



GOVERNMENT OF THE REPUBLIC OF NAMIBIA

**THE NEW EQUITABLE ECONOMIC EMPOWERMENT FRAMEWORK  
(NEEEF)**



Transformational Empowerment





# CONTENTS

Definitions .....	3
Preamble .....	4
Introduction .....	5
Objectives .....	8
Pillars of Empowerment .....	9
a. <b>Ownership</b> .....	9
b. <b>Management Control and Employment Equity</b> .....	12
c. <b>Human Resources and Skills Development</b> .....	13
d. <b>Entrepreneurship Development</b> .....	14
e. <b>Community Investment</b> .....	15
Financing mechanisms .....	16
Grants and incentives .....	16
State-facilitated lending .....	17
Project financing .....	17
Venture capital .....	17
Targeted investment .....	17
The Development Bank of Namibia's role .....	17
Institutional Requirements .....	19
Commission for Equitable Economic Empowerment Framework .....	19
Offset Mechanism .....	21
Compliance, Enforcement and Penalties .....	21
Review .....	22
Sunset Clause .....	22
Sector Specific Charters .....	22
Summarised NEEEF Scorecard .....	23



# DEFINITIONS

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“Equitable”, means a fair redress and redistribution action;

“Economic” means related to means of production including productive assets;

“Social” means related to how human beings relate to each other in production, class, gender and generational relations;

“Previously disadvantaged” means victims of Apartheid policies;

“Pillars of empowerment” means policy instruments for redress and redistribution;

“Targets” means percentage of number of previously deprived persons to benefit.





# PREAMBLE

Whereas the Constitution of the Republic of Namibia in Article 23(2) and Article 95(a) mandates Parliament to enact legislation providing directly or indirectly for the advancement of persons within Namibia who have been socially, economically and educationally disadvantaged by past discriminatory laws or practices; and enact legislation to ensure equality of opportunity for women;

Appreciating that the economic order of Namibia shall be based on the principles of a mixed economy with the objective of securing economic growth, prosperity and a life of human dignity for all Namibians as per Article 98 of the Namibian Constitution; and

Recognizing the fact that the Republic of Namibia is established on the principles of democracy, the rule of law and justice for all;

The Cabinet of the Republic of Namibia, hereby, adopts the national broad-based **New Equitable Economic Empowerment Framework (NEEEF)**.



# INTRODUCTION

The Government of the Republic of Namibia is committed to pursuing economic and social policies with the aim of securing prosperity and a life of human dignity for all Namibians.

The ultimate objective is to create an equitable and socially just society in which the distribution of income becomes far more equitable than it is at present. In order to achieve this end, a policy framework is required that promotes the economic empowerment of all Namibians and accelerates the process of transformation that Government is committed to delivering.

Government recognises that a wide range of economic policies – fiscal and tax, monetary and inflation, education and health, justice security and crime, infrastructure, business and employment policies – all have an important role to play in contributing towards the creation of a more equitable economy and society.

Equally, it is accepted that the most important contribution Government can make to achieve a more equitable economy and society is to pursue economic policies that generate sustainable and decent employment for the mass of the Namibian people.

Government recognises that the private sector must play the leading role in the creation of decent employment. This being the case, Government policies must avoid raising the cost of employment to private sector employers. Rather, policies must be designed which encourage businesses to use more rather than less labour.





# RATIONAL

The New Equitable Economic Empowerment Framework (NEEEF) represents a subset of the policies required to achieve greater equity in society. NEEEF consists of policies designed to encourage the private business sector to become more equitable and to make a greater contribution towards national economic empowerment and transformation.

The NEEEF is anchored in the principles that underpin the Constitution of the Republic of Namibia, in particular:

- Article 16: Property
- Article 23: Apartheid and Affirmative Action
- Article 95: Promotion of the Welfare of the People
- Article 98: Principles of Economic Order
- Article 99: Foreign Investments
- Article 100: Sovereign Ownership of Natural Resources

The NEEEF will be based on voluntary business practice. Government will use all the legitimate market mechanisms at its disposal, in the form of its procurement programmes and licensing regimes, to promote transformation and empowerment. Government also reserves the right to expropriate in the public interest with market-based compensation according to the Constitution. However, Government expects all businesses to proactively embrace national transformation and to participate whole-heartedly in the transformation of ownership and empowerment.



