from 2000 to 2009, however, the unemployment rate has increased from 20.2% in 2000 to 37.6% in 2008. Addressing the increasing unemployment rate is the most important economic and social issue for the Namibian Government.

The fish processing industry is labour-intensive, and has the potential to generate more employment. However, it is difficult to expand the industry in order to maintain sustainable utilization of marine resources. Fish catches have been strictly controlled by Total Allowable Catch since the 1990s.

These industries continue to be important for economic development and especially as immediate sources of foreign currency earning. However, it is necessary to develop new industries that are more conducive to job creation. In addition to that, excessive reliance on natural resources would make an economy volatile and be a bottleneck for future economic development. For example, after the “Lehman Shock” in 2008, diamond production has significantly dropped in Namibia.



Source: National Accounts 2000–2009, CBS; NLFS 2008, Ministry of Labour and Social Welfare

**Figure 2 GDP Growth Rate and Unemployment Rate in 2000's**

### 2.2.2 Small population size and low performance of labour force

The small population size of Namibia, which brings about a small labour market and a small consumer market, is the most serious constraint for economic development. A typical model of development economics is to accumulate capital through agricultural development, and to invest the domestic capital and foreign capital in the industrial sector. In the first stage, these are invested in labour-intensive light industries, and it will change to more capital-intensive industries in the next stages. In addition to that, industrialization with import substitution is often observed. However, introduction of such a development scenario is not realistic for Namibia.

What is more, most business managers pointed out the low performance of the labour force and difficulty in hiring management level workers and skilled labourers in interviews with the Study Team. The first reason for the situation stems from the low quality of basic education<sup>2</sup>. Therefore business enterprises have difficulties in recruiting appropriate persons in spite of the high rate of unemployment. It is necessary to improve the quality of basic education to address this point. However, it takes a long time to realize the benefit of the improvement.

The second reason of the situation is the strict control of foreign workers. Due to the limitation regarding recruitment of foreign workers, skilled labour is in short supply and the wage level stays high. As a result, business enterprises have to pay high wages to the limited number of Namibian workers available who possess suitable skills.

The third reason for the situation is the well-developed worker protection system. Business enterprises have to carry the cost for the social security system when they have long-term employment agreements with their employees. It is difficult for the enterprises to dismiss their employees. The wage level is high compared with the output and skills of workers. Therefore, the enterprises tend to limit long-term employment, and to augment their labour with short-term contract workers.

It is not easy to relax the strict control over foreign skilled workers and the worker protection system. That is why it is difficult to attract foreign capital by promoting a cheap and qualified labour force, which is a typical investment strategy in Asian countries<sup>3</sup>.

### **2.2.3 Economic relationship with South Africa**

South Africa is the biggest origin of investment for Namibia, and accumulated investment from South Africa accounts for 80% of the accumulated amount. However, it is important to understand that investment from South Africa is conducted from the viewpoint of traditional economic relations between the two countries. Namibia is a consumer market or source of natural resource development for South Africa. Almost all of the investments from South African companies comprise of large-scale supermarket chains, banks, hotel chains and natural resource development, and it could be said that investments from South Africa have developed the current economic structure of Namibia. On the other hand, South African companies have not invested in the manufacturing industry which will change the economic structure of Namibia to date.

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<sup>2</sup> For example, some of business managers pointed out that education in mathematics is not enough.

<sup>3</sup> An example of RAMATEX tried to follow the Asian investment strategy. The large-scale garment factory could not be sustained in Namibia due to conflicts with workers and some problems.

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South Africa does not have enough accumulation of manufacturing so as to transfer a part of its manufacturing base or production process. Since employment generation is also one of the issues in South Africa, expansion of production capacity and employment generation inside of the national territory is necessary for South Africa.

In order to change the existing economic relationship with South Africa, Namibia has to change its economic structure by itself. What is more, Namibia has to disseminate such change globally to potential investors.

