

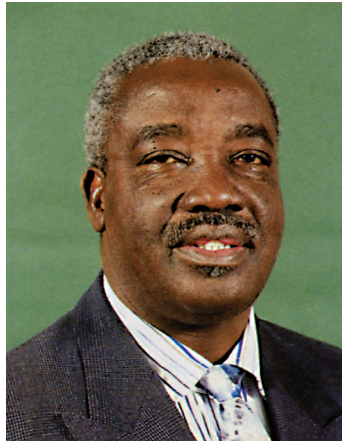
NAMIBIA

EXPORT PROCESSING ZONE (EPZ) INDUSTRIAL DEVELOPMENT STRATEGY

Harnessing Namibia's Manufacturing and Exporting Potential

INVESTOR GUIDE

FOREWORD



Hon Immanuel Ngatjizeko, Minister

The Namibian Government recognises the crucial role of private domestic and foreign investment as a critical factor in economic growth and wealth creation. A combination of domestic and foreign investment will result in the desired level of gross fixed investment and capital formation necessary for the realisation of high levels of growth in the country's production and export sectors. Such growth is in turn expected to fuel high levels of employment, industrial development and diversification.

The ability of the private sector to function as an effective engine of growth and wealth creation depends on a number of environmental factors. Top on the list are overall political and economic stability as well as a sound legislative framework that supports and promotes business and clearly defines the conditions in which such business can operate in the country.

In this respect, the main focus of the Government and the Ministry of Trade and Industry in particular is to transform the content and character of the country's economy through the adoption of laws that enable and support private investment, industrial and business activity. The notable investor friendly policy instruments adopted by the Namibian Government are the Export Processing Zones Act (Act No. 9 of 1995) and the Foreign Investment Act (Act No. 24 of 1993).

This publication is a step by step guide on Namibia's EPZ and the procedures for accessing the generous incentives on offer. It is therefore my sincere hope that the discerning investor will find this Investor Guide a useful pointer to a window of huge investment opportunities in the country and a set of generous incentives offered through the EPZ legislation.

I extend a personal invitation to you, the investor. My staff and I are at your disposal and ready to play our assigned facilitative role towards the realisation of your business pursuits.

IMMANUEL NGATJIZEKO, MP
MINISTER OF TRADE AND INDUSTRY

“NAMIBIA:
A GEM WORTH INVESTING IN”.

ONE OF AFRICA'S

STABLE AND
PROFITABLE
BUSINESS LOCATION

NAMIBIA'S EXPORT PROCESSING ZONE

BACKGROUND

In 1995, the Government of the Republic of Namibia adopted the Export Processing Zones (EPZ) Act (Act No. 9 of 1995) as a legal framework for promoting export-led industrialisation of the highly primary sector-driven national economy.

As a policy instrument, the EPZ regime is intended to:

- Facilitate imports of foreign productive capital and technology as well as the transfer of technical and industrial skills to the local workforce;
- Contribute towards an increased share contribution of the manufacturing (industrial) sector to job creation, the country's gross domestic product (GDP) and exports of manufactured goods; and
- Enhance the diversification of the local economy.

SALIENT FEATURES OF NAMIBIA'S EPZ REGIME

Namibia's EPZ regime offers export-oriented manufacturers a range of internationally competitive advantages.

Tax-free regime

EPZ enterprises are exempted from

- Corporate income tax;
- Duties and value-added tax (VAT) on machinery, equipment and raw materials imported into Namibia for manufacturing purposes.

The only taxes payable are personal income tax on employees' income as well as the 10% withholding tax (non-resident shareholders) on declared dividends.

In addition, EPZ enterprises are allowed to hold foreign currency accounts at commercial banks as well as to repatriate their capital and profits.

No time-bound incentives

The incentives referred to above are for an indefinite period or apply for the life time of the approved project in Namibia.

Equal treatment of investors

Local and foreign investors who meet the conditions for admission under the EPZ enjoy equal treatment and eligibility to the applicable EPZ incentives.

Freedom of location

EPZ enterprises are free to establish themselves anywhere in the country. An EPZ enterprise can set up as a single-factory enterprise at any clearly demarcated location of choice. Where an industrial zone or park has been developed, interested investors may choose to locate in such industrial zone or park to take advantage of the affordable factory shells or warehouses that have been constructed and are on lease by the ODC or the Walvis Bay EPZ Management Company if the harbour town of Walvis Bay is the preferred location.

Business and Industrial infrastructure

The ODC develops and leases serviced industrial and business sites and factory shells.