The NEEEF will promote transformation in business through five empowerment pillars:

1. Ownership
2. Management Control and Employment Equity
3. Human Resources and Skills Development
4. Entrepreneurship Development
5. Community Investment

The aim of the NEEEF is to provide a clear overarching policy framework into which all other policies will slot. The NEEEF will supersede all other transformation and empowerment policies of Government as well as provide the framework within which all private sector initiatives, past and future will be expected to conform to. Government will ensure its other policies are consistent and mutually reinforcing with the NEEEF.

The NEEEF recognises that there may be differences in approach between the different sectors of the economy due to their different characteristics and strategic importance. It, therefore, makes provision for further sectoral charters that will make sector specific requirements. These will be developed in consultation with sector representatives once the NEEEF is in place.





# OBJECTIVES

The objectives of the NEEEF include but are not limited to the following:

1. Ensuring the sharing of Namibian resources in an equitable and sustainable basis by the people of Namibia;
2. Creating a socially just society;
3. Implementation of measurable policies of redress and redistribution;
4. Creating vehicles for empowerment;
5. Removing barriers of socio-economic advancement in order to enable previously disadvantaged persons to access productive assets and opportunities for empowerment;
6. Actively guarding against the repugnant tendencies of window-dressing, favouritism, nepotism and self-enrichment;
7. Providing measurement of empowerment targets;
8. Ensuring that an empowering act is meant to launch individuals to empower themselves in the future using the basis of their initial empowerment;
9. Economic empowerment may be organised in the following forms of ownership: public, private, joint public-private, cooperative, co-ownership, and small-scale family owned;
10. Equitable empowerment is addressing disparities occasioned by class, gender and generational relationships.





# PILLARS OF EMPOWERMENT

Pillars of Empowerment are aimed at addressing a variety of needs of the previously disadvantaged persons. The following pillars of empowerment will thus serve as instruments for redress and redistribution:

## **a. Ownership**

The NEEEF aims to promote more equitable and balanced ownership of businesses in Namibia.

The NEEEF recognises that the Namibian economy comprises many different types of corporate organisations. It also recognises that, while accelerated transformation is a national imperative, the Constitution gives explicit protection to private property and explicitly promotes foreign investment.

The transformation of corporate ownership in the economy will be steadily changed through a two-pronged approach:

1. Assistance will be provided to previously disadvantaged Namibians to buy into existing businesses on commercial or near commercial terms.
2. Assistance will be provided to enable previously disadvantaged Namibians to establish new businesses.

In addition, Namibia's foreign investment legislation will clarify the role foreign investment will play in the economy and provide guidelines for foreign investors, the aim of which will be to enhance certainty and investor confidence. Because each





sector of the economy has its own distinct characteristics, a specially tailored sectoral approach is superior to a “one size fits all” approach. Policy will address the following sectors building on existing policies:

Agriculture - Agricultural (Commercial) Land Reform Act 1995

Fishing – Marine Resources Act 2000

Mining – forthcoming Minerals Act

Manufacturing

Construction

Trade – reserved retails sectors

Tourism

Telecoms - Communications Act 2009

Logistics

Financial services – Financial Sector Strategy 2011

Previously disadvantaged Namibian individuals will be given financial and other assistance through state-owned financial institutions, including the Development Bank of Namibia and the SME Bank, to buy into existing Namibian businesses on commercial terms to be negotiated between buyers and sellers. Special emphasis will be given to assisting women, youth and people with disabilities.

The NEEEF expects private financial institutions to participate in financing the transformation of ownership and also requires commercial financial institutions to regularly report their levels of assistance to businesses owned by previously disadvantaged Namibians. Again, special emphasis should be given to assisting women, youth and people with disabilities.



The NEEEF supports the idea that the transformation of ownership is promoted through Employee Share Ownership Programmes. Employee ownership will be fully recognised in the NEEEF scorecard.

The NEEEF recognises that a market economy and a vibrant business sector are dynamic systems. Furthermore, although the aim of NEEEF is to promote serious long-term participation of previously disadvantaged Namibians in Namibian business, it does not want to penalise empowerment shareholders by limiting their ability to buy and sell. Once a business has completed an empowerment transaction to the satisfaction of the NEEEF Board, it will maintain its empowerment ownership score regardless of whether its new empowerment partners then sell their shareholding to other shareholders, whether previously disadvantaged Namibians or not. However, penalties may be imposed if evidence shows that any deal was negotiated in bad faith.

New business growth financed by state-owned financial institutions (DBN and SME Bank) will prioritise the promotion of businesses owned by previously disadvantaged Namibians. Special emphasis will be given to assisting women, youth and people with disabilities.