#### **2.2.4 Deficiencies of the development strategy and development scenario which should be shared between the public sector and private sector**

National development plans and economic development plans do not have a practical development strategy and development scenario in Namibia. Vision 2030 showed a target, “Namibia will be a developed industrial economy by 2030”, but does not indicate how to achieve this target. The Third National Development Plan (NDP3) and the Targeted Intervention Program for Employment and Economic Growth (TIPEEG) show lists of projects and their objectives and effects but a development scenario which is a basis for the projects was not clear. Therefore, investment projects are across a broad sector and ad-hoc, and priorities regarding national development are not clear. Dialogue between the private sector and public sector is not very active and limited to specific subjects, and the private sector and the public sector do not share the same vision for future economic development.

An idea on expansion of manufacture for export was given attention as a development scenario, but the idea did not reflect resource availability in Namibia (small labour market and low performance of labour force), and was not sustainable. After that a clear development scenario has not yet been presented.

It is necessary for Namibia to prepare a clear economic development scenario based on the analysis of its socio-economic characteristics. It is expected that both the private sector and public sector should share the development scenario, and do investment and commercial activities based on the development scenario.

### **2.3 Opportunities for Economic Development**

#### **2.3.1 Good location and access to inland countries**

Walvis Bay Port has the potential to be one of the most important hub ports on the western coast of Africa. Depth of water and stable climate are advantages for Walvis Bay Port while containerization and rapid growth are experienced in overseas shipping business. Offices of

three of the top shipping companies in the world are located in Walvis Bay. Container handling volume at Walvis Bay Port accounted for 250,000 TEU in 2010, after increasing fivefold in the last five years. The JICA Preparatory Survey which was completed in March 2010 forecast that handling volume would increase to 810,000 TEU by 2025. However, if growth in size would continue and the expansion project of the container terminal would be conducted as scheduled, this handling volume could be achieved ahead of the schedule.

In addition to that, development of corridors from Walvis Bay to Zambia, DRC, Zimbabwe (Trans–Caprivi Corridor or Walvis Bay–Ndola–Lubumbashi), and to Angola (Trans-Kunene Corridor) have already been completed and limited corruption enables Namibia to access these inland countries rapidly. Time for unloading and loading container cargo is only 24 hours at Walvis Bay<sup>4</sup>, and time distance from Walvis Bay to Lusaka in Zambia is 4 to 5 days. On the other hand, time distance from Durban Port in South Africa to Lusaka is around two weeks.

### **2.3.2 Rapid economic development in the surrounding countries: Prospects of SADC economy**

Economic development has started in the southern African countries. In particular, South Africa and Angola recorded high GDP growth rates in the 2000's, and enhanced economic development in Namibia. What is more, export of mineral resources such as copper and coal, and import of chemical materials for mining have started in Zambia, DRC and Botswana. Botswana has a small population like Namibia but the other two countries have large populations; 12 million in Zambia and 66 million in DRC in 2008. Once these countries have achieved economic development through export of mineral resources, demand in consumer goods will have increased in these countries. It is expected that Zimbabwe which has a population of 13 million will have restoration and development needs in the middle or long term.

As a result of a promotional movement for the enhancement of SADC, there is a sign that economies in southern Africa are gradually integrating. It is becoming more viable to promote joint infrastructure development projects across national borders in the sectors of transport and electric power, and improvement of efficiency and simplification in international trade procedures. All of these trends bring significant opportunities to Namibia which has been trapped in a small domestic market ever since its independence.

In addition, it must be noted that development of Walvis Bay Port and the corridors is not only to utilize Namibia's significant advantage in economic geography, but also to accelerate growth of SADC region as a whole by giving a good option of gateway for inland countries.

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<sup>4</sup> According to a shipping company, it takes 3 to 5 weeks at Luanda Port and 4 to 5 days at Abidjan Port in Cote d'Ivoire.

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### **2.3.3 Rich tourism resources**

Namibia has a vast national territory and a splendid landscape such as Etosha Pan (registered in the World Natural Heritage List), Namib Desert (in the process of being registered in the World Natural Heritage List), Fish River Canyon and Skelton Coast. Due to the low population density, it also has abundant wildlife. It is said that one third of the world cheetah population is in Namibia, of which there is only 15,000 left in the world.

