



**SKILLS FOR TRADE AND ECONOMIC DIVERSIFICATION
(STED)**

**NAMIBIA INAUGURAL STAKEHOLDER CONSULTATION
COUNTRY REPORT**

FEBRUARY 2024

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List of Abbreviations & Acronyms

GDP	Gross Domestic Product
ICT	Information Communication Technology
ILO	International Labour Organization
MSME	Micro, Small and Medium Enterprises
NIPDB	Namibia Investment Promotion and Development Board
STED	Skills for Trade and Economic Diversification
UN	United Nations

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- 12) All participants at the workshop

1. INTRODUCTION

Namibia hosted its inaugural Skills for Trade and Economic Diversification (STED) Workshop on 23 November 2023. STED is a methodology, put forward by the International Labour Organization (ILO), that provides guidance for the integration of skills development to support growth and decent employment creation in sectors which have the potential to increase exports and to contribute to economic diversification.

Development of skills is a key pillar to the furtherance and growth of trade in any developed or developing economy. It plays a crucial role in promoting trade and economic diversity by improving productivity, flexibility, innovation, and the overall competitiveness of industries. An educated workforce is better equipped to take advantage of possibilities in the international market and support the growth of a robust and diverse economy.

To provide greater context to this important subject, the Namibia Investment Promotion and Development Board, in partnership with the Harvard Growth Lab published a report¹ outlining a roadmap supporting the diversification of Namibia's industrial base. The report outlined challenges unique to Namibia and the opportunities for the growth and diversification of the economy. Finally, the report identified economic areas with the highest potential for growth and diversification.

Through the adoption of the STED methodology, it becomes imperative to identify the skills that will be required to complement the desired growth and diversification in the areas identified in the Namibian diversification roadmap. In initiating the conversation around skills development in high priority industrial areas, the NIPDB is hoping to ignite a thought provoking and sustainable discourse about the skills which will move our economy towards positive growth. This report captures the first of these conversations and a possible roadmap for the development of a sustainable skills identification and development ecosystem to drive the desired industrial growth.

¹ Economic complexity report: A roadmap for productive diversification in Namibia- March 2022 <http://www.tinyurl.com/27er6wc8>

2. SKILLS & INVESTMENTS

Understanding the determinants of economic growth has been the subject of considerable research. The interpretation of the pattern of economic growth and development is straightforward: although a number of factors enter into short-term growth, in the long run growth depends primarily on the skills of the people (Hanushek and Woessmann 2015).² It has been further amplified (Dirk Van Damme, 2013) that skills are critically important for the economic performance of countries. Greater proficiency in key skills among workers drives productivity and participation in the labour force, thus leading to increased growth and prosperity. In turn, higher economic output provides individuals, companies and the state with the resources to improve the opportunities for acquiring and developing skills.

The interdependence of investments and skill development creates a symbiotic relationship that drives economic growth and individual prosperity. Investments create the conditions for the development of skills. They can take the shape of money for education and training programs or capital infusions into firms. Allocating financial resources to certain industries and sectors not only stimulates productivity and innovation but also increases the need for highly skilled labour. Those who possess the necessary skills, on the other hand, become priceless assets that raise the general productivity and competitiveness of the sectors in which they are invested.

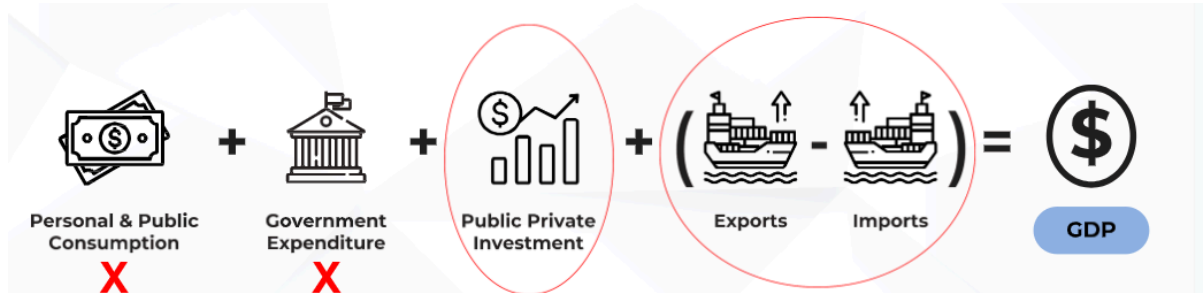
On the other hand, investments benefit from the multiplier impact of skills development, which increases their sustainability and profits. In addition to being more productive, a staff with the necessary skills may promote efficiency and innovation in their industries. People contribute to the expansion and prosperity of the industries in which they invest as they develop and hone their talents, which creates a positive feedback loop that strengthens the initial investment.