In sectors where previously disadvantaged Namibian individuals do not have the resources to participate in a meaningful way, the Government may choose to participate as a transformation partner. This will take place on commercial terms and will be clearly laid out in legislation.

In certain sectors, it may also make sense to use the Namibian Stock Exchange (NSX) as a mechanism for broadening and localising business ownership. The





- NEEEF scorecard will give full recognition to shares held through the NSX by previously disadvantaged Namibians.

Government may also decide to sell certain state assets in instances where it is convinced that private ownership will result in those assets making a greater contribution towards national development and empowerment. In such cases, Government will ensure that previously disadvantaged Namibians are fully accommodated so that any changes in ownership promote empowerment.

### **Scoring:**

A business will score a minimum of 10 points if it is 25% owned by previously disadvantaged Namibians. For every additional 7.5% owned by previously disadvantaged Namibians, a business will score 1 additional point up to a maximum of 100% giving a total of 20 points.

## **b. Management Control and Employment Equity**

The aim of NEEEF is that the management structures and workforces of businesses in Namibia should more accurately reflect the demographics of the Namibian population.

Within the NEEEF framework but on a sector-by-sector basis, legislation will be introduced to require boards of directors and top management in certain categories of companies, above a certain size, to fully reflect Namibia's demographic make-up. These requirements will take into account the shareholding structure of the company.



The Affirmative Action (Employment) Act 1998 already requires that companies employing 25 people or more must provide regular progress reports to the Employment Equity Commission on demographics, promotion, mentorship, understudies and staff development. This is consistent with the NEEEF and may be further refined over time.

### **Scoring:**

A business will score a minimum of 10 points if its combined board and top management structures are 50% filled by previously disadvantaged Namibians. For every additional 10%, a business will score 2 additional points up to a maximum of 100% giving a total of 20 points.

## **c. Human Resources and Skills Development**

The NEEEF views practical training and skills development as the key to empowerment and transformation in the business sector. Encouraging Namibian businesses to play a greater role in training and skills development is one of the most effective ways of promoting human capital formation in the country as a whole.

Within the NEEEF, a training levy will be introduced by the Namibia's National Training Authority. This levy will amount to 1.5% of a company's gross wage bill and will be payable by all businesses above a certain size. Companies will be scored more highly if they go above this minimum requirement. To prevent companies that are already devoting this amount of resources on training from being penalised and to minimise the cost of this measure to business, a waiver will be available to companies that can demonstrate they are already compliant.





Under the NEEEF, the availability of employment visas for expatriate workers will depend on how well a business performs on the human resources and skills development pillar.

### **Scoring:**

A business will score a minimum of 10 points for devoting the equivalent of 1.5% of its gross wages to training. For every additional 0.1% of gross wages spent on training, a business will score 2 additional points up to a maximum of 2% of gross wages giving a total of 20 points.

## **d. Entrepreneurship Development**

The NEEEF aims at enhancing entrepreneurship among previously disadvantaged Namibians.

Business opportunities created by existing Namibian businesses through their procurement programmes represent an important area for stimulating local entrepreneurship. Businesses will be scored in proportion to the degree to which they assist previously disadvantaged businesses through procurement, mentorship, joint ventures and other initiatives.

### **Scoring:**

A business will score points in proportion to the value of its procurement spending allocated to businesses owned by previously disadvantaged Namibians up to a maximum of 50%. Additional points may be made available for other support given to businesses owned by previously disadvantaged Namibians including mentorship



programmes, joint ventures, market access and other initiatives. The points awarded for such initiatives will be based on more detailed criteria laid down by the NEEEF Commission.

### **e. Community Investment**

The NEEEF believes corporate social responsibility has become part and parcel of the modern business environment. Good corporate citizenship requires social investment in communities. This is particularly important for enterprises that derive their income from communities or community resources. The NEEEF will require businesses above a certain size to devote at least 1% of after-tax profits to community investment. Businesses will be rewarded for establishing operations in depressed communities. More detailed criteria will be laid down by the NEEEF Commission.

#### **Scoring:**

A business will score a minimum of 10 points for devoting 1% of after-tax profits to community investment. For every additional 0.2% spent on community investment, a business will score 2 additional points up to a maximum of 2% of after-tax profits giving a total of 20 points.







# FINANCING MECHANISMS

The NEEEF funding mechanism encourages innovative funding solutions to address the overarching developmental challenges facing Namibia and to broaden entrepreneurship in the country.