Sightseeing of this natural landscape and wildlife, game farms operated by private landowners and urban tourism in Windhoek, Swakopmund, and Walvis Bay receive 500,000 tourists annually. This number provides an impact on the Namibian economy which has only a population of two million. However, almost all beneficiaries from tourism are foreign companies and land owners in the southern part of the country, and people living in communal land have not benefited sufficiently from tourism to date.

## **2.4 Selection of a key industry for economic development**

Given the constraints for economic development which are described in 2.2, it is considered to be difficult to create enough jobs through development of the existing industries. It is also impossible to promote a development scenario to initiate industrialization by inviting labour-intensive manufacturing. Investment from South Africa does not have an impact on changing the economic structure of Namibia at present.

The remaining scenario for Namibia to take is to change its economic structure by itself, and to develop a new base for economic development. Considering growth opportunities described in 2.3, one of the most viable industries to be a mainstay of economic development, is logistics.

### **2.4.1 Economic development scenario: logistics industry leads economic development**

It is a normal development scenario that agriculture and manufacturing industries develop at first, and logistics follows so as to support these industries. However, it is necessary to consider the reverse development scenario for Namibia where labour and the consumer market potential is limited and insufficient to start economic development. The economic development scenario for Namibia is to promote development and growth of international transport businesses in the initial stage, making full use of the advantage of good location from the point of economic geography, and to aim at creating an international logistics hub in southern Africa. Availability of a good international logistics network will attract other industries to come to Namibia in the future. Here the example of Singapore can be quoted. Singapore has successfully conducted the scenario that started from a logistics industry, and thereby attracting other industries in the middle



and long term perspective. That country has experienced amazing economic development with full utilization of its position of transit trade hub in Southeast Asia.

#### **2.4.2 Possibility to have competitiveness in the logistics industry**

Namibia can gain competitiveness in the logistics industry through full use of its geographic advantage, and improving efficiency in the port operation system such as minimizing lead time at unloading and loading cargo, and reduction of cargo handling cost. Maximum use of the potential in the logistics industry is important for Namibia which does not have other resources to attract a manufacturing industry now. The world-class shipping companies recognize advantages of Walvis Bay as a hub port in western Africa to operate supersized container ships (8,000 TEU class), and these companies are expecting rapid implementation of the container terminal expansion project. If Walvis Bay were to be the hub port for supersized container liners, it is going to be more likely that Namibia would become an international logistics hub.

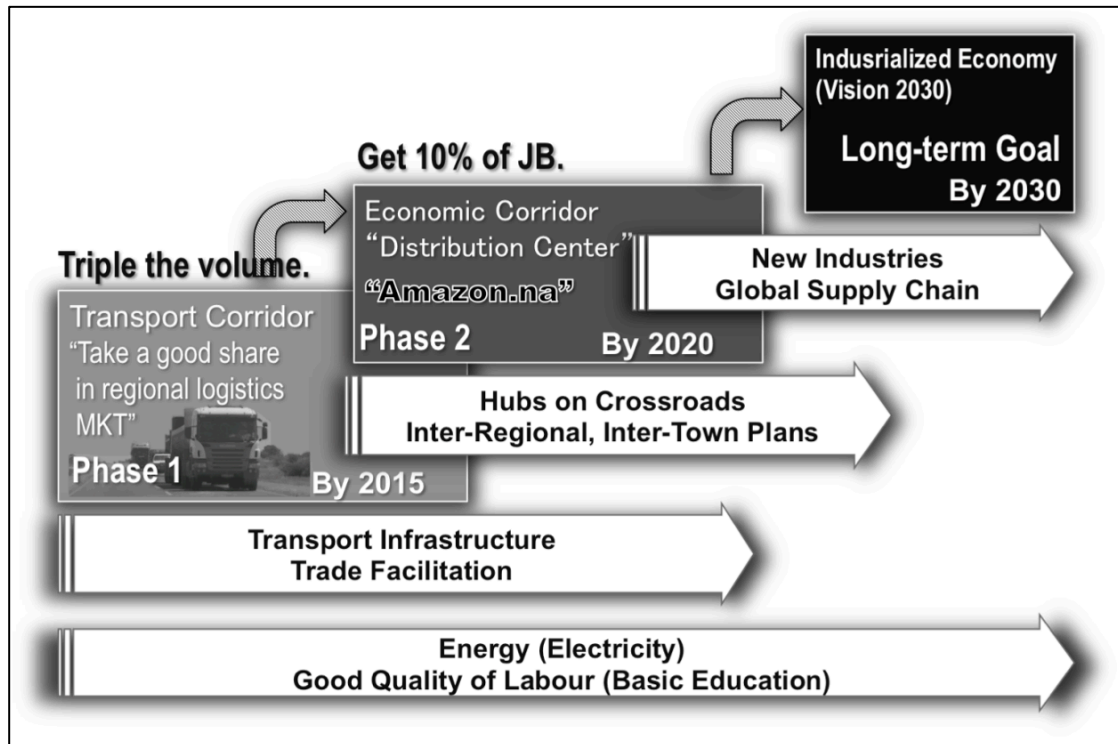
#### **2.4.3 Significant influence in employment generation**