3. NATIONAL ECONOMIC GROWTH

The growth of any country's economy is determined, to a large extent, by the degree to which resources available in the country are leveraged. An economic theory put forward by Ricardo Hausman in 2016, proposes that countries and regions must

² <https://www.imf.org/en/Publications/fandd/issues/2022/06/basic-skills-gap-hanushek-woessmann>

strategically leverage their available resources and assets to foster economic development. This is the Scrabble Theory of Economic Development.



The diagram above represents the current levers for economic growth, applicable to Namibia. Having exhausted personal and public consumption, the remaining two focus areas for leverage are public private investments and a net positive balance of trade. These two areas will increase Namibia's GDP.

In order to leverage the resources in public private investment and balance of trade, there is a need to develop skills and talent in these areas. This is where the STED methodology becomes important in narrowing down the skills and talent developmental areas which will contribute towards a net positive growth and diversification.

4. STED WORKSHOP

In August 2023, the NIPDB developed a concept note, detailing the desire to establish STED for Namibia. This is very much in line with the mandate of the NIPDB to promote investment in the country as well as MSME development. At the time, the Board approached the United Nations (UN) Office for Namibia, to support in the development of STED. Thankfully, the UN, in collaboration with the International Labour Organization (ILO) Office agreed to support the NIPDB in this ambitious endeavour. This culminated in the hosting of the inaugural stakeholder consultation workshop with various stakeholders, held at Droombos in the capital, on November 23, 2023.

The consultative workshop brought together government ministries and agencies, heads of private sector, civil society, education and training institutions and unions, and achieved the following outcomes:

- a. Understanding STED and the methodology behind it;
- b. Appreciating why STED is important for the country;
- c. Understanding the roles of various stakeholders in supporting the process;
- d. Appreciating how STED has evolved in other countries;
- e. Obtaining buy-in and support of the stakeholders in driving this key process;
- f. Informing the establishment/ strengthening of National Sector Committees and associated governance structure;
- g. Prioritize economic sectors according to national development plans.

Approximately 90 participants attended the inaugural workshop, which was addressed by the CEO of the NIPDB, Ms. Nangula Uaandja, the UN Resident Coordinator, Ms. Hopolang Phororo, with the keynote address being delivered by the Deputy Minister of Industrialisation and Trade, Hon. Verna Sinimbo. The event was co-facilitated by STED technical experts from the ILO, led by Ms. Alice Voza, Skills and Lifelong Learning Specialist and team leader. The workshop also provided a platform for presentations from Namibia and two STED country testimonials from Ghana and Malawi.

4.1 WORKSHOP DELIBERATIONS

The workshop was delivered in a highly interactive modality and each presentation was followed by a question and answer session and a specific group exercise. The scope of the group work was to allow in-depth conversations that could inform sector prioritisation, to inform the one or two pilot sectors before rolling out across other sectors, as envisaged in the Namibian Development Plan (NDP5).

Participants were grouped into different economic sectors, and for each group, a group leader was given the role to facilitate the discussion. Issues discussed included:

- a. Potential of the selected sector to drive economic growth and diversification, based on a detailed list of criteria;

- b. Skills challenges faced, based on common systemic skills constraints faced across countries.

The following five economic sectors were identified by the participants in the discussions during the workshop:

- a. Agri-processing
- b. Energy
- c. ICT and e-commerce
- d. Manufacturing
- e. Mining

4.2 WORKSHOP FINDINGS

The findings and contributions emanated from the participants at the workshop.

4.2.1 *Agri-processing*

Agro-processing falls within the manufacturing sector but has a close relationship to the agriculture sector. The agro-processing industry is demarcated into upstream and downstream industries. Upstream industries are considered the processors of agricultural raw materials into preliminary products. Major upstream agro-products are derived from the livestock sub-sector in Namibia. They include among others processed meat (chilled, frozen, dried and canned), milk and dairy products and leather tanning. Crop production constitutes another important source of inputs for upstream agro-processing activities. These activities include the milling of maize, mahangu and wheat; grinding groundnuts into peanut butter, oil pressing from plant seeds, and juice pressing from fruits³.