Four multi-purpose industrial parks have been developed at various locations in the country. A Park has been developed at Oshikango, Helao-Nafidi Town near the Angola-Namibia northern borders purposely to support and boost cross-border trade with neighbouring Angola. The other industrial and business Parks are in Windhoek, the capital city; Ondangwa in the northern part of the country; and Katima Mulilo near the north-eastern borders with Zambia, Zimbabwe and Botswana. A new industrial park development is underway at the border settlement of Katwitwi in the Kavango Region on the Angola-Namibia border.

Activities Eligible for admission under the EPZ

The main focus of the EPZ is on export-oriented manufacturing activities, excluding fish and meat processing.

Extractive operations such as mining and fishing are not eligible. All mining operations are taxable under the normal tax regime. However, mineral processing or beneficiation operations may be considered and granted EPZ status. For purposes of incentive administration and monitoring, there has to be a clear separation between the mineral processing EPZ enterprise and any other entities that that enterprise is doing business with or linked to, in terms of business registration and identity, operations and management structures. For example, where an investor intends establishing a mineral process enterprise under the EPZ, such an enterprise has to be registered as a new entity and clearly separate from its parent or other mining company to which it is affiliated and/or will be sourcing its rough mineral inputs from.



Namibia's Founding President flanked by Ramatex Group CEO witnessing a Namibian worker at Ramatex demonstrating his skills at garment cutting.



Workers at a Diamond cutting and polishing factory.



Workers at Namzinc, Skorpion Zinc refinery (Rosh Pinah).



A worker at BORRIES Marking Systems Factory.