Logistics has a greater employment generation influence than mining which is the most important industry in Namibia. The logistics industry consists of a capital-intensive part such as a port operation facility and a labour-intensive part like repackaging, order entry, selection and preparation of transportation at logistics warehouses. That is why the more handling volume increases, the more employment is expected. In addition to that, it is necessary to develop a logistics hub at an intermediate point from Walvis Bay to inland countries as a cargo distribution centre because it is approximately 1,300 kilometers from Walvis Bay to the national borders of inland countries. The development of a logistics hub in the northern interior will contribute to creating new employment in the northern regions of the country, and mitigate excessive population accumulation in Windhoek and Walvis Bay.

### **2.5 Strategic Concept of “Namibia as a Hub of International Logistics”**

#### **2.5.1 “A Logistics Nation” as a Starting Point of Diversification of Industries**

In case Namibia chooses to be “a logistics nation”, and make it a starting point to become an industrialized country by 2030, we can illustrate a strategic development scenario with different phases as shown in Figure 3.



Source : Study Team

**Figure 3 Expected Changes in Economic Structure by “Logistics First Strategy” and a Flow of Development Scenario of “A Logistics Nation”**

In the first phase, namely the “Transport Corridor” phase, the focus is on taking a sizable share in the regional portion of the international transportation market, as well as expansion and upgrading of infrastructure that are needed to accommodate that large quantity of flow of goods. The volume should at least be tripled. Given that this results in a lot of goods going through Namibia, the country will be ready to go on to the next stage. In the second phase, namely the “Economic Corridor” phase, the focus will be on evolving Namibia as one of the regional distribution centres from being a “Transport Corridor” by developing the functions of becoming a supply and distribution depot for the region. Making Namibia a nation of “International Logistics and Distribution Centre” is one prospective path to lead the country to achieve the long-term target of Vision 2030; becoming an industrialized country by 2030. It is recommended to commence by taking the necessary actions in order to realize the first and second phases of the development scenario as soon as possible.

There is one issue to keep in mind. Rapid development in the area of logistics and distribution is made possible only when both public and private sectors share a common scenario and framework for the process of implementation. There are various building blocks for a logistics nation, including public investment in transport infrastructure, efficient operation by the private companies, good support and cooperation of local government, and international cooperation and

facilitation at the cross border areas. All of these require close cooperation and partnership between the public and private sectors. Namibia is still in the process of establishing solid and effective development policy platforms where all of the public and private sectors get together and cooperate to form and implement development plans. For example, in the area of logistics, the private sector is quite active and pays much attention to the reputation of Namibia in the international community. In contrast, most of the public sector is either not responsive enough or not applying an appropriate degree of attention.

The development scenario of “a logistics nation” is drawn upon by assuming that logistics can make fundamental changes in economic structure of Namibia. These changes cause Namibia to shift itself to a brand new type of growth path. In the following section, the development scenario of “a logistics nation”, especially its Phase 1 and Phase 2 as vital starting points, are explained.

### **2.5.2 First Phase (by 2015): Establish “Transport Corridor”**

Namibia has very good prospects to expand its international transportation industry. It has a very advantageous location in terms of economic geography. This is the basis of establishing the “Transport Corridor”. The magnitude of demand for international transportation, including that for transshipment both on sea and land, is not limited by the small population of Namibia. In this First Phase, it is expected to triple the volume of international cargo that goes in and out of Namibia.