Agri-processing is a sub-sector of manufacturing directly linked to agricultural production. There is no doubt the sector has potential to contribute to the economic growth of Namibia, in particular by:

- i. boosting production of a variety of agricultural products
- ii. helping decrease imports and encouraging the production and processing of food products in the country

³ <https://www.giz.de/en/downloads/giz2022-en-namibia-agriculture.pdf>

- iii. Lowering the cost of food products for local consumption
- iv. generating value addition in terms of:
 - a. increase of the GDP by over 20%
 - b. business diversification
 - c. enhance research and development to leverage on competitive advantage
 - d. empowering communities, especially in the rural areas
 - e. reducing unemployment rates and creating self employment

Some of the skills challenges faced by the sector include;

- i. negative perceptions of agriculture/ agri-processing as a viable career
- ii. a growing number of graduates who lack technical skills to focus on economies of scale
- iii. coordination along the value chain (processing, logistics, marketing, sales, etc.)
- iv. A lack of agri-focused TVET offerings on higher levels, focused on future jobs

Sector prioritisation criteria: 30.5/32 highly rated (see details in Section 5)

4.2.2 Energy

The primary energy sources in Namibia are imported coal, hydropower, imported electricity, and petroleum. The nation's conventional power supply is made up of a combination of thermal, diesel, coal, and hydropower. Currently providing electricity to the domestic market are four state-owned power plants: Ruacana (330 MW), Anixas (22 MW), Paratus (16 MW), and Van Eck (120 MW) using coal. NamPower, the national power utility, owns and runs all four plants in addition to the national transmission system⁴. However, less than one-third of the power consumed is supplied by these home power plants.

Consequently, Namibia imports the majority of its electricity through bilateral agreements with Eskom, the national power provider of South Africa, and the Southern Africa Power Pool. The sector has strong potential to drive the economy of Namibia, though not fully developed. Key sub-sectors include thermal, hydrogen,

⁴ <https://www.dlapiper.com/en/insights/publications/2021/11/africa-energy-futures/africa-energy-futures-namibia>

fossil and renewables. Depending on investments and other external factors, the sector as a whole has the potential of creating new jobs, contributing to economic growth, generating the kind of skills needed to develop local value chains, contributing to other sectors' growth (energy dependent), and creating economic diversification (in particular, the green hydrogen). The country has recently embarked on an ambitious plan to establish a green hydrogen energy market, with a focus on establishing an export based market and a concurrent local green industry.

Skills challenges faced by the sector include:

- i. Retention and scarcity of critical skills
- ii. Inadequate recognition of prior learning
- iii. Lack of clarity on career pathways and skills,
- iv. Lack of qualification standards in this area with a specific attention to skills for support services, infrastructure development and operations management
- v. Lack of an industry skills framework and a sector skills committee that would facilitate a better skills matching between demand and supply
- vi. Technical skills shortage specialising in renewable energy technologies

Sector prioritisation criteria: 30.5/32 highly rated (see details in Section 5)

4.2.3 ICT & e-commerce

E-commerce (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These businesses transactions occur with as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer, or consumer-to-business (C2B) (Lutkevich et al., 2022)⁵.

E-commerce has revolutionised the way businesses operate and has become an integral part of the global economy. With its convenience and accessibility, it has opened up new opportunities for businesses to reach a wider customer base and for

⁵ Lutkevich, B., Chai, W., & Holak, B. (2022, June 13). *E-commerce*. CIO. Retrieved October 16, 2023, from <https://www.techtarget.com/searchcio/definition/e-commerce>

consumers to access a vast array of products and services from the comfort of their own homes.

The significance of the potential of this sector becomes evident when analysing the impact of the following factors on the country's economy:

- i. Offshore financial business
- ii. Assembling of components
- iii. Post-COVID developmental strategies
- iv. Namibia's youthful population and the potential of creative sectors and innovation in business
- v. Free trade agreement, cross-border trading at regional and sub-regional level
- vi. Cross-cutting functions (that need occupations and skills) for all economic sectors

Globally, this is an area which is gaining significant traction, especially considering the developmental aspects of industrialisation 5.0.