NAMIBIA'S EXPORT PROCESSING ZONE

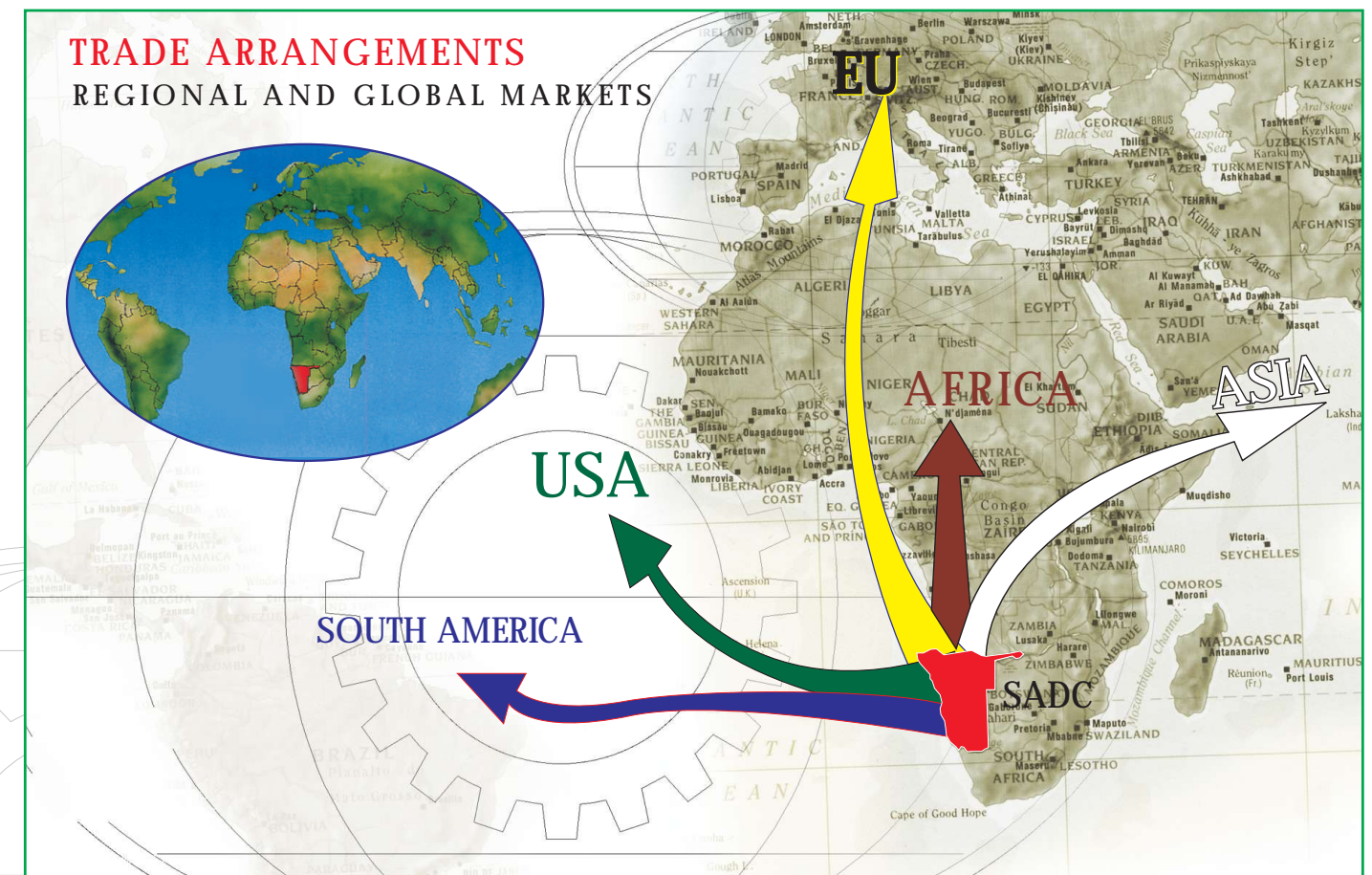


EXPORT MARKETS

An EPZ enterprise must export all or at least 70% of its products outside the SACU market (Namibia, Botswana, Lesotho, Swaziland and South Africa). However after having been in operation for at least a year, an EPZ enterprise may apply to the Minister responsible for the EPZ for special consideration and permission to sell up to a maximum of 30% of its previous year's production output in the domestic (SACU) market.

In support of export-oriented industrial development in the country, the Government of Namibia has pro-actively negotiated and secured preferential access for Namibian products to several regional and international markets. Namibia is a member of the Southern Africa Customs Union (SACU), the oldest customs union in the world, and the Southern African Development Community (SADC), the 13-member country regional economic grouping and market. SACU and SADC make up a combined regional market of over 190 million people. The Africa Growth and Opportunity Act (AGOA) and the ACP-EU Cotonou Partnership Agreement provide duty and quota-free access to the lucrative US and European Union markets respectively. Namibia also has preferential trade arrangements with other countries, such as China and Zimbabwe. Furthermore, Namibia and other SACU countries are negotiating a preferential trade agreement with MERCUSOR.

Factory Workers at RAMATEX, Windhoek



NAMIBIA'S EXPORT PROCESSING ZONE

EPZ APPLICATION PROCEDURES

Business Incorporation

A project or company intended for admission as an EPZ enterprise must be a green-field project and incorporated as a new business entity in terms of the provisions of the Namibian Companies Act. A brown-field project or company which is already operational and is involved in manufacturing and exporting or plans to export, can not be converted into an EPZ enterprise. For purposes of the EPZ, a separate new business outfit needs to be established with its own corporate registration identity, premises and management structure.

Business plans and Application forms

To take advantage of the generous incentives offered through the EPZ legislation, investors must submit their comprehensive project business plans and completed EPZ application forms directly to the ODC or through an EPZ Management Company.

The proposals and forms are screened by the ODC for their conformity to the conditions set for admission under the EPZ as well as other applicable national laws. The ODC works in consultation with other relevant Government institutions (EPZ Secretariat) such as the Namibia Investment Centre, the Ministry of Finance as well as the Bank of Namibia in this regard.

Applications forms are available at the ODC and the WBEPZMC and can be made available in a hard copy or electronic form.

Approval

Projects that meet the qualifying conditions for admission under the EPZ are referred to the EPZ Committee for final consideration and approval. The Committee consists of the Minister of Trade and Industry, as the Chair, the Minister of Finance and the Governor of the Bank of Namibia, assisted by the ODC and officials drawn from other relevant Ministries and agencies.

Applicants for EPZ status who have satisfied the qualification requirements and have been approved for admission under the EPZ by the EPZ Committee are issued with EPZ Certificates signed by the Minister of Trade and Industry, the custodian Minister for the EPZ programme. The Certificates set out the terms and conditions under which such applicants or investors have been admitted to do business and operate as EPZ enterprises in Namibia.

Monitoring

The ODC, the Directorate: Customs & Excise and other agencies of the Government conduct periodic visits and audits to ensure compliance of EPZ enterprises to the provisions of the EPZ and Customs & Excise Acts and other applicable laws as well as the terms and conditions under such enterprises have been admitted under the EPZ and the country in general.

In terms of the Customs and Excise Act, the Minister of Finance has issued Regulations pertaining to customs procedures and supervision in respect of Export Processing Zones and EPZ enterprises. EPZ enterprises are advised to familiarise themselves and adhere to such regulations.



A worker at BORRIES Marking Systems Factory, Windhoek

THE OFFSHORE DEVELOPMENT (PROPRIETY) LIMITED

The Offshore Development Company (ODC) has been established in accordance with Article 26 of the EPZ Act. It is the institution charged with the promotion, marketing, monitoring and co-ordination of all export processing zone activities and the provision of umbrella service to EPZ enterprises in the country in general.