#### **(1) Prospects for Walvis Bay Port to Become a Regional Hub**

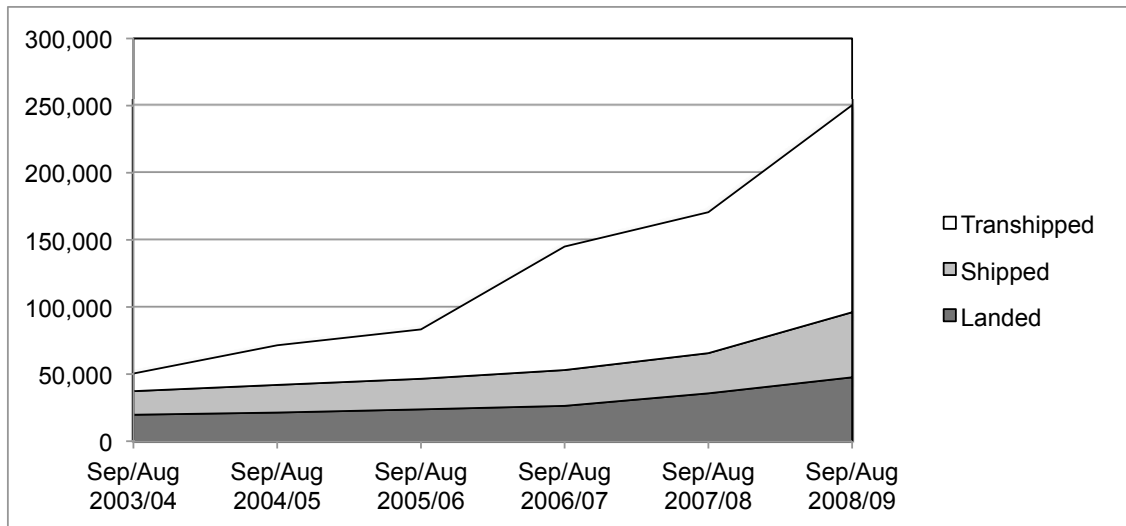
Given the small size of its population, there is only a limited demand for import and export transportation to and from Namibia itself. Therefore, it is very important to attract transshipment cargo to Walvis Bay Port, first on the sea to sea and later on the sea to land transshipment, in order to make it grow beyond the limit of domestic demand.

In fact, some of the world’s largest ship operating companies have plans to use Walvis Bay Port as a hub port on the southwestern coastal areas of Africa<sup>5</sup>. At present, the largest container ships (5,000TEU) on the west coast of Africa call at Walvis Bay on a regular basis. The volume of transshipment has been increasing quite rapidly in recent years. It is safe to say that the port is

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<sup>5</sup> According to the people from ship operating companies, Walvis Bay Port is more suitable to receive large ocean liners than the other ports in the region. For example, Cape Town in South Africa is too often suffering from strong wind and bad weather that forces a large ship to wait for a few days before it can dock. These extra days cost the ship companies a lot. The location of Cape is also at the far Southern end of Africa that makes it too far away from the rest of the west coast of Africa. Walvis Bay Port has calm weather that ensures a ship entrance to the port at any time. Walvis Bay is also much closer to the other ports on the west coast which makes feeder ship operation much more efficient.

already the strong candidate to become a hub port in the region. This trend has drawn the attention of the ship operating companies and they have made plans assuming the port becomes a hub in the near future. Their plans include introducing more large container ships between the Far East and Walvis Bay in order to serve the growing demand among the west coast of Africa. Walvis Bay is expected to have a role in strengthening economic links between the southwestern coast of Africa and Asia.



Source: NamPort Annual Report 2010

**Figure 4 Changes in Volume of Container Handling in Walvis Bay Port**

There is one essential condition to further accelerate this trend and make the port a real major hub. This is to upgrade the port to accommodate container ships of ocean liner class (8000TEU), and make their turn over time as short as 24 hours. Walvis Bay Port expansion plan (Phase I) to upgrade the port is required to be implemented to meet this condition.