The private sector will be encouraged to propose innovative financing mechanisms for empowerment deals which will contribute to the deepening of the financial system. Development financiers such as the SME Bank and the DBN should also help to shoulder funding transformation deals.

Crucially, the funding of such deals should be on clear business principles where the commercial risk should lie primarily with the promoters. Therefore financial institutions should commit at least 3% of their non-retail funding to previously disadvantaged entrepreneurs, SME's and empowerment transactions to help foster greater financial inclusion.

The following options could be considered in respect of financing mechanisms:

## **Grants and incentives**

A range of grants and other incentives to enterprises should be considered in order to maximise the impact of NEEEF. New schemes and amendments to existing schemes should also be considered in support of NEEEF, including supplier development, micro-enterprise development, support for skills development, and the acquisition and development of new technology.





## **State-facilitated lending**

State-facilitated lending should focus on small- and medium-scale enterprises. Government should create lending facilities and provide for underwriting and risk-sharing, especially given the nature of SMEs. A distinction should be made between *micro-enterprises*, *small-scale enterprises* and *medium-scale enterprises*, and a new initiative for an apex fund for micro-lending should be considered.

## **Project financing**

The public sector can play a very important role in ensuring NEEEF is carried out in new project development.

## **Venture capital**

Government and the private sector should facilitate specific venture capital projects in particular sectors.

## **Targeted investment**

Government should provide inducements to finance empowerment ventures.

## **The Development Bank of Namibia's role**

The Development Bank of Namibia (DBN) is a publicly-owned corporation established through an Act of Parliament. The relevant Act further establishes the Special Development Fund (SDF) as an independent business unit within the DBN.





The DBN seeks to address the existing inadequate financing available for long-term projects, while the SDF will provide financial support to projects with socio-economic benefits that contribute to Namibia's development. By their very nature, the SDF's activities may not be sustainable: they are characterised by an investment profile of high risk or lower returns. Thus, Government funding for SDF-supported activities will come from budget allocations as seed capital.

The purpose of the SDF is to contribute to economic growth, social development, and poverty alleviation in Namibia by complementing the DBN's activities. In fulfilling this purpose, the SDF will encourage –

- employment in the formal and informal sectors
- training with a view towards increased productivity
- trade both nationally and internationally
- entrepreneurship, particularly as related to the empowerment of the historically disadvantaged
- access to finance for women entrepreneurs, and
- Development of small- and medium-scale enterprises.

The objectives of the SDF are to support selected key sustainable projects and programmes that have clear developmental importance where the risk may be high in relation to expected returns. Thus, SDF involvement in a project is intended to serve as a catalyst to attract and facilitate funding both from within and outside Government.



# INSTITUTIONAL REQUIREMENTS

## **Commission for Equitable Economic Empowerment Framework**

Government will establish a Commission for New Equitable Economic Empowerment Framework to promote and administer the NEEEF. This Commission will be made up of representatives of Government, business, trade unions and other organisations and be served by a secretariat and will work closely with other Government agencies including the Employment Equity Commission, the National Training Authority, the Development Bank of Namibia, the SME Bank and the Ministry of Trade and Industry.

The Commission should be established as a key mechanism of providing guidance and overall monitoring on the state of transformation and empowerment in the entire economy.

The Commission will oversee the implementation, monitoring and enforcement of NEEEF.

### **Composition:**

The Commission will comprise representatives from the following:

- Cabinet Members appointed by the President;
- NCCI;
- Social Stakeholders;
- Trade Unions





## ● **Functions of the Commission:**

The functions of the Commission will be to:-

- a) Report to government on NEEEF
- b) Review progress in achieving NEEEF
- c) Advise on principles of good governance and good practice
- d) Advise on the development, amendment or replacement of the strategy
- e) If requested to do so, advise on draft transformation charters
- f) Facilitate partnerships between organs of state and the private sector that will advance objectives
- g) Provide oversight into the implementation of the NEEEF
- h) Ensure that there is consistency in the implementation of NEEEF
- i) Provide direction to the executive resource over the life of NEEEF
- j) Take decisions affecting NEEEF and its implementation
- k) Decide on how funds for the Commission will be raised
- l) Report on the state of transformation and empowerment in the economy,
- m) Maintain a database of transformation and empowerment in the economy, and enablers and obstacles of implementing NEEEF.