Where an area or location has been declared or designated as an EPZ, the ODC works in close collaboration with the EPZ Management Company assigned to manage that zone. An example of this is the Walvis Bay EPZ, which is managed by the Walvis Bay EPZ Management Company.

Overall, the ODC co-ordinates and works closely with the Namibia Investment Centre (NIC) and WBEPZC in promoting Namibia as an attractive and competitive investment location.

Hassle-free and one-stop investor services

Investors under the EPZ are serviced by business-like agencies, with a well established and efficient network and working relationship to the Central Government. Investors interested in investing under the EPZ can contact and submit their applications directly to the umbrella organization, the Offshore Development Company (ODC) in Windhoek, or through an EPZ Management Company. Currently, there is only one such Management Company in the country, namely the Walvis Bay EPZ Management Company (WBEPZMC), operating from the country's major and world-class port of Walvis Bay.

The ODC provides the following services to investors:

- Information on potential and existing investment opportunities under the EPZ and in the country in general;
- Information on the incentives offered by the Government through the EPZ and other similar investment incentive regimes;
- Evaluation and recommendation of qualifying applications for approval by the EPZ Committee and the Minister of Trade and Industry;
- Affordable factory shells and warehouses through industrial park development;
- Facilitation of linkages between investors and relevant Central, Regional, local government authorities and other service providers for the provision of basic services required for business establishment;
- Match-making and facilitation of joint ventures between domestic and foreign investors;
- Periodic visits and other after-care services to investors;
- Expedites the issuance of business visas and work permits to approved EPZ investors, through the Namibia Investment Centre.

Together, the ODC, WBEPZMC and NIC offer a range of investor services, thus serving as a true one-stop center for investors.

ENQUIRIES

Any enquiries on the EPZ in general should be referred to:

Offshore Development Company (Pty) Ltd:
The Chief Executive Officer
Offshore Development Company
Private Bag 13397
6th Floor, Ministry of Trade & Industry Building, Block B
Cnr. Goethe & Uhland Streets
Windhoek, NAMIBIA
Tel: +264 61 2837360
Fax: +264 61 231001
E-mail: odc@odc.com.na

Any enquiries pertaining to the Walvis Bay EPZ
Management Company (WBEPZMC) should be referred to:

The Manager
WBEPZMC
Private Bag 5017
Walvis Bay, NAMIBIA
Tel: +264 64 205 095
Fax: +264 64 206 132
E-mail: jkruger@walvisbaycc.org.na



Factory Workers at Namibia Industrial Composites

INDUSTRIAL AND BUSINESS SITES AND PREMISES

A Programme of the Ministry of Trade and Industry

Background

Lack of affordable business and industrial premises has been identified as one of the main constraints to the successful development and growth of the Micro-, Small and Medium enterprises (SME) sector in Namibia. The Sites and Premises Development Programme has been designed to address this constraint. The Programme is one of the programmes under the Namibia Policy and Programme on Small Business Development, which has been adopted by the Ministry of Trade and Industry.