Expansion of the physical infrastructure alone is not good enough to make Walvis Bay Port a real hub in the region. A greater involvement of the private sector is required. For example, it is strongly recommended to concession out at least some portions of the container berth operation to some of the globally well known mega-operators that have a strong influence on the worldwide network of ships and flows of containers. This will increase the confidence of clients to use Walvis Bay Port rather than an alternative port. With direct involvement of mega-operators, it is quite probable that Walvis Bay Port will instantly have a very good marketing power, and that Namibia can be publicized as “a new hub of logistics”. Some mega-operators are expressing interests in operating the container berth.

## **(2) Expand the Capacity of Land Transportation towards the Inland Demand**

Conditions of the existing road network in Namibia are generally good. In case there are sections that cannot stand heavy load vehicles, these sections should be upgraded for the future demands.

Regarding the condition of railway tracks, there are some deteriorated sections that have become bottlenecks preventing expansion of production by some major private companies. More specifically, it is expected that sections of railway between Walvis Bay and Tsumeb are to be rehabilitated in order to meet immediately expected demands for railway transportation by Namibia Custom Smelters in Tsumeb and Ohorongo Cement Namibia at Otavi. This railway track rehabilitation is required not only to meet these short-term demands but will be a good foundation to expand the capacity of land transportation linking the port and the inland areas. Such upgraded railway lines could accommodate container trains as well in the future.

Given the present deterioration of railway tracks, it is indispensable, much more so than in the case of development of the port, to improve operation and management capacity of the railway system in order to make investment on rehabilitation effective, efficient, and sustainable. One option is to improve the capacity of the present railway operator, TransNamib. Additionally to this, it is recommended to introduce a greater involvement of the private sector in railway operation. In this regard, it is necessary to identify causes of and solutions to present problems in railway operation and maintenance.

Regarding inland cross border cargo, additional demands from Zambia and DRC are expected regarding transport inputs (chemicals) and products related to copper and manganese mining. Increase in general cargo is also expected to grow including demands generated by reconstruction of Zimbabwe.

## **(3) Trade Facilitation**

To make Namibia “a logistics nation” it is quite important to pursue various international and bilateral agreements and set up One Stop Border Posts that make the flow of cross border trade as efficient as possible.

Trade facilitation is on the international and regional agenda as well. There are trends to promote international and regional development activities based upon concepts of “Economic Corridors” among SADC countries including Namibia. These are basically to strengthen links between resource rich inland countries and the ports in the countries on the coast. On the institutional side, there are also international and bilateral efforts to simplify the procedures for

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cross border trade. In the longer term, free trade areas would be more of a reality.

#### **(4) Transport Mater Plan Commences Soon to Establish “Transport Corridor”**

It is expected to implement a “National, Regional & International Integrated Transport Master Plan For Namibia” (hereinafter referred to as “Transport Master Plan”) with financial assistance of the EU Infrastructure Fund and management of European Investment Bank. The Transport Master Plan will be a study conducted over a 12 month period and is expected to start in the beginning of 2012 and end by the end of the year. The Transport Master Plan focuses on a projection of transport needs and opportunities for a period of 30 years and will look at the full integration of the various modes of transport and the development of an optimized system.

The Transport Master Plan is expected to present a long-term development path to establish a well integrated multimodal transport system and to identify various transport development projects to remove bottlenecks in the present system in order to expand the capacity of all modes of transport to their full potential.

#### **2.5.3 Second Phase (until 2020): Evolution to “Economic Corridor”**

In the second phase, namely the “Economic Corridor”, the focus will be on evolving Namibia as one of the regional distribution centres from that of “Transport Corridor”. This is considered to be one of the most realistic and promising options to evolve the Namibian economic structure. In the previous phase of “Transport Corridor”, expansion of quantity of flow of international cargo is the major focus. In the Second Phase, given that the volume of international cargo has trebled, “Corridors” are ready to evolve from “simple paths of cargo” to a “network of supply and distribution depots” for the region. This should turn Namibia as a country into an “International Logistics and Distribution Centre”, so to speak “Amazon.na”. At present Johannesburg in South Africa monopolizes the position of distribution centre in the region. Namibia should challenge this by setting the target to take 10% of the distribution function in the region.