## **Powers of the Commission**

The Commission will have all the powers necessary to enable it to fulfill its functions, including the power to:

- a) conduct research or commission research to be conducted
- b) request information from organs of state or private bodies



- c) publish reports on NEEEF
- d) establish sub-committees to deal with specific matters as and when required
- e) co-opt experts to serve on, or advise, sub-committees
- f) to establish relations and to seek cooperation from the various sectors  
Charter Councils
- g) carry out accreditation function

## Offset Mechanism

NEEEF will score each business that is required to be compliant according to the NEEEF scorecard. Each business can score up to 100 points in total made up of 20 points per empowerment pillar. To achieve compliance, a business will have to score more than 50 points in total. ***A minimum of 10 points on each of the three pillars of ownership, management control and employment equity, and human resources and skills development is mandatory.*** Overachievement on one pillar can be offset against underachievement in another pillar.

## Compliance, Enforcement and Penalties

The NEEEF is designed to be an incentive-driven set of policies that encourage businesses to take transformation more seriously rather than a penalty-driven initiative. Companies that fail to comply with NEEEF targets will not be explicitly penalised. However, they will not be eligible to tender for Government or SOE contracts or to receive fishing, mining, telecoms or other licences and may therefore find themselves in a disadvantageous and uncompetitive position.





Companies that do not tender for Government or SOE contracts will also be expected to score themselves according to the NEEEF scorecard if they want to be positively regarded by Government as contributing to empowerment and transformation in Namibia.

Businesses that need to comply with the NEEEF will be expected to provide audited proof that they have achieved NEEEF targets. This audit will be conducted as an additional component of their annual audits by external auditors and paid for by businesses themselves.

## **Review**

The Commission for Equitable Economic Empowerment will provide a written annual report to the Prime Minister and Parliament on progress with the NEEEF. The Commission will conduct a regular in-depth review the NEEEF every five years in consultation with business organisations and representatives.

## **Sunset Clause**

The NEEEF will be in place for a 25 year period from 2011 to 2036. Components of the NEEEF may be adjusted from time to time according to experience and circumstances. The eventual success of the NEEEF in achieving its goals will mean that beyond 2036 no such framework will be necessary.

## **Sector Specific Charters**

Sector specific charters will deal with the broader issues within the empowerment framework. Charters should not change the targets and weightings of the NEEEF, but will only complement the overall objectives of NEEEF by addressing specific indicators that should be adopted within the various sectors within the given guidelines.



## SUMMARISED NEEEF SCORECARD

Companies tendering for Government and SOE contracts or applying for licences must receive NEEEF rating from the NEEEF Commission. This rating consists of a score out of 100. A total of 20 points are available for each of the five empowerment pillars. Companies must score a minimum of 10 points in the three mandatory pillars of ownership, management and control, and skills development. Companies must score at least 50 points out of 100 to be considered empowered.

Pillar	Minimum	Maximum
<b>Ownership - mandatory</b> A business will score a minimum of 10 points if it is 25% owned by previously disadvantaged Namibians. For every additional 7.5% owned by previously disadvantaged Namibians, a business will score 1 additional point up to a maximum of 100% giving a total of 20 points.	25% ownership	100% ownership
<b>Management Control and Employment Equity – mandatory</b> A business will score a minimum of 10 points if its combined board and top management structures are 50% filled by previously disadvantaged Namibians. For every additional 10%, a business will score 2 additional points up to a maximum of 100% giving a total of 20 points.	50% board and management	100% board and management





<b>Human Resources and Skills Development—mandatory</b> A business will score a minimum of 10 points for devoting the equivalent of 1.5% of its gross wages to training. For every additional 0.1% of gross wages spent on training, a business will score 2 additional points up to a maximum of 2% of gross wages giving a total of 20 points.	1.5% of gross wages	2% of gross wages
<b>Entrepreneurship Development</b> A business will score points in proportion to the value of its procurement spending allocated to businesses owned by previously disadvantaged Namibians up to a maximum of 50%. Additional points may be made available for other support given to businesses owned by previously disadvantaged Namibians including mentorship programmes, joint ventures, market access and other initiatives. The points awarded for such initiatives will be based on more detailed criteria laid down by the NEEEF Commission.	0% of procurement	50% of procurement
<b>Community Investment</b> A business will score a minimum of 10 points for devoting 1% of after-tax profits to community investment. For every additional 0.2% spent on community investment, a business will score 2 additional points up to a maximum of 2% of after-tax profits giving a total of 20 points. Businesses will be rewarded for establishing operations in depressed communities. More detailed criteria will be laid down by the NEEEF Commission.	1% of after-tax profits	2% of after-tax profits