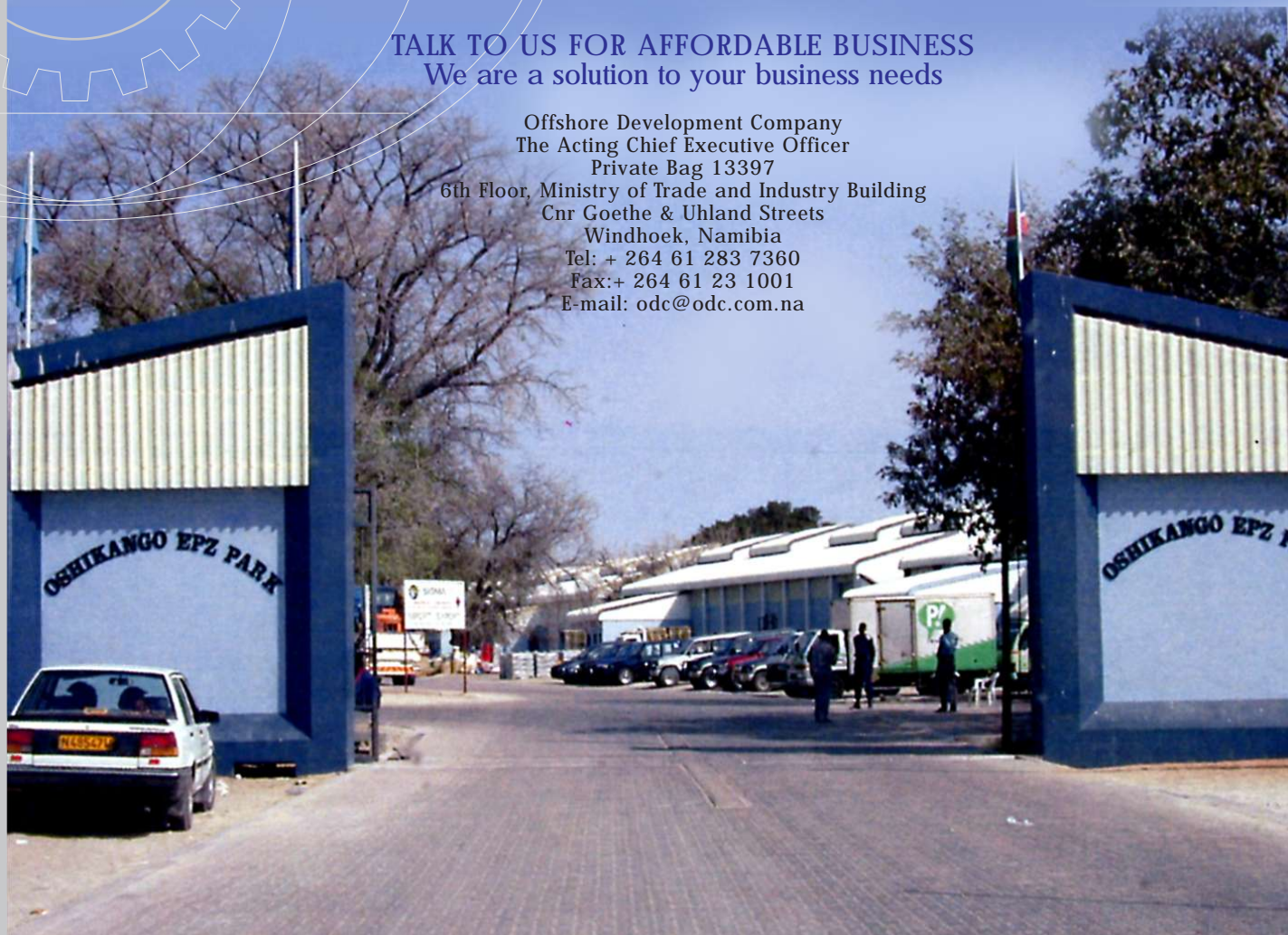
The Programme involves the construction of modular business premises, industrial parks and technology demonstration centres providing market sites and spaces for light manufacturing, trading and office operations as well as access to productive machinery and technology. These premises and sites are leased primarily to budding micro, small and medium-sized enterprises on an affordable basis.

The Programme was first implemented in 1997 under the management of the Namibia Development Corporation (NDC). In April 2005, the Ministry of Trade and Industry assigned the implementation and management to the Offshore Development Company (Pty) Ltd (ODC). The Ministry and the Company have entered into an Agency Management Agreement in this regard.

A total of 35 business sites and premises have been constructed and are on lease under the Programme, as indicated on the map.

TALK TO US FOR AFFORDABLE BUSINESS
We are a solution to your business needs

Offshore Development Company
The Acting Chief Executive Officer
Private Bag 13397
6th Floor, Ministry of Trade and Industry Building
Cnr Goethe & Umland Streets
Windhoek, Namibia
Tel: + 264 61 283 7360
Fax: + 264 61 23 1001
E-mail: odc@odc.com.na



Oshikongo EPZ Park (located on the Namibia - Angola border)