Namibia faces some challenges in this, sector namely:

- vii. Access to data and technology (expensive)
- viii. Limited hardware for both schools and wider population
- ix. Capacity gap among training institutions (lack of updated syllabus and labs for practical experience)
- x. Regulatory framework and slow implementation of new legislation
- xi. An associated challenge in that the arts and creative sectors not fully recognised as an industry

Sector prioritisation criteria: 28.5/32 highly rated (see details in Section 5)

4.2.4 Manufacturing

The Manufacturing sector and services is the main focus of Namibia's Industrial Policy and fifth National Development Plan (NDP5) in achieving the goals of Vision 2030. The main objectives are threefold: to specifically increase the share of manufacturing in GDP, focus on domestic value addition and enhance competitiveness in the sector.

The Manufacturing sector in Namibia is dominated by fish processing, meat processing, other food and beverages and other manufacturing. Other manufacturing includes basic non-ferrous metals, fabricated metals, diamond processing, leather and related products, non-metallic mineral products etc.⁶

The manufacturing sector was also considered critical for business diversification, however, based on comparative rating, it was considered less strategic than the other sectors.

Some of the critical dimensions that should be considered include:

- i. Labour intensity indicates high job creation potential that can easily target several youths groups
- ii. Manufacturing can contribute to the diversification of local economies, with multiplier effects, across small, medium and large enterprises
- iii. Manufacturing, can, depending on the production values encourage circularity of economies (full use of resources)
- iv. Manufacturing will always face strong competition from emerging and industrialised economies, such as our neighbours South Africa

As for skills in the manufacturing sector, skills development strategies should be diversified according to skills levels, type, and demand of industries, a blanket strategy would not work.

Sector prioritisation criteria: 23.5/32 medium to highly rated (see details in Section 5)

4.2.5 Mining

Mining, Namibia's leading economic sector, accounts for roughly 10 percent of Namibia's GDP every year. Historically, diamond mining has been the leading sub-sector of Namibia's mining industry. NamDeb, a 50:50 joint venture between the Namibian government and De Beers, is the primary land-based diamond mining company. Debmarine Namibia, also a 50:50 joint venture between the Namibian government and De Beers, handles offshore diamond mining.

⁶ https://www.npc.gov.na/wp-content/uploads/2022/02/Manufacturing-paper-Nov_2017.pdf

Namibia is the world's fourth-largest producer of uranium oxide. The worldwide nuclear industry continues to fuel the demand for uranium. Namibia is also a leading producer of zinc. There are two operational mines: Skorpion Zinc (operated by Vedanta Resources) and Rosh Pinah (owned by various shareholders, with Exxaro Base Metals owning the largest interest at 46 percent). Local sulfuric acid and iron ore production are consumed as inputs by Namibian operations, exemplifying how mining sector growth leads to the expansion of upstream and services sectors.⁷

Namibia has been mining gold, diamonds, uranium, copper and more recently, some rare earth metals such as graphite. Additionally, the following characterise the industry in Namibia:

- i. The sector is well established, contributing immensely to the economy. With ever increasing exploratory discoveries such as the recent oil & gas industry, there is additional significant potential to diversify this industry.
- ii. The sector is a secondary job creator, especially considering the towns and settlements around the mines.
- iii. Mining establishments have set up/ supported some educational and skills development efforts such as the Rossing Foundation and NIMT among others. Petrofund has long supported skills development in the petroleum and associated industries.
- iv. Majority of mines are owned by foreign companies, therefore the majority of the profit is taken out of the country instead of being reinvested in diversifying the local economy.
- v. Namibians lose out on the opportunity of becoming shareholders in most of the mining houses, because most of the mines are listed on stock exchanges outside the country.
- vi. The sector, although the largest GDP contributor, does not employ many people.

⁷ <https://www.trade.gov/country-commercial-guides/namibia-mining-and-minerals>

Some of the skills challenges faced by the sector include;

- vii. Most of the basic skills are met (diamond polishing, jewellery production), but there is need for more specialised skills
- viii. Skills development in this field is expensive and not always readily available in the country

Sector prioritisation criteria: 23.5/32 medium to highly rated (see details in Section 5)

4.3 RECOMMENDATIONS EMANATING FROM THE STAKEHOLDERS

The stakeholders gave the following recommendations, in relation to the findings:

- a. Strengthening collaboration between the Government, Development Partners, Civil Society and the Private Sector will be critical for the successful and sustainable implementation of STED.
- b. Namibia must demand for skills that must create employment (this requires combining skills development initiatives with enterprises/employment creation incentives and tailored sectoral strategies to boost the local economy, in particular value-addition opportunities attached to traditional sectors).
- c. STED is a journey towards sustainable skills formation and not a 1-day event, therefore several additional stakeholder consultative events shall be conducted to embed STED in Namibia.