#### **(1) Create “The Third Hub” in an Inland Area**

At present, there are only two logistics hubs in Namibia. These are Walvis Bay area and Windhoek Capital City area. There should be a third hub in the inland area. The most prospective location of this inland hub could be Otavi-Tsumeb-Grootfontein area, also known as the “Maize Triangle”. This tri-city area is in a very good location to be the new logistics/distribution hub. The area is 600km from Walvis Bay Port with a direct railway link, right on the crossroad of the Trans–Cunene Corridor heading to the Northern regions and Angola, and Trans–Caprivi Corridor stretching through Kavango and Caprivi Regions all the way to Zambia, DRC,

and Zimbabwe.

## **(2) Establish a Solid Position as a Logistics/ Distribution Hub – Strategic Marketing by Involvement of the Private Sector**

There is very fierce competition in the international logistics market. To achieve the target of the second phase, Namibia should defeat close competition with other countries. The keys are to realize installation of physical and institutional infrastructure faster than competitors, and to have the ability to attract good logistics/ distribution companies.

To become an international logistics/ distribution hub, it is important to set the target to become a provider of “first class” logistics service, with good infrastructure such as logistics/ distribution parks in strategic locations, and a clear and streamlined operational framework for the whole network.

It is particularly important to invite good logistics/ distribution companies to the logistics/ distribution hubs in Namibia, especially as far as the new inland hub is concerned. Those companies to invite include not only Namibian companies, but also South African companies such as Shoprite, and globally well-known companies such as the Maersk Group, FedEx, UPS, and even Amazon. In addition, Namibia has to establish its new position as “a nation of logistics”. In this regard, these well known companies are expected to become strong agents to publicize Namibia as “a nation of logistics” as part of their marketing, and help to establish its global reputation in a relatively short period of time. In short, it is necessary to create a trend of “Go to Namibia”.

## **(3) Prospective Logistics Related Industries to be in the Hubs on the Coast and Inland**

Namibia has an advantage in its speed of logistics/ distribution. Thus, it is expected to attract logistics/ distribution companies dealing with relatively more time critical goods. These companies could include a distribution centre for maintenance parts (automobile, and electric parts), warehouse logistics (integrated services of warehouse, transport, and re-packaging, “Third Party Logistics”), and trading companies.

## **(4) The Need to Have Two Master Plans**

In order to be prepared to pursue the second phase, development of the “Economic Corridor”, it is necessary to have two master plans.

**National Logistics Master Plan:** Firstly, it is recommended to have a “National Logistics

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Master Plan” that provides a detailed future image of Namibia being an international logistics/ distribution centre. This plan sets frameworks of a future image of an international logistics network, future population distribution in accordance with expected growth in the logistics/ distribution industry, spatial distribution of economic growth, and generation of jobs. Given these frameworks, the logistics master plan will be drawn, including identification of location of strategic hubs, a development plan for the hubs (logistic/ distribution parks), location and capacity of transport infrastructure, identify required trade facilitation (Single Window Services, OBSP, etc.). This master plan is expected to be a common platform for the public sector and private sector to share visions, priorities, and framework of planning and implementation.