INDUSTRIAL AND BUSINESS SITES AND PREMISES

LOCATIONS

● SME Business Parks

Erongo Region

- Henties Bay
- Karibib
- Usakos

Hardap Region

- Mariental

Karas Region

- Keetmanshoop
- Luderitz

Kavango Region

- Rundu
- Nkurenkuru

Kunene Region

- Opuwo
- Khorixas

Ohangwena Region

- Eenhana
- Ohangwena

Oshikoto Region

- Omuthiya

Omaheke Region

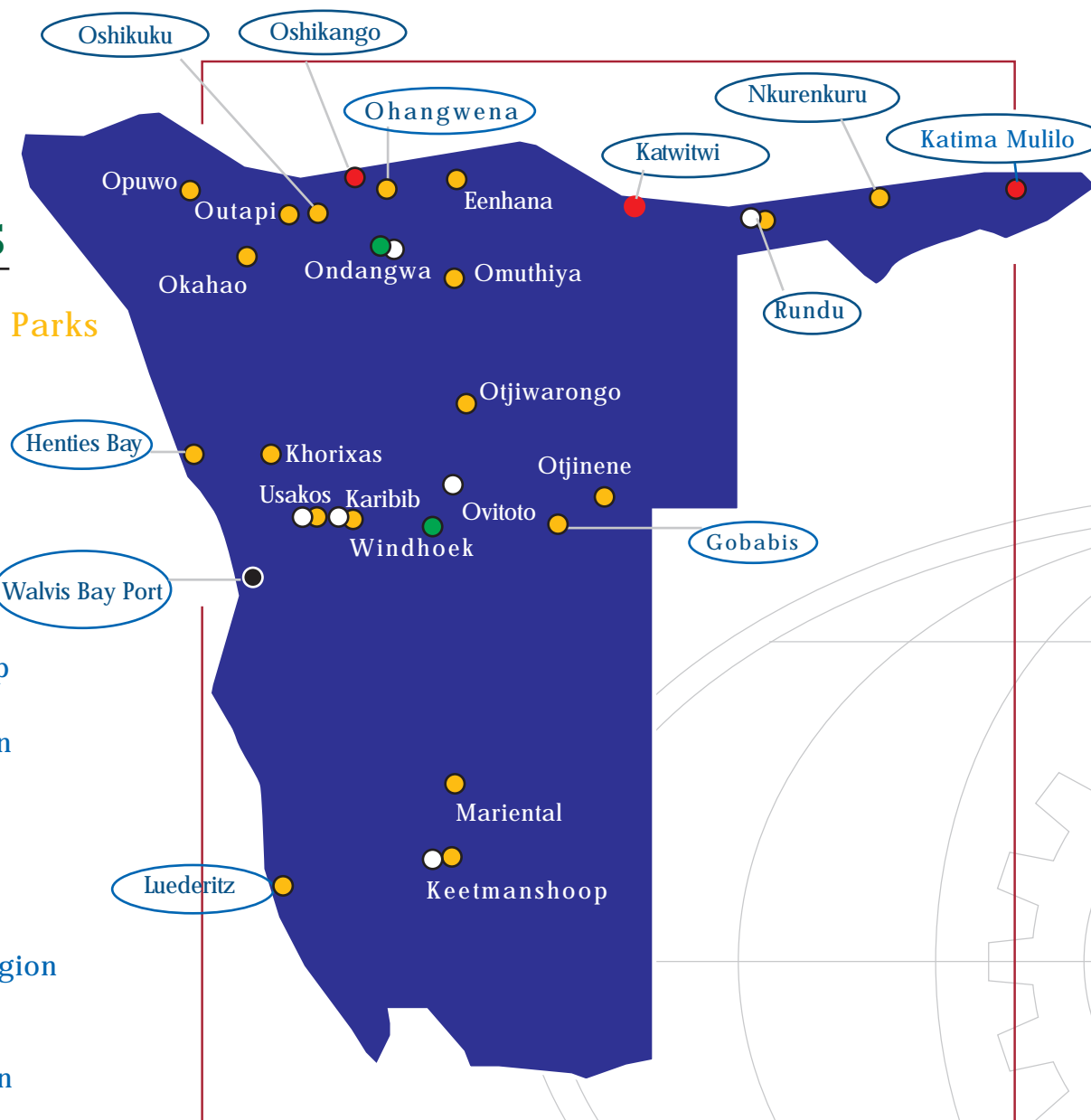
- Gobabis
- Otjinene

Omusati Region

- Okahao
- Outapi
- Oshikuku (under construction)

Otjozondjupa Region

- Otjiwarongo



○ Common Facilities

- Karibib and Keetmanshoop (Gemstone Cutting and Polishing Centres)
- Ondangwa (Automotive City; India-Namibia Plastic Centres)
- Ovitoto (Garment Centre)
- Rundu (Woodwork Workshops)
- Usakos (Small Miners Equipment Centre)

● Export- oriented Business Parks

- Oshikango
- Katima Mulilo
- Katwitwi (Under Construction)

● Multi-purpose Industrial parks

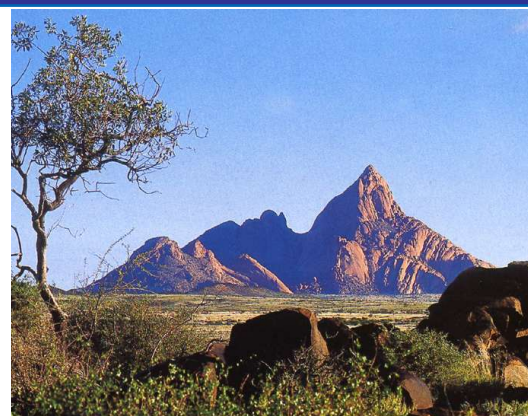
- Prosperita, Windhoek
- Ondangwa

A stable and profitable investment location on the African Continent



Windhoek Capital City of Namibia

Beautiful Namibia:
land of contrast and diversity



System of Government:
Namibia is a multi-party democracy with a three-tier system of Government comprising the Legislature, Executive and Judiciary. General, presidential, regional and local elections are held every five years.