4.4 WAY FORWARD

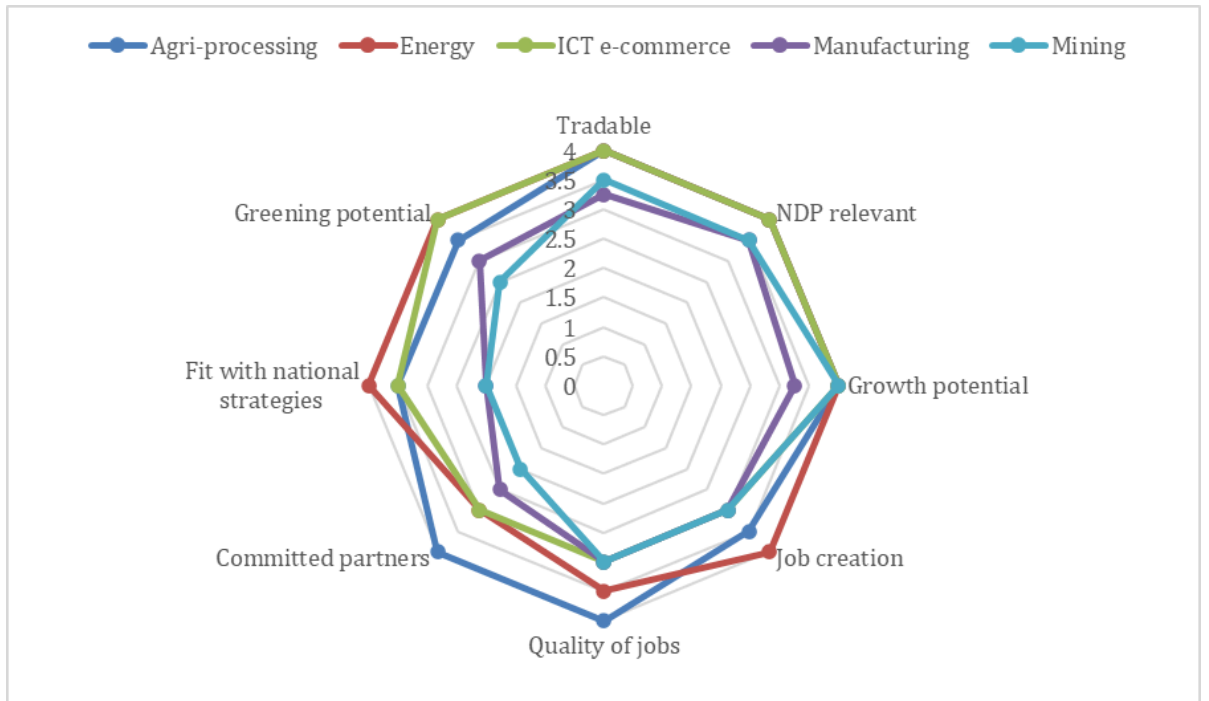
It has been stated that STED is not a one-time event; rather a series of conversations and round table debates with a variety of stakeholders, to determine the industries, priorities and establishment of structures to support a sustainable system of identifying skills. In recognition of this, a roadmap (attached to this report) will be developed to inform all stakeholders about the way forward. Some of the key considerations will include:

- a. Sharing of this report to all stakeholders to confirm the prioritised economic sectors,
- b. Establishing a structure to oversee the development, implementation and impact of STED nationally. This does not need to be a new structure, it can complement existing structures such as the Global Accelerator Project,
- c. Establishment of a technical working committee to define the governance structure for national sectoral committees,
- d. Conducting research on one prioritised and identified sector, pilot STED, draft a skills development strategy and update stakeholders accordingly.

5. SUMMARY OF SECTOR PRIORITISATION

The chart below summarises the rating of each sector based on responses from the groups to the checklist criteria provided at the workshop. Each sector had two working groups and the scoring below shows the average. In terms of prioritisation based on the feedback received by the workshop participants, this was the ranking of the sectors out of a total score of 32:

Sector	Score	Ranking
Agri-processing & Energy	30.5/32	1
ICT & E-commerce	28.5/32	2
Manufacturing & Mining	23.5	3



6. ADDITIONAL REPORT ATTACHMENTS

- i. STED Concept Note
- ii. STED Workshop Programme
- iii. Workshop Participants Attendance Register
- iv. STED Workshop in Pictures