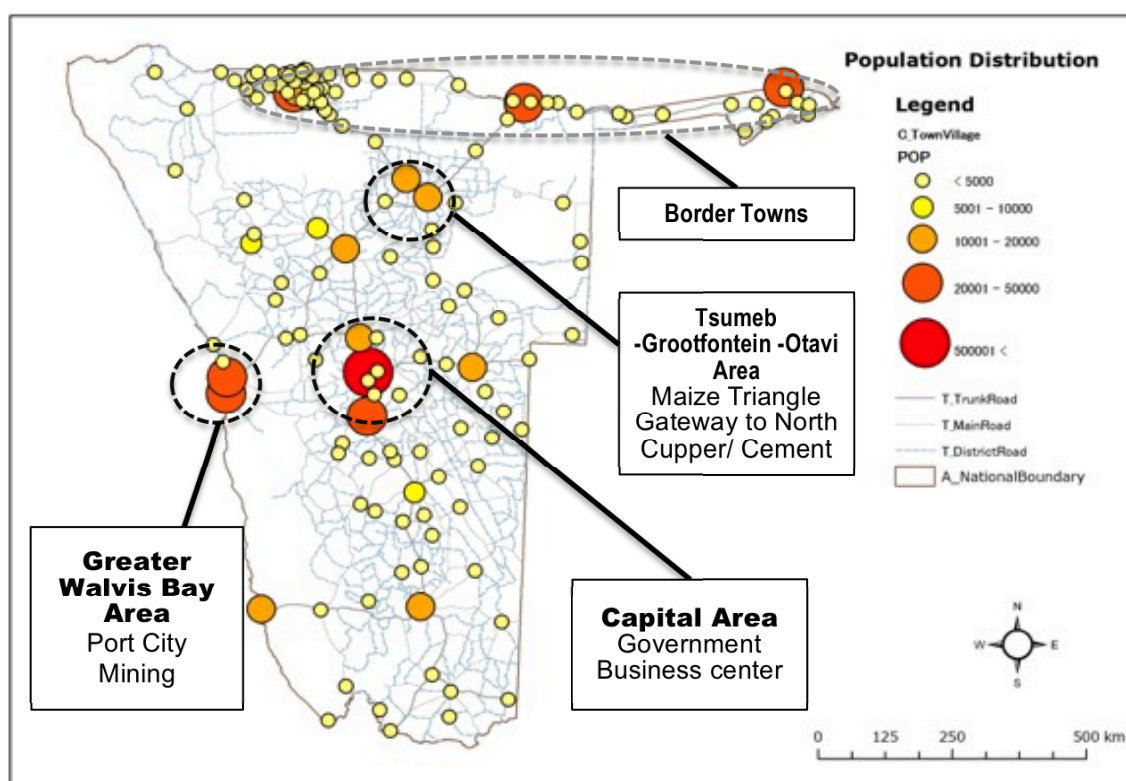
**Master plan on development of regional urban centres:** Secondly, it is recommended to have a “Master plan on the development of regional urban centres”. This is required for local urban centres that are expected to accommodate logistics/ distribution hubs. It is also recommended to do this planning for groups of towns or regions that share common spatial issues (“inter-town plans” or “inter-regional plans” ) in order to make them more effective. At present, there is a national level plan and local level plans. These two levels of plans however have very little coordination between them due to large differences in spatial scales of plans. A national plan is too large for the local government bodies and local plans are too small and segmented for the national government. “Inter-town” or “inter-regional” plans are expected to fill the gaps between the local and national governments and to facilitate understanding and adjustment of priorities in all levels of planning.

In addition, “Inter-town” or “inter-regional” plans can at the same time be a good platform to promote inter-local cooperation and coordination between neighbouring towns and regions. For example, flood protection in the rainy season in the north could be more efficient and effective if a group of towns are working together and share a common spatial plan. In case of towns on the coast, the land use plan in Walvis Bay is very much restricted due to the fact that the desert area is quite close to the port and urban centres. On the other hand, Swakopmund has more land suitable for residential areas. If these two towns draw a spatial plan together, land use in the coastal areas could be more efficient for both of the towns and the port.

From the viewpoint of making Namibia “a nation of logistics”, there are the following four important groups of urban centres.

- The Coastal Area (Greater Walvis Bay Area ): Walvis Bay to Swakopmund
- Inland Hub: Tsumeb-Grootfontein-Otavi
- Northern Core Towns: Oshakati-Ongwediva-Ondangwa
- Other Border Towns: Oshikango-Rundu-Katima Mulilo





Source: Census 2001 GIS Data

**Figure 5 Population distribution of urban centres and core groups for logistics/ distribution**

### 2.5.4 Towards the Goals of Vision 2030

After achieving all those challenging economic structural and spatial changes in Phase 2, Namibia will be established in its new position as “a nation of logistics”. This creates a totally different picture for investors. Good logistics itself will be a strong point to attract various industries including the manufacturing sector. Export processing type of investments could also be attracted because of efficiency in getting materials in and out.

Table 2 summarizes phases of a recommended development scenario and requirements to realize targets in each phase. One of the major features of the scenario is to assume that evolution from the first phase to the second phase should include development of the new inland hub and induce spatial changes of the Namibian economy.