GDP per capita (2006):
US\$1,573

Av. GDP growth (2006):
4.4%

GDP (2006):
US \$2,99 billion

Main exports:
Diamonds and other minerals, food and live animals as well as manufactured goods.

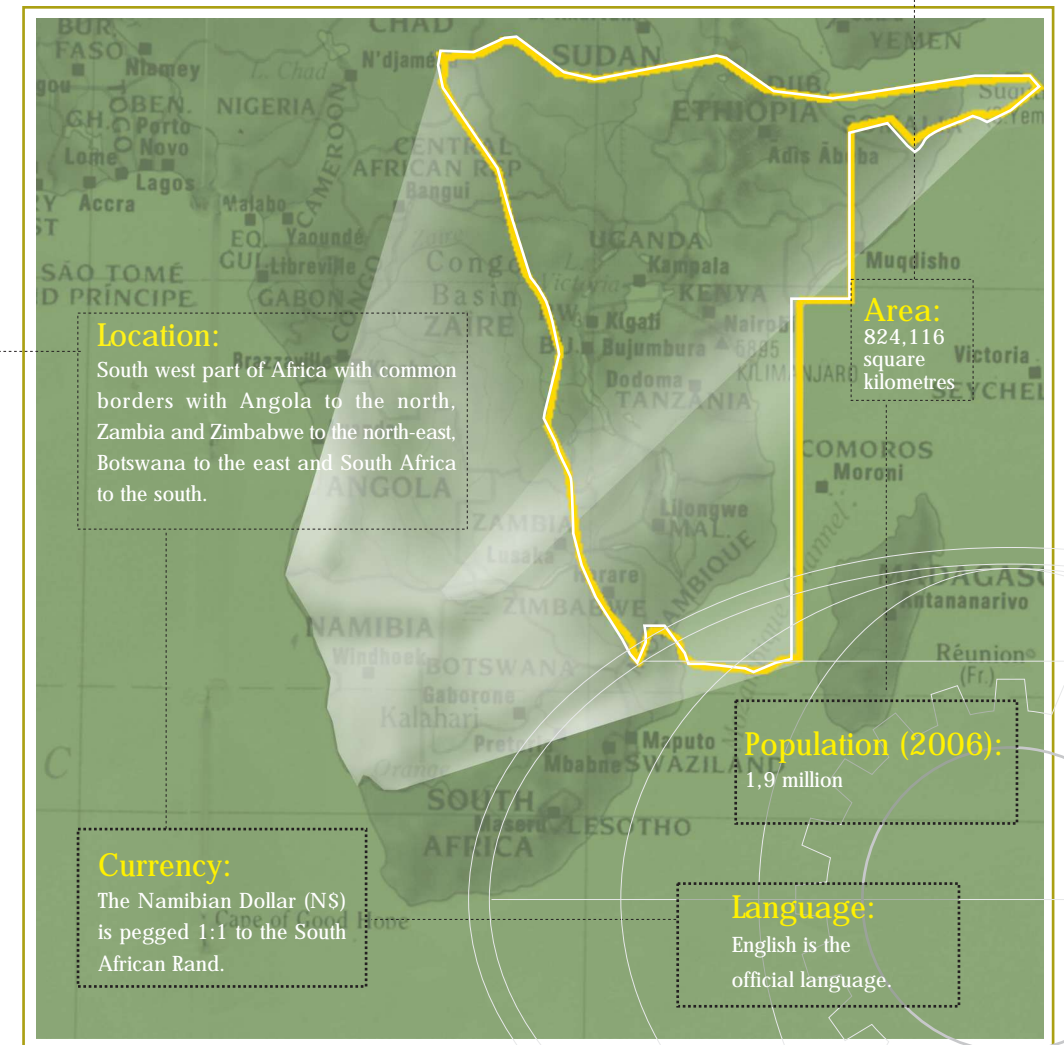
Main Sources of Imports:
South Africa, Germany, France, Italy, Japan, UK and USA

Main Export Destinations:
United Kingdom, South Africa, Spain, Germany, Italy, France, Japan, Switzerland, United States, Angola and the Netherlands

General Taxation
Income tax: 17.5% - 35%
General corporate tax: 35%
Value Added Tax (VAT): 15%
Withholding (non-residents) tax: 10% of declared dividends

Key Economic Sectors:
Mining, fisheries, Tourism and hospitality, agriculture and manufacturing.

Inflation (2006):
3.53% average



INVESTMENT OPPORTUNITIES

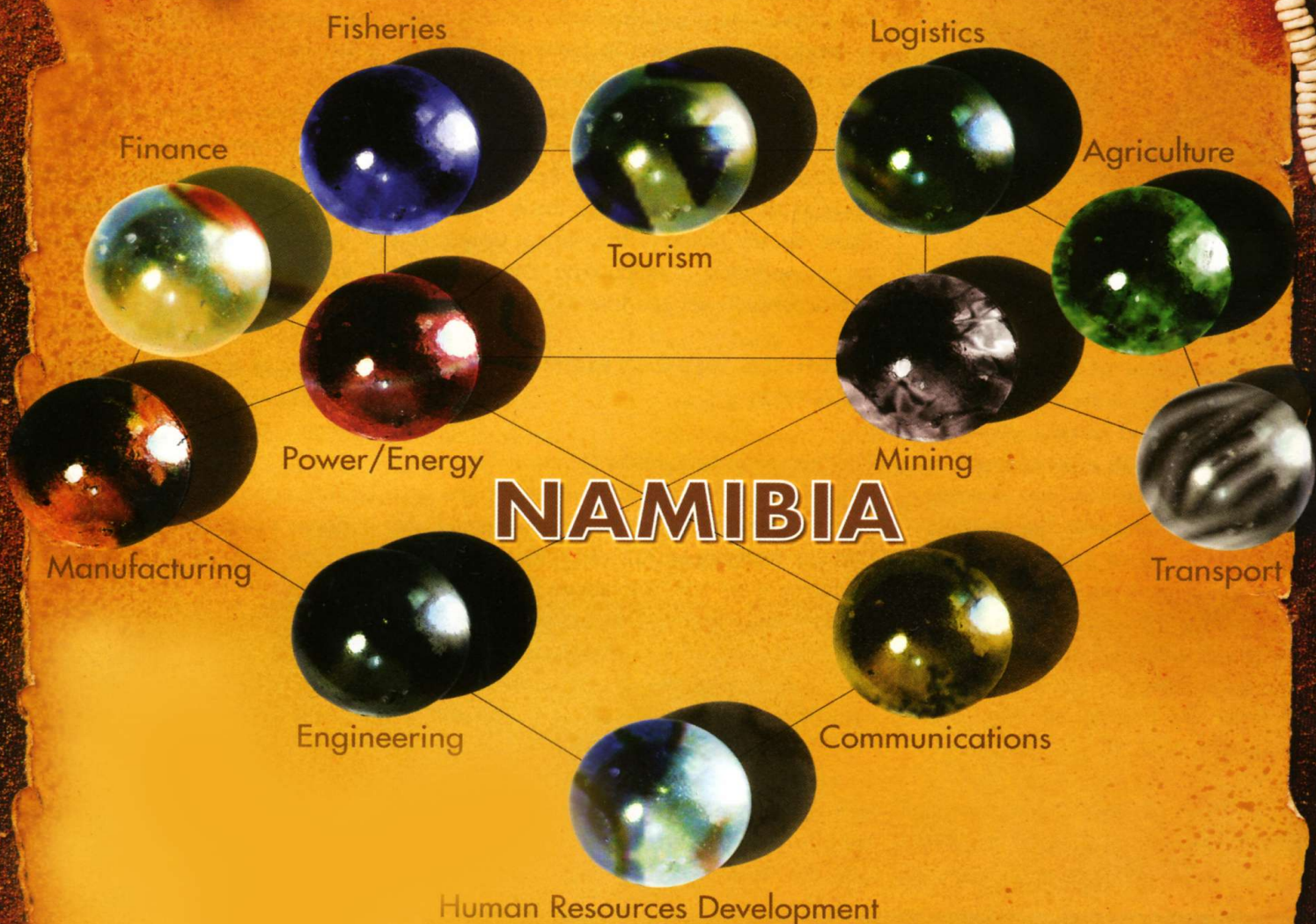
Namibia offers enormous opportunities for investment especially in the manufacturing sector:

- Pharmaceutical manufacturing
- Textiles and garments
- Cement Manufacturing
- High value fish products
- Refining and processing of base metals
- Finished leather goods
- Cotton production and ginning
- Glassware and ceramics
- Steel manufacturing
- Electronic assembly
- Automotive parts and accessories
- Furniture assembly and manufacturing

Other potential areas for investment:

- Tourism and hospitality industry;
- Oil and gas prospecting and exploration;
- Agro-processing;
- construction and physical infrastructural development;
- Aquaculture;
- mariculture and
- horticulture.

A gem worth investing in...



Namibia offers excellent opportunities for investment across sectors such as agriculture, fishing, manufacturing, tourism, services and mining. We invite you to explore and take advantage of the abundant investment opportunities. Contact the Namibian Investment Centre at the Ministry of Trade and Industry at (+264 61) 283 7335 or the Offshore Development Company at (+264 61) 283 